

SB 578 by Richter; (Similar to CS/H 0245) Depopulation Programs of Citizens Property Insurance Corporation

769920	A	S	FAV	BI, Fasano	Delete L.161 - 164:	12/07 02:14 PM
914512	A	S	FAV	BI, Richter	Delete L.168 - 202:	12/07 02:14 PM
218052	AA	S	RCS	BGA, Benacquisto	Delete L.9:	01/12 05:08 PM
252080	A	S	FAV	BI, Richter	Delete L.178 - 179:	12/07 02:14 PM
589860	A	S	FAV	BI, Richter	Delete L.187:	12/07 02:14 PM
721946	A	S	FAV	BI, Richter	Delete L.209 - 210:	12/07 02:14 PM
621564	A	S	FAV	BI, Richter	Delete L.291 - 292:	12/07 02:14 PM
163542	A	S	FAV	BI, Richter	Delete L.354:	12/07 02:14 PM
129526	A	S	RCS	BGA, Benacquisto	Delete L.161 - 166:	01/12 05:08 PM

CS/SB 610 by BI, Diaz de la Portilla; (Similar to CS/H 0379) Captive Insurance

557604	A	S	WD	BGA, Diaz de la Portilla	Delete L.233 - 234:	01/12 05:12 PM
331102	D	S	L RCS	BGA, Diaz de la Portilla	Delete everything after	01/12 05:12 PM

SB 792 by Gaetz, Rich (CO-INTRODUCERS) Latvala, Thrasher, Fasano, Oelrich, Negron, Ring, Benacquisto, Sobel, Richter, Lynn, Detert, Joyner, Gardiner, Gibson, Margolis, Hays, Evers, Diaz de la Portilla, Dean, Siplin, Garcia, Montford, Simmons, Flores, Braynon, Storms, Sachs, Smith, Bullard, Haridopolos, Alexander, Altman, Bennett, Bogdanoff, Dockery, Jones, Norman, Wise; (Similar to CS/H 0613) Financial Institutions

The Florida Senate
COMMITTEE MEETING EXPANDED AGENDA
BUDGET SUBCOMMITTEE ON GENERAL GOVERNMENT
APPROPRIATIONS
Senator Hays, Chair
Senator Benacquisto, Vice Chair

MEETING DATE: Thursday, January 12, 2012

TIME: 1:00 —3:00 p.m.

PLACE: *James E. "Jim" King, Jr. Committee Room*, 401 Senate Office Building

MEMBERS: Senator Hays, Chair; Senator Benacquisto, Vice Chair; Senators Braynon, Bullard, Diaz de la Portilla, Gibson, Jones, and Latvala

TAB	BILL NO. and INTRODUCER	BILL DESCRIPTION and SENATE COMMITTEE ACTIONS	COMMITTEE ACTION
1	SB 578 Richter (Similar CS/H 245, Compare S 1784)	Depopulation Programs of Citizens Property Insurance Corporation; Providing that eligible surplus lines insurers may participate, in the same manner and on the same terms as an authorized insurer, in depopulation, take-out, or keep-out programs relating to policies removed from Citizens Property Insurance Corporation; authorizing information from underwriting files and confidential files to be released by the corporation to specified entities that are considering writing or underwriting risks insured by the corporation under certain circumstances; specifying that only the corporation's transfer of a policy file to an insurer, as opposed to the transfer of any file, changes the file's public record status, etc. BI 12/07/2011 Fav/7 Amendments BGA 01/12/2012 Fav/CS BC	Fav/CS Yeas 6 Nays 2
2	CS/SB 610 Banking and Insurance / Diaz de la Portilla (Similar CS/H 379)	Captive Insurance; Expanding the kinds of insurance for which a captive insurer may seek licensure; limiting the risks that certain captive insurers may insure; specifying requirements and conditions relating to a captive insurer's authority to conduct business; specifying certain fees to be paid by captive insurance companies; requiring biographical affidavits and background investigations for all officers and directors; providing restrictions on officers and directors involved with insolvent insurers under certain conditions; providing restrictions on officers and directors found guilty of, or that have pleaded guilty or nolo contendere to, any felony or crime involving moral turpitude, including a crime of dishonesty or breach of trust, etc. BI 12/07/2011 Fav/CS BGA 01/12/2012 Fav/CS BC	Fav/CS Yeas 8 Nays 0

COMMITTEE MEETING EXPANDED AGENDA

Budget Subcommittee on General Government Appropriations
Thursday, January 12, 2012, 1:00 —3:00 p.m.

TAB	BILL NO. and INTRODUCER	BILL DESCRIPTION and SENATE COMMITTEE ACTIONS	COMMITTEE ACTION
3	SB 792 Gaetz (Identical H 613)	Financial Institutions; Requiring a financial institution that is chartered in this state and that maintains certain accounts with a foreign financial institution to establish due diligence policies, procedures, and controls reasonably designed to detect whether the foreign financial institution engages in certain activities facilitating the development of weapons of mass destruction by the Government of Iran, provides support for certain foreign terrorist organizations, or participates in other related activities; requiring the Office of Financial Regulation to adopt rules establishing minimum standards for the due diligence policies, procedures, and controls; requiring the Office of the Chief Financial Officer to make the annual report available to the public on its website; authorizing the Office of Financial Regulation to impose a civil penalty against a financial institution that fails to make the annual certification required by the act, etc. BI 12/07/2011 Favorable BGA 01/12/2012 Favorable BC	Favorable Yeas 8 Nays 0
4	Public Comments on Florida Public Hurricane Loss Projection Model		Presented
5	Presentation by the Water Management Districts on Preliminary Budgets for Fiscal Year 2012-2013: South Florida Water Management District St. Johns River Water Management District Suwannee River Water Management District Northwest Florida Water Management District Southwest Florida Water Management District		Presented
6	Budget Work Session		Not Considered
7	Other Related Meeting Documents		

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Budget Subcommittee on General Government Appropriations

BILL: CS/SB 578

INTRODUCER: Budget Subcommittee on General Government Appropriations and Senator Richter

SUBJECT: Depopulation Programs of Citizens Property Insurance Corporation

DATE: January 13, 2012

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Matiyow	Burgess	BI	Fav/7 amendments
2.	Betta	DeLoach	BGA	Fav/CS
3.				
4.				
5.				
6.				

Please see Section VIII. for Additional Information:

A. COMMITTEE SUBSTITUTE.....	<input checked="" type="checkbox"/>	Statement of Substantial Changes
B. AMENDMENTS.....	<input type="checkbox"/>	Technical amendments were recommended
	<input type="checkbox"/>	Amendments were recommended
	<input type="checkbox"/>	Significant amendments were recommended

I. Summary:

Under current law, surplus lines insurers are not allowed to participate in the Citizens' depopulation program. While surplus lines insurers are statutorily allowed to operate in Florida and must meet certain requirements of the Office of Insurance Regulation (OIR), they are not required to obtain a license to operate, whereas only licensed insurers can participate in the Citizens' depopulation program. The bill would change current law to allow surplus lines insurers that meet specified financial criteria to participate in the Citizens' depopulation program without the need of obtaining a license as an admitted carrier through OIR. The bill allows policy holders in Citizens to remain in Citizens should they be selected for removal through the depopulation program by a qualified surplus lines insurer.

The bill requires a surplus lines insurer removing policies from Citizens to provide prominent notice to the Citizens' policyholder prior to the insurer assumes the policy. The notice must explain that the surplus lines policy being offered is not covered by the Florida Insurance Guaranty Association. Additionally, the surplus lines insurer must offer similar coverage to what the policy holder currently has through Citizens. The surplus lines insurer must also explain to the selected Citizens' policyholders the differences between coverage through surplus lines and Citizens. If the Citizens' policyholder were to receive an offer for insurance from both a Florida

licensed insurer and a surplus lines insurer, then the offer from the Florida licensed insurer has priority.

The bill also requires surplus lines insurers participating in the Citizens' depopulation program to deposit a specified amount of premium from the assumed policies with the Bureau of Collateral Management in the Department of Financial Services. The premium deposit can be used to pay claims of Citizens' policyholders assumed by the insurer if the surplus lines insurer were to ever become insolvent.

Lastly, the bill allows additional types of insurers and insurance entities considering depopulating Citizens to receive Citizens' underwriting and confidential claims files, but maintains current law requiring release of the files only if the receiving insurer or entity agrees in writing to maintain the confidentiality of the files.

This bill substantially amends 627.351, Florida Statutes.

II. Present Situation:

Citizens Property Insurance Corporation

Citizens Property Insurance Corporation (Citizens or corporation) is a state-created, not-for-profit, tax exempt governmental entity whose public purpose is to provide property insurance coverage to those unable to find affordable coverage in the voluntary admitted market. It is not a private insurance company. As of September 30, 2011, Citizens is the largest property insurer in Florida with over 1.4 million policies extending over \$508 billion of property coverage to Floridians.¹ Citizens was created by the Legislature in 2002 by the merger of two existing property insurance associations that provided property insurance to those homeowners and businesses who could not find coverage in the private market.

Coverage

Citizens writes various types of property insurance coverage for its policyholders. The types of coverage are divided into three separate accounts within the corporation:

- Personal Lines Account (PLA) – Multi-peril Policies.² Consists of homeowners, mobile homeowners, dwelling fire, tenants, condominium unit owners and similar policies;
- Commercial Lines Account (CLA) – Multi-peril Policies. Consists of condominium association, apartment building, homeowner's association policies, and commercial non-residential multi-peril policies on property located outside the Coastal Account area; and
- Coastal Account – Wind-only³ and Multi-peril Policies. Consists of wind-only and multi-peril policies for personal residential, commercial residential and commercial non-residential issued in limited eligible coastal areas.

¹ <https://www.citizensfla.com/>

² A multi-peril policy is defined as a package policy, such as a homeowners or business insurance policy that provides coverage against several different perils. It also refers to the combination of property and liability coverage in one policy. (<http://www2.iii.org/glossary/>) Multi-peril property insurance policies include coverage for damage from windstorm and from other perils, such as fire, theft, and liability.

³ A wind-only policy is a property insurance policy that provides coverage against windstorm damage only. Coverage against non-windstorm events such as fire, theft, and liability are available in a separate policy.

Financial Resources

Citizens' financial resources to pay property insurance claims include both resources typically available to private insurance companies and resources uniquely available to Citizens as a governmental entity with the statutory authority to levy assessments in the event of a deficit in Citizens' financial resources. Like typical private insurance companies, Citizens' financial resources include:

- Insurance premiums;
- Investment income;
- Accumulated surplus;
- Reimbursements from the Florida Hurricane Catastrophe Fund due to Citizens' purchase of reinsurance from the Florida Hurricane Catastrophe Fund; and
- Reimbursements from private reinsurance companies if Citizens purchases private reinsurance.

Financial resources unique to Citizens include: Citizens' policyholder surcharges, regular assessments, and emergency assessments.

Assessments

In the event Citizens incurs a deficit (i.e., its obligations to pay claims exceeds its capital plus reinsurance recoveries), it may levy assessments on most of Florida's property and casualty insurance policyholders in a specific sequence set by statute.⁴ The three Citizens' accounts calculate deficits and resulting assessment needs independently.

Citizens Policyholder Assessments: If Citizens incurs a deficit, Citizens will first levy surcharges on its policyholders of up to 15 percent of premium per account in deficit, for a maximum total of 45 percent.⁵ This surcharge is collected over 12 months on all Citizens' policies and collected upon issuance and renewal.

Regular Assessments: Upon the exhaustion of the Citizens Policyholder Assessment for a particular account, Citizens may levy a regular assessment of up to 6 percent of premium or 6 percent of the deficit per account, for a maximum total of 18 percent.⁶ The regular assessment is levied on virtually all property and casualty policies in the state, but is not levied on Citizens' policies. The assessment is also not levied on workers' compensation, medical malpractice, accident and health, crop or federal flood insurance policies.

Emergency Assessments: Upon the exhaustion of the Citizens Policyholder Assessment and regular assessment for a particular account, Citizens may levy an emergency assessment of up to 10 percent of premium or 10 percent of the deficit per account, for a maximum total of 30 percent.⁷ This assessment can be collected for as many years as is necessary to cure a deficit. Emergency assessments are levied on virtually all property and casualty policies in the state, including Citizens' own policies. However, this assessment is not levied on workers' compensation, medical malpractice, accident and health, crop or federal flood insurance policies.

⁴ s. 627.351(6)(b)3.a., d., and i., F.S.

⁵ s. 627.351(6)(b)3.i., F.S.

⁶ s. 627.351(6)(b)3.a. and b., F.S.

⁷ s. 627.352(6)(b)3.d., F.S.

Depopulation

Under current law, Citizens is authorized to develop and maintain a depopulation program to reduce the number of its insured properties and to decrease its financial exposure.⁸ The depopulation program encourages insurance companies licensed in Florida to assume policies currently covered by Citizens, thus reducing Citizens' policy count and exposure. However, current law allows a Citizens' policyholder to choose to remain in Citizens even though the policyholder receives an offer of coverage (assumption) from an insurance company in the private market. Furthermore, a Citizens' policyholder cannot be removed from Citizens by a private insurer licensed in Florida if the policyholder's insurance agent is not appointed by the insurer removing the policy from Citizens.⁹

The following table outlines Citizens' recent depopulation statistics:

Depopulation of Citizens Property Insurance¹⁰

Year	Number of Policies	Exposure
2003	28,219	\$ 8,140,681,906
2004	158,416	\$ 30,663,076,480
2005	293,684	\$ 53,658,840,059
2006	67,853	\$ 15,637,589,369
2007	247,887	\$ 68,259,426,361
2008	385,084	\$ 106,870,490,165
2009	149,645	\$ 37,784,506,743
2010	59,792	\$ 13,888,913,857

Surplus Lines Insurance

Surplus lines insurance refers to a category of insurance for which there is no market available through standard insurance carriers in the admitted market (insurance companies licensed to transact insurance in Florida). There are three basic categories of surplus lines risks:

- Specialty risks that have unusual underwriting characteristics or underwriting characteristics that admitted insurers view as undesirable;
- Niche risks for which admitted carriers do not have a filed policy form or rate; and
- Capacity risks which are risks where an insured needs higher coverage limits than those that are available in the admitted market.

Surplus lines insurers are not "authorized" insurers as defined in the Florida Insurance Code and thus do not obtain a certificate of authority from the Office of Insurance Regulation to transact insurance in Florida.¹¹ Rather, surplus lines insurers are "unauthorized" or "nonadmitted" insurers, but are eligible to transact surplus lines insurance under the surplus lines law as "eligible surplus insurers."¹² The OIR determines whether a surplus lines insurer is "eligible"

⁸ s. 627.351(6)(q)3., F.S.

⁹ See s. 627.3517, F.S.

¹⁰ <https://www.citizensfla.com/about/depopinfo.cfm> (last viewed October 26, 2011).

¹¹ s. 624.09(1), F.S., defines "authorized" insurer.

¹² s. 624.09(2), F.S. defines "unauthorized" insurer, s. 626.914(2), F.S., defines "eligible surplus lines insurer," and s. 626.918, F.S., provides eligibility for surplus lines insurers.

based on statutory guidelines.¹³ Eligibility requirements¹⁴ reviewed by the OIR for surplus lines include: 1) Eligibility is requested in writing for the insurer by the Florida Surplus Lines Service Office; 2) Insurer is authorized for the prior three years in the state or country of its domicile to write the kinds of insurance the insurer wants to write in Florida (with limited exceptions); 3) Insurer provides the OIR with its current annual financial statement; 4) Insurer meets surplus requirements (delineated below); and 5) Insurer has a good reputation relating to payment of claims and policyholder service. Generally, a surplus lines insurer must have and maintain surplus of \$15 million or more in order to obtain and maintain eligibility.¹⁵ In addition, an insurer formed outside the U.S. must have and maintain in the U.S. a trust fund containing at least \$5.4 million. The OIR has no duty or responsibility to determine the actual financial condition or claims practice of surplus lines insurers; a finding of eligibility by the OIR only means the surplus lines insurer appears to be financially sound and to have satisfactory claims practice.¹⁶

The OIR must withdraw the eligibility of a surplus lines insurer if the OIR has reason to believe the insurer is insolvent or in unsound financial condition, does not make reasonable prompt payment of claims, or does not meet the statutory guidelines for eligibility (including maintenance of \$15 million in surplus). The OIR may withdraw the eligibility of a surplus lines insurer if the insurer willfully violates a statute or rule.¹⁷

III. Effect of Proposed Changes:

The bill would allow surplus lines insurers meeting specified criteria to take part in Citizens' depopulation program. Only surplus lines insurers meeting three financial criteria would be allowed to take policies out of Citizens. The criteria are designed to ensure that only financially sound surplus lines insurers can participate in the Citizens' depopulation program. The OIR will determine if the surplus lines insurer meets the specified financial criteria for participation in the depopulation program and must approve the surplus lines insurer's depopulation plan.

First, the bill requires the surplus lines insurer wanting to participate in Citizens' depopulation to maintain \$50 million in surplus. Current law requires surplus lines insurers to maintain surplus of only \$15 million in order to be eligible to write insurance in Florida. Thus, the bill provides increased surplus requirements for those surplus lines insurers that take policies out of Citizens. The increased surplus will protect against insolvency of the insurer and make it more likely policyholder claims can be paid if an insolvency occurs.

Second, the insurer must also maintain an A.M. Best Financial Strength Rating of A- or better in order to take policies out of Citizens. Surplus lines insurers are not required in current law to maintain a certain A.M. Best Rating in order to be eligible to write insurance in Florida.

Third, the bill requires a surplus lines insurer wanting to participate in Citizens' depopulation to have financial resources to cover the insurer's 100-year probable maximum loss at least twice in a hurricane season. Historically, the OIR has required authorized insurers to have financial

¹³ s. 626.918(2), F.S.

¹⁴ s. 626.918, F.S.

¹⁵ s. 626.918(1)(d)1.a., F.S.

¹⁶ s. 626.918(4), F.S.

¹⁷ s. 626.919, F.S.

resources to cover the insurer's 100-year probable maximum loss at least once in a hurricane season. However, instead of implementing a 100-year reinsurance requirement for all authorized insurers, recently the OIR implemented reinsurance requirements based on a review of an insurer's financial picture and exposure. Thus, reinsurance requirements can vary among authorized insurers.

Under the bill, a surplus lines insurer removing policies from Citizens must provide prominent notice to the Citizens' policyholder, before the insurer assumes the policy, that the surplus lines policy is not covered by the Florida Insurance Guaranty Association (FIGA). Generally, FIGA pays claims of policyholders insured by licensed Florida insurers if the insurer becomes insolvent. Because insurance written by surplus lines insurers are not covered by FIGA, if the insurer becomes insolvent, claims will be paid solely from the assets of the insurer, and claim payment, in full or in part, is not guaranteed.

A surplus lines insurer wanting to take a policy from Citizens must offer the Citizens' policyholder a policy with similar coverage to his or her Citizens' policy and must notify the Citizens' policyholder of the differences in coverage offered by the insurer and Citizens. In addition, the insurer must comply with the requirements in current law for licensed insurers that take policies out of Citizens.¹⁸ If the Citizens' policyholder receives an offer for insurance from both a Florida licensed insurer and a surplus lines insurer, then the offer from the Florida licensed insurer has priority.

The bill expands the provision in current law allowing release of Citizens' underwriting and confidential claims files to certain insurers. Current law allows insurers wanting to take policies out of Citizens to obtain underwriting and claims information on policies in Citizens. This is allowed so the insurer can decide which Citizens' policies to assume based on the insurer's exposure, financial picture, and business plan. The information can be released by Citizens only if the insurer agrees in writing to maintain the confidentiality of the files.

The bill allows additional types of insurers and insurance related entities considering depopulating Citizens to receive Citizens' underwriting and confidential claims files. Under the bill, reinsurance intermediaries, eligible surplus lines insurers, and entities created to seek authority to write property insurance are allowed to receive Citizens' files. The bill maintains current law requiring release of the files only if the receiving insurer or entity agrees in writing to maintain the confidentiality of the files.

Surplus lines insurers assuming policies from Citizens must deposit a certain amount of premium from the assumed policies with the Bureau of Collateral Management in the Department of Financial Services. The Bureau of Collateral Management is part of the Division of Treasury. The Chief Financial Officer has fiduciary responsibility over the Division of Treasury.¹⁹

The Division of Treasury has three bureaus:

- The Bureau of Funds Management;
- The Bureau of Collateral Management; and

¹⁸ s. 627.351(6)(q)3., F.S.; s. 627.3511, F.S.; s. 627.3517, F.S.

¹⁹ See s. 17.52, F.S.; s. 17.54, F.S.; s. 17.55, F.S.

- The Bureau of Deferred Compensation.

The Bureau of Collateral Management is a centralized deposit location for specialized handling of regulatory collateral deposits. Regulatory collateral deposits are required by state agencies as a condition of doing business or acts of guarantee. For 2010, the Bureau's asset management staff was responsible for maintaining regulatory collateral deposits for 1,885 combined accounts representing in excess of \$17 billion.²⁰

The premium deposit can be used to pay claims of Citizens' policyholders assumed by the insurer if the surplus lines insurer becomes insolvent. The surplus lines insurer must make an accounting of the premium deposit with OIR at the time of the initial deposit and quarterly thereafter. The accounting must evidence the amount of the premium on deposit is accurate. If the deposit amount is too low, then the insurer must deposit additional funds. If the deposit amount is too high, then the insurer must receive a refund of the excess funds.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Insurance written by surplus lines insurers is often more expensive than insurance written by licensed insurers and by Citizens. Thus, Citizens' policyholders who choose to be taken out of Citizens to obtain insurance from a surplus lines insurer could pay more for insurance. However, the bill does not force Citizens' policyholders out of Citizens when a surplus lines insurer wants to insure their property. Obtaining insurance with a surplus lines insurer instead of Citizens is the policyholder's choice. Thus, if the cost of insurance from the surplus lines insurer is more than the insurance from Citizens or more than the policyholder wants to pay, then the policyholder can remain in Citizens. A Citizens' policyholder opting to move from Citizens to a surplus lines insurer would no longer

²⁰ Division of Treasury Annual Report 2010 available at <http://www.myfloridacfo.com/treasuryannual/2010/> (last viewed October 24, 2011).

incur a Citizens Policyholder Assessment if Citizens runs a deficit. However, the policyholder would still incur regular and emergency assessments as policyholders of property and casualty surplus lines insurers are assessed for Citizens' deficits.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Budget Subcommittee on General Government Appropriations on January 12, 2012:

The committee substitute (CS) makes the following changes to the bill:

- Clarified the timing when an insurer must deposit additional funds with the Commissioner of Insurance.
- Corrects the proper name for the Bureau of Collateral Management within the Department of Financial Services.
- Allows entities who have filed an application with the Office of Insurance Regulation to begin receiving policy data for the purpose of take outs from Citizens.
- Makes technical change from “admitted carrier” to “authorized insurer”.
- Requires surplus lines carriers seeking approval from the Office of Insurance Regulation must first:
 - Provide biographical affidavits, submit to fingerprint laws and criminal history reports on all officers and directors of the insurer and its parent or holding company.
 - Complete a service of process consent and agreement form executed by the insurer.
 - Provide proof that the insurer has been eligible or authorized insurer for not less than three years.
 - Provide duly authenticated copy of the insurer's current audited financial statement, in English, with all monetary values therein expressed in United States dollars.
 - Provide a complete certified copy of the latest official financial statement required by the insurer's domiciliary state, if applicable.
 - Provide a copy of the United States trust account agreement, if applicable.

- Provides that the surplus lines insurer participating in the takeout must deposit amounts equal to the unearned premium with the Department of Financial Services in order to protect the policy holders in the event of insolvency by the insurer.
- Changes the effective date of the bill to upon becoming law.

B. Amendments:

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.



129526

LEGISLATIVE ACTION

Senate	.	House
Comm: RCS	.	
01/12/2012	.	
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The Committee on Budget Subcommittee on General Government
Appropriations (Benacquisto) recommended the following:

Senate Amendment

Delete lines 161 - 166
and insert:

(D) Provides prominent notice to the policyholder before
the assumption of the policy that surplus lines policies are not
provided coverage by the Florida Insurance Guaranty Association,
and an outline of any substantial differences in coverage
between the existing policy and the policy being offered to the
insured; and



218052

LEGISLATIVE ACTION

Senate	.	House
Comm: RCS	.	
01/12/2012	.	
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The Committee on Budget Subcommittee on General Government
Appropriations (Benacquisto) recommended the following:

Senate Amendment to Amendment (914512)

Delete line 9
and insert:
affidavits, fingerprints processed pursuant to s. 624.34, and
the results of a criminal

By Senator Richter

37-00216A-12

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A bill to be entitled

An act relating to the depopulation programs of Citizens Property Insurance Corporation; amending s. 627.351, F.S.; providing that eligible surplus lines insurers may participate, in the same manner and on the same terms as an authorized insurer, in depopulation, take-out, or keep-out programs relating to policies removed from Citizens Property Insurance Corporation; providing certain exceptions, conditions, and requirements relating to such participation by a surplus lines insurer in the corporation's depopulation, take-out, or keep-out programs; authorizing information from underwriting files and confidential files to be released by the corporation to specified entities that are considering writing or underwriting risks insured by the corporation under certain circumstances; specifying that only the corporation's transfer of a policy file to an insurer, as opposed to the transfer of any file, changes the file's public record status; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Paragraphs (q) and (x) of subsection (6) of section 627.351, Florida Statutes, are amended to read:
 627.351 Insurance risk apportionment plans.—
 (6) CITIZENS PROPERTY INSURANCE CORPORATION.—
 (q)1. The corporation shall certify to the office its needs

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for annual assessments as to a particular calendar year, and for any interim assessments that it deems to be necessary to sustain operations as to a particular year pending the receipt of annual assessments. Upon verification, the office shall approve such certification, and the corporation shall levy such annual or interim assessments. Such assessments shall be prorated as provided in paragraph (b). The corporation shall take all reasonable and prudent steps necessary to collect the amount of assessment due from each assessable insurer, including, if prudent, filing suit to collect such assessment. If the corporation is unable to collect an assessment from any assessable insurer, the uncollected assessments shall be levied as an additional assessment against the assessable insurers and any assessable insurer required to pay an additional assessment as a result of such failure to pay shall have a cause of action against such nonpaying assessable insurer. Assessments shall be included as an appropriate factor in the making of rates. The failure of a surplus lines agent to collect and remit any regular or emergency assessment levied by the corporation is considered to be a violation of s. 626.936 and subjects the surplus lines agent to the penalties provided in that section.

2. The governing body of any unit of local government, any residents of which are insured by the corporation, may issue bonds as defined in s. 125.013 or s. 166.101 from time to time to fund an assistance program, in conjunction with the corporation, for the purpose of defraying deficits of the corporation. In order to avoid needless and indiscriminate proliferation, duplication, and fragmentation of such assistance programs, any unit of local government, any residents of which

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are insured by the corporation, may provide for the payment of losses, regardless of whether or not the losses occurred within or outside of the territorial jurisdiction of the local government. Revenue bonds under this subparagraph may not be issued until validated pursuant to chapter 75, unless a state of emergency is declared by executive order or proclamation of the Governor pursuant to s. 252.36 making such findings as are necessary to determine that it is in the best interests of, and necessary for, the protection of the public health, safety, and general welfare of residents of this state and declaring it an essential public purpose to permit certain municipalities or counties to issue such bonds as will permit relief to claimants and policyholders of the corporation. Any such unit of local government may enter into such contracts with the corporation and with any other entity created pursuant to this subsection as are necessary to carry out this paragraph. Any bonds issued under this subparagraph shall be payable from and secured by moneys received by the corporation from emergency assessments under sub-subparagraph (b)3.C. ~~(b)3.d.~~, and assigned and pledged to or on behalf of the unit of local government for the benefit of the holders of such bonds. The funds, credit, property, and taxing power of the state or of the unit of local government shall not be pledged for the payment of such bonds.

3.a. The corporation shall adopt one or more programs subject to approval by the office for the reduction of both new and renewal writings in the corporation. Beginning January 1, 2008, any program the corporation adopts for the payment of bonuses to an insurer for each risk the insurer removes from the corporation shall comply with s. 627.3511(2) and may not exceed

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2012578

the amount referenced in s. 627.3511(2) for each risk removed. The corporation may consider any prudent and not unfairly discriminatory approach to reducing corporation writings, and may adopt a credit against assessment liability or other liability that provides an incentive for insurers to take risks out of the corporation and to keep risks out of the corporation by maintaining or increasing voluntary writings in counties or areas in which corporation risks are highly concentrated and a program to provide a formula under which an insurer voluntarily taking risks out of the corporation by maintaining or increasing voluntary writings will be relieved wholly or partially from assessments under sub-subparagraph sub-subparagraphs (b)3.a. ~~and~~ ~~However~~, any "take-out bonus" or payment to an insurer must be conditioned on the property being insured for at least 5 years by the insurer, unless canceled or nonrenewed by the policyholder. If the policy is canceled or nonrenewed by the policyholder before the end of the 5-year period, the amount of the take-out bonus must be prorated for the time period the policy was insured. When the corporation enters into a contractual agreement for a take-out plan, the producing agent of record of the corporation policy is entitled to retain any unearned commission on such policy, and the insurer shall either:

(I) Pay to the producing agent of record of the policy, for the first year, an amount which is the greater of the insurer's usual and customary commission for the type of policy written or a policy fee equal to the usual and customary commission of the corporation; or

(II) Offer to allow the producing agent of record of the

Page 4 of 13

CODING: Words ~~stricken~~ are deletions; words underlined are additions.

37-00216A-12 2012578
 117 policy to continue servicing the policy for a period of not less
 118 than 1 year and offer to pay the agent the insurer's usual and
 119 customary commission for the type of policy written. If the
 120 producing agent is unwilling or unable to accept appointment by
 121 the new insurer, the new insurer shall pay the agent in
 122 accordance with sub-sub-subparagraph (I).

123 b. Any credit or exemption from regular assessments adopted
 124 under this subparagraph shall last no longer than the 3 years
 125 following the cancellation or expiration of the policy by the
 126 corporation. With the approval of the office, the board may
 127 extend such credits for an additional year if the insurer
 128 guarantees an additional year of renewability for all policies
 129 removed from the corporation, or for 2 additional years if the
 130 insurer guarantees 2 additional years of renewability for all
 131 policies so removed.

132 c. There shall be no credit, limitation, exemption, or
 133 deferment from emergency assessments to be collected from
 134 policyholders pursuant to sub-subparagraph (b)3.c. ~~(b)3.d.~~

135 d. Notwithstanding any other provision of law, for purposes
 136 of a depopulation, take-out, or keep-out program adopted by the
 137 corporation, including an initial or renewal offer of coverage
 138 made to a policyholder removed from the corporation pursuant to
 139 such program, an eligible surplus lines insurer may participate
 140 in the program in the same manner and on the same terms as an
 141 authorized insurer, except as provided under this sub-
 142 subparagraph.

143 (I) To qualify for participation, the surplus lines insurer
 144 must first obtain approval from the office for its depopulation,
 145 take-out, or keep-out plan and then comply with all of the

37-00216A-12 2012578
 146 corporation's requirements for the plan applicable to admitted
 147 insurers and with all statutory provisions applicable to the
 148 removal of policies from the corporation.

149 (II) In considering a surplus lines insurer's request for
 150 approval for its plan, the office must determine that the
 151 surplus lines insurer meets the following requirements:

152 (A) Maintains surplus of \$50 million on a company or pooled
 153 basis;

154 (B) Maintains an A.M. Best Financial Strength Rating of A-
 155 or better;

156 (C) Maintains reserves, surplus, reinsurance, and
 157 reinsurance equivalents sufficient to cover the insurer's 100-
 158 year probable maximum hurricane loss at least twice in a single
 159 hurricane season, and submits such reinsurance to the office to
 160 review for purposes of the take-out;

161 (D) Provides prominent notice to the policyholder before
 162 the assumption of the policy that surplus lines policies are not
 163 provided coverage by the Florida Insurance Guaranty Association,
 164 and an outline of any substantial differences in coverage
 165 between the existing policy and the policy being offered to the
 166 insured; and

167 (E) Provides similar policy coverage.

168
 169 This sub-sub-subparagraph does not subject any surplus lines
 170 insurer to requirements in addition to part VIII of chapter 626.
 171 Surplus lines brokers making an offer of coverage under this
 172 sub-subparagraph are not required to comply with s.
 173 626.916(1)(a), (b), (c), and (e).

174 (III) Within 10 days after the date of assumption, the

37-00216A-12 2012578
 175 surplus lines insurer assuming policies from the corporation
 176 must remit a special deposit equal to the unearned premium net
 177 of unearned commissions on the assumed block of business to the
 178 Department of Financial Services, Bureau of Collateral
 179 Securities. The surplus lines insurer must submit to the office
 180 with the initial deposit an accounting of the policies assumed
 181 and the amount of unearned premium for such policies along with
 182 a sworn affidavit attesting to its accuracy by an officer of the
 183 surplus lines insurer. Thereafter, the surplus lines insurer
 184 must make a filing within 10 days after each calendar quarter,
 185 attesting to the unearned premium in force for the previous
 186 quarter on policies assumed from the corporation, and must
 187 submit additional funds if the special deposit is insufficient
 188 to cover the unearned premium on assumed policies, or must
 189 receive a return of funds within 60 days if the special deposit
 190 exceeds the amount of unearned premium required for assumed
 191 policies. The special deposit is an asset of the surplus lines
 192 insurer which is held by the department for the benefit of state
 193 policyholders of the surplus lines insurer in the event of the
 194 insolvency of the surplus lines insurer. If an order of
 195 liquidation is entered in any state against the surplus lines
 196 insurer, the department may use the special deposit for payment
 197 of unearned premium or policy claims, return all or part of the
 198 deposit to the domiciliary receiver, or use the funds in
 199 accordance with any action authorized under part I of chapter
 200 631 or in compliance with any order of a court with jurisdiction
 201 over the insolvency.

202 (IV) Surplus lines brokers representing a surplus lines
 203 insurer on a take-out program must obtain confirmation, in

37-00216A-12 2012578
 204 written or e-mail form, from each producing agent in advance
 205 stating that the agent is willing to participate in the take-out
 206 program with the surplus lines insurer engaging in the take-out
 207 program. The take-out program is also subject to s. 627.3517. If
 208 a policyholder is selected for removal from the corporation by a
 209 surplus lines insurer and an admitted carrier, the offer of
 210 coverage from the admitted carrier shall be given priority by
 211 the corporation.

212 4. The plan shall provide for the deferment, in whole or in
 213 part, of the assessment of an assessable insurer, other than an
 214 emergency assessment collected from policyholders pursuant to
 215 sub-subparagraph (b)3.c. ~~(b)3.d.~~, if the office finds that
 216 payment of the assessment would endanger or impair the solvency
 217 of the insurer. In the event an assessment against an assessable
 218 insurer is deferred in whole or in part, the amount by which
 219 such assessment is deferred may be assessed against the other
 220 assessable insurers in a manner consistent with the basis for
 221 assessments set forth in paragraph (b).

222 5. Effective July 1, 2007, in order to evaluate the costs
 223 and benefits of approved take-out plans, if the corporation pays
 224 a bonus or other payment to an insurer for an approved take-out
 225 plan, it shall maintain a record of the address or such other
 226 identifying information on the property or risk removed in order
 227 to track if and when the property or risk is later insured by
 228 the corporation.

229 6. Any policy taken out, assumed, or removed from the
 230 corporation is, as of the effective date of the take-out,
 231 assumption, or removal, direct insurance issued by the insurer
 232 and not by the corporation, even if the corporation continues to

37-00216A-12 2012578
 service the policies. This subparagraph applies to policies of
 the corporation and not policies taken out, assumed, or removed
 from any other entity.

(x)1. The following records of the corporation are
 confidential and exempt from the provisions of s. 119.07(1) and
 s. 24(a), Art. I of the State Constitution:

a. Underwriting files, except that a policyholder or an
 applicant shall have access to his or her own underwriting
 files. Confidential and exempt underwriting file records may
 also be released to other governmental agencies upon written
 request and demonstration of need; such records held by the
 receiving agency remain confidential and exempt as provided
 herein.

b. Claims files, until termination of all litigation and
 settlement of all claims arising out of the same incident,
 although portions of the claims files may remain exempt, as
 otherwise provided by law. Confidential and exempt claims file
 records may be released to other governmental agencies upon
 written request and demonstration of need; such records held by
 the receiving agency remain confidential and exempt as provided
 herein.

c. Records obtained or generated by an internal auditor
 pursuant to a routine audit, until the audit is completed, or if
 the audit is conducted as part of an investigation, until the
 investigation is closed or ceases to be active. An investigation
 is considered "active" while the investigation is being
 conducted with a reasonable, good faith belief that it could
 lead to the filing of administrative, civil, or criminal
 proceedings.

37-00216A-12 2012578

d. Matters reasonably encompassed in privileged attorney-
 client communications.

e. Proprietary information licensed to the corporation
 under contract and the contract provides for the confidentiality
 of such proprietary information.

f. All information relating to the medical condition or
 medical status of a corporation employee which is not relevant
 to the employee's capacity to perform his or her duties, except
 as otherwise provided in this paragraph. Information that is
 exempt shall include, but is not limited to, information
 relating to workers' compensation, insurance benefits, and
 retirement or disability benefits.

g. Upon an employee's entrance into the employee assistance
 program, a program to assist any employee who has a behavioral
 or medical disorder, substance abuse problem, or emotional
 difficulty which affects the employee's job performance, all
 records relative to that participation shall be confidential and
 exempt from the provisions of s. 119.07(1) and s. 24(a), Art. I
 of the State Constitution, except as otherwise provided in s.
 112.0455(11).

h. Information relating to negotiations for financing,
 reinsurance, depopulation, or contractual services, until the
 conclusion of the negotiations.

i. Minutes of closed meetings regarding underwriting files,
 and minutes of closed meetings regarding an open claims file
 until termination of all litigation and settlement of all claims
 with regard to that claim, except that information otherwise
 confidential or exempt by law shall be redacted.

2. If an authorized insurer, reinsurance intermediary,

37-00216A-12 2012578

291 eligible surplus lines insurer, or entity that has been created
 292 to seek authority to write property insurance in this state is
 293 considering writing or assisting in the underwriting of a risk
 294 insured by the corporation, relevant information from both the
 295 underwriting files and confidential claims files may be released
 296 to the insurer, reinsurance intermediary, eligible surplus lines
 297 insurer, or entity that has been created to seek authority to
 298 write property insurance in this state provided the recipient
 299 ~~insurer~~ agrees in writing, notarized and under oath, to maintain
 300 the confidentiality of such files. If a policy file is
 301 transferred to an insurer, that policy file is no longer a
 302 public record because it is not held by an agency subject to the
 303 provisions of the public records law. Underwriting files and
 304 confidential claims files may also be released to staff and the
 305 board of governors of the market assistance plan established
 306 pursuant to s. 627.3515, who must retain the confidentiality of
 307 such files, except such files may be released to authorized
 308 insurers that are considering assuming the risks to which the
 309 files apply, provided the insurer agrees in writing, notarized
 310 and under oath, to maintain the confidentiality of such files.
 311 Finally, the corporation or the board or staff of the market
 312 assistance plan may make the following information obtained from
 313 underwriting files and confidential claims files available to
 314 licensed general lines insurance agents: name, address, and
 315 telephone number of the residential property owner or insured;
 316 location of the risk; rating information; loss history; and
 317 policy type. The receiving licensed general lines insurance
 318 agent must retain the confidentiality of the information
 319 received.

37-00216A-12 2012578

320 3. A policyholder who has filed suit against the
 321 corporation has the right to discover the contents of his or her
 322 own claims file to the same extent that discovery of such
 323 contents would be available from a private insurer in litigation
 324 as provided by the Florida Rules of Civil Procedure, the Florida
 325 Evidence Code, and other applicable law. Pursuant to subpoena, a
 326 third party has the right to discover the contents of an
 327 insured's or applicant's underwriting or claims file to the same
 328 extent that discovery of such contents would be available from a
 329 private insurer by subpoena as provided by the Florida Rules of
 330 Civil Procedure, the Florida Evidence Code, and other applicable
 331 law, and subject to any confidentiality protections requested by
 332 the corporation and agreed to by the seeking party or ordered by
 333 the court. The corporation may release confidential underwriting
 334 and claims file contents and information as it deems necessary
 335 and appropriate to underwrite or service insurance policies and
 336 claims, subject to any confidentiality protections deemed
 337 necessary and appropriate by the corporation.
 338 4. Portions of meetings of the corporation are exempt from
 339 the provisions of s. 286.011 and s. 24(b), Art. I of the State
 340 Constitution wherein confidential underwriting files or
 341 confidential open claims files are discussed. All portions of
 342 corporation meetings which are closed to the public shall be
 343 recorded by a court reporter. The court reporter shall record
 344 the times of commencement and termination of the meeting, all
 345 discussion and proceedings, the names of all persons present at
 346 any time, and the names of all persons speaking. No portion of
 347 any closed meeting shall be off the record. Subject to the
 348 provisions hereof and s. 119.07(1)(d)-(f), the court reporter's

37-00216A-12 2012578__

349 notes of any closed meeting shall be retained by the corporation
350 for a minimum of 5 years. A copy of the transcript, less any
351 exempt matters, of any closed meeting wherein claims are
352 discussed shall become public as to individual claims after
353 settlement of the claim.

354 Section 2. This act shall take effect July 1, 2012.



914512

LEGISLATIVE ACTION

Senate	.	House
Comm: FAV	.	
12/07/2011	.	
	.	
	.	
	.	

The Committee on Banking and Insurance (Richter) recommended the following:

Senate Amendment

Delete lines 168 - 202
and insert:

(III) In order to obtain approval for a plan, the surplus lines insurer must file the following with the office:

(A) Information requested by the office to demonstrate compliance with s. 624.404(3), including biographical affidavits, fingerprint cards, and the results of a criminal history records checks for officers and directors of the insurer and its parent or holding company;

(B) A service-of-process consent and agreement form



914512

executed by the insurer;

(C) Proof that the insurer has been an eligible or authorized insurer for not less than 3 years;

(D) A duly authenticated copy of the insurer's current audited financial statement, in English, with all monetary values therein expressed in United States dollars, at an exchange rate then current and shown in the statement, in the case of statements originally made in the currencies of other countries, and with such any additional information relative to the insurer as the office may request;

(E) A complete certified copy of the latest official financial statement required by the insurer's domiciliary state, if different from sub-sub-sub-subparagraph (D); and

(F) A copy of the United States trust account agreement, if applicable.

This sub-sub-subparagraph does not subject any surplus lines insurer to requirements in addition to part VIII of chapter 626. Surplus lines brokers making an offer of coverage under this sub-subparagraph are not required to comply with s. 626.916(1)(a), (b), (c), and (e).

(IV) Within 10 days after the date of assumption, the surplus lines insurer assuming policies from the corporation must remit a special deposit equal to the unearned premium net of unearned commissions on the assumed block of business to the Bureau of Collateral Securities within the Department of Financial Services. The surplus lines insurer must submit to the office, along with the initial deposit, an accounting of the policies assumed and the amount of unearned premium for such



914512

policies and a sworn affidavit attesting to its accuracy by an
officer of the surplus lines insurer. Thereafter, the surplus
lines insurer must make a filing within 10 days after each
calendar quarter attesting to the unearned premium in force for
the previous quarter on policies assumed from the corporation,
and must submit additional funds if the special deposit is
insufficient to cover the unearned premium on assumed policies,
or must receive a return of funds within 60 days if the special
deposit exceeds the amount of unearned premium required for
assumed policies. The special deposit is an asset of the surplus
lines insurer which is held by the department for the benefit of
state policyholders of the surplus lines insurer in the event of
the insolvency of the surplus lines insurer. If an order of
liquidation is entered in any state against the surplus lines
insurer, the department may use the special deposit for payment
of unearned premium or policy claims, return all or part of the
deposit to the domiciliary receiver, or use the funds in
accordance with any action authorized under part I of chapter
631 or in compliance with any order of a court having
jurisdiction over the insolvency.

(V) Surplus lines brokers representing a surplus lines



252080

LEGISLATIVE ACTION

Senate	.	House
Comm: FAV	.	
12/07/2011	.	
	.	
	.	
	.	

The Committee on Banking and Insurance (Richter) recommended the following:

Senate Amendment

Delete lines 178 - 179
and insert:
Bureau of Collateral Management of the Department of Financial
Services. The surplus lines insurer must submit to the office



589860

LEGISLATIVE ACTION

Senate	.	House
Comm: FAV	.	
12/07/2011	.	
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	.	
	.	

The Committee on Banking and Insurance (Richter) recommended the following:

Senate Amendment

Delete line 187
and insert:
submit additional funds with that filing if the special deposit
is insufficient



721946

LEGISLATIVE ACTION

Senate	.	House
Comm: FAV	.	
12/07/2011	.	
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The Committee on Banking and Insurance (Richter) recommended the following:

Senate Amendment

Delete lines 209 - 210
and insert:
surplus lines insurer and an authorized insurer, the offer of
coverage from the authorized insurer shall be given priority by



621564

LEGISLATIVE ACTION

Senate	.	House
Comm: FAV	.	
12/07/2011	.	
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	.	

The Committee on Banking and Insurance (Richter) recommended the following:

Senate Amendment

Delete lines 291 - 292
and insert:
eligible surplus lines insurer, or entity that has filed an
application with the office for licensure as a property and
casualty insurer in this state is



163542

LEGISLATIVE ACTION

Senate	.	House
Comm: FAV	.	
12/07/2011	.	
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	.	

The Committee on Banking and Insurance (Richter) recommended the following:

Senate Amendment

Delete line 354
and insert:
Section 2. This act shall take effect upon becoming a law.



769920

LEGISLATIVE ACTION

Senate	.	House
Comm: FAV	.	
12/07/2011	.	
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	.	
	.	

The Committee on Banking and Insurance (Fasano) recommended the following:

Senate Amendment

Delete lines 161 - 164
and insert:

(D) Provides to the policyholder before the assumption of
the policy an outline of any substantial differences in coverage



THE FLORIDA SENATE

Tallahassee, Florida 32399-1100

COMMITTEES:

Banking and Insurance, *Chair*
Budget
Budget - Subcommittee on Health and Human Services
Appropriations
Community Affairs
Judiciary
Rules
Rules - Subcommittee on Ethics and Elections

JOINT COMMITTEE:

Legislative Budget Commission

SENATOR GARRETT RICHTER

37th District

December 16, 2011

The Honorable Alan Hays, Chair
Committee on General Government Appropriations
201 The Capitol
404 South Monroe Street
Tallahassee, FL 32399-1100

Dear Chairman Hays:

Senate Bill 578, related to the depopulation of Citizens Property Insurance through surplus line carriers, has been referred to General Government Appropriations as its second committee of reference. I would appreciate the placing of this bill on the committee's next agenda.

Thank you for your consideration.

Sincerely,

A handwritten signature in dark ink, appearing to read "Garrett Richter".

Garrett Richter

cc: Jamie DeLoach, Staff Director

REPLY TO:

- ☐ 3299 East Tamiami Trail, Suite 203, Naples, Florida 34112 (239) 417-6205
- ☐ 1039 S.E. 9th Place, Room 310, Cape Coral, Florida 33990 (239) 338-2777
- ☐ 322 Senate Office Building, 404 South Monroe Street, Tallahassee, Florida 32399-1100 (850) 487-5124

Senate's Website: www.flsenate.gov

MIKE HARIDOPOLOS
President of the Senate

MICHAEL S. "MIKE" BENNETT
President Pro Tempore

THE FLORIDA SENATE
APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

1/12/12
Meeting Date

Topic Surplus lines / Depop Bill Number 578
Name Christine Ashburn Amendment Barcode _____ (if applicable)
Job Title Director of Legislative + External Affairs (if applicable)
Address 101 N. Monroe St Suite 1000 Phone 850-513-3746
Tallahassee, FL 32301 E-mail christine.ashburn@citizensofla.com
City State Zip
Speaking: ☒ For ☐ Against ☐ Information
Representing Citizens Property Ins. Corp
Appearing at request of Chair: ☐ Yes ☒ No Lobbyist registered with Legislature: ☒ Yes ☐ No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard

This form is part of the public record for this meeting

THE FLORIDA SENATE
COMMITTEE APPEARANCE RECORD

(Submit to Committee Chair or Administrative Assistant)

Date _____

578

Bill Number

Name Monte STEVENS

Phone 413-2571

Address 200 E. GAINES ST.

E-mail monte.stevens@flor.com

Street

TALLAHASSEE FL

Job Title flor.com

City

State

Zip

Speaking: ☒ For ☐ Against ☐ Information

Appearing at request of Chair ☐

Subject CITIZENS

Representing GIR

Lobbyist registered with Legislature: ☒ Yes ☐ No

Pursuant to s. 11.061, *Florida Statutes*, state, state university, or community college employees are required to file the first copy of this form with the Committee, unless appearance has been requested by the Chair as a witness or for informational purposes.

If designated employee: Time: from _____ .m. to _____ .m.

4/12/12

THE FLORIDA SENATE
APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

Meeting Date

Topic CPIC Depopulation

Bill Number 578
(if applicable)

Name Reggie Garcia

Amendment Barcode _____
(if applicable)

Job Title _____

Address pobox 11069

Phone 933-7150

Street

Tall Fla. 32302

City

State

Zip

E-mail reggiegarcia@

whoo.com

Speaking: ☐ For ☒ Against ☐ Information

Representing Florida Justice Association

Appearing at request of Chair: ☐ Yes ☒ No

Lobbyist registered with Legislature: ☒ Yes ☐ No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

THE FLORIDA SENATE
APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

12 Jan 12
Meeting Date

Topic Depopulation-Citizen's

Bill Number 578
(if applicable)

Name Jay Neal

Amendment Barcode _____
(if applicable)

Job Title Executive Director

Address 7950 S. Military Trail, Suite 204
Street

Phone 888-745-5551

Lake Worth, FL 33462
City State Zip

E-mail jneal@floridainsurance
reform.org

Speaking: ☐ For ☒ Against ☐ Information

Representing FAIR FL. ASSOC. for Insurance Reform

Appearing at request of Chair: ☐ Yes ☐ No

Lobbyist registered with Legislature: ☐ Yes ☐ No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

THE FLORIDA SENATE
APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

12 Jan 12

Meeting Date

Topic Depopulation - Citizens

Bill Number 578
(if applicable)

Name David Welch

Amendment Barcode _____
(if applicable)

Job Title Regional Director - Tampa Bay

Address Zebrafinch Ave
Street

Phone 352-232-0351

Weeki Wachi FL 34614
City State Zip

E-mail dwelch @ florida
insurance reform, org.

Speaking: ☐ For ☒ Against ☐ Information

Representing FAIR

Appearing at request of Chair: ☐ Yes ☐ No

Lobbyist registered with Legislature: ☐ Yes ☐ No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

THE FLORIDA SENATE
APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

Meeting Date _____

Topic

SB 578

Bill Number

578

(if applicable)

Name

Tim Meenan

Amendment Barcode

(if applicable)

Job Title

Address

204 S. Maple St.

Street

Phone

681-6710

E-mail

City

State

Zip

Speaking:



For



Against



Information

Representing

Geovera Insurance Co.

Appearing at request of Chair:



Yes



No

Lobbyist registered with Legislature:



Yes



No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

S-001 (10/20/11)

THE FLORIDA SENATE
APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

1/12/12

Meeting Date

Topic 1

Bill Number SB 578
(if applicable)

Name DOUG MANG

Amendment Barcode _____
(if applicable)

Job Title _____

Address 660 E. JEFFERSON ST.
Street

Phone 222-7710

TALEY FL 32302
City State Zip

E-mail DMANG@MANGLATE.COM

Speaking: ☒ For ☐ Against ☐ Information

Representing FCA. SURPLUS LINES ASSOC.

Appearing at request of Chair: ☐ Yes ☒ No

Lobbyist registered with Legislature: ☒ Yes ☐ No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Budget Subcommittee on General Government Appropriations

BILL: CS/CS/SB 610

INTRODUCER: Budget Subcommittee on General Government Appropriations; Banking and Insurance Committee and Senator Diaz de la Portilla

SUBJECT: Captive Insurance

DATE: January 12, 2012

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Burgess	Burgess	BI	Fav/CS
2.	Betta	DeLoach	BGA	Fav/CS
3.				
4.				
5.				
6.				

Please see Section VIII. for Additional Information:

- | | | |
|------------------------------|--|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="checked" type="checkbox"/> | Statement of Substantial Changes |
| B. AMENDMENTS..... | <input type="checkbox"/> | Technical amendments were recommended |
| | <input type="checkbox"/> | Amendments were recommended |
| | <input type="checkbox"/> | Significant amendments were recommended |

I. Summary:

Captive insurance is regulated by the Office of Insurance Regulation (OIR) under part V of ch. 628, F.S. A “captive insurer” is defined as a domestic insurer that is owned by, or is under common ownership with, a specific corporation or group of corporations for which the captive insurer provides insurance coverage.¹ Every captive insurer must maintain unimpaired paid-in capital of at least \$500,000 and unimpaired surplus of at least \$250,000.² Current law also specifically defines “industrial insureds” and “industrial insured captive insurer.”³ An industrial insured captive insurer is a captive insurer that is owned by, and provides insurance coverage for, only industrial insureds. An industrial insured must have gross assets in excess of \$50 million, at least 100 full-time employees, and pay annual premiums of at least \$200,000 for each line of insurance. The industrial insured captive insurer must maintain unimpaired capital and surplus of at least \$20 million.

¹ Section 628.901, F.S.

² Section 628.907, F.S.

³ Section 628.903, F.S.

Other than the requirements for captive insurers and industrial insured captive insurers, current law does not delineate any other type of captive insurance.

The bill deletes the current definition of captive insurer and redefines it as meaning a domestic insurer established under part V of ch. 628, F.S., including any of the five following specified types of captive formation, each of which are defined as:

1. Pure captive insurance company means a company that insures the risks of its parent, affiliated companies, controlled unaffiliated business, or a combination thereof.
2. Captive reinsurance company means a reinsurance company that is formed or licensed under ch. 628, F.S., and is wholly owned by a qualifying reinsurance parent company. A captive reinsurance company cannot directly insure risks, it can only reinsure risks.
3. Special purpose captive insurance company means a captive insurance company licensed under ch. 628, F.S., that does not meet the definition of any other type of captive insurance company.
4. Industrial insured captive insurance company means a company that insures risks of the industrial insureds that comprise the industrial insured group and their affiliated companies.

The bill establishes capital and reserve requirements for each type of captive insurer and removes the current requirement⁴ that captive insurers are also subject to the same level of surplus⁵ specified for various lines of insurance written in this state.

This bill substantially amends the following sections of the Florida Statutes: 628.901, 628.905, 628.907, 628.909, 628.911, 628.913, and 626.7491.

This bill creates the following sections of the Florida Statutes: 628.906, 628.908, 628.910, 628.912, 628.914, 628.9141, 628.9142, 628.918, 628.919, and 628.920.

This bill repeals the following section of the Florida Statutes: 628.903.

II. Present Situation:

Captive Insurance

A captive insurer is an insurance company that primarily or exclusively insures a business entity, or entities, that owns or is an affiliate of the captive insurer. The insured business entities pay premiums to the captive insurer for specified insurance coverages. A captive insurance arrangement can provide a number of benefits, depending on the type of business arrangement, the domicile of the insured business and the captive insurer, and the coverages involved. Some benefits of captive insurance may include:

- Lower insurance cost. Two elements that an arm's length insurer must recover are acquisition cost (often in the form of agent commissions and advertising) and profit. A captive insurer would not need to factor these elements into the premium it charges.

⁴ See s. 628.909(2)(a), F.S.

⁵ Sections 624.407, F.S., and 624.408, F.S.

- Potential tax savings. The premium paid by the insured entity is a deductible expense for federal income tax purposes and, under some circumstances, a portion of the captive insurer's income from the collected premium may not be recognized as taxable. Further, a captive insurer may be domiciled in a country where its investment income may receive more favorable tax treatment than in the United States.
- More tailored insurance plan. A captive insurer may be able to create overall savings through coverage and policy provisions that are unique to the individual business being insured.
- Cohesion of interest. Because the control of the insured and the insurer would reside in a single entity, there could be a reduction in some of the areas of potential disagreement over claim verification, investigation and valuation.

In Florida, captive insurance is regulated by the Office of Insurance Regulation (OIR) under Part V of ch. 628, F.S. That part defines a captive insurer to be “a domestic insurer established under part I⁶ to insure the risks of a specific corporation or group of corporations under common ownership owned by the corporation or corporations from which it accepts risk under a contract of insurance.”⁷ Captives may apply to OIR to provide commercial property, commercial casualty, and commercial marine insurance coverage, except workers' compensation or employer's liability insurance.⁸ An industrial insured captive insurer may provide workers compensation and employer's liability insurance, but only in excess of at least \$25 million in the annual aggregate.⁹ Section 628.903(2), F.S., defines an “industrial insured captive insurer” as a captive insurer that:

- Has as its stockholders or members only industrial insureds¹⁰ that are insured by the captive;
- Provides insurance only to the industrial insureds that are its stockholders or members and affiliates of its parent corporation, or provides reinsurance to insurers only on risks written for the industrial insureds who are stockholders or members and affiliates of the industrial insured captive or its parent company; and
- Maintains unimpaired capital and surplus of at least \$20 million.

Section 628.907, F.S., requires all captives to maintain unimpaired paid-in capital of at least \$500,000 and unimpaired surplus of at least \$250,000. Section 628.909, F.S., further requires that all captive insurers are also subject to the same level of surplus¹¹ that is specified for various lines of insurance written in this state.

III. Effect of Proposed Changes:

Section 1 – Amends s. 628.901, F.S., to delete the current definition of captive insurer and redefines it as meaning a domestic insurer established under part V of ch. 628, F.S., including any of the four following specified types of captive formation, each of which are defined as:

⁶ Part I of ch. 628, F.S., is entitled “STOCK AND MUTUAL INSURERS: ORGANIZATION AND CORPORATE PROCEDURES.”

⁷ Section 628.901, F.S.

⁸ section 628.905(1), F.S.

⁹ Section 628.905(6), F.S.

¹⁰ Section 628.903(1), F.S. An industrial insured must have gross assets in excess of \$50 million, at least 100 full-time employees, and pay annual premiums of at least \$200,000 for each line of insurance.

¹¹ Sections 624.407, F.S., and 624.408, F.S.

1. Pure captive insurance company means a company that insures the risks of its parent, affiliated companies, controlled unaffiliated business, or a combination thereof.
2. Special purpose captive insurance company means a captive insurance company licensed under ch. 628, F.S., that does not meet the definition of any other type of captive insurance company.
3. Industrial insured captive insurance company means a company that insures risks of the industrial insureds that comprise the industrial insured group and their affiliated companies. An industrial insured captive insurance company can also provide reinsurance only on risks written for the industrial group.

In addition to defining the specific types of authorized captive insurance company formations, the bill provides the following definitions:

- “Affiliated company” means a company in the same corporate system as a parent, an industrial insured, or a member organization by virtue of common ownership, control, operation, or management.
- “Captive reinsurance company” means a reinsurance company that is formed or licensed under ch. 628, F.S., and is wholly owned by a qualifying reinsurance parent company. A captive reinsurance company cannot directly insure risks, it can only reinsure risks.
- “Controlled unaffiliated business” means a company that is not in the corporate system of a parent, but that has an existing contractual relationship with the parent or affiliated company and has its risks managed by a captive insurance company.
- “Industrial insured” means an insured that: (a) has gross assets in excess of \$50 million; (b) procures insurance through the use of a full-time employee of the insured who acts as an insurance manager or through the services of a person licensed as a property and casualty insurance agent, broker, or consultant in that person’s state of domicile; (c) has at least 100 full-time employees; and (d) pays annual premiums of at least \$200,000 for each line of insurance purchased from the industrial insured captive insurer or at least \$75,000 for any line of coverage in excess of at least \$25 million in the annual aggregate.
- “Qualifying reinsurer parent company” means a reinsurer that is authorized in Florida to write reinsurance and that has a consolidated GAAP net worth of at least \$500 million and a consolidated debt to total capital ratio of no more than 0.50.

Section 2 –Amends s. 628.905, F.S., to require captives to apply for their license through the Commissioner of Insurance at the OIR. The bill allows captives to write any insurance authorized by the insurance code except workers compensation, health, personal motor vehicle, life, or personal residential property insurance, with the following restrictions:

- A pure captive insurance cannot insure any risks other than those of its parent, affiliated companies, controlled unaffiliated businesses, or a combination thereof.
- An industrial insured captive insurance company cannot insure any risks other than those of the industrial insureds that comprise the industrial insured group and their affiliated companies.
- A special purpose captive insurance company can only insure the risks of its parent.
- A captive insurance company may not accept or cede reinsurance except as explicitly provided.

The bill requires that to conduct business in Florida, a captive must obtain from the OIR a license to conduct insurance in Florida and must: hold at least one board of directors' meeting each year in Florida; maintain its principal place of business in Florida; and appoint a resident registered agent to act on its behalf in Florida.

Before receiving a license, a captive formed as a corporation must file with the OIR:

- A certified copy of its articles of incorporation and bylaws;
- A statement of its financial condition under oath by its president and secretary;
- Evidence of the amount and liquidity of the proposed captive's assets relative to the risks to be assumed;
- Evidence of adequate expertise, experience, and character of the person(s) who will manage the company;
- Evidence of the overall soundness of the company's plan of operation;
- Evidence of adequate loss prevention programs of the company's parent, member organizations, or industrial insureds; and
- Any other factors considered relevant by the OIR in determining whether the company will be able to meet its obligations.

The bill provides that a captive insurer or a captive reinsurance company must pay to the OIR a nonrefundable fee of \$1,500 for processing the application, and an annual renewal fee of \$1,000. The OIR may also charge \$5 for any document requiring authentication.

Upon approval by the OIR, a foreign or alien captive insurance company may become a domestic captive insurance company by complying with the requirements of a domestic captive insurance company, and filing the necessary organizational documents with the Secretary of State, along with a certificate of good standing issued by the OIR.

The bill retains the provision in current law that an industrial insured captive insurer does not need to be incorporated in Florida if it has been validly incorporated in another jurisdiction.

Section 3 – Creates s. 628.906, F.S., relating to restrictions on eligibility of officers and directors. The bill requires that a prospective captive insurer filing for a license under s. 628.905, F.S., must include background investigations, biographical affidavits, and fingerprint cards as evidence of the trustworthiness and competence of its officers and directors. The OIR may deny, suspend or revoke the certificate if a captive insurer's officer or director served in that capacity for an specified entity that became insolvent within two years of the service of the officer or director, unless the officer or director demonstrates that he or she did not contribute to the insolvency. The OIR may deny, suspend or revoke the captive insurer's certificate if any person who has the ability to exercise control or influence over the captive insurer has been found guilty of any felony crime involving moral turpitude punishable by imprisonment of one year or more.

Section 4 – Amends s. 628.907, F.S., establishing the following amounts of unimpaired paid-in capital and net assets:

- Pure captive must have at least \$100,000 of unimpaired paid-in capital, and in the case of a pure captive incorporated as a stock insurer, at least \$250,000 of unrestricted net assets.

- Industrial insured captive incorporated as a stock insurer must have at least \$200,000 of unimpaired paid-in capital.
- Special purpose captive insurance company must have an amount of unimpaired paid-in capital and unrestricted net assets determined by the OIR.

The bill provides that the OIR may prescribe additional capital or net asset requirements, depending on the type, volume, and nature of the insurance. The bill states a captive insurance company may not pay a dividend out of capital or surplus in excess of the limitations specified in ch. 628, F.S., without the prior approval of the OIR.

Section 5 – Creates s. 628.908, F.S., relating to surplus requirements and restrictions on payment of dividends. The bill states that the OIR may not issue a license to a captive insurance company unless the company possesses and maintains unimpaired surplus of:

- For a pure captive insurance company, at least \$150,000.
- For an industrial insured captive insurance company incorporated as a stock insurer or organized as a limited liability company, at least \$300,000.
- For an industrial insured captive insurance company incorporated as a mutual insurer, at least \$500,000.
- For a special purpose captive insurance company, an amount determined by the OIR.

The bill states a captive insurance company may not pay a dividend out of capital or surplus in excess of the limitations set forth in ch. 628, F.S., without the prior approval of the OIR.

Section 6 – Amends s. 628.909, F.S., relating to the applicability of other statutory provisions to captive insurers. Among other changes, the bill exempts captives from the requirements of:

- Sections 624.407, F.S., and s. 624.408, F.S., which require that captives maintain the same level of surplus specified for various lines of insurance in this state.
- Section 624.4085, F.S., which defines the requirements for risk-based capital for insurers in Florida.
- Section 624.4095, F.S., which establishes standards for required ratios of written premiums to surplus for various lines of insurance.

Section 7 – Creates s. 628.910, F.S., relating to incorporation options and requirements. The bill provides that:

- A pure captive insurance company may be incorporated as a stock insurer with its capital divided into shares and held by the stockholders, or incorporated as a public benefit, mutual benefit, or religious nonprofit corporation.
- An industrial insured captive insurance company may be incorporated as a stock insurer with its capital divided into shares and held by the stockholders, or incorporated as a mutual insurer without capital stock, the governing body of which is elected by the member organizations of its association.

The bill provides that a captive insurance company must have at least three incorporators, of whom at least two must be residents of Florida. The bill provides that for a captive insurance company formed as a corporation, before the articles of incorporation or organization are transmitted to the Secretary of State, the incorporators must file in triplicate the articles of

incorporation with the OIR. If the OIR finds the articles to conform with law, it will endorse its approval and return two sets of the articles to the incorporators for submission to the Department of State.

In the case of a captive insurance company formed as a corporation or a nonprofit corporation, at least one of the members of the board of directors must be a resident of Florida. The bill specifies that a captive formed as a corporation will be subject to all provisions of the general corporation law, as well as the provisions of ch. 628, F.S. If there is a conflict between the general corporation law and ch. 628, the provisions of ch. 628, F.S., will govern.

Section 8 – Amends s. 628.911, F.S., relating to reports and statements. The bill requires captive insurance companies and captive reinsurance companies to submit an annual report on financial condition to the OIR before March 1st. The bill retains current law requiring the report to be verified by oath from two executive officers, and the report must be compiled using generally accepted accounting principles unless the OIR approves alternative accounting measures. The bill retains the provision in current law allowing the Financial Services Commission to adopt by rule the form in which captive insurers must report.

The bill allows a captive insurer to apply for filing the annual report on a fiscal year-end that is consistent with its parent company's fiscal year-end. If an alternative reporting date is granted the report is due 60 days after the parent company's fiscal year end.

Section 9 – Creates s. 628.912, F.S., relating to discounting of loss and loss adjustment expense reserves. The bill allows a captive reinsurance company to discount its loss and loss adjustment expense reserves at treasury rates applied to the expected payment pattern associated with the reserves. A captive reinsurance company must file annually an actuarial opinion on the loss and loss adjustment expense reserves provided by an actuarial opinion on loss and loss adjustment expense reserves provided by an independent actuary. The actuary may not be an employee of the captive company or its affiliates.

Section 10 – Amends s. 628.913, F.S., relating to captive reinsurance companies. The bill allows a captive reinsurance company to apply to the OIR for a license to write reinsurance covering property and casualty insurance or reinsurance contracts. A captive reinsurance company authorized by the OIR may write reinsurance contracts covering risks in any state; however, a captive reinsurer is not allowed to directly insure risks.

The bill requires that to conduct business in this state, a captive reinsurance company must:

- Obtain from the OIR a license authorizing it to conduct business as a captive reinsurance company in this state;
- Hold at least one board of directors' meeting each year in Florida;
- Maintain its principal place of business in Florida; and
- Appoint a registered agent to accept service of process and act on its behalf in Florida.

Additionally, before receiving a license, a captive reinsurance company must file with the OIR:

- A certified copy of its charter and bylaws.
- A statement under oath of its president and secretary showing its financial condition.

- Other documents required by the OIR.
- Evidence of the amount of liquidity of the captive reinsurance company's assets relative to the risks to be assumed.
- Evidence of the adequacy of the expertise, experience, and character of the person who manages the company.
- Evidence of the overall soundness of the company's plan of operation.
- Other overall factors considered relevant by the OIR in ascertaining if the company would be able to meet its policy obligations.

Section 11 – Creates s. 628.914, F.S., relating to minimum capitalization and reserves for captive reinsurance companies. The bill states the OIR may not issue a license to a captive reinsurance company unless the company possesses and maintains capital or unimpaired surplus of the greater of \$300 million or 10 percent of reserves. The surplus may be in the form of cash or securities. The OIR may prescribe additional capital or surplus based upon the type, volume, and nature of the insurance business transacted. Further, a captive reinsurance company may not pay a dividend out of capital or surplus in excess of these limitations without the prior approval of the OIR.

Section 12 – Creates s. 628.9141, F.S., relating to incorporation of a captive reinsurance company. The bill requires a captive reinsurance company must be incorporated as a stock insurer with its capital divided into shares and held by its shareholders. A captive reinsurance company must have at least three incorporators of whom at least two must be residents of Florida. The capital stock must be issued at a par value of at least \$1 and no more than \$100. At least one of the board of directors must be a resident of Florida.

Section 13 – Creates s. 628.9142, F.S., relating to provisions on the effect of reinsurance on required reserves. The bill allows a captive insurance company to provide reinsurance on risks ceded by any other insurer. Additionally, a captive insurance company may take credit for reserves on risks ceded to authorized insurers or reinsurers and unauthorized insurers or reinsurers complying with s. 624.610, F.S.

Section 14 – Creates s. 628.918, F.S., relating to management of assets of a captive reinsurance company. The bill requires that at least 35 percent of the assets of a captive reinsurance company must be managed by an asset manager domiciled in Florida.

Section 15 – Creates s. 628.919, F.S., establishing regulations and standards to ensure risk management control by a parent company. The bill requires the Financial Services Commission to adopt rules to establish standards to ensure that a parent company or affiliated company is able to exercise control of the risk management function of any controlled unaffiliated business to be insured by a pure captive insurance company.

Section 16 – Creates s. 628.920, F.S., relating to the eligibility of a captive insurance company to obtain a certificate of authority to act as an insurer. The bill specifies that a licensed captive insurance company that meets requirements imposed on an insurer must be considered for a certificate of authority to act as an insurer in Florida.

Section 17 – Amends s. 626.7491, F.S., making a technical conforming change.

Section 18 – Repeals s. 628.903, F.S., which contains the definitions in the current law which are being replaced by the definitions in the bill.

Section 19 – Provides that the act shall take effect upon becoming law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

States that have seen growth in captive insurance companies report positive economic impact through job creation. The legislation is intended to make captive insurance a more attractive alternative than it currently is, and thereby expand the proportion of Florida insureds that rely on captive insurance domiciled in Florida. To the extent that insureds move to a captive form of coverage, their current form of insurance coverage will be displaced. The net effect may be a growth in jobs for insurance personnel such as actuaries, lawyers, accountants, adjusters, administrators, and support personal, but that effect is indeterminable at this time. Additionally, the bill requires a captive insurer to maintain its principal place of business and hold at least one annual board of directors meeting in Florida.

For a company forming a captive insurance company, an insurance policy tailored to the individual company's risk profile should effectuate overall premium savings.

C. Government Sector Impact:

The bill requires the Financial Services Commission to engage in rulemaking to establish the standards necessary to ensure that a parent company is able to exercise control of the risk management function of a controlled unaffiliated business insured by a pure captive insurance company.

To the extent that insureds move to a captive form of coverage, their current form of insurance coverage will be displaced, as will the premium tax collected for that coverage. Part of the purpose for captive insurance is to provide lower overall premiums for the insured. If the amount of taxes and fees collected for new captive insurance is less than the premium tax being displaced, there will be a net reduction in total premium tax collected. Any effect from this is indeterminable at this time.

The Office of Insurance Regulation has stated the additional duties can be absorbed with existing resources.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:

CS by Budget Subcommittee on General Government Appropriations on January 12, 2012:

The committee substitute (CS) narrows the types of captive insurers that may do business in the state by removing association captive insurance companies and all references to association captive insurance companies. The CS also reinstates current law by preventing a captive insurance company from providing life insurance coverage as well as making technical changes relating to the submission of fingerprints and process for background investigations.

CS by Banking and Insurance on December 7, 2011:

The bill requires, by definition, that a captive insurance company be a domestic insurance company.

The original bill included captive reinsurers within the definition of captive insurer. The bill narrows the definition of captive insurer to remove captive reinsurers.

The bill prohibits a captive reinsurance company from directly insuring risks.

The bill provides that an industrial insured captive insurance company can also provide reinsurance only on risks written for the industrial group.

The bill requires that an association captive insurance company must provide on the first page of the policy certain disclosures specified in the bill.

The bill provides that a captive insurer or a captive reinsurance company must pay to the OIR a nonrefundable fee of \$1,500 for processing the application, and an annual renewal

fee of \$1,000, and that the OIR may also charge \$5 for any document requiring authentication.

The bill reinstates the provision in current law that an industrial insured captive insurance company does not need to be incorporated in Florida if it has been validly incorporated in another jurisdiction.

The original bill required that before the articles of incorporation for a captive insurer could be submitted to the Secretary of State, the OIR needed to find that the proposed captive insurer “will promote the general good of the state.” Further the original bill established the elements that the OIR must consider to determine whether that standard was met. The bill removed those provisions and replaced them with:

- The requirement that a prospective captive insurer filing for a license under s. 628.905, F.S., must include background investigations, biographical affidavits, and fingerprint cards as evidence of the trustworthiness and competence of its officers and directors.
- The provision that the OIR may deny, suspend or revoke the certificate if a captive insurer’s officer or director served in that capacity for a specified entity that became insolvent within 2 years of the service of the officer or director, unless the officer or director demonstrates that he or she did not contribute to the insolvency.
- The provision that the OIR may deny, suspend or revoke the captive insurer’s certificate if any person who has the ability to exercise control or influence over the captive insurer has been found guilty of any felony crime involving moral turpitude punishable by imprisonment of 1 year or more.

The original bill allowed pure captives to apply for filing the annual report on a fiscal year-end that is consistent with its parent company’s fiscal year-end. The bill broadened that allowance to include all captive insurance companies.

The bill removed a specific reference to portions of the NAIC annual report that would be necessary as sufficient detail to support the premium tax return.

The bill removed a provision in the original bill that required an annual captive reinsurance tax of \$5,000, and a provision that that tax is the only tax collectible from a captive reinsurance company, other than occupation tax and ad valorem taxes on real and personal property.

B. Amendments:

None.



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LEGISLATIVE ACTION

Senate	.	House
Comm: WD	.	
01/12/2012	.	
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	.	

The Committee on Budget Subcommittee on General Government
Appropriations (Diaz de la Portilla) recommended the following:

Senate Amendment (with title amendment)

Delete lines 233 - 234
and insert:
workers' compensation and employer's liability, life, health,
personal motor vehicle, and personal residential property
insurance

Delete line 360
and insert:
and directors. Fingerprints must be taken by a law enforcement
agency or other entity approved by the office, be accompanied by



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the fingerprint processing fee specified in s. 624.501, and
processed in accordance with s. 624.34.

===== T I T L E A M E N D M E N T =====

And the title is amended as follows:

Delete line 23

and insert:

biographical affidavits, background investigations,
and fingerprint cards,



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LEGISLATIVE ACTION

Senate	.	House
Comm: RCS	.	
01/12/2012	.	
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	.	
	.	

The Committee on Budget Subcommittee on General Government
Appropriations (Diaz de la Portilla) recommended the following:

Senate Amendment (with title amendment)

Delete everything after the enacting clause
and insert:

Section 1. Section 628.901, Florida Statutes, is amended to
read:

628.901 Definitions ~~"Captive insurer" defined. As used in~~
~~For the purposes of this part, the term: except as provided in~~
~~s. 628.903, a "captive insurer" is a domestic insurer~~
~~established under part I to insure the risks of a specific~~
~~corporation or group of corporations under common ownership~~
~~owned by the corporation or corporations from which it accepts~~



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~~risk under a contract of insurance.~~

(1) "Affiliated company" means a company in the same corporate system as a parent, an industrial insured, or a member organization by virtue of common ownership, control, operation, or management.

(2) "Captive insurance company" means a domestic insurer established under this part. A captive insurance company includes a pure captive insurance company, special purpose captive insurance company, or industrial insured captive insurance company formed and licensed under this part.

(3) "Captive reinsurance company" means a reinsurance company that is formed and licensed under this part and is wholly owned by a qualifying reinsurance parent company. A captive reinsurance company is a stock corporation and may not directly insure risks. A captive reinsurance company may reinsure only risks.

(4) "Consolidated debt to total capital ratio" means the ratio of the sum of all debts and hybrid capital instruments as described in paragraph (a) to total capital as described in paragraph (b).

(a) Debts and hybrid capital instruments include, but are not limited to, all borrowings from banks, all senior debt, all subordinated debts, all trust preferred shares, and all other hybrid capital instruments that are not included in the determination of consolidated GAAP net worth issued and outstanding.

(b) Total capital consists of all debts and hybrid capital instruments as described in paragraph (a) plus owners' equity determined in accordance with GAAP for reporting to the United



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States Securities and Exchange Commission.

(5) "Consolidated GAAP net worth" means the consolidated owners' equity determined in accordance with generally accepted accounting principles for reporting to the United States Securities and Exchange Commission.

(6) "Controlled unaffiliated business" means a company:

(a) That is not in the corporate system of a parent and affiliated companies;

(b) That has an existing contractual relationship with a parent or affiliated company; and

(c) Whose risks are managed by a captive insurance company in accordance with s. 628.919.

(7) "GAAP" means generally accepted accounting principles.

(8) "Industrial insured" means an insured that:

(a) Has gross assets in excess of \$50 million;

(b) Procures insurance through the use of a full-time employee of the insured who acts as an insurance manager or buyer or through the services of a person licensed as a property and casualty insurance agent, broker, or consultant in such person's state of domicile;

(c) Has at least 100 full-time employees; and

(d) Pays annual premiums of at least \$200,000 for each line of insurance purchased from the industrial insured captive insurer or at least \$75,000 for any line of coverage in excess of at least \$25 million in the annual aggregate. The purchase of umbrella or general liability coverage in excess of \$25 million in the annual aggregate shall be deemed to be the purchase of a single line of insurance.

(9) "Industrial insured captive insurance company" means a



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captive insurance company that provides insurance only to the industrial insureds that are its stockholders or members, and affiliates thereof, or to the stockholders, and affiliates thereof, of its parent corporation. An industrial insured captive insurance company can also provide reinsurance to insurers only on risks written by such insurers for the industrial insureds that are the stockholders or members, and affiliates thereof, of the industrial insured captive insurer, or the stockholders, and affiliates thereof, of the parent corporation of the industrial insured captive insurer.

(10) "Office" means the Office of Insurance Regulation.

(11) "Parent" means any corporation, limited liability company, partnership, or individual that directly or indirectly owns, controls, or holds with power to vote more than 50 percent of the outstanding voting interests of a captive insurance company.

(12) "Pure captive insurance company" means a company that insures risks of its parent, affiliated companies, controlled unaffiliated businesses, or a combination thereof.

(13) "Qualifying reinsurer parent company" means a reinsurer which currently holds a certificate of authority, letter of eligibility or is an accredited or a satisfactory non-approved reinsurer in this state possessing a consolidated GAAP net worth of at least \$500 million and a consolidated debt to total capital ratio of not greater than 0.50.

(14) "Special purpose captive insurance company" means a captive insurance company that is formed or licensed under this chapter that does not meet the definition of any other type of captive insurance company defined in this section.



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(15) "Treasury rates" means the United States Treasury STRIPS asked yield as published in the Wall Street Journal as of a balance sheet date.

Section 2. Section 628.905, Florida Statutes, is amended to read:

628.905 Licensing; authority.—

(1) A Any captive insurer, if when permitted by its charter or articles of incorporation, may apply to the office for a license to do any and all insurance authorized under the insurance code, provide commercial property, commercial casualty, and commercial marine insurance coverage other than workers' compensation and employer's liability, life, health, personal motor vehicle, and personal residential property insurance coverage, except that: an industrial insured captive insurer may apply for a license to provide workers' compensation and employer's liability insurance as set forth in subsection (6).

(a) A pure captive insurance company may not insure any risks other than those of its parent, affiliated companies, controlled unaffiliated businesses, or a combination thereof.

(b) An industrial insured captive insurance company may not insure any risks other than those of the industrial insureds that comprise the industrial insured group and their affiliated companies.

(c) A special purpose captive insurance company may insure only the risks of its parent.

(d) A captive insurance company may not accept or cede reinsurance except as provided in this part.

(2) To conduct insurance business in this state, a No



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~~captive insurer, other than an industrial insured captive insurer must: shall insure or accept reinsurance on any risks other than those of its parent and affiliated companies.~~

(a) Obtain from the office a license authorizing it to conduct insurance business in this state;

(b) Hold at least one board of directors' meeting each year in this state;

(c) Maintain its principal place of business in this state; and

(d) Appoint a resident registered agent to accept service of process and to otherwise act on its behalf in this state. In the case of a captive insurance company formed as a corporation or a nonprofit corporation, if the registered agent cannot with reasonable diligence be found at the registered office of the captive insurance company, the Chief Financial Officer of this state must be an agent of the captive insurance company upon whom any process, notice, or demand may be served.

(3) Before receiving a license, a captive insurance company formed as a corporation or a nonprofit corporation must file with the office a certified copy of its articles of incorporation and bylaws, a statement under oath of its president and secretary showing its financial condition, and any other statements or documents required by the office. In addition, an applicant captive insurance company must file with the office evidence of:

(a) The amount and liquidity of the proposed captive insurance company's assets relative to the risks to be assumed;

(b) The adequacy of the expertise, experience, and character of the person or persons who will manage the company;



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158 (c) The overall soundness of the company's plan of
159 operation;

160 (d) The adequacy of the loss prevention programs of the
161 company's parent, member organizations, or industrial insureds,
162 as applicable; and

163 (e) Any other factors considered relevant by the office in
164 ascertaining whether the company will be able to meet its policy
165 obligations. ~~In addition to information otherwise required by~~
166 ~~this code, each applicant captive insurer shall file with the~~
167 ~~office evidence of the adequacy of the loss prevention program~~
168 ~~of its insureds.~~

169 (4) A captive insurance company or captive reinsurance
170 company must pay to the office a nonrefundable fee of \$1,500 for
171 processing its application for license.

172 (a) A captive insurance company or captive reinsurance
173 company must also pay an annual renewal fee of \$1,000.

174 (b) The office may charge a fee of \$5 for any document
175 requiring certification of authenticity or the signature of the
176 commissioner or his or her designee. ~~An industrial insured~~
177 ~~captive insurer need not be incorporated in this state if it has~~
178 ~~been validly incorporated under the laws of another~~
179 ~~jurisdiction.~~

180 (5) If the commissioner is satisfied that the documents and
181 statements filed by the captive insurance company comply with
182 this chapter, the commissioner may grant a license authorizing
183 the company to conduct insurance business in this state until
184 the next succeeding March 1, at which time the license may be
185 renewed. ~~An industrial insured captive insurer is subject to all~~
186 ~~provisions of this part except as otherwise indicated.~~



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(6) Upon approval of the office, a foreign or alien captive insurance company may become a domestic captive insurance company by complying with all of the requirements of law relative to the organization and licensing of a domestic captive insurance company of the same or equivalent type in this state and by filing with the Secretary of State its charter or other organizational documents, together with any appropriate amendments that have been adopted in accordance with the laws of this state to bring the charter or other organizational documents into compliance with the laws of this state, along with a certificate of good standing issued by the office. The captive insurance company is then entitled to the necessary or appropriate certificates and licenses to continue transacting business in this state and is subject to the authority and jurisdiction of this state. In connection with this redomestication, the office may waive any requirements for public hearings. It is not necessary for a captive insurance company redomesticating into this state to merge, consolidate, transfer assets, or otherwise engage in any other reorganization, other than as specified in this section. ~~An industrial insured captive insurer may not provide workers' compensation and employer's liability insurance except in excess of at least \$25 million in the annual aggregate.~~

(7) An industrial insured captive insurance company need not be incorporated in this state if it has been validly incorporated under the laws of another jurisdiction.

Section 3. Section 628.906, Florida Statutes, is created to read:

628.906 Application requirements; restrictions on



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216 eligibility of officers and directors.—

217 (1) To evidence competence and trustworthiness of its
218 officers and directors, the application for a license to act as
219 a captive insurance company or captive reinsurance company shall
220 include, but not be limited to, background investigations,
221 biographical affidavits, and fingerprint cards for all officers
222 and directors. Fingerprints must be taken by a law enforcement
223 agency or other entity approved by the office, be accompanied by
224 the fingerprint processing fee specified in s. 624.501, and
225 processed in accordance with s. 624.34.

226 (2) The office may deny, suspend, or revoke the license to
227 transact captive insurance or captive reinsurance in this state
228 if any person who was an officer or director of an insurer,
229 reinsurer, captive insurance company, captive reinsurance
230 company, financial institution, or financial services business
231 doing business in the United States, any state, or under the law
232 of any other country and who served in that capacity within the
233 2-year period prior to the date the insurer, reinsurer, captive
234 insurance company, captive reinsurance company, financial
235 institution, or financial services business became insolvent,
236 serves as an officer or director of a captive insurance company
237 or officer or director of a captive reinsurance company licensed
238 in this state unless the officer or director demonstrates that
239 his or her personal actions or omissions were not a contributing
240 cause to the insolvency or unless the officer or director is
241 immediately removed from the captive insurance company or
242 captive reinsurance company.

243 (3) The office may deny, suspend, or revoke the license to
244 transact insurance or reinsurance in this state of a captive



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insurance company or captive reinsurance company if any officer or director, any stockholder that owns 10 percent or more of the outstanding voting securities of the captive insurance company or captive reinsurance company, or incorporator has been found guilty of, or has pleaded guilty or nolo contendere to, any felony or crime involving moral turpitude, including a crime of dishonesty or breach of trust, punishable by imprisonment of 1 year or more under the law of the United States or any state thereof or under the law of any other country without regard to whether a judgment of conviction has been entered by the court having jurisdiction in such case. However, in the case of a captive insurance company or captive reinsurance company operating under a subsisting license, the captive insurance company or captive reinsurance company shall remove any such person immediately upon discovery of the conditions set forth in this subsection when applicable to such person or upon the order of the office, and the failure to so act shall be grounds for revocation or suspension of the captive insurance company's or captive reinsurance company's license.

Section 4. Section 628.907, Florida Statutes, is amended to read:

628.907 Minimum capital and net assets requirements;
restriction on payment of dividends ~~surplus.~~—

(1) A ~~No~~ captive insurer may not ~~shall~~ be issued a license unless it possesses and thereafter maintains:

~~(1)~~ unimpaired paid-in capital of:

(a) In the case of a pure captive insurance company, at least \$100,000. ~~\$500,000;~~ and

(b) In the case of an industrial insured captive insurance



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company incorporated as a stock insurer, at least \$200,000.

(c) In the case of a special purpose captive insurance company, an amount determined by the office after giving due consideration to the company's business plan, feasibility study, and pro forma financial statements and projections, including the nature of the risks to be insured.

(2) The office may not issue a license to a captive insurance company incorporated as a nonprofit corporation unless the company possesses and maintains unrestricted net assets of:

(a) In the case of a pure captive insurance company,
~~Unimpaired surplus of~~ at least \$250,000.

(b) In the case of a special purpose captive insurance company, an amount determined by the office after giving due consideration to the company's business plan, feasibility study, and pro forma financial statements and projections, including the nature of the risks to be insured.

(3) Contributions to a captive insurance company incorporated as a nonprofit corporation must be in the form of cash, cash equivalent, or an irrevocable letter of credit issued by a bank chartered by this state or a member bank of the Federal Reserve System with a branch office in this state, or as approved by the office.

(4) For purposes of this section, the office may issue a license expressly conditioned upon the captive insurance company providing to the office satisfactory evidence of possession of the minimum required unimpaired paid-in capital. Until this evidence is provided, the captive insurance company may not issue any policy, assume any liability, or otherwise provide coverage. The office may revoke the conditional license if



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satisfactory evidence of the required capital is not provided within a maximum period of time, not to exceed 1 year, to be established by the office at the time the conditional license is issued.

(5) The office may prescribe additional capital or net assets based upon the type, volume, and nature of insurance business transacted. Contributions in connection with these prescribed additional net assets or capital must be in the form of:

(a) Cash;

(b) Cash equivalent;

(c) An irrevocable letter of credit issued by a bank chartered by this state or a member bank of the Federal Reserve System with a branch office in this state, or as approved by the office; or

(d) Securities invested as provided in part II of chapter 625.

(6) A captive insurance company may not pay a dividend out of, or other distribution with respect to, capital or surplus in excess of the limitations set forth in this chapter without the prior approval of the office. Approval of an ongoing plan for the payment of dividends or other distributions must be conditioned upon the retention, at the time of each payment, of capital or surplus in excess of amounts specified by, or determined in accordance with formulas approved by, the office.

(7) An irrevocable letter of credit that is issued by a financial institution other than a bank chartered by this state or a member bank of the Federal Reserve System must meet the same standards as an irrevocable letter of credit that has been



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332 issued by a bank chartered by this state or a member bank of the
333 Federal Reserve System.

334 Section 5. Section 628.908, Florida Statutes, is created to
335 read:

336 628.908 Surplus requirements; restriction on payment of
337 dividends.—

338 (1) The office may not issue a license to a captive
339 insurance company unless the company possesses and maintains
340 unimpaired surplus of:

341 (a) In the case of a pure captive insurance company, at
342 least \$150,000.

343 (b) In the case of an industrial insured captive insurance
344 company incorporated as a stock insurer, at least \$300,000.

345 (c) In the case of an industrial insured captive insurance
346 company incorporated as a mutual insurer, at least \$500,000.

347 (d) In the case of a special purpose captive insurance
348 company, an amount determined by the office after giving due
349 consideration to the company's business plan, feasibility study,
350 and pro forma financial statements and projections, including
351 the nature of the risks to be insured.

352 (2) For purposes of this section, the office may issue a
353 license expressly conditioned upon the captive insurance company
354 providing to the office satisfactory evidence of possession of
355 the minimum required unimpaired surplus. Until this evidence is
356 provided, the captive insurance company may not issue any
357 policy, assume any liability, or otherwise provide coverage. The
358 office may revoke the conditional license if satisfactory
359 evidence of the required surplus is not provided within a
360 maximum period of time, not to exceed 1 year, to be established



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by the office at the time the conditional license is issued.

(3) A captive insurance company may not pay a dividend out of, or other distribution with respect to, capital or surplus in excess of the limitations set forth in this chapter without the prior approval of the office. Approval of an ongoing plan for the payment of dividends or other distribution must be conditioned upon the retention, at the time of each payment, of capital or surplus in excess of amounts specified by, or determined in accordance with formulas approved by, the office.

(4) An irrevocable letter of credit that is issued by a financial institution other than a bank chartered by this state or a member bank of the Federal Reserve System must meet the same standards as an irrevocable letter of credit that has been issued by a bank chartered by this state or a member bank of the Federal Reserve System.

Section 6. Section 628.909, Florida Statutes, is amended to read:

628.909 Applicability of other laws.—

(1) The Florida Insurance Code does ~~shall~~ not apply to captive insurers or industrial insured captive insurers except as provided in this part and subsections (2) and (3).

(2) The following provisions of the Florida Insurance Code ~~shall~~ apply to captive insurers who are not industrial insured captive insurers to the extent that such provisions are not inconsistent with this part:

(a) Chapter 624, except for ss. 624.407, 624.408, 624.4085, 624.40851, 624.4095, 624.425, and 624.426.

(b) Chapter 625, part II.

(c) Chapter 626, part IX.



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(d) Sections 627.730-627.7405, when no-fault coverage is provided.

(e) Chapter 628.

(3) The following provisions of the Florida Insurance Code ~~shall~~ apply to industrial insured captive insurers to the extent that such provisions are not inconsistent with this part:

(a) Chapter 624, except for ss. 624.407, 624.408, 624.4085, 624.40851, 624.4095, 624.425, 624.426, and 624.609(1).

(b) Chapter 625, part II, if the industrial insured captive insurer is incorporated in this state.

(c) Chapter 626, part IX.

(d) Sections 627.730-627.7405 when no-fault coverage is provided.

(e) Chapter 628, except for ss. 628.341, 628.351, and 628.6018.

Section 7. Section 628.910, Florida Statutes, is created to read:

628.910 Incorporation options and requirements.-

(1) A pure captive insurance company may be:

(a) Incorporated as a stock insurer with its capital divided into shares and held by the stockholders; or

(b) Incorporated as a public benefit, mutual benefit, or religious nonprofit corporation with members in accordance with the Florida Not For Profit Corporation Act.

(2) An industrial insured captive insurance company may be:

(a) Incorporated as a stock insurer with its capital divided into shares and held by the stockholders; or

(b) Incorporated as a mutual insurer without capital stock, the governing body of which is elected by its members.



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419 (3) A captive insurance company may not have fewer than
420 three incorporators of whom not fewer than two must be residents
421 of this state.

422 (4) In the case of a captive insurance company formed as a
423 corporation or a nonprofit corporation, before the articles of
424 incorporation are transmitted to the Secretary of State, the
425 incorporators shall file the articles of incorporation in
426 triplicate with the office. The office shall promptly examine
427 the articles of incorporation. If it finds that the articles of
428 incorporation conform to law, it shall endorse its approval on
429 each of the triplicate originals of the articles of
430 incorporation, retain one copy for its files, and return the
431 remaining copies to the incorporators for filing with the
432 Department of State.

433 (5) The articles of incorporation, the certificate issued
434 pursuant to this section, and the organization fees required by
435 the Florida Business Corporation Act or the Florida Not For
436 Profit Corporation Act, as applicable, must be transmitted to
437 the Secretary of State, who must record the articles of
438 incorporation and the certificate.

439 (6) The capital stock of a captive insurance company
440 incorporated as a stock insurer must be issued at par value of
441 not less than \$1 or more than \$100 per share.

442 (7) In the case of a captive insurance company formed as a
443 corporation or a nonprofit corporation, at least one of the
444 members of the board of directors of a captive insurance company
445 incorporated in this state must be a resident of this state.

446 (8) A captive insurance company formed as a corporation or
447 a nonprofit corporation, pursuant to the provisions of this



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chapter, has the privileges and is subject to the provisions of the general corporation law, including the Florida Not For Profit Corporation Act for nonprofit corporations, as applicable, as well as the applicable provisions contained in this chapter. If a conflict occurs between a provision of the general corporation law, including the Florida Not For Profit Corporation Act for nonprofit corporations, as applicable, and a provision of this chapter, the latter controls. The provisions of this title pertaining to mergers, consolidations, conversions, mutualizations, and redomestications apply in determining the procedures to be followed by a captive insurance company in carrying out any of the transactions described in such provisions, except that the office may waive or modify the requirements for public notice and hearing in accordance with rules the office may adopt addressing categories of transactions. If a notice of public hearing is required, but no one requests a hearing, the office may cancel the hearing.

(9) The articles of incorporation or bylaws of a captive insurance company may authorize a quorum of a board of directors to consist of no fewer than one-third of the fixed or prescribed number of directors as provided for by the Florida Business Corporation Act or the Florida Not For Profit Corporation Act.

Section 8. Section 628.911, Florida Statutes, is amended to read:

628.911 Reports and statements.—

(1) A captive insurance company may ~~insurer shall~~ not be required to make any annual report except as provided in this part ~~section~~.

(2) Annually no later than March 1, a captive insurance



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company or a captive reinsurance company ~~insurer~~ shall, ~~within~~
~~60 days after the end of its fiscal year and as often as the~~
~~office may deem necessary,~~ submit to the office a report of its
financial condition verified by oath of two of its executive
officers. Except as provided in this part, a captive insurance
company or a captive reinsurance company must report using
generally accepted accounting principles, unless the office
approves the use of statutory accounting principles, with useful
or necessary modifications or adaptations required or approved
or accepted by the office for the type of insurance and kinds of
insurers to be reported upon, and as supplemented by additional
information required by the office. The Financial Services
Commission may adopt by rule the form in which captive insurance
companies ~~insurers~~ shall report.

(3) A captive insurance company may make written
application for filing the required report on a fiscal year end
that is consistent with the parent company's fiscal year. If an
alternative reporting date is granted, the annual report is due
60 days after the fiscal year end.

Section 9. Section 628.912, Florida Statutes, is created to
read:

628.912 Discounting of loss and loss adjustment expense
reserves.—

(1) A captive reinsurance company may discount its loss and
loss adjustment expense reserves at treasury rates applied to
the applicable payments projected through the use of the
expected payment pattern associated with the reserves.

(2) A captive reinsurance company must file annually an
actuarial opinion on loss and loss adjustment expense reserves



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provided by an independent actuary. The actuary may not be an employee of the captive reinsurance company or its affiliates.

(3) The office may disallow the discounting of reserves if a captive reinsurance company violates a provision of this part.

Section 10. Section 628.913, Florida Statutes, is amended to read:

(Substantial rewording of section. See s. 628.913, F.S., for present text.)

628.913 Captive reinsurance companies.—

(1) A captive reinsurance company, if permitted by its articles of incorporation or charter, may apply to the office for a license to write reinsurance covering property and casualty insurance or reinsurance contracts. A captive reinsurance company authorized by the office may write reinsurance contracts covering risks in any state; however, a captive reinsurance company authorized by the office may not directly insure risks.

(2) To conduct business in this state, a captive reinsurance company must:

(a) Obtain from the office a license authorizing it to conduct business as a captive reinsurance company in this state;

(b) Hold at least one board of directors' meeting each year in this state;

(c) Maintain its principal place of business in this state; and

(d) Appoint a registered agent to accept service of process and act otherwise on its behalf in this state.

(3) Before receiving a license, a captive reinsurance company must file with the office:



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535 (a) A certified copy of its charter and bylaws;
536 (b) A statement under oath of its president and secretary
537 showing its financial condition; and
538 (c) Other documents required by the office.
539 (4) In addition to the information required by this
540 section, the captive reinsurance company must file with the
541 office evidence of:

542 (a) The amount and liquidity of the captive reinsurance
543 company's assets relative to the risks to be assumed;

544 (b) The adequacy of the expertise, experience, and
545 character of the person who manages the company;

546 (c) The overall soundness of the company's plan of
547 operation; and

548 (d) Other overall factors considered relevant by the office
549 in ascertaining if the company would be able to meet its policy
550 obligations.

551 Section 11. Section 628.914, Florida Statutes, is created
552 to read:

553 628.914 Minimum capitalization or reserves for captive
554 reinsurance companies.—

555 (1) The office may not issue a license to a captive
556 reinsurance company unless the company possesses and maintains
557 capital or unimpaired surplus of at least the greater of \$300
558 million or 10 percent of reserves. The surplus may be in the
559 form of cash or securities as permitted by part II of chapter
560 625.

561 (2) The office may prescribe additional capital or surplus
562 based upon the type, volume, and nature of the insurance
563 business transacted.



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(3) A captive reinsurance company may not pay a dividend out of, or other distribution with respect to, capital or surplus in excess of the limitations without the prior approval of the office. Approval of an ongoing plan for the payment of dividends or other distributions must be conditioned upon the retention, at the time of each payment, of capital or surplus in excess of amounts specified by, or determined in accordance with formulas approved by, the office.

Section 12. Section 628.9141, Florida Statutes, is created to read:

628.9141 Incorporation of a captive reinsurance company.—

(1) A captive reinsurance company must be incorporated as a stock insurer with its capital divided into shares and held by its shareholders.

(2) A captive reinsurance company may not have fewer than three incorporators of whom at least two must be residents of this state.

(3) Before the articles of incorporation are transmitted to the Secretary of State, the incorporators must comply with all the requirements of s. 628.091.

(4) The capital stock of a captive reinsurance company must be issued at par value of not less than \$1 or more than \$100 per share.

(5) At least one of the members of the board of directors of a captive reinsurance company incorporated in this state must be a resident of this state.

Section 13. Section 628.9142, Florida Statutes, is created to read:

628.9142 Reinsurance; effect on reserves.—



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593 (1) A captive insurance company may provide reinsurance, as
594 authorized in this part, on risks ceded by any other insurer.

595 (2) A captive insurance company may take credit for
596 reserves on risks or portions of risks ceded to authorized
597 insurers or reinsurers and unauthorized insurers or reinsurers
598 complying with s. 624.610. A captive insurer may not take credit
599 for reserves on risks or portions of risks ceded to an
600 unauthorized insurer or reinsurer if the insurer or reinsurer is
601 not in compliance with s. 624.610.

602 Section 14. Section 628.918, Florida Statutes, is created
603 to read:

604 628.918 Management of assets of captive reinsurance
605 company.—At least 35 percent of the assets of a captive
606 reinsurance company must be managed by an asset manager
607 domiciled in this state.

608 Section 15. Section 628.919, Florida Statutes, is created
609 to read:

610 628.919 Standards to ensure risk management control by
611 parent company.—The Financial Services Commission shall adopt
612 rules establishing standards to ensure that a parent or
613 affiliated company is able to exercise control of the risk
614 management function of any controlled unaffiliated business to
615 be insured by the pure captive insurance company.

616 Section 16. Section 628.920, Florida Statutes, is created
617 to read:

618 628.920 Eligibility of licensed captive insurance company
619 for certificate of authority to act as insurer.—A licensed
620 captive insurance company that meets the necessary requirements
621 of this part imposed upon an insurer must be considered for



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issuance of a certificate of authority to act as an insurer in
this state.

Section 17. Paragraph (e) of subsection (2) of section
626.7491, Florida Statutes, is amended to read:

626.7491 Business transacted with producer controlled
property and casualty insurer.—

(2) DEFINITIONS.—As used in this section:

(e) "Licensed insurer" or "insurer" means any person, firm,
association, or corporation licensed to transact a property or
casualty insurance business in this state. The following are not
licensed insurers for the purposes of this section:

1. Any risk retention group as defined in:

a. The Superfund Amendments Reauthorization Act of 1986,
Pub. L. No. 99-499, 100 Stat. 1613 (1986);

b. The Risk Retention Act, 15 U.S.C. ss. 3901 et seq. (1982
and Supp. 1986); or

c. Section 627.942(9).

2. Any residual market pool or joint underwriting authority
or association; and

3. Any captive insurance company ~~insurer~~ as defined in s.
628.901.

Section 18. Section 628.903, Florida Statutes, is repealed.

Section 19. This act shall take effect upon becoming a law.

===== T I T L E A M E N D M E N T =====

And the title is amended as follows:

Delete everything before the enacting clause
and insert:



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A bill to be entitled
An act relating to captive insurance; amending s.
628.901, F.S.; providing definitions; amending s.
628.905, F.S.; expanding the kinds of insurance for
which a captive insurer may seek licensure; limiting
the risks that certain captive insurers may insure;
specifying requirements and conditions relating to a
captive insurer's authority to conduct business;
requiring that before licensure certain captive
insurers must file or submit to the Office of
Insurance Regulation specified information, documents,
and statements; requiring a captive insurance company
to file specific evidence with the office relating to
the financial condition and quality of management and
operations of the company; specifying certain fees to
be paid by captive insurance companies; authorizing a
foreign or alien captive insurance company to become a
domestic captive insurance company by complying with
specified requirements; authorizing the office to
waive any requirements for public hearings relating to
the redomestication of an alien captive insurance
company; creating s. 628.906, F.S.; requiring
biographical affidavits, background investigations,
and fingerprint cards for all officers and directors;
providing restrictions on officers and directors
involved with insolvent insurers under certain
conditions; providing restrictions on officers and
directors found guilty of, or that have pleaded guilty
or nolo contendere to, any felony or crime involving



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moral turpitude, including a crime of dishonesty or breach of trust; amending s. 628.907, F.S.; revising capitalization requirements for specified captive insurance companies; requiring capital of specified captive insurance companies to be held in certain forms; requiring contributions to captive insurance companies that are stock insurer corporations to be in a certain form; authorizing the office to issue a captive insurance company license conditioned upon certain evidence relating to possession of specified capital; authorizing revocation of a conditional license under certain circumstances; authorizing the office to prescribe certain additional capital and net asset requirements; requiring such additional requirements relating to capital and net assets to be held in specified forms; requiring dividends or distributions of capital or surplus to meet certain conditions and be approved by the office; requiring certain irrevocable letters of credit to meet certain standards; creating s. 628.908, F.S.; prohibiting the issuance of a license to specified captive insurance companies unless such companies possess and maintain certain levels of unimpaired surplus; authorizing the office to condition issuance of a captive insurance company license upon the provision of certain evidence relating to the possession of a minimum amount of unimpaired surplus; authorizing revocation of a conditional license under certain circumstances; requiring dividends or distributions of capital or



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surplus to meet certain conditions and be approved by the office; requiring certain irrevocable letters of credit to meet certain standards; amending s. 628.909, F.S.; providing for applicability of certain statutory provisions to specified captive insurers; creating s. 628.910, F.S.; providing requirements, options, and conditions relating to how a captive insurance company may be incorporated or organized as a business; amending s. 628.911, F.S.; providing reporting requirements for specified captive insurance companies and captive reinsurance companies; creating s. 628.912, F.S.; authorizing a captive reinsurance company to discount specified losses subject to certain conditions; amending s. 628.913, F.S.; authorizing a captive reinsurance company to apply to the office for licensure to write reinsurance covering property and casualty insurance or reinsurance contracts; authorizing the office to allow a captive reinsurance company to write reinsurance contracts covering risks in any state; specifying that a captive reinsurance company is subject to specified requirements and must meet specified conditions to conduct business in this state; creating s. 628.914, F.S.; specifying requirements and conditions relating to the capitalization or maintenance of reserves by a captive reinsurance company; creating s. 628.9141, F.S.; specifying requirements and conditions relating to the incorporation of a captive reinsurance company; creating s. 628.9142, F.S.; providing for the effect



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on reserves of certain actions taken by a captive insurance company relating to providing reinsurance for specified risks; creating s. 628.918, F.S.; requiring a specified percentage of a captive reinsurance company's assets to be managed by an asset manager domiciled in this state; creating s. 628.919, F.S.; authorizing the Financial Services Commission to adopt rules establishing certain standards for control of an unaffiliated business by a parent or affiliated company relating to coverage by a pure captive insurance company; creating s. 628.920, F.S.; requiring that a licensed captive insurance company must be considered for issuance of a certificate of authority as an insurer under certain circumstances; amending s. 626.7491, F.S.; conforming a cross-reference; repealing s. 628.903, F.S., relating to the definition of the term "industrial insured captive insurer," to conform to changes made by the act; providing an effective date.

By the Committee on Banking and Insurance; and Senator Diaz de la Portilla

597-01562-12

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1 A bill to be entitled
 2 An act relating to captive insurance; amending s.
 3 628.901, F.S.; providing definitions; amending s.
 4 628.905, F.S.; expanding the kinds of insurance for
 5 which a captive insurer may seek licensure; limiting
 6 the risks that certain captive insurers may insure;
 7 specifying requirements and conditions relating to a
 8 captive insurer's authority to conduct business;
 9 requiring that before licensure certain captive
 10 insurers must file or submit to the Office of
 11 Insurance Regulation specified information, documents,
 12 and statements; requiring a captive insurance company
 13 to file specific evidence with the office relating to
 14 the financial condition and quality of management and
 15 operations of the company; specifying certain fees to
 16 be paid by captive insurance companies; authorizing a
 17 foreign or alien captive insurance company to become a
 18 domestic captive insurance company by complying with
 19 specified requirements; authorizing the office to
 20 waive any requirements for public hearings relating to
 21 the redomestication of an alien captive insurance
 22 company; creating s. 628.906, F.S.; requiring
 23 biographical affidavits and background investigations
 24 for all officers and directors; providing restrictions
 25 on officers and directors involved with insolvent
 26 insurers under certain conditions; providing
 27 restrictions on officers and directors found guilty
 28 of, or that have pleaded guilty or nolo contendere to,
 29 any felony or crime involving moral turpitude,

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30 including a crime of dishonesty or breach of trust;
 31 amending s. 628.907, F.S.; revising capitalization
 32 requirements for specified captive insurance
 33 companies; requiring capital of specified captive
 34 insurance companies to be held in certain forms;
 35 requiring contributions to captive insurance companies
 36 that are stock insurer corporations to be in a certain
 37 form; authorizing the office to issue a captive
 38 insurance company license conditioned upon certain
 39 evidence relating to possession of specified capital;
 40 authorizing revocation of a conditional license under
 41 certain circumstances; authorizing the office to
 42 prescribe certain additional capital and net asset
 43 requirements; requiring such additional requirements
 44 relating to capital and net assets to be held in
 45 specified forms; requiring dividends or distributions
 46 of capital or surplus to meet certain conditions and
 47 be approved by the office; requiring certain
 48 irrevocable letters of credit to meet certain
 49 standards; creating s. 628.908, F.S.; prohibiting the
 50 issuance of a license to specified captive insurance
 51 companies unless such companies possess and maintain
 52 certain levels of unimpaired surplus; authorizing the
 53 office to condition issuance of a captive insurance
 54 company license upon the provision of certain evidence
 55 relating to the possession of a minimum amount of
 56 unimpaired surplus; authorizing revocation of a
 57 conditional license under certain circumstances;
 58 requiring dividends or distributions of capital or

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CODING: Words ~~stricken~~ are deletions; words underlined are additions.

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59 surplus to meet certain conditions and be approved by
 60 the office; requiring certain irrevocable letters of
 61 credit to meet certain standards; amending s. 628.909,
 62 F.S.; providing for applicability of certain statutory
 63 provisions to specified captive insurers; creating s.
 64 628.910, F.S.; providing requirements, options, and
 65 conditions relating to how a captive insurance company
 66 may be incorporated or organized as a business;
 67 amending s. 628.911, F.S.; providing reporting
 68 requirements for specified captive insurance companies
 69 and captive reinsurance companies; creating s.
 70 628.912, F.S.; authorizing a captive reinsurance
 71 company to discount specified losses subject to
 72 certain conditions; amending s. 628.913, F.S.;
 73 authorizing a captive reinsurance company to apply to
 74 the office for licensure to write reinsurance covering
 75 property and casualty insurance or reinsurance
 76 contracts; authorizing the office to allow a captive
 77 reinsurance company to write reinsurance contracts
 78 covering risks in any state; specifying that a captive
 79 reinsurance company is subject to specified
 80 requirements and must meet specified conditions to
 81 conduct business in this state; creating s. 628.914,
 82 F.S.; specifying requirements and conditions relating
 83 to the capitalization or maintenance of reserves by a
 84 captive reinsurance company; creating s. 628.9141,
 85 F.S.; specifying requirements and conditions relating
 86 to the incorporation of a captive reinsurance company;
 87 creating s. 628.9142, F.S.; providing for the effect

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88 on reserves of certain actions taken by a captive
 89 insurance company relating to providing reinsurance
 90 for specified risks; creating s. 628.918, F.S.;
 91 requiring a specified percentage of a captive
 92 reinsurance company's assets to be managed by an asset
 93 manager domiciled in this state; creating s. 628.919,
 94 F.S.; authorizing the Financial Services Commission to
 95 adopt rules establishing certain standards for control
 96 of an unaffiliated business by a parent or affiliated
 97 company relating to coverage by a pure captive
 98 insurance company; creating s. 628.920, F.S.;
 99 requiring that a licensed captive insurance company
 100 must be considered for issuance of a certificate of
 101 authority as an insurer under certain circumstances;
 102 amending s. 626.7491, F.S.; conforming a cross-
 103 reference; repealing s. 628.903, F.S., relating to the
 104 definition of the term "industrial insured captive
 105 insurer," to conform to changes made by the act;
 106 providing an effective date.

107
 108 Be It Enacted by the Legislature of the State of Florida:

109
 110 Section 1. Section 628.901, Florida Statutes, is amended to
 111 read:

112 628.901 Definitions ~~"Captive insurer" defined.~~ As used in
 113 ~~For the purposes of this part, the term: except as provided in~~
 114 ~~s. 628.903, a "captive insurer" is a domestic insurer~~
 115 ~~established under part I to insure the risks of a specific~~
 116 ~~corporation or group of corporations under common ownership~~

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owned by the corporation or corporations from which it accepts risk under a contract of insurance.

(1) "Affiliated company" means a company in the same corporate system as a parent, an industrial insured, or a member organization by virtue of common ownership, control, operation, or management.

(2) "Association" means a legal association of individuals, corporations, limited liability companies, partnerships, political subdivisions, or associations which has been in continuous existence for at least 1 year, the member organizations of which collectively, or which does itself:

(a) Own, control, or hold with power to vote all of the outstanding voting securities of an association captive insurance company incorporated as a stock insurer; or

(b) Have complete voting control over an association captive insurance company organized as a mutual insurer.

(3) "Association captive insurance company" means a company that insures risks of the member organizations of the association and their affiliated companies.

(4) "Captive insurance company" means a domestic insurer established under this part. A captive insurance company includes a pure captive insurance company, association captive insurance company, special purpose captive insurance company, or industrial insured captive insurance company formed and licensed under this part.

(5) "Captive reinsurance company" means a reinsurance company that is formed and licensed under this part and is wholly owned by a qualifying reinsurance parent company. A captive reinsurance company is a stock corporation and may not

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directly insure risks. A captive reinsurance company may reinsure only risks.

(6) "Consolidated debt to total capital ratio" means the ratio of the sum of all debts and hybrid capital instruments as described in paragraph (a) to total capital as described in paragraph (b).

(a) Debts and hybrid capital instruments include, but are not limited to, all borrowings from banks, all senior debt, all subordinated debts, all trust preferred shares, and all other hybrid capital instruments that are not included in the determination of consolidated GAAP net worth issued and outstanding.

(b) Total capital consists of all debts and hybrid capital instruments as described in paragraph (a) plus owners' equity determined in accordance with GAAP for reporting to the United States Securities and Exchange Commission.

(7) "Consolidated GAAP net worth" means the consolidated owners' equity determined in accordance with generally accepted accounting principles for reporting to the United States Securities and Exchange Commission.

(8) "Controlled unaffiliated business" means a company:

(a) That is not in the corporate system of a parent and affiliated companies;

(b) That has an existing contractual relationship with a parent or affiliated company; and

(c) Whose risks are managed by a captive insurance company in accordance with s. 628.919.

(9) "GAAP" means generally accepted accounting principles.

(10) "Industrial insured" means an insured that:

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- 175 (a) Has gross assets in excess of \$50 million;
 176 (b) Procures insurance through the use of a full-time
 177 employee of the insured who acts as an insurance manager or
 178 buyer or through the services of a person licensed as a property
 179 and casualty insurance agent, broker, or consultant in such
 180 person's state of domicile;
 181 (c) Has at least 100 full-time employees; and
 182 (d) Pays annual premiums of at least \$200,000 for each line
 183 of insurance purchased from the industrial insured captive
 184 insurer or at least \$75,000 for any line of coverage in excess
 185 of at least \$25 million in the annual aggregate. The purchase of
 186 umbrella or general liability coverage in excess of \$25 million
 187 in the annual aggregate shall be deemed to be the purchase of a
 188 single line of insurance.
 189 (11) "Industrial insured captive insurance company" means a
 190 captive insurance company that provides insurance only to the
 191 industrial insureds that are its stockholders or members, and
 192 affiliates thereof, or to the stockholders, and affiliates
 193 thereof, of its parent corporation. An industrial insured
 194 captive insurance company can also provide reinsurance to
 195 insurers only on risks written by such insurers for the
 196 industrial insureds who are the stockholders or members, and
 197 affiliates thereof, of the industrial insured captive insurer,
 198 or the stockholders, and affiliates thereof, of the parent
 199 corporation of the industrial insured captive insurer.
 200 (12) "Member organization" means any individual,
 201 corporation, limited liability company, partnership, or
 202 association that belongs to an association.
 203 (13) "Office" means the Office of Insurance Regulation.

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- 204 (14) "Parent" means any corporation, limited liability
 205 company, partnership, or individual that directly or indirectly
 206 owns, controls, or holds with power to vote more than 50 percent
 207 of the outstanding voting interests of a captive insurance
 208 company.
 209 (15) "Pure captive insurance company" means a company that
 210 insures risks of its parent, affiliated companies, controlled
 211 unaffiliated businesses, or a combination thereof.
 212 (16) "Qualifying reinsurer parent company" means a
 213 reinsurer which currently holds a certificate of authority,
 214 letter of eligibility or is an accredited or a satisfactory non-
 215 approved reinsurer in this state possessing a consolidated GAAP
 216 net worth of not less than \$500 million and a consolidated debt
 217 to total capital ratio of not greater than 0.50.
 218 (17) "Special purpose captive insurance company" means a
 219 captive insurance company that is formed or licensed under this
 220 chapter that does not meet the definition of any other type of
 221 captive insurance company defined in this section.
 222 (18) "Treasury rates" means the United States Treasury
 223 STRIPS asked yield as published in the Wall Street Journal as of
 224 a balance sheet date.
 225 Section 2. Section 628.905, Florida Statutes, is amended to
 226 read:
 227 628.905 Licensing; authority.—
 228 (1) A ~~Any~~ captive insurer, ~~if~~ when permitted by its charter
 229 or articles of incorporation, may apply to the office for a
 230 license to do any and all insurance authorized under the
 231 insurance code, provide commercial property, commercial
 232 casualty, and commercial marine insurance coverage other than

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workers' compensation, health, personal motor vehicle, and
personal residential property and employer's liability insurance
coverage, except that: ~~an industrial insured captive insurer may
apply for a license to provide workers' compensation and
employer's liability insurance as set forth in subsection (6).~~

(a) A pure captive insurance company may not insure any
risks other than those of its parent, affiliated companies,
controlled unaffiliated businesses, or a combination thereof.

(b) An association captive insurance company may not insure
any risks other than those of the member organizations of its
association and their affiliated companies. An association
captive insurance company shall have stamped or written upon the
first page of the policy or the certificate, cover note, or
confirmation of insurance the words: THIS INSURANCE IS ISSUED
PURSUANT TO THE FLORIDA CAPTIVE INSURERS LAW. PERSONS INSURED BY
CAPTIVE INSURANCE COMPANIES DO NOT HAVE THE PROTECTION OF THE
FLORIDA INSURANCE GUARANTY ACT TO THE EXTENT OF ANY RIGHT OF
RECOVERY FOR THE OBLIGATION OF AN INSOLVENT INSURER. An
association captive insurance company shall also have stamped or
printed on the face of the policy in at least 14-point, boldface
type, the following statement: CAPTIVE INSURANCE COMPANIES'
POLICY RATES AND FORMS ARE NOT APPROVED BY ANY FLORIDA
REGULATORY AGENCY.

(c) An industrial insured captive insurance company may not
insure any risks other than those of the industrial insureds
that comprise the industrial insured group and their affiliated
companies.

(d) A special purpose captive insurance company may insure
only the risks of its parent.

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(e) A captive insurance company may not accept or cede
reinsurance except as provided in this part.

~~(2) To conduct insurance business in this state, a No
captive insurer, other than an industrial insured captive
insurer must:, shall insure or accept reinsurance on any risks
other than those of its parent and affiliated companies.~~

(a) Obtain from the office a license authorizing it to
conduct insurance business in this state;

(b) Hold at least one board of directors' meeting each year
in this state;

(c) Maintain its principal place of business in this state;
and

(d) Appoint a resident registered agent to accept service
of process and to otherwise act on its behalf in this state. In
the case of a captive insurance company formed as a corporation
or a nonprofit corporation, if the registered agent cannot with
reasonable diligence be found at the registered office of the
captive insurance company, the Chief Financial Officer of this
state must be an agent of the captive insurance company upon
whom any process, notice, or demand may be served.

(3) (a) Before receiving a license, a captive insurance
company formed as a corporation or a nonprofit corporation must
file with the office a certified copy of its articles of
incorporation and bylaws, a statement under oath of its
president and secretary showing its financial condition, and any
other statements or documents required by the office.

(b) In addition to the information required by paragraph
(a), an applicant captive insurance company must file with the
office evidence of:

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1. The amount and liquidity of the proposed captive insurance company's assets relative to the risks to be assumed;

2. The adequacy of the expertise, experience, and character of the person or persons who will manage the company;

3. The overall soundness of the company's plan of operation;

4. The adequacy of the loss prevention programs of the company's parent, member organizations, or industrial insureds, as applicable; and

5. Any other factors considered relevant by the office in ascertaining whether the company will be able to meet its policy obligations. In addition to information otherwise required by this code, each applicant captive insurer shall file with the office evidence of the adequacy of the loss prevention program of its insureds.

(4) A captive insurance company or captive reinsurance company must pay to the office a nonrefundable fee of \$1,500 for processing its application for license.

(a) A captive insurance company or captive reinsurance company must also pay an annual renewal fee of \$1,000.

(b) The office may charge a fee of \$5 for any document requiring certification of authenticity or the signature of the commissioner or his or her designee. An industrial insured captive insurer need not be incorporated in this state if it has been validly incorporated under the laws of another jurisdiction.

(5) If the commissioner is satisfied that the documents and statements filed by the captive insurance company comply with this chapter, the commissioner may grant a license authorizing

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the company to conduct insurance business in this state until the next succeeding March 1, at which time the license may be renewed. ~~An industrial insured captive insurer is subject to all provisions of this part except as otherwise indicated.~~

(6) Upon approval of the office, a foreign or alien captive insurance company may become a domestic captive insurance company by complying with all of the requirements of law relative to the organization and licensing of a domestic captive insurance company of the same or equivalent type in this state and by filing with the Secretary of State its articles of association, charter, or other organizational documents, together with any appropriate amendments that have been adopted in accordance with the laws of this state to bring the articles of association, charter, or other organizational documents into compliance with the laws of this state, along with a certificate of good standing issued by the office. The captive insurance company is then entitled to the necessary or appropriate certificates and licenses to continue transacting business in this state and is subject to the authority and jurisdiction of this state. In connection with this redomestication, the office may waive any requirements for public hearings. It is not necessary for a captive insurance company redomesticating into this state to merge, consolidate, transfer assets, or otherwise engage in any other reorganization, other than as specified in this section. An industrial insured captive insurer may not provide workers' compensation and employer's liability insurance except in excess of at least \$25 million in the annual aggregate.

(7) An industrial insured captive insurance company need

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not be incorporated in this state if it has been validly
incorporated under the laws of another jurisdiction.

Section 3. Section 628.906, Florida Statutes, is created to
read:

628.906 Application requirements; restrictions on
eligibility of officers and directors.—

(1) To evidence competence and trustworthiness of its
officers and directors, the application for a license to act as
a captive insurance company or captive reinsurance company shall
include, but not be limited to, background investigations,
biographical affidavits, and fingerprint cards for all officers
and directors.

(2) The office may deny, suspend, or revoke the license to
transact captive insurance or captive reinsurance in this state
if any person who was an officer or director of an insurer,
reinsurer, captive insurance company, captive reinsurance
company, financial institution, or financial services business
doing business in the United States, any state, or under the law
of any other country and who served in that capacity within the
2-year period prior to the date the insurer, reinsurer, captive
insurance company, captive reinsurance company, financial
institution, or financial services business became insolvent,
serves as an officer or director of a captive insurance company
or officer or director of a captive reinsurance company licensed
in this state unless the officer or director demonstrates that
his or her personal actions or omissions were not a contributing
cause to the insolvency or unless the officer or director is
immediately removed from the captive insurance company or
captive reinsurance company.

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(3) The office may deny, suspend, or revoke the license to
transact insurance or reinsurance in this state of a captive
insurance company or captive reinsurance company if any officer
or director, any stockholder that owns 10 percent or more of the
outstanding voting securities of the captive insurance company
or captive reinsurance company, or incorporator has been found
guilty of, or has pleaded guilty or nolo contendere to, any
felony or crime involving moral turpitude, including a crime of
dishonesty or breach of trust, punishable by imprisonment of 1
year or more under the law of the United States or any state
thereof or under the law of any other country without regard to
whether a judgment of conviction has been entered by the court
having jurisdiction in such case. However, in the case of a
captive insurance company or captive reinsurance company
operating under a subsisting license, the captive insurance
company or captive reinsurance company shall remove any such
person immediately upon discovery of the conditions set forth in
this subsection when applicable to such person or upon the order
of the office, and the failure to so act shall be grounds for
revocation or suspension of the captive insurance company's or
captive reinsurance company's license.

Section 4. Section 628.907, Florida Statutes, is amended to
read:

628.907 Minimum capital and net assets requirements;
restriction on payment of dividends ~~surplus~~.—

(1) A ~~No~~ captive insurer may not ~~shall~~ be issued a license
unless it possesses and thereafter maintains unimpaired paid-in
capital of:

(a) ~~(1)~~ In the case of a pure captive insurance company, not

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less than \$100,000. ~~Unimpaired paid-in capital of at least \$500,000; and~~

(b)(2) In the case of an association captive insurance company incorporated as a stock insurer, not less than \$400,000. Unimpaired surplus of at least \$250,000-

(c) In the case of an industrial insured captive insurance company incorporated as a stock insurer, not less than \$200,000.

(d) In the case of a special purpose captive insurance company, an amount determined by the office after giving due consideration to the company's business plan, feasibility study, and pro forma financial statements and projections, including the nature of the risks to be insured.

(2) The office may not issue a license to a captive insurance company incorporated as a nonprofit corporation unless the company possesses and maintains unrestricted net assets of:

(a) In the case of a pure captive insurance company, not less than \$250,000.

(b) In the case of a special purpose captive insurance company, an amount determined by the office after giving due consideration to the company's business plan, feasibility study, and pro forma financial statements and projections, including the nature of the risks to be insured.

(3) Contributions to a captive insurance company incorporated as a nonprofit corporation must be in the form of cash, cash equivalent, or an irrevocable letter of credit issued by a bank chartered by this state or a member bank of the Federal Reserve System with a branch office in this state, or as approved by the office.

(4) For purposes of this section, the office may issue a

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license expressly conditioned upon the captive insurance company providing to the office satisfactory evidence of possession of the minimum required unimpaired paid-in capital. Until this evidence is provided, the captive insurance company may not issue any policy, assume any liability, or otherwise provide coverage. The office may revoke the conditional license if satisfactory evidence of the required capital is not provided within a maximum period of time, not to exceed 1 year, to be established by the office at the time the conditional license is issued.

(5) The office may prescribe additional capital or net assets based upon the type, volume, and nature of insurance business transacted. Contributions in connection with these prescribed additional net assets or capital must be in the form of:

(a) Cash;

(b) Cash equivalent;

(c) An irrevocable letter of credit issued by a bank chartered by this state or a member bank of the Federal Reserve System with a branch office in this state, or as approved by the office; or

(d) Securities invested as provided in part II of chapter 625.

(6) A captive insurance company may not pay a dividend out of, or other distribution with respect to, capital or surplus in excess of the limitations set forth in this chapter without the prior approval of the office. Approval of an ongoing plan for the payment of dividends or other distributions must be conditioned upon the retention, at the time of each payment, of

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capital or surplus in excess of amounts specified by, or
determined in accordance with formulas approved by, the office.

(7) An irrevocable letter of credit that is issued by a
financial institution other than a bank chartered by this state
or a member bank of the Federal Reserve System must meet the
same standards as an irrevocable letter of credit that has been
issued by a bank chartered by this state or a member bank of the
Federal Reserve System.

Section 5. Section 628.908, Florida Statutes, is created to
read:

628.908 Surplus requirements; restriction on payment of
dividends.-

(1) The office may not issue a license to a captive
insurance company unless the company possesses and maintains
unimpaired surplus of:

(a) In the case of a pure captive insurance company, not
less than \$150,000.

(b) In the case of an association captive insurance company
incorporated as a stock insurer, not less than \$350,000.

(c) In the case of an industrial insured captive insurance
company incorporated as a stock insurer, not less than \$300,000.

(d) In the case of an association captive insurance company
incorporated as a mutual insurer, not less than \$750,000.

(e) In the case of an industrial insured captive insurance
company incorporated as a mutual insurer, not less than
\$500,000.

(f) In the case of a special purpose captive insurance
company, an amount determined by the office after giving due
consideration to the company's business plan, feasibility study,

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and pro forma financial statements and projections, including
the nature of the risks to be insured.

(2) For purposes of this section, the office may issue a
license expressly conditioned upon the captive insurance company
providing to the office satisfactory evidence of possession of
the minimum required unimpaired surplus. Until this evidence is
provided, the captive insurance company may not issue any
policy, assume any liability, or otherwise provide coverage. The
office may revoke the conditional license if satisfactory
evidence of the required surplus is not provided within a
maximum period of time, not to exceed 1 year, to be established
by the office at the time the conditional license is issued.

(3) A captive insurance company may not pay a dividend out
of, or other distribution with respect to, capital or surplus in
excess of the limitations set forth in this chapter without the
prior approval of the office. Approval of an ongoing plan for
the payment of dividends or other distribution must be
conditioned upon the retention, at the time of each payment, of
capital or surplus in excess of amounts specified by, or
determined in accordance with formulas approved by, the office.

(4) An irrevocable letter of credit that is issued by a
financial institution other than a bank chartered by this state
or a member bank of the Federal Reserve System must meet the
same standards as an irrevocable letter of credit that has been
issued by a bank chartered by this state or a member bank of the
Federal Reserve System.

Section 6. Section 628.909, Florida Statutes, is amended to
read:

628.909 Applicability of other laws.-

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523 (1) The Florida Insurance Code ~~does shall~~ not apply to
 524 captive insurers or industrial insured captive insurers except
 525 as provided in this part and subsections (2) and (3).
 526 (2) The following provisions of the Florida Insurance Code
 527 ~~shall~~ apply to captive insurers who are not industrial insured
 528 captive insurers to the extent that such provisions are not
 529 inconsistent with this part:
 530 (a) Chapter 624, except for ss. 624.407, 624.408, 624.4085,
 531 624.40851, 624.4095, 624.425, and 624.426.
 532 (b) Chapter 625, part II.
 533 (c) Chapter 626, part IX.
 534 (d) Sections 627.730-627.7405, when no-fault coverage is
 535 provided.
 536 (e) Chapter 628.
 537 (3) The following provisions of the Florida Insurance Code
 538 ~~shall~~ apply to industrial insured captive insurers to the extent
 539 that such provisions are not inconsistent with this part:
 540 (a) Chapter 624, except for ss. 624.407, 624.408, 624.4085,
 541 624.40851, 624.4095, 624.425, 624.426, and 624.609(1).
 542 (b) Chapter 625, part II, if the industrial insured captive
 543 insurer is incorporated in this state.
 544 (c) Chapter 626, part IX.
 545 (d) Sections 627.730-627.7405 when no-fault coverage is
 546 provided.
 547 (e) Chapter 628, except for ss. 628.341, 628.351, and
 548 628.6018.
 549 Section 7. Section 628.910, Florida Statutes, is created to
 550 read:
 551 628.910 Incorporation options and requirements.-

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552 (1) A pure captive insurance company may be:
 553 (a) Incorporated as a stock insurer with its capital
 554 divided into shares and held by the stockholders; or
 555 (b) Incorporated as a public benefit, mutual benefit, or
 556 religious nonprofit corporation with members in accordance with
 557 the Florida Not For Profit Corporation Act.
 558 (2) An association captive insurance company or an
 559 industrial insured captive insurance company may be:
 560 (a) Incorporated as a stock insurer with its capital
 561 divided into shares and held by the stockholders; or
 562 (b) Incorporated as a mutual insurer without capital stock,
 563 the governing body of which is elected by the member
 564 organizations of its association.
 565 (3) A captive insurance company may not have fewer than
 566 three incorporators of whom not fewer than two must be residents
 567 of this state.
 568 (4) In the case of a captive insurance company formed as a
 569 corporation or a nonprofit corporation, before the articles of
 570 incorporation are transmitted to the Secretary of State, the
 571 incorporators shall file the articles of incorporation in
 572 triplicate with the office. The office shall promptly examine
 573 the articles of incorporation. If it finds that the articles of
 574 incorporation conform to law, it shall endorse its approval on
 575 each of the triplicate originals of the articles of
 576 incorporation, retain one copy for its files, and return the
 577 remaining copies to the incorporators for filing with the
 578 Department of State.
 579 (5) The articles of incorporation, the certificate issued
 580 pursuant to this section, and the organization fees required by

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581 the Florida Business Corporation Act or the Florida Not For
 582 Profit Corporation Act, as applicable, must be transmitted to
 583 the Secretary of State, who must record the articles of
 584 incorporation and the certificate.

585 (6) The capital stock of a captive insurance company
 586 incorporated as a stock insurer must be issued at par value of
 587 not less than \$1 or more than \$100 per share.

588 (7) In the case of a captive insurance company formed as a
 589 corporation or a nonprofit corporation, at least one of the
 590 members of the board of directors of a captive insurance company
 591 incorporated in this state must be a resident of this state.

592 (8) A captive insurance company formed as a corporation or
 593 a nonprofit corporation, pursuant to the provisions of this
 594 chapter, has the privileges and is subject to the provisions of
 595 the general corporation law, including the Florida Not For
 596 Profit Corporation Act for nonprofit corporations, as
 597 applicable, as well as the applicable provisions contained in
 598 this chapter. If a conflict occurs between a provision of the
 599 general corporation law, including the Florida Not For Profit
 600 Corporation Act for nonprofit corporations, as applicable, and a
 601 provision of this chapter, the latter controls. The provisions
 602 of this title pertaining to mergers, consolidations,
 603 conversions, mutualizations, and redomestications apply in
 604 determining the procedures to be followed by a captive insurance
 605 company in carrying out any of the transactions described in
 606 such provisions, except that the office may waive or modify the
 607 requirements for public notice and hearing in accordance with
 608 rules the office may adopt addressing categories of
 609 transactions. If a notice of public hearing is required, but no

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610 one requests a hearing, the office may cancel the hearing.

611 (9) The articles of incorporation or bylaws of a captive
 612 insurance company may authorize a quorum of a board of directors
 613 to consist of no fewer than one-third of the fixed or prescribed
 614 number of directors as provided for by the Florida Business
 615 Corporation Act or the Florida Not For Profit Corporation Act.

616 Section 8. Section 628.911, Florida Statutes, is amended to
 617 read:

618 628.911 Reports and statements.—

619 (1) A captive insurance company may insurer shall not be
 620 required to make any annual report except as provided in this
 621 part section.

622 (2) Annually no later than March 1, a captive insurance
 623 company or a captive reinsurance company insurer shall, within
 624 60 days after the end of its fiscal year and as often as the
 625 office may deem necessary, submit to the office a report of its
 626 financial condition verified by oath of two of its executive
 627 officers. Except as provided in this part, a captive insurance
 628 company or a captive reinsurance company must report using
 629 generally accepted accounting principles, unless the office
 630 approves the use of statutory accounting principles, with useful
 631 or necessary modifications or adaptations required or approved
 632 or accepted by the office for the type of insurance and kinds of
 633 insurers to be reported upon, and as supplemented by additional
 634 information required by the office. The Financial Services
 635 Commission may adopt by rule the form in which captive insurance
 636 companies insurers shall report.

637 (3) A captive insurance company may make written
 638 application for filing the required report on a fiscal year end

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that is consistent with the parent company's fiscal year. If an alternative reporting date is granted, the annual report is due 60 days after the fiscal year end.

Section 9. Section 628.912, Florida Statutes, is created to read:

628.912 Discounting of loss and loss adjustment expense reserves.—

(1) A captive reinsurance company may discount its loss and loss adjustment expense reserves at treasury rates applied to the applicable payments projected through the use of the expected payment pattern associated with the reserves.

(2) A captive reinsurance company must file annually an actuarial opinion on loss and loss adjustment expense reserves provided by an independent actuary. The actuary may not be an employee of the captive reinsurance company or its affiliates.

(3) The office may disallow the discounting of reserves if a captive reinsurance company violates a provision of this part.

Section 10. Section 628.913, Florida Statutes, is amended to read:

(Substantial rewording of section. See s. 628.913, F.S., for present text.)

628.913 Captive reinsurance companies.—

(1) A captive reinsurance company, if permitted by its articles of incorporation or charter, may apply to the office for a license to write reinsurance covering property and casualty insurance or reinsurance contracts. A captive reinsurance company authorized by the office may write reinsurance contracts covering risks in any state; however, a captive reinsurance company authorized by the office may not

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directly insure risks.

(2) To conduct business in this state, a captive reinsurance company must:

(a) Obtain from the office a license authorizing it to conduct business as a captive reinsurance company in this state;

(b) Hold at least one board of directors' meeting each year in this state;

(c) Maintain its principal place of business in this state; and

(d) Appoint a registered agent to accept service of process and act otherwise on its behalf in this state.

(3) Before receiving a license, a captive reinsurance company must file with the office:

(a) A certified copy of its charter and bylaws;

(b) A statement under oath of its president and secretary showing its financial condition; and

(c) Other documents required by the office.

(4) In addition to the information required by this section, the captive reinsurance company must file with the office evidence of:

(a) The amount and liquidity of the captive reinsurance company's assets relative to the risks to be assumed;

(b) The adequacy of the expertise, experience, and character of the person who manages the company;

(c) The overall soundness of the company's plan of operation; and

(d) Other overall factors considered relevant by the office in ascertaining if the company would be able to meet its policy obligations.

597-01562-12 2012610c1

697 Section 11. Section 628.914, Florida Statutes, is created
698 to read:

699 628.914 Minimum capitalization or reserves for captive
700 reinsurance companies.—

701 (1) The office may not issue a license to a captive
702 reinsurance company unless the company possesses and maintains
703 capital or unimpaired surplus of not less than the greater of
704 \$300 million or 10 percent of reserves. The surplus may be in
705 the form of cash or securities as permitted by part II of
706 chapter 625.

707 (2) The office may prescribe additional capital or surplus
708 based upon the type, volume, and nature of the insurance
709 business transacted.

710 (3) A captive reinsurance company may not pay a dividend
711 out of, or other distribution with respect to, capital or
712 surplus in excess of the limitations without the prior approval
713 of the office. Approval of an ongoing plan for the payment of
714 dividends or other distributions must be conditioned upon the
715 retention, at the time of each payment, of capital or surplus in
716 excess of amounts specified by, or determined in accordance with
717 formulas approved by, the office.

718 Section 12. Section 628.9141, Florida Statutes, is created
719 to read:

720 628.9141 Incorporation of a captive reinsurance company.—

721 (1) A captive reinsurance company must be incorporated as a
722 stock insurer with its capital divided into shares and held by
723 its shareholders.

724 (2) A captive reinsurance company may not have fewer than
725 three incorporators of whom at least two must be residents of

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726 this state.

727 (3) Before the articles of incorporation are transmitted to
728 the Secretary of State, the incorporators shall comply with all
729 the requirements of s. 628.091.

730 (4) The capital stock of a captive reinsurance company must
731 be issued at par value of not less than \$1 or more than \$100 per
732 share.

733 (5) At least one of the members of the board of directors
734 of a captive reinsurance company incorporated in this state must
735 be a resident of this state.

736 Section 13. Section 628.9142, Florida Statutes, is created
737 to read:

738 628.9142 Reinsurance; effect on reserves.—

739 (1) A captive insurance company may provide reinsurance, as
740 authorized in this part, on risks ceded by any other insurer.

741 (2) A captive insurance company may take credit for
742 reserves on risks or portions of risks ceded to authorized
743 insurers or reinsurers and unauthorized insurers or reinsurers
744 complying with the provisions of s. 624.610. A captive insurer
745 may not take credit for reserves on risks or portions of risks
746 ceded to an unauthorized insurer or reinsurer if the insurer or
747 reinsurer is not in compliance with s. 624.610.

748 Section 14. Section 628.918, Florida Statutes, is created
749 to read:

750 628.918 Management of assets of captive reinsurance
751 company.—At least 35 percent of the assets of a captive
752 reinsurance company must be managed by an asset manager
753 domiciled in this state.

754 Section 15. Section 628.919, Florida Statutes, is created

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to read:

628.919 Standards to ensure risk management control by parent company.--The Financial Services Commission shall adopt rules establishing standards to ensure that a parent or affiliated company is able to exercise control of the risk management function of any controlled unaffiliated business to be insured by the pure captive insurance company.

Section 16. Section 628.920, Florida Statutes, is created to read:

628.920 Eligibility of licensed captive insurance company for certificate of authority to act as insurer.--A licensed captive insurance company that meets the necessary requirements of this part imposed upon an insurer must be considered for issuance of a certificate of authority to act as an insurer in this state.

Section 17. Paragraph (e) of subsection (2) of section 626.7491, Florida Statutes, is amended to read:

626.7491 Business transacted with producer controlled property and casualty insurer.--

(2) DEFINITIONS.--As used in this section:

(e) "Licensed insurer" or "insurer" means any person, firm, association, or corporation licensed to transact a property or casualty insurance business in this state. The following are not licensed insurers for the purposes of this section:

1. Any risk retention group as defined in:

a. The Superfund Amendments Reauthorization Act of 1986, Pub. L. No. 99-499, 100 Stat. 1613 (1986);

b. The Risk Retention Act, 15 U.S.C. ss. 3901 et seq. (1982 and Supp. 1986); or

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c. Section 627.942(9).

2. Any residual market pool or joint underwriting authority or association; and

3. Any captive insurance company insurer as defined in s. 628.901.

Section 18. Section 628.903, Florida Statutes, is repealed.

Section 19. This act shall take effect upon becoming a law.



THE FLORIDA SENATE

Tallahassee, Florida 32399-1100

COMMITTEES:

Rules - Subcommittee on Ethics and Elections,
Chair
Budget - Subcommittee on General Government
Appropriations
Budget - Subcommittee on Transportation, Tourism,
and Economic Development Appropriations
Communications, Energy, and Public Utilities
Health Regulation
Reapportionment
Regulated Industries

SENATOR MIGUEL DIAZ de la PORTILLA
36th District

December 19, 2011

The Honorable Alan Hays
Chairman
Budget Subcommittee on
General Government Appropriations

Via Email

Re: CS/SB 610, Captive Insurance (HB 379)

Dear Chairman Hays:

My CS SB 610, Captive Insurance, has been referred to the Budget Subcommittee on General Government Appropriations. I would appreciate it if you would agenda the bill at the next available opportunity.

Thank you for your consideration.

Sincerely,

Miguel Diaz de la Portilla
State Senator, District 36
Cc: Ms. Jamie DeLoach, Staff Director
Ms. Lisa Waddell, Committee Administrative Assistant

REPLY TO:

- ☐ 2100 Coral Way, Suite 505, Miami, Florida 33145 (305) 643-7200
- ☐ 312 Senate Office Building, 404 South Monroe Street, Tallahassee, Florida 32399-1100 (850) 487-5109

Senate's Website: www.flsenate.gov

MIKE HARIDOPOLOS
President of the Senate

MICHAEL S. "MIKE" BENNETT
President Pro Tempore

THE FLORIDA SENATE

COMMITTEE APPEARANCE RECORD

(Submit to Committee Chair or Administrative Assistant)

1/12/12
Date

610
Bill Number

Name Teye Reeves
Address 136 S. Bronough
Street City State Zip
32301

Phone 850-521-1235
E-mail
Job Title Policy Director

Speaking: ☒ For ☐ Against ☐ Information

Appearing at request of Chair ☐

Subject
Representing FL Chamber of Commerce

Lobbyist registered with Legislature: ☒ Yes ☐ No

Pursuant to s. 11.061, Florida Statutes, state, state university, or community college employees are required to file the first copy of this form with the Committee, unless appearance has been requested by the Chair as a witness or for informational purposes.

If designated employee: Time: from .m. to .m.

THE FLORIDA SENATE
APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

1-12-2012
Meeting Date

Topic Captive Insurance

Bill Number 610
(if applicable)

Name Ivette Arango

Amendment Barcode _____
(if applicable)

Job Title VP Beacon Council

Address 80 SW 8 St Suite 2400
Street
Miami FL
City State Zip

Phone 305 345-7744

E-mail iarango@beaconcouncil.com

Speaking: ☒ For ☐ Against ☐ Information

Representing The Beacon Council

Appearing at request of Chair: ☐ Yes ☐ No

Lobbyist registered with Legislature: ☒ Yes ☐ No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

THE FLORIDA SENATE
APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

1/12/12
Meeting Date

Topic Captive Insurance

Bill Number 610
(if applicable)

Name Sharon Spratt

Amendment Barcode _____
(if applicable)

Job Title Leg. Affairs

Address 325 John Knox
Street
TLH 32308
City State Zip

Phone 298-6644

E-mail _____

Speaking: ☒ For ☐ Against ☐ Information

Representing Enterprise Florida

Appearing at request of Chair: ☐ Yes ☒ No

Lobbyist registered with Legislature: ☒ Yes ☐ No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

S-001 (10/20/11)

THE FLORIDA SENATE
COMMITTEE APPEARANCE RECORD

(Submit to Committee Chair or Administrative Assistant)

1-12-12

Date

Name

JESS McCARTY

Address

Street

111 NW 1ST ST
MIAMI 33128

City

State

Zip

Speaking:

☒

For

☐

Against

☐

Information

Appearing at request of Chair

☐

Subject

Representing

MIAMI - DADE COUNTY

Lobbyist registered with Legislature:

☒

Yes

☐

No

Pursuant to s. 11.061, *Florida Statutes*, state, state university, or community college employees are required to file the first copy of this form with the Committee, unless appearance has been requested by the Chair as a witness or for informational purposes.

If designated employee:

Time:

from

.m.

to

.m.

610

Bill Number

Phone

305-979-7110

E-mail

JMM2@MIAMI
ORDE. GOV

Job Title

ASST COUNTY
ATTY

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Budget Subcommittee on General Government Appropriations

BILL: SB 792

INTRODUCER: Senator Gaetz and others

SUBJECT: Financial Institutions

DATE: January 9, 2012

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Matiyow	Burgess	BI	Favorable
2.	Howard	DeLoach	BGA	Favorable
3.				
4.				
5.				
6.				

I. Summary:

Senate bill 792 codifies into state law the federal requirement that all state financial institutions certify that they have adopted policies, procedures, and controls, in accordance with promulgated rules established by the Office of Financial Regulation (OFR), to detect and assure the financial institution does not knowingly maintain any correspondent accounts or payable-through accounts with any financial institution that does business with Iran or any other terrorist organization designated by the United States Government. The bill mandates new reporting requirements upon all state chartered financial institutions as well as the OFR. The bill further authorizes the OFR to impose civil penalties of \$100,000 against any state chartered financial institution that is in noncompliance with the annual reporting requirement.

The bill creates an undesignated section of Florida statutes.

Fiscal Impact: No fiscal impact to the Office of Financial Regulation. OFR will adopt rules establishing minimum standards for due diligence procedures by July 1, 2012, make annual compliance report available on its website, and submit an annual report to the Governor, the President of the Senate, and the Speaker of the House by January 2013 with existing resources.

Noncompliance with the certification reporting requirements could subject Florida State-chartered financial institutions to civil penalties. Federally chartered financial institutions and out-of-state chartered financial institutions doing business in Florida will not be subject to the bill's requirements.

II. Present Situation:

As a result of Iran's support for international terrorism and its aggressive actions against non-belligerent shipping in the Persian Gulf, President Reagan issued Executive Order 12613,¹ imposing a new import embargo on Iranian-origin goods and services. Section 505 of the International Security and Development Cooperation Act of 1985 (ISDCA) was utilized as the statutory authority for the embargo, which gave rise to the Iranian Transactions Regulations (ITR).²

In 1995, as a result of Iranian support of international terrorism and Iran's active pursuit of weapons of mass destruction, President Clinton issued Executive Order 12957³ prohibiting U.S. involvement with any petroleum development in Iran. Later that year, President Clinton issued Executive Order 12959,⁴ substantially tightening the United States' sanctions against Iran. In 1997, President Clinton signed Executive Order 13059,⁵ prohibiting virtually all trade and investment activities with Iran by all U.S. Citizens.

On July 1, 2010, President Obama signed into law the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA).⁶ CISADA requires the Secretary of the Treasury to prohibit or restrict the opening or maintaining in the United States of a correspondent or payable-through account by a foreign financial institution if that institution knowingly:

- facilitates Iranian government, including the Iran's Revolutionary Guard Corps (IRGC), efforts to acquire weapons of mass destruction (WMD) or to support international terrorism;
- engages in dealings with Iranian persons sanctioned by the Security Council;
- engages in money laundering or facilitates Central Bank of Iran efforts to aid Iran's WMD programs, to support Iran's sponsorship of terrorism, or to support persons under Security Council sanction; or
- conducts significant business with the IRGC, its affiliates, or financial institutions whose property or interests are blocked pursuant to the International Emergency Economic Powers Act.

CISADA directs the Secretary of the Treasury to prohibit any person owned or controlled by a domestic financial institution from knowingly engaging in a transaction with or benefiting the IRGC or its affiliates whose property or interests are blocked pursuant to the International Emergency Economic Powers Act and applies specified penalties under the International Emergency Economic Powers Act to a domestic financial institution if:

- a person owned or controlled by the institution violates or attempts to violate such provisions; and
- the institution knew or should have known of such activity.

¹ Executive Order 12613, October 29, 1987.

² Title 31, Part 560 of the U.S. Code of Federal Regulations.

³ Executive Order 12957, March 16, 1995.

⁴ Executive Order 12959, May 6, 1995.

⁵ Executive Order 13059, August 19, 1997.

⁶ Pub. L. 111-195.

In addition, CISADA directs the Secretary of the Treasury to require a domestic financial institution maintaining a correspondent account or payable-through account in the United States for a foreign financial institution to do one or more of the following:

- perform an audit of activities that may be carried out by the foreign financial institution;
- report to the Department of the Treasury regarding transactions provided with any sanctioned activity;
- certify that the foreign financial institution is not knowingly engaging in any such sanctioned activity; and
- establish due diligence policies designed to detect whether the foreign financial institution has engaged in sanctioned activity.

Lastly, the act applies specified penalties to persons that violate such provisions and authorizes the Secretary of the Treasury to waive such prohibitions for purposes of U.S. national interest.

Currently, all Florida state chartered financial institutions must comply with the US Department of the Treasury's Office of Foreign Assets Control (OFAC) and the US Department of Treasury's Financial Crimes Enforcement Network (FinCEN) regulations and the promulgated federal Iranian sanctions.

The US Department of the Treasury's Office of Foreign Assets Control (OFAC) administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries and regimes, terrorists, international narcotics traffickers, those engaged in activities related to the proliferation of weapons of mass destruction, and other threats to the national security, foreign policy or economy of the United States. OFAC acts under Presidential national emergency powers, as well as authority granted by specific legislation, to impose controls on transactions and freeze assets under US jurisdiction. Many of the sanctions are based on United Nations and other international mandates, are multilateral in scope, and involve close cooperation with allied governments.

The US Department of Treasury's Financial Crimes Enforcement Network's (FinCEN) mission is to enhance U.S. national security, deter and detect criminal activity, and safeguard financial systems from abuse by promoting transparency in the U.S. and international financial systems.

The bank examination processes, by both state and federal examiners, includes procedures for examining and assessing a financial institution's policies, procedures, and processes for ensuring compliance with the federal regulatory requirements and sanctions. As part of the scoping and planning procedures, examiners must review the bank's OFAC risk assessment and independent testing to determine the extent to which a review of the bank's OFAC compliance program should be conducted during the examination. The effectiveness of the examination process is heightened due to the existence of information sharing agreements between state and federal banking regulators with both OFAC and FinCEN. As a result, under present law the type of banking transactions being targeted by the bill are scrutinized and subject to federal laws, pursuant to state law based upon safety and soundness grounds or in the alternative based upon the Florida Control of Money Laundering provisions of Section 655.50, F.S.

III. Effect of Proposed Changes:

SB 792 requires the Office of Financial Regulation (OFR) to adopt rules establishing minimum standards that all state chartered financial institutions must adopt to detect whether any correspondent accounts or a payable-through accounts with a foreign financial institution are knowingly:

- facilitating the efforts of the Iranian Government to develop weapons of mass destruction;
- providing support to a foreign terrorist organization;
- facilitating the activities of a person who is subject to financial sanctions by a United Nations Security Council's Iranian sanction resolutions;
- engaging in related money laundering activity;
- facilitating efforts by Iranian financial institutions to carry out prohibited activities; or
- facilitating a significant transaction or providing significant financial services to an entity whose property interests are blocked pursuant to federal law associated with Iran's proliferation of weapons of mass destruction or support for international terrorism.

The bill requires OFR to submit an annual report to the Governor and the Legislature as well as post the report on the Department of Financial Services' website. The bill also authorizes the OFR to impose a \$100,000 civil penalty against any state chartered financial institution that fails to comply with the annual reporting requirement.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. Other Constitutional Issues:

The bill adopts Federal laws and regulations that change frequently. Any future changes to the federal requirements after the bill were to become law would have to be readdressed by the legislature.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Federally chartered financial institutions and out-of-state chartered financial institutions doing business in Florida will not be subject to the bill's requirements. Noncompliance with the reporting requirements will subject Florida state chartered financial institutions to a \$100,000 civil penalty. In addition, there could be compliance costs that only state chartered financial institution would be subject to.

C. Government Sector Impact:

This will create additional regulatory costs for the Office of Financial Regulation (OFR) associated with adopting rules establishing minimum standards for due diligence procedures by July 1, 2012, making annual compliance reports available on its website, and submitting an annual report to the Governor, the President of the Senate, and the Speaker of the House by January 2013. OFR will be able to implement these changes using existing resources.

VI. Technical Deficiencies:

The Financial Services Commission is the authority through which rules are adopted for the Office of Financial Regulation.

VII. Related Issues:

Because the OFR has direct jurisdiction over financial institutions, the posting of the compliance report could be placed on the OFR's website, rather than, or in addition to, the DFS's website.

VIII. Additional Information:**A. Committee Substitute – Statement of Substantial Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.

By Senators Gaetz and Rich

4-00649-12

2012792__

1 A bill to be entitled
 2 An act relating to financial institutions; providing
 3 definitions; requiring a financial institution that is
 4 chartered in this state and that maintains certain
 5 accounts with a foreign financial institution to
 6 establish due diligence policies, procedures, and
 7 controls reasonably designed to detect whether the
 8 foreign financial institution engages in certain
 9 activities facilitating the development of weapons of
 10 mass destruction by the Government of Iran, provides
 11 support for certain foreign terrorist organizations,
 12 or participates in other related activities; requiring
 13 the Office of Financial Regulation to adopt rules
 14 establishing minimum standards for the due diligence
 15 policies, procedures, and controls; requiring a
 16 financial institution chartered in this state to
 17 annually file a compliance certificate with the Office
 18 of Financial Regulation; requiring the Office of
 19 Financial Regulation to submit an annual report
 20 relating to its rules and certifications from
 21 financial institutions to the Governor, the President
 22 of the Senate, and the Speaker of the House of
 23 Representatives; requiring the Office of the Chief
 24 Financial Officer to make the annual report available
 25 to the public on its website; authorizing the Office
 26 of Financial Regulation to impose a civil penalty
 27 against a financial institution that fails to make the
 28 annual certification required by the act; providing an
 29 effective date.

Page 1 of 5

CODING: Words ~~stricken~~ are deletions; words underlined are additions.

4-00649-12

2012792__

30
 31 WHEREAS, the United States Congress passed, and President
 32 Obama signed into law, the Comprehensive Iran Sanctions,
 33 Accountability, and Divestment Act of 2010, and
 34 WHEREAS, the Comprehensive Iran Sanctions, Accountability,
 35 and Divestment Act of 2010 prohibits or strictly limits any
 36 foreign financial institution's ability to open or maintain a
 37 correspondent account or a payable-through account with American
 38 financial institutions if the United States Secretary of the
 39 Treasury determines that the foreign financial institution
 40 knowingly engages in certain activities facilitating the
 41 development of weapons of mass destruction by the Government of
 42 Iran, provides support for certain foreign terrorist
 43 organizations, or participates in other related activities, and
 44 WHEREAS, the Comprehensive Iran Sanctions, Accountability,
 45 and Divestment Act of 2010 imposes civil and criminal penalties
 46 against financial institutions based in the United States which
 47 know or should know that they are maintaining a correspondent
 48 account or a payable-through account with a foreign financial
 49 institution that engages in prohibited activities, and
 50 WHEREAS, it is a sensible fiduciary responsibility of
 51 financial institutions chartered in the State of Florida to know
 52 the activities of foreign financial institutions with which they
 53 maintain correspondent or payable-through accounts, NOW,
 54 THEREFORE,
 55
 56 Be It Enacted by the Legislature of the State of Florida:
 57
 58 Section 1. Financial institutions; transactions relating to

Page 2 of 5

CODING: Words ~~stricken~~ are deletions; words underlined are additions.

4-00649-12

2012792

Iran or terrorism.—

(1) As used in this section, the term:

(a) "Correspondent account" has the same meaning as defined in 31 U.S.C. s. 5318A.

(b) "Financial institution" has the same meaning as defined in s. 655.005(1)(i), Florida Statutes.

(c) "Payable-through account" has the same meaning as defined in 31 U.S.C. s. 5318A.

(2) A financial institution chartered in this state which maintains a correspondent account or a payable-through account with a foreign financial institution must establish due diligence policies, procedures, and controls reasonably designed to detect whether the United States Secretary of the Treasury has found that the foreign financial institution knowingly:

(a) Facilitates the efforts of the Government of Iran, including efforts of Iran's Revolutionary Guard Corps, to acquire or develop weapons of mass destruction or their delivery systems;

(b) Provides support for an organization designated by the United States as a foreign terrorist organization;

(c) Facilitates the activities of a person who is subject to financial sanctions pursuant to a resolution of the United Nations Security Council imposing sanctions on Iran;

(d) Engages in money laundering to carry out any activity listed in this subsection;

(e) Facilitates efforts by the Central Bank of Iran or any other Iranian financial institution to carry out an activity listed in this subsection; or

(f) Facilitates a significant transaction or provides

4-00649-12

2012792

significant financial services for Iran's Revolutionary Guard Corps or its agents or affiliates, or any financial institution, whose property or interests in property are blocked pursuant to federal law in connection with Iran's proliferation of weapons of mass destruction, or delivery systems for those weapons, or Iran's support for international terrorism.

(3) By July 1, 2012, the Office of Financial Regulation shall adopt rules establishing minimum standards for due diligence policies, procedures, and controls required by this section.

(4) By January 1, 2013, and each January 1 thereafter, each financial institution chartered in this state must certify to the Office of Financial Regulation that the financial institution has adopted and substantially complies with its due diligence policies, procedures, and controls required by this section and the rules of the Office of Financial Regulation, and that to the best knowledge of the financial institution, the financial institution does not maintain a correspondent account or a payable-through account with a foreign financial institution that knowingly engages in any act described in subsection (2).

(5) By January 31, 2013, and each January 31 thereafter, the Office of Financial Regulation must submit a report to the Governor, the President of the Senate, and the Speaker of the House of Representatives which contains a copy of the rules required under subsection (2) and the status of the certifications of compliance received from the financial institutions chartered in this state.

(6) The Office of the Chief Financial Officer shall make

4-00649-12 2012792

117 its annual compliance report under this section available on its
118 website.

119 (7) The Office of Financial Regulation may impose a civil
120 penalty, not to exceed \$100,000 per occurrence, against a
121 financial institution that fails to make the annual
122 certification required under subsection (4).

123 Section 2. This act shall take effect upon becoming a law.

THE FLORIDA SENATE

Tallahassee, Florida 32399-1100

COMMITTEES:

Reapportionment, *Chair*
Banking and Insurance
Budget
Budget - Subcommittee on Transportation, Tourism,
and Economic Development Appropriations
Budget - Subcommittee on Health and Human Services
Appropriations
Health Regulation
Rules
Rules - Subcommittee on Ethics and Elections

JOINT COMMITTEE:

Legislative Budget Commission

SENATOR DON GAETZ

4th District

January 4, 2012

The Honorable Alan Hays, Chair
Budget Subcommittee on General Government Appropriations
324 Senate Office Building
404 South Monroe Street
Tallahassee, FL 32399-1100

Dear Senator Hays,

I respectfully request that you place Senate Bill 792, relating to Group Insurance, on your Budget Subcommittee on General Government Appropriations committee agenda as soon as conveniently possible.

Please do not hesitate to contact me if you have any questions.

Sincerely,



Senator Don Gaetz
District 4

CC: Jamie DeLoach, Staff Director

REPLY TO:

- ☐ 4300 Legendary Drive, Suite 230, Destin, Florida 32541 (850) 897-5747
- ☐ 420 Senate Office Building, 404 South Monroe Street, Tallahassee, Florida 32399-1100 (850) 487-5009

Senate's Website: www.flsenate.gov

MIKE HARIDOPOLOS
President of the Senate

MICHAEL S. "MIKE" BENNETT
President Pro Tempore

THE FLORIDA SENATE
APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

1/12/12
Meeting Date

Topic Financial Institutions

Bill Number 792
(if applicable)

Name Jared Ross

Amendment Barcode _____
(if applicable)

Job Title Dir. of Legislative Affairs

Address 3773 Commonwealth Blvd.
Street
Tallahassee FL 32303
City State Zip

Phone 850. 590. 6570

E-mail jared.ross@scv.org

Speaking: ☒ For ☐ Against ☐ Information

Representing League of Southeastern Credit Unions

Appearing at request of Chair: ☐ Yes ☒ No

Lobbyist registered with Legislature: ☒ Yes ☐ No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

SENATE (10/20/11)

THE FLORIDA SENATE
APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

1/12/12
Meeting Date

Topic SB 792

Bill Number SB 792
(if applicable)

Name David J. Barkley

Amendment Barcode _____
(if applicable)

Job Title Anti-Defamation League Southeastern Area Counsel

Address 621 NW 53rd St.
Street
Boca Raton FL 33487
City State Zip

Phone 561-988-2912

E-mail dbarkley@adl.org

Speaking: ☒ For ☐ Against ☐ Information

Representing Anti-Defamation League

Appearing at request of Chair: ☐ Yes ☐ No

Lobbyist registered with Legislature: ☒ Yes ☐ No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

SENATE (1/10/2011)



Florida's Public Hurricane Loss Projection Model

Presentation to the Senate Subcommittee on General Government Appropriations

Kara Collins-Gomez, Government Operations Staff Director

December 8, 2011

Project Scope

- **What are the benefits of having a public model?**
- **How is the public model funded?**
- **How much does the public model cost?**
- **What additional steps could be taken to increase private funding for the public model?**
- **What options could the Legislature consider regarding the public model?**

Background

- The **Public Hurricane Loss Projection Model** was created to provide the Office of Insurance Regulation an additional regulatory tool
- Since 2000, the Legislature has provided OIR **\$11 million** for model creation, operation, and maintenance
- Several public and private entities use the model: **OIR, Citizens Property Insurance Corp., Florida Hurricane Catastrophe Fund, private insurers**

Public Model Has Several Benefits

- Provides OIR an **independent tool** to facilitate its review of the reasonableness of insurer rate filings
- **More transparent** than private models because its assumptions, methods, theories, and components are described in technical reports and other publications
- Offers an **additional source of information** for insurers to consider when evaluating risk exposure associated with their portfolio of policies

Public Model Supported Primarily By State Funds

- FIU receives annual **funding from OIR**, most of which is used to support the model's routine operation and maintenance - **\$588,409** from Insurance Regulatory TF in FY10-11
- FIU also receives **fees for providing modeling services** to other state entities and private insurers - **\$190,160** in FY10-11
 - Citizens - \$28,122
 - Catastrophe Fund - \$32,700
 - Private insurers - \$129,338

Annual Expenditures Vary; FIU Tries to Minimize Costs

- Annual **direct expenditures** for operating, maintaining, and updating the public model - **\$723,937** in FY10-11
- FIU and partner universities report taking **steps to minimize** operational and maintenance costs
 - Use graduate students to process insurer data, receive discounted computer processing services, do not charge for all faculty and staff time – estimated annual value for FIU **\$189,333**
 - Receive in-kind support from National Oceanic and Atmospheric Administration – estimated annual value **\$150,000**

Legislature Has Taken Steps to Increase Private Funding

- May 2011: Legislature amended state law to allow user fees based on reasonable cost associated with public model operation and maintenance
- November 2011: FIU representatives reported establishing higher user fees
 - Under new fee structure, an insurer that paid \$4,253 in FY10-11 would pay \$6,071 in FY11-12 (43% increase)
- FIU representatives reported considering further fee increases, but that higher fees depend on insurer demand

Additional Efforts Could Be Made to Increase Private Funding

- FIU could **market the public model** to insurers
 - Not previously marketed because it was initially developed for the sole use of OIR
 - University representatives estimated that annual cost for a marketing/business manager would be approximately **\$100,000**
- FIU could **enhance the public model** to make it more useful to insurers
 - University representatives reported that adding a storm surge component could make the model more attractive to insurers
 - They estimated that it would take approximately one year and at least **\$250,000** to make an existing university storm surge model compatible with the public model

Legislature Could Consider Other Options for the Public Model

- **Discontinue state funding**
 - Saves nearly \$600,000 per year in state funds but OIR would lose an independent benchmarking tool
- **Reduce state funding as it is offset by increasing fees paid by insurers**
 - Reduces reliance on state funds but is heavily dependent on increased use by private insurers
- **Continue the current funding mechanism**
 - Preserves OIR's regulatory toolkit but state would continue to spend \$600,000 a year that could be used for other purposes

Questions?

Kara Collins-Gomez

Government Operations Staff Director

collins-gomez.kara@oppaga.fl.gov

850-487-4257

oppaga

THE FLORIDA LEGISLATURE'S OFFICE OF PROGRAM POLICY ANALYSIS & GOVERNMENT ACCOUNTABILITY

OPPAGA supports the Florida Legislature by providing data, evaluative research, and objective analyses that assist legislative budget and policy deliberations.

THE FLORIDA SENATE
APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

✓
4

1/12/12
Meeting Date

Topic AGENDA ITEM 4 : FLORIDA PUBLIC MODEL Bill Number _____
(if applicable)

Name KURTIS GURLEY Amendment Barcode _____
(if applicable)

Job Title ASSOC. PROF. UNIV. OF FLORIDA

Address 365 WEIL HALL Phone 352 219 9011
Street
GAINESVILLE FL 32606
City State Zip

E-mail kgur1@ce.ufl.edu

Speaking: ☐ For ☐ Against ☒ Information

Representing FLORIDA PUBLIC MODEL DEVELOPERS

Appearing at request of Chair: ☐ Yes ☐ No ?

Lobbyist registered with Legislature: ☐ Yes ☒ No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

S-001 (10/20/11)

South Florida Water Management District Preliminary FY13 Budget

**Senate General Government Appropriations
Sub-Committee
Senator Alan Hays, Chair
January 12, 2012**

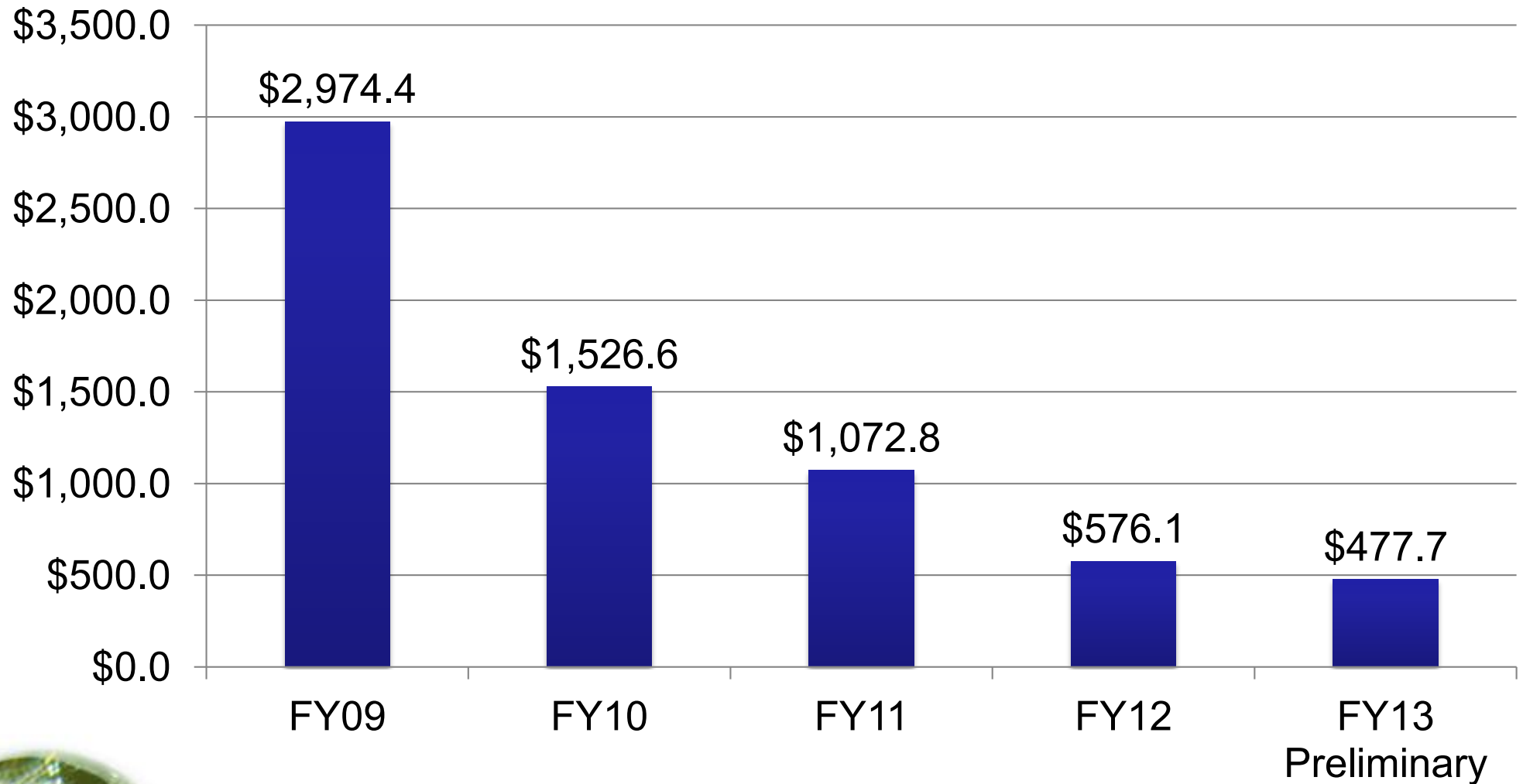
*Ernie Barnett
Director of Everglades Policy*

Agency Core Mission Strategic Priorities

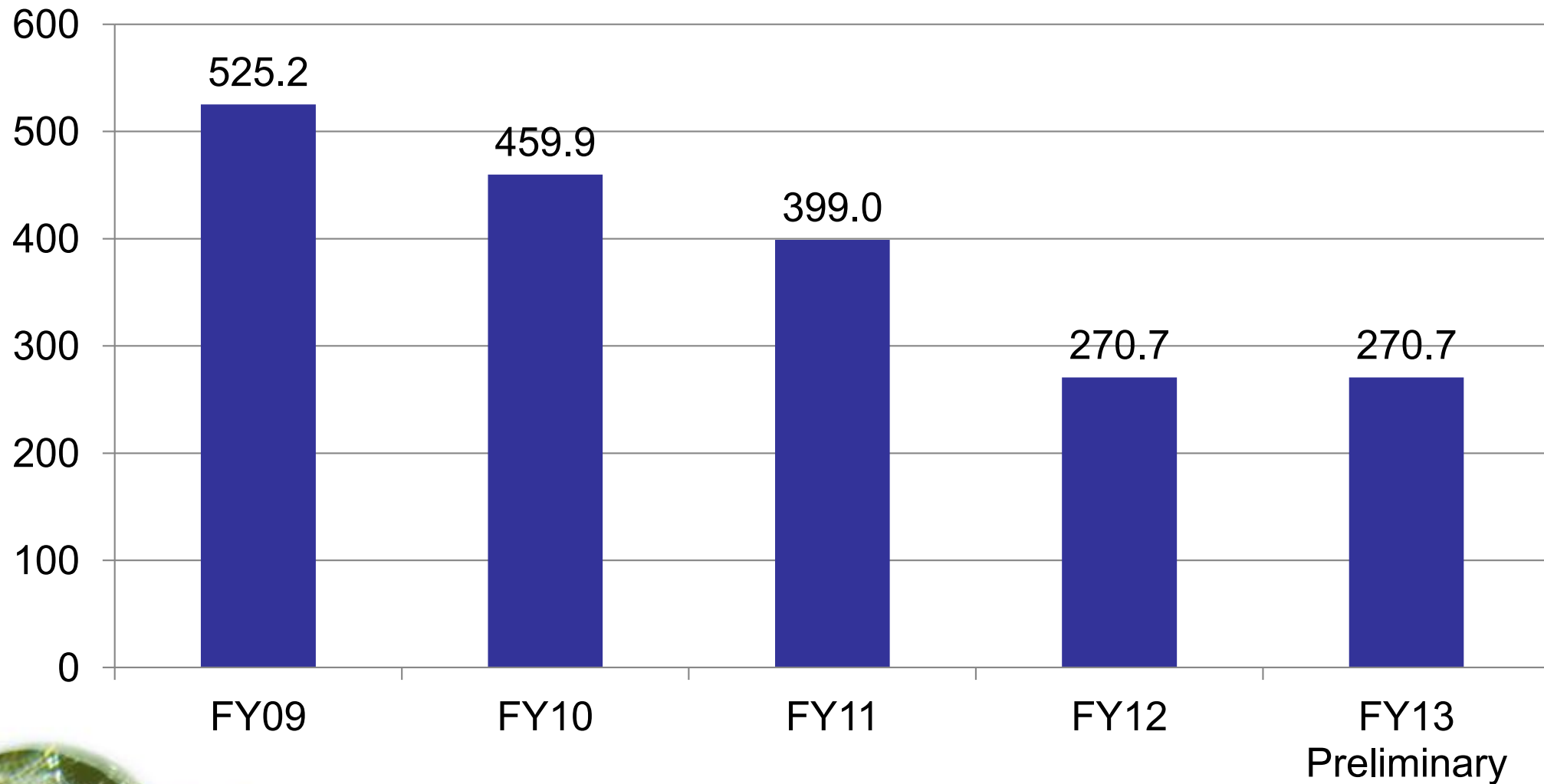
- Refurbish, replace, improve and manage the regional water management system
- Restore the Northern and Southern Everglades
- Meet the current and future demands of water users and the environment



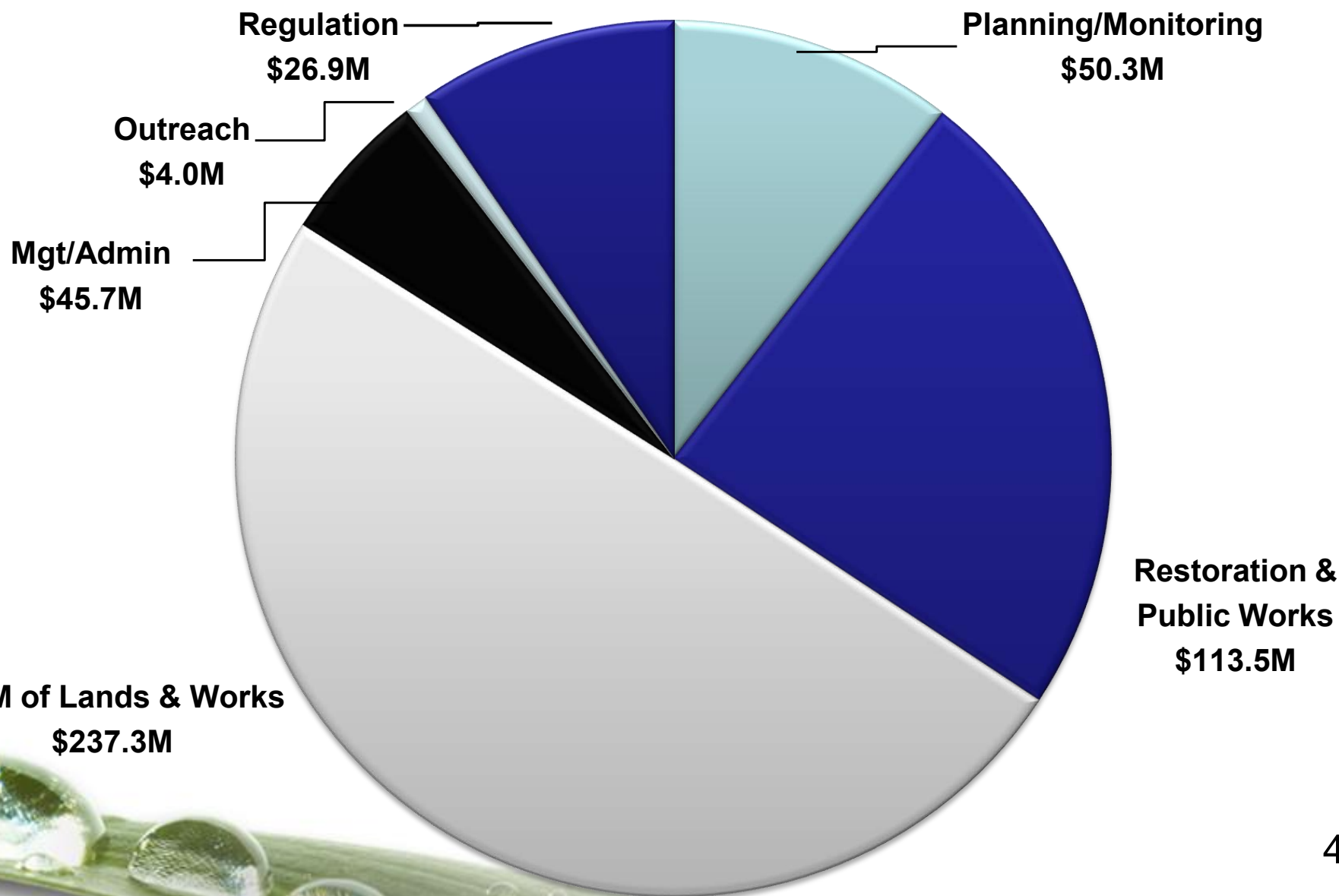
5-Year Adopted Budget History (In millions)



5-Year Ad Valorem Revenue History (In millions)



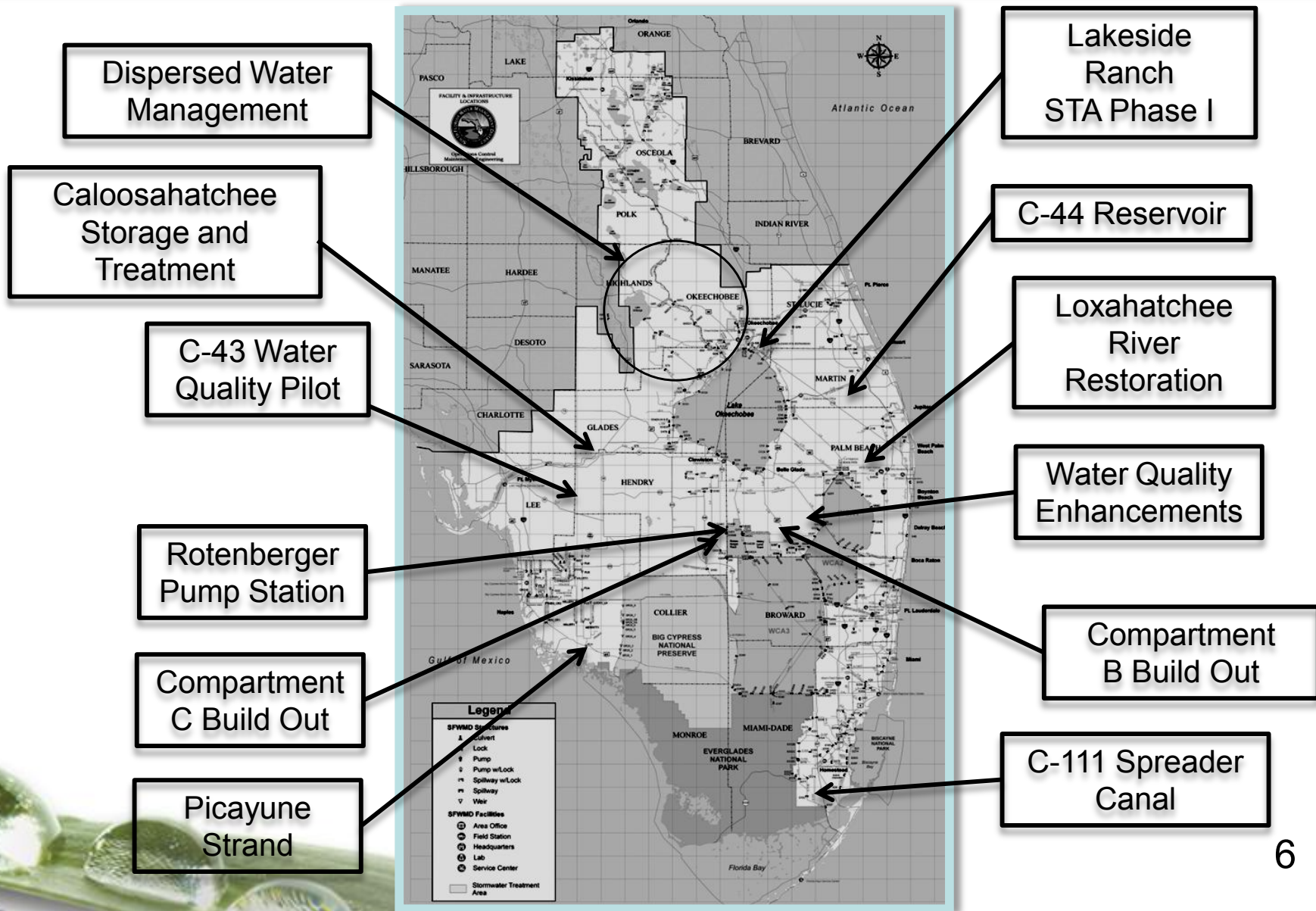
FY13 Preliminary Budget \$477.7M



Preliminary FY13 Budget

- \$128.3M long-term Ad Valorem reduction required by SB2142
 - Implemented in a phased approach
 - \$104.5M reduction of achieved in FY12
 - Use of one-time reserves
 - Full reduction realized in FY2014
- FY13 reduction goal of at least \$11.9M
 - ~\$4.5M identified for reduction so far
 - \$11.9M of one-time balance available for FY13
 - Reviewing: vacancies; benefits; monitoring, science & research; regulatory activities; surplus lands; fleet; back office functions; facilities

Preliminary FY13 Budget – Key Projects Everglades Restoration



Preliminary FY13 Budget – Key Projects Operations & Maintenance

District Wide
50 year Capitol
Improvement
Plan

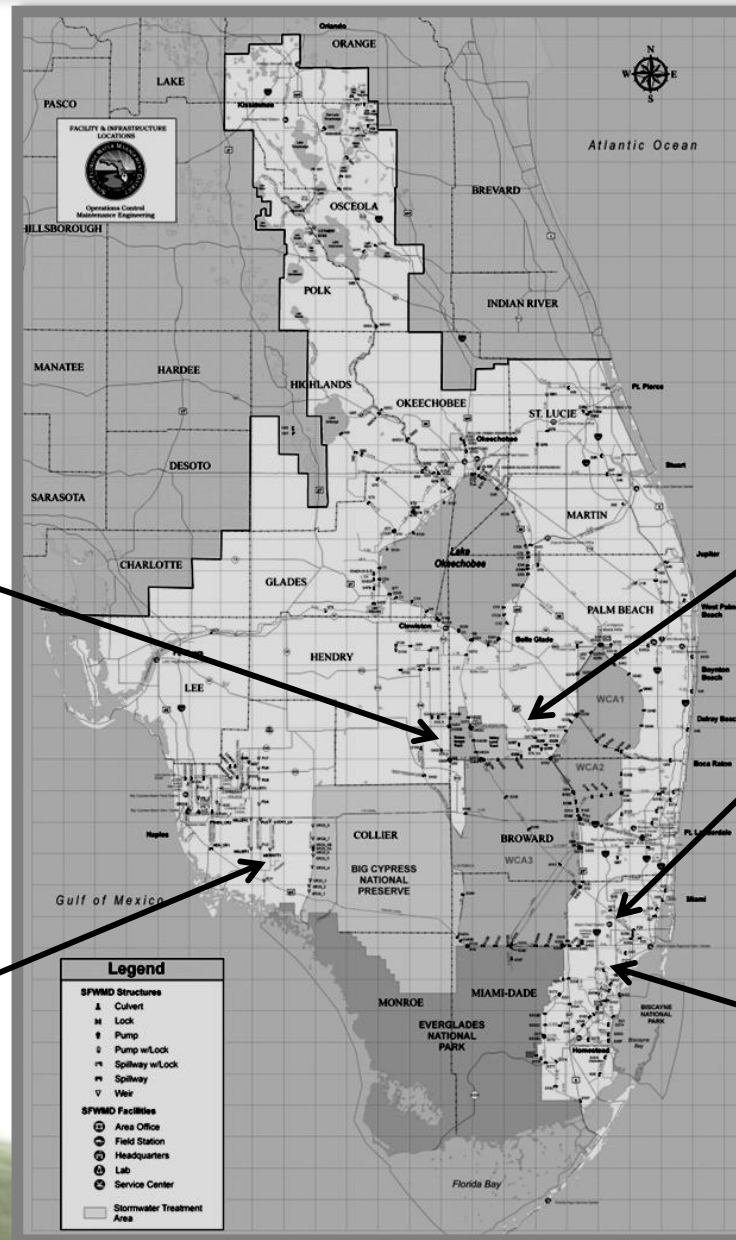
Compartment C

Picayune Strand
Merritt Pump
Station Operations

Compartment B

Deering Estates
Flow Way

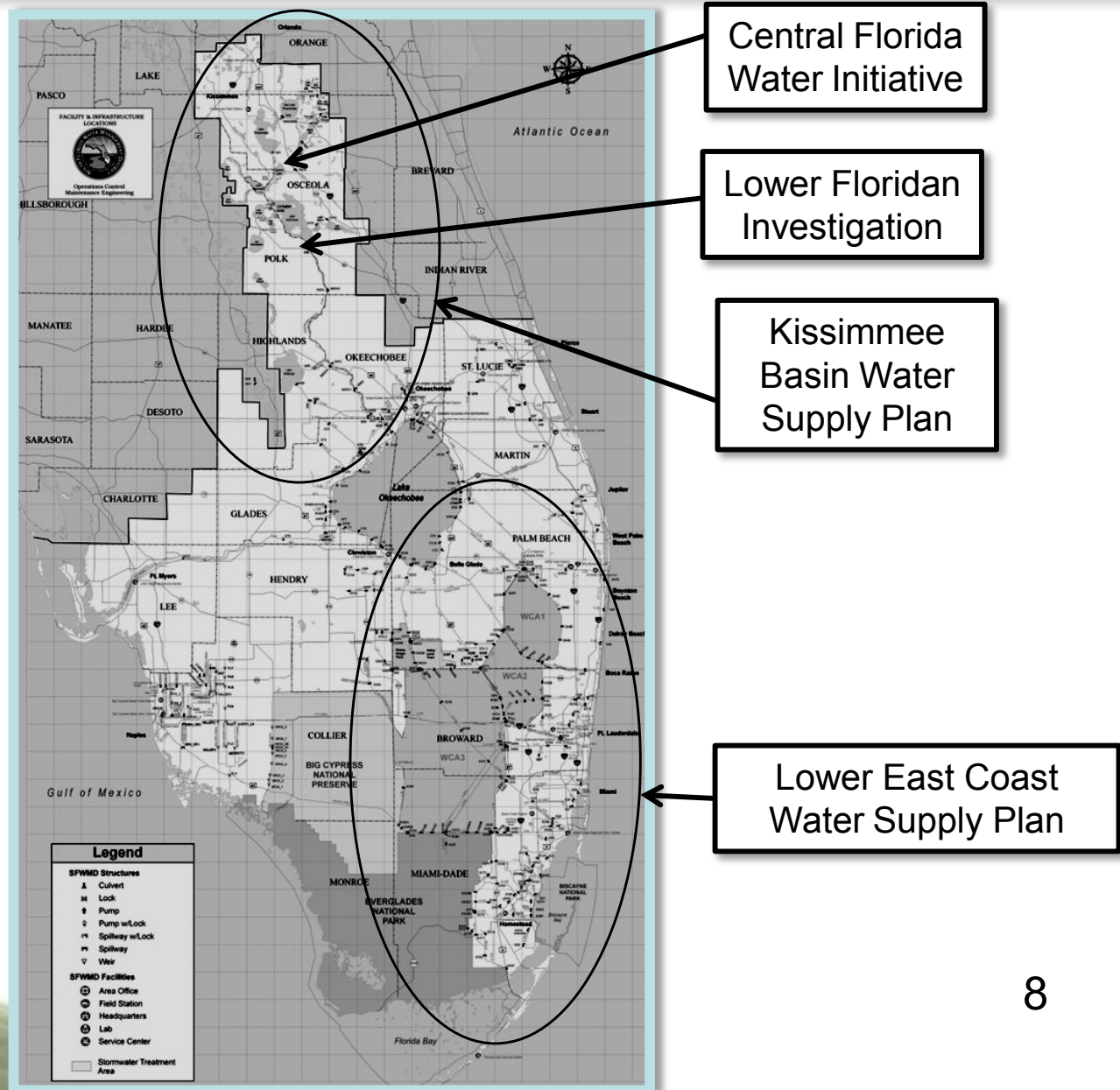
C-111 Spreader
Canal



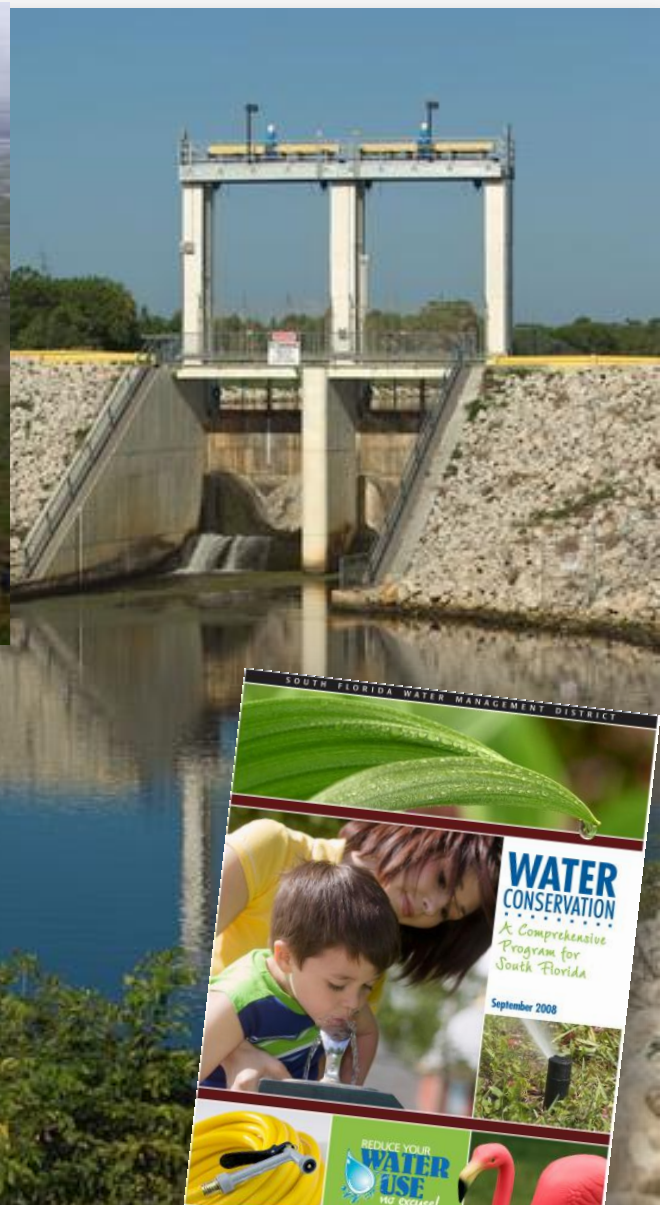
Preliminary FY13 Budget – Key Projects

Water Supply

District Wide funding for Alternative Water Supply and Water Conservation Projects



Questions



St. Johns River Water Management District FY 2012-2013 Preliminary Budget

Senate Budget Subcommittee on General Government Appropriations

Senator Hays, Chair
Senator Benacquisto, Vice Chair

January 12, 2012



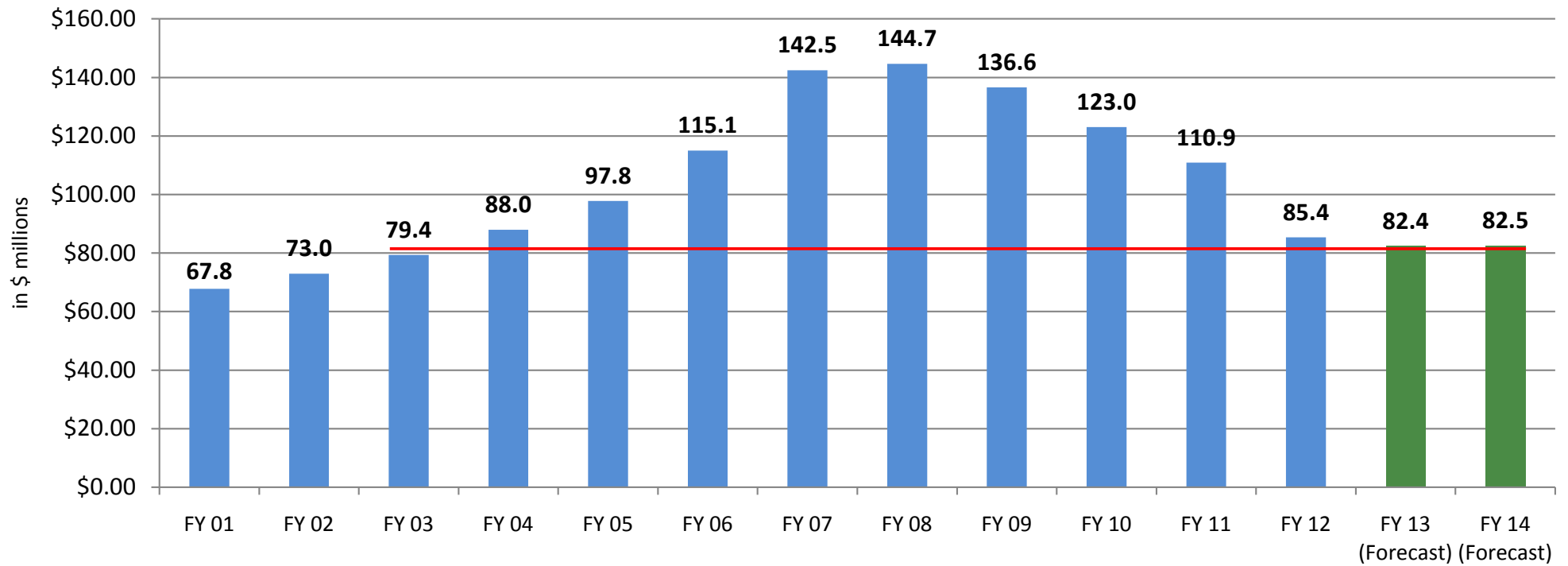
Hans G. Tanzler III, Executive Director



Summary

- SJRWMD is breaking even operationally with Ad Valorem revenue.
- SRJWMD is spending down reserves during the next five years.

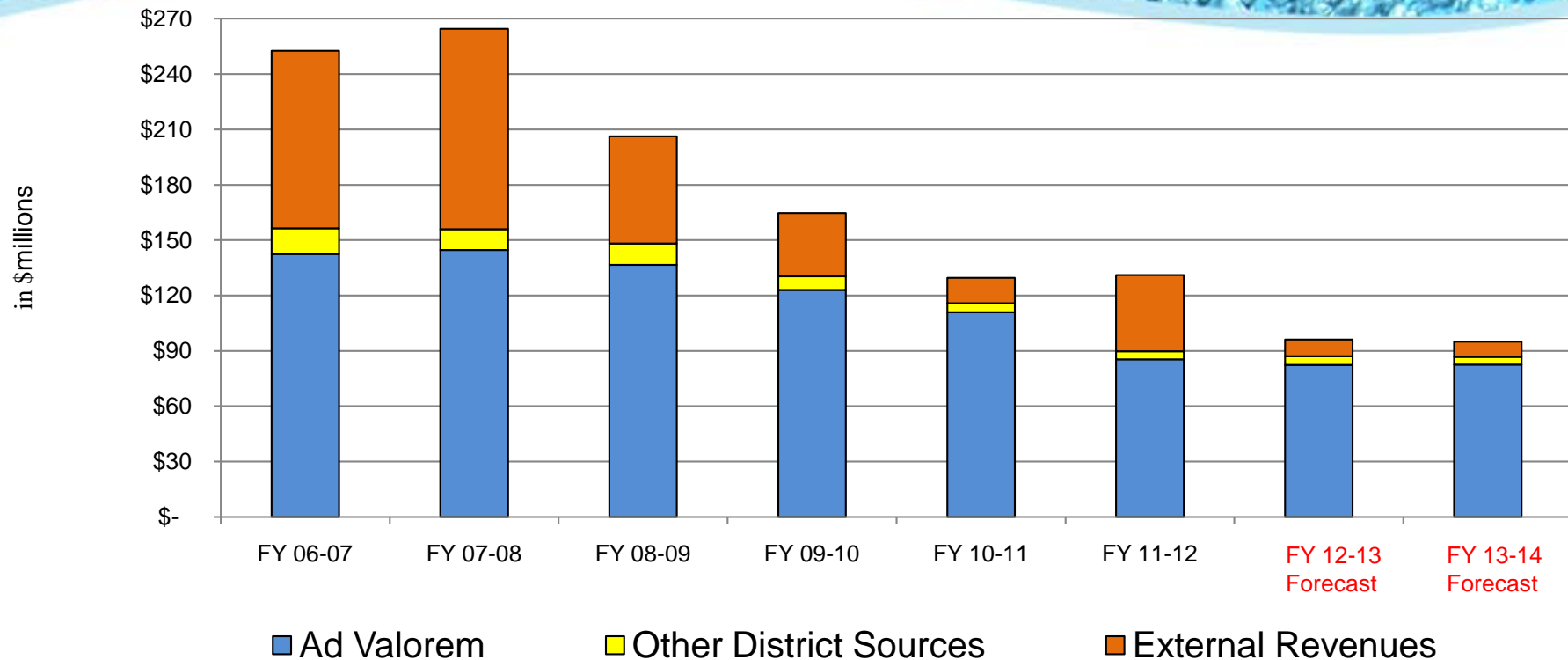
Ad Valorem Revenue History



Recurring Revenues (District Sources)

District Revenue Source	2010-2011 Adopted Budget	2011-2012 Adopted Budget	% Change from 10-11 to 11-12	2012-2013 Preliminary Budget	% Change from 10-11 to 12-13
Ad Valorem	\$110,873,030	\$85,352,579	-23.02%	\$82,370,000	-25.71%
Interest	2,500,000	1,800,000	-28.00%	1,500,000	-40.00%
Regulatory Permits	1,200,000	1,000,000	-16.67%	1,200,000	0.00%
Land Management	635,000	1,205,805	89.89%	1,700,000	167.72%
Other District Sources	600,000	400,000	-33.33%	400,000	-33.33%
Total Recurring Revenues	\$115,808,030	\$89,758,384	-22.49%	\$87,170,000	-24.73%

Declining Revenues (All Sources)



Other District Sources includes: Interest, Regulatory Permits, Land Management, and Miscellaneous

External Revenues include: State, Federal and Local

Summary of Changes

since 2010-2011

District-Funded Baseline Budget Reduced 27%

Workforce reduced by 23.3%

- 130.1 Employees (Salaries and Benefits*) **-\$15.4 million**
- 56.2 Contingent Workers **-\$ 5.7 million**

Reduced Other Personal Services

-\$ 4.5 million

Reduced Operating Capital

-\$ 1.3 million

***Benefit changes to be consistent with state:**

- 3 percent Employee Contribution/reduced FRS rate
- Eliminate Leave Buyback program
- Cease funding District match of Deferred Compensation
- Pay memberships and certifications only for required position
- Revise leave payout policy at termination to be consistent with state

Expenditure

District Funding of Baseline Budget & Major Projects & Initiatives

Preliminary FY 2012-2013	Recurring Revenue	Non-Recurring Revenue	Total
Operational and Continuation Expenses	\$78,036,165	\$2,000,000	\$80,036,165
Major Projects & Initiatives (Capital Projects and Other)	9,133,835	3,113,666	12,247,501
Major Projects & Initiatives (Cooperative Funding Projects)	0	22,668,713	22,668,713
Total	\$87,170,000	\$27,782,379	\$114,952,379

Expenditure

Use of Funds – Expenditure Categories and Workforce

Budget Expense	2010-2011 Adopted	2011-2012 Revised	% Change 10-11 to 11-12	2012-2013 Preliminary	% Change 10-11 to 12-13
Salaries & Benefits	\$66,782,061	\$51,276,153	-23.22%	\$51,378,441	-23.07%
Other Personal Services	24,841,039	15,599,813	-37.20%	14,566,679	-41.36%
Operating Expenses	17,357,620	18,247,867	5.13%	18,524,290	6.72%
Operating Capital Outlay	2,198,890	724,497	-67.05%	887,000	-59.66%
Fixed Capital Outlay	53,534,627	26,431,970	-50.63%	8,774,500	-83.61%
Cooperative Funding	67,464,073	74,950,123	11.10%	22,668,713	-66.40%
Debt	6,516,300	6,516,850	0.01%	6,516,850	0.01%
Reserve	6,121,607	5,000,000	-18.32%	0	N/A
Total	\$244,816,217	\$198,747,272	-18.82%	\$123,316,473	-49.63%

Workforce	2010-2011	2011-2012	2012-2013
Employees (FTE)	717.60	587.50	587.50
Contingent Workers (FTE)	82.20	26.00	26.00
Total Workforce	799.80	613.50	613.50

Fund Balance

Five Year Utilization Plan

Classification	09/30/2012 Ending Fund Balance	FY 2012-2013 Use of Fund Balance	FY 2013-2014 Use of Fund Balance	FY 2014-2015 Use of Fund Balance	FY 2015-2016 Use of Fund Balance	FY 2016-2017 Use of Fund Balance
Restricted						
Mitigation	11,057,425	-	-	-	-	-
Debt Service	6,406,625	-	-	-	-	-
Committed						
Economic Stabilization Fund	6,900,000	-	-	-	-	-
Land Management	5,346,025	2,000,000	2,000,000	1,346,025		-
Fellsmere Water Management Area	460,117	460,117	-	-	-	-
Canal-1/10 Rediversion	11,471,000	5,500,000	5,971,000	-	-	-
Aquifer Performance Testing, Modeling and Data Enhancements	8,000,000	2,000,000	2,000,000	2,000,000	2,000,000	-
Fish Harvesting - reduce phosphorus & improve water quality	1,912,299	502,299	470,000	470,000	470,000	-
Alum treatment - stormwater control to protect lake water quality	1,800,000	450,000	450,000	450,000	450,000	-
Flood control structure rehabilitation USJRB	2,342,002	622,002	620,000	550,000	550,000	-
MFL Prevention -Recovery Strategy Projects (WRD) & (AWS)	25,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Water Quality & Ecological Restoration Projects	25,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Water Conservation & Demand Management Projects	10,400,000	2,600,000	2,600,000	2,600,000	2,600,000	-
Water Protection and Sustainability	397,427	-	397,427	-	-	-
Assigned						
Unassigned						
Future Years' Budgets	4,027,788	3,647,961	-	-	-	-
Total	\$121,053,481	\$ 27,782,379	\$ 24,508,427	\$17,416,025	\$16,070,000	\$10,000,000
Projected Reserve (Fund Balance) at Year-End		\$ 93,271,102	\$ 68,762,675	\$51,346,650	\$35,276,650	\$25,276,650

The background of the slide is a close-up, high-angle shot of water with numerous bubbles of various sizes. The bubbles are most concentrated in the upper half of the image, creating a textured, shimmering effect. The water itself is a deep, clear blue, and the lighting comes from above, highlighting the tops of the bubbles.

Questions?





Suwannee River Water Management District 2013 Preliminary Budget Overview

Budget Subcommittee on General Government and Appropriations

Senator Alan Hays, Chair

January 12, 2012



FY 2011-2012 Budget Summary

- ◆ Millage rate 0.4143
- ◆ Tax revenue \$5.4M
- ◆ Budget \$47.4M
- ◆ Decrease \$9.4M
- ◆ Ad valorem 11% of budget
- ◆ Staffing level 63 FTEs and 3 OPS
- ◆ No debt



FY 2012-2013 Budget Summary

Reductions:

- ◆ Water Supply and Planning
 - ◆ Planning Contractual Services Completion
 - ◆ Groundwater Modeling
 - ◆ MFL Services and Monitoring Services
 - ◆ Monitoring Equipment
- ◆ Acquisition, Restoration, and Public Works
 - ◆ Water Quality Improvement Project
 - ◆ Poultry BMP Project
- ◆ Operation and Maintenance of Lands and Works
 - ◆ R. O Ranch
- ◆ Regulation
 - ◆ Contractual Services

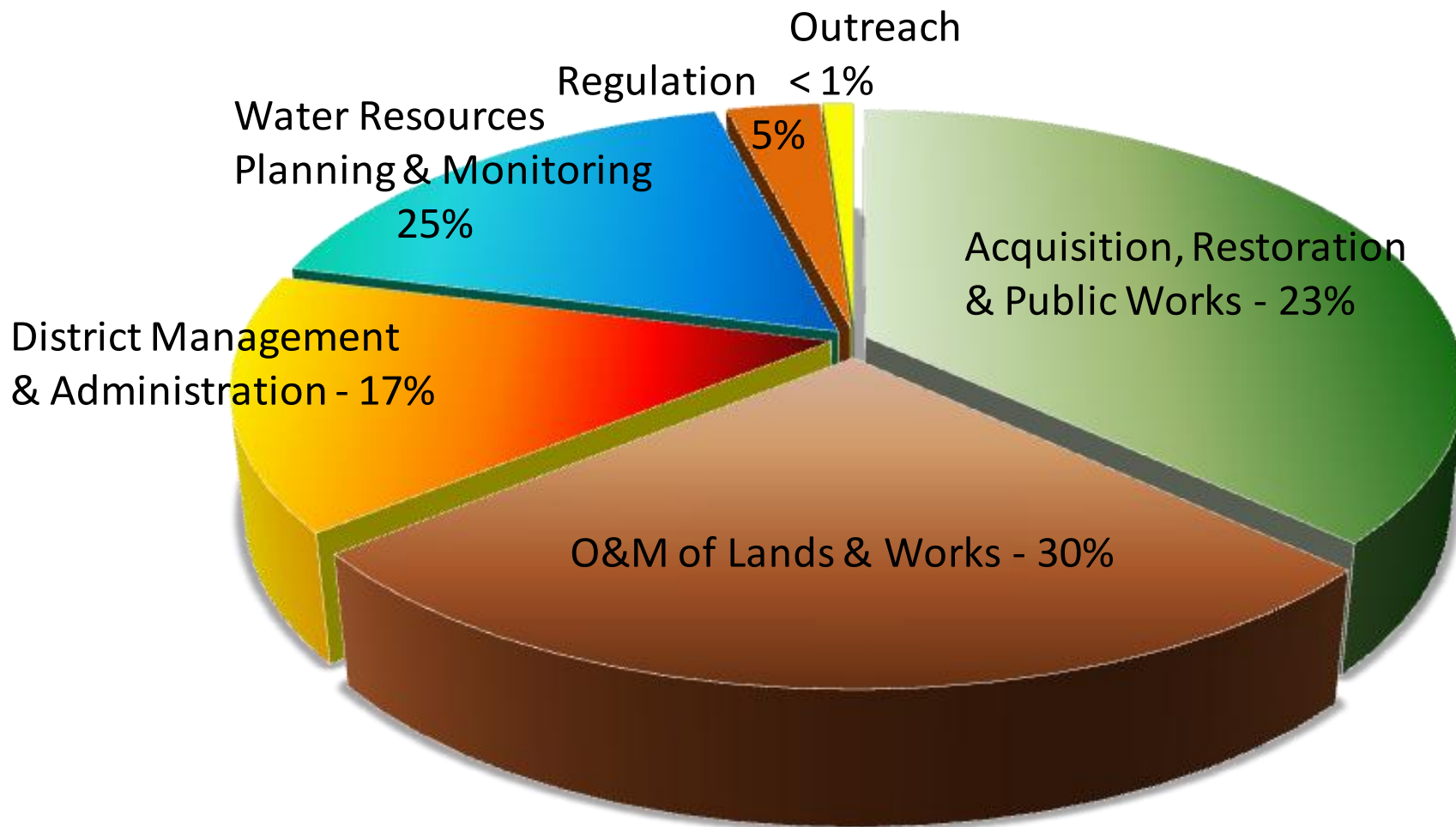


FY 2012-2013 Budget Summary

New Issues:

- ◆ Water Supply and Planning
 - ◆ Upper Florida Aquifer Recharge Study
 - ◆ Test Wells
 - ◆ FEMA Grant
 - ◆ USGS data collection
- ◆ Acquisition, Restoration, and Public Works
- ◆ Operation and Maintenance of Lands and Works
- ◆ Regulation
 - ◆ Engineering, Environmental, and Surveying Services

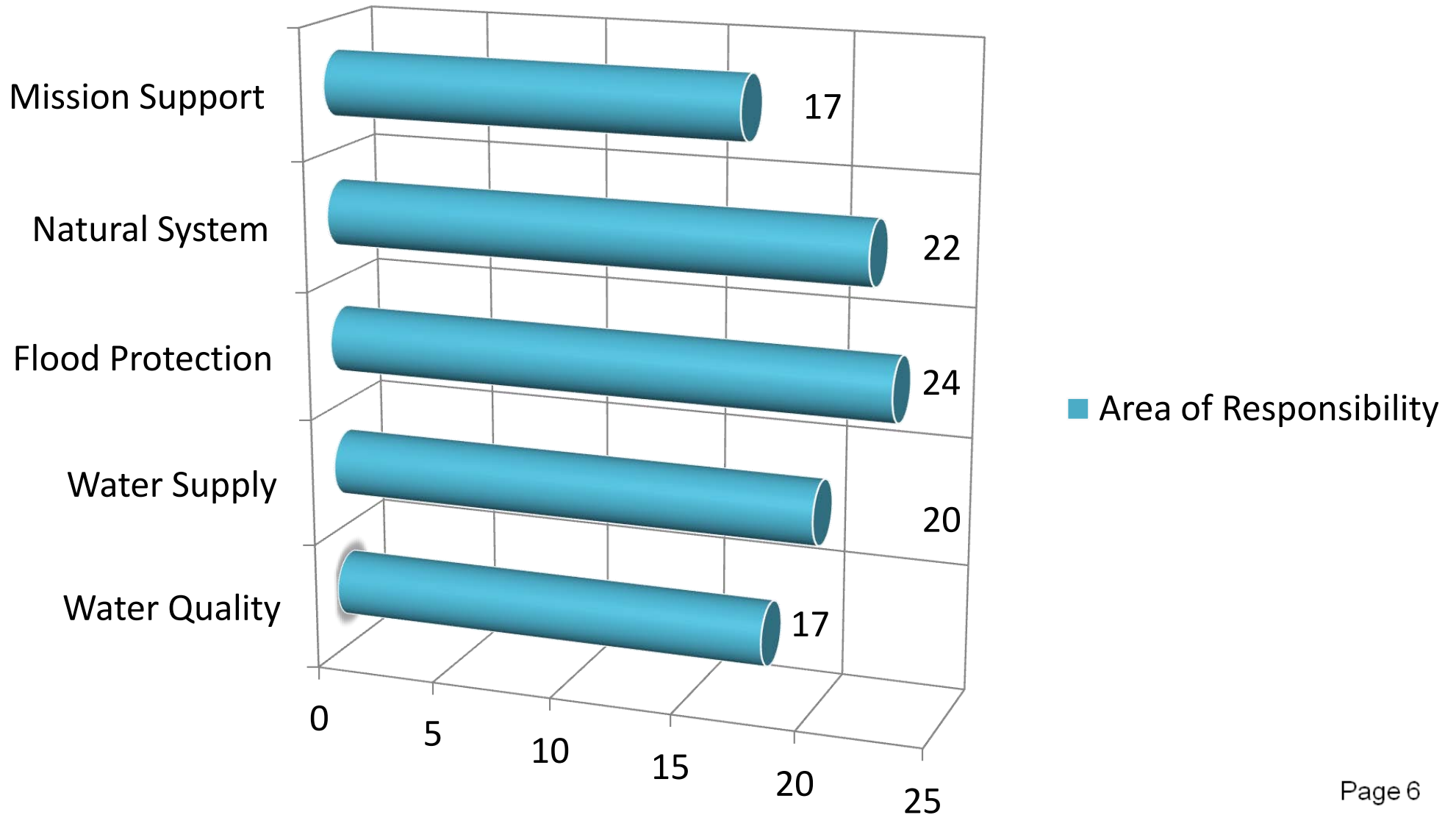
FY 2012-2013 Program Budget



FY 2012-2013

Area of Responsibility

Budget Percentage





District Priorities

- 💧 Springs Protection
 - ~ Monitoring & Data Collection
 - ~ Minimum Flows and Levels
- 💧 Water Supply
 - ~ Regional Water Supply Plans
 - ~ Alternative Water Supplies
- 💧 Conservation
 - ~ Suwannee River Partnership
 - ~ The Ichetucknee Partnership
 - ~ Retrofits
- 💧 Surplus Lands

Program Challenges



Funding

- ~ Minimum Flows and Levels
- ~ Alternative Water Sources
- ~ Land Management



EPA Nutrient Standards



Interstate Coordination



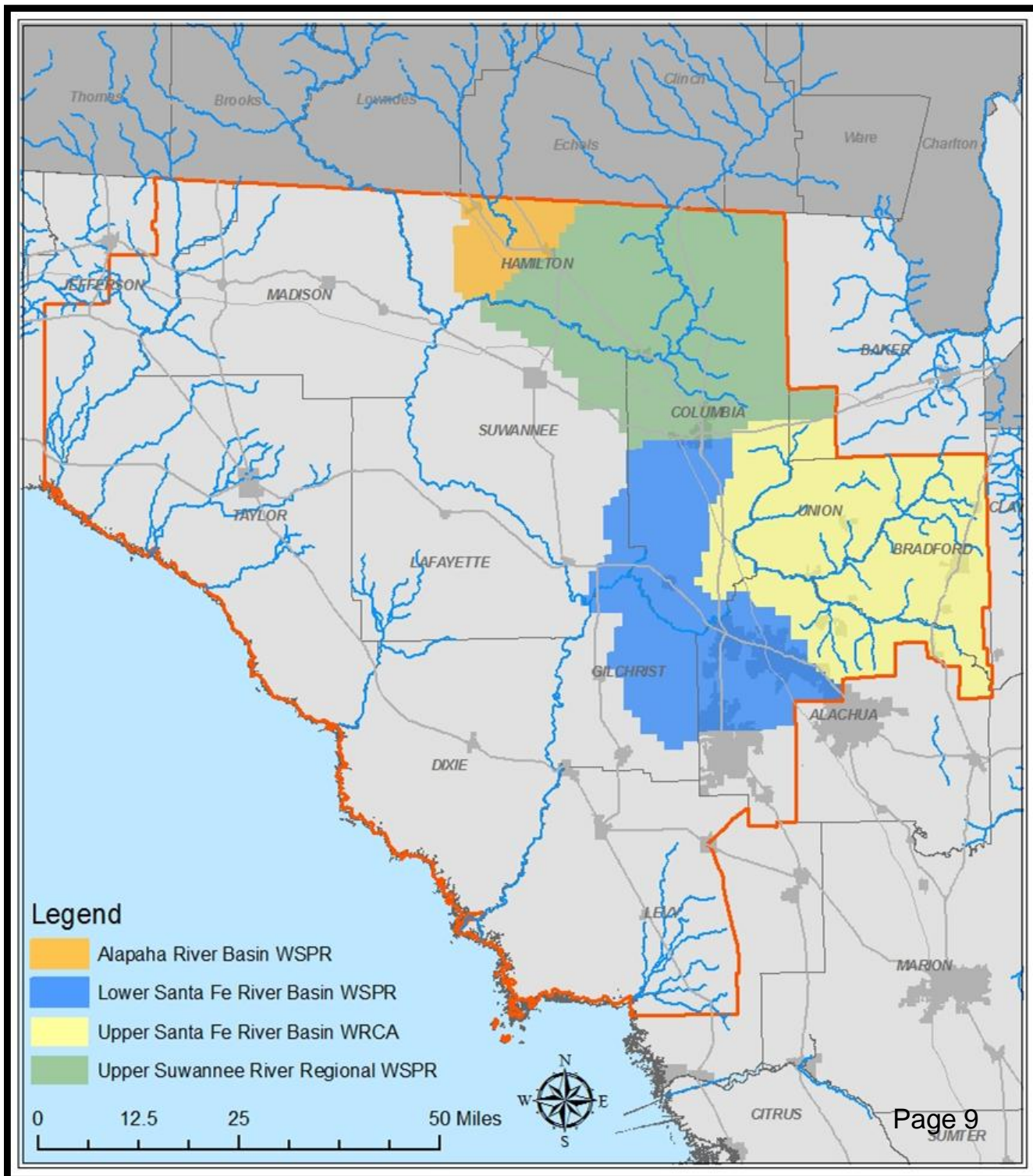
Springs



Water Supply



Regional Water Supply Planning Areas





Accomplishments

- 💧 Water Conservation Program
- 💧 Monticello Reuse Project
- 💧 Surplus Lands Program
- 💧 Andrews Tract
- 💧 Suwannee River Partnership
- 💧 Water Supply Assessment



QUESTIONS

Steve Minnis

Director of Governmental Affairs

Suwannee River Water Management District

E-mail: sam@srwmd.org

Phone: 386.362.0434

Mobile: 386.362.8313

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT

**Fiscal Year 2012-13 Estimated Budget Presentation
Senate Budget Subcommittee on
General Government Appropriations**

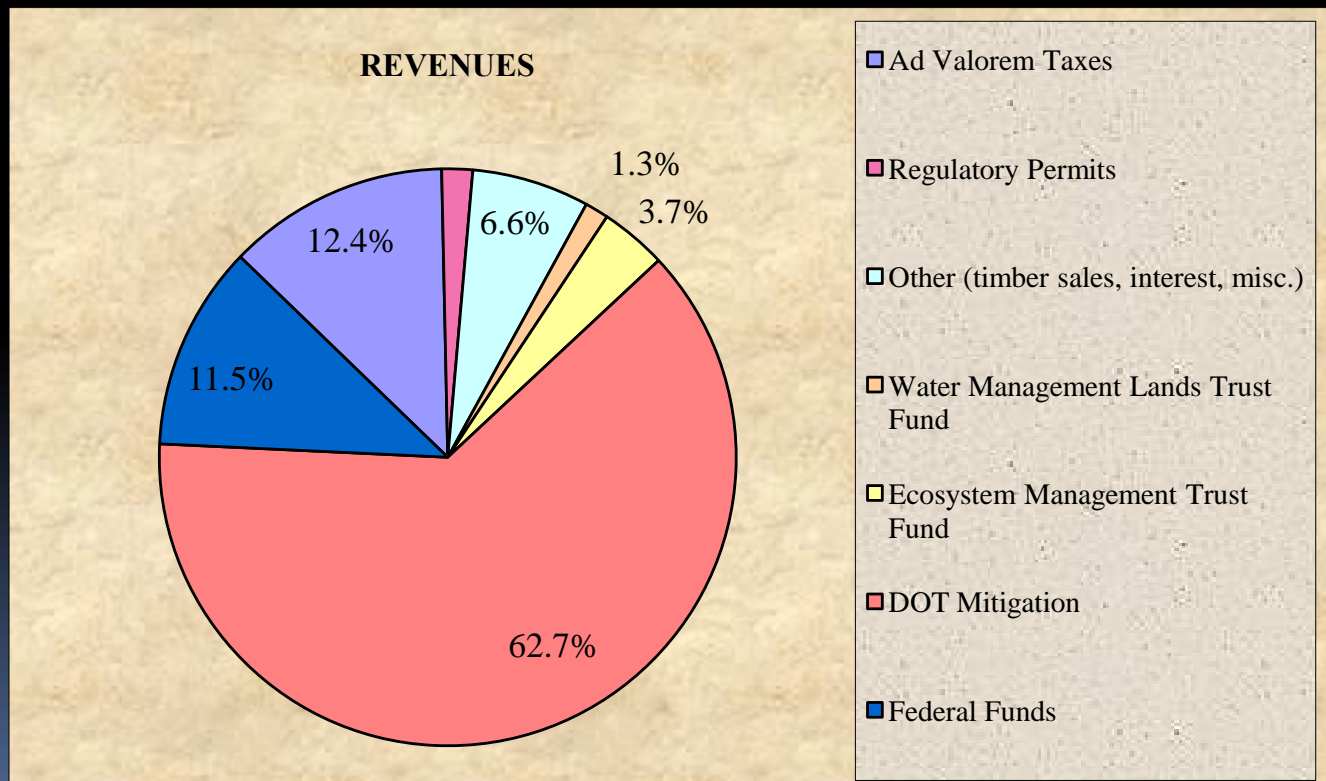
January 12, 2012

Northwest Florida Water Management District

Estimated Fiscal Year 2012-2013 Budget

REVENUES

Ad Valorem Taxes	\$ 3,371,815
Regulatory Permits	\$ 468,500
Other (timber sales, interest, misc.)	\$ 1,785,990
Water Management Lands Trust Fund	\$ 360,000
Ecosystem Management Trust Fund	\$ 1,014,562
DOT Mitigation	\$ 16,994,000
Federal Funds	<u>\$ 3,111,449</u>
 Total Revenues	 <u>\$ 27,106,316</u>

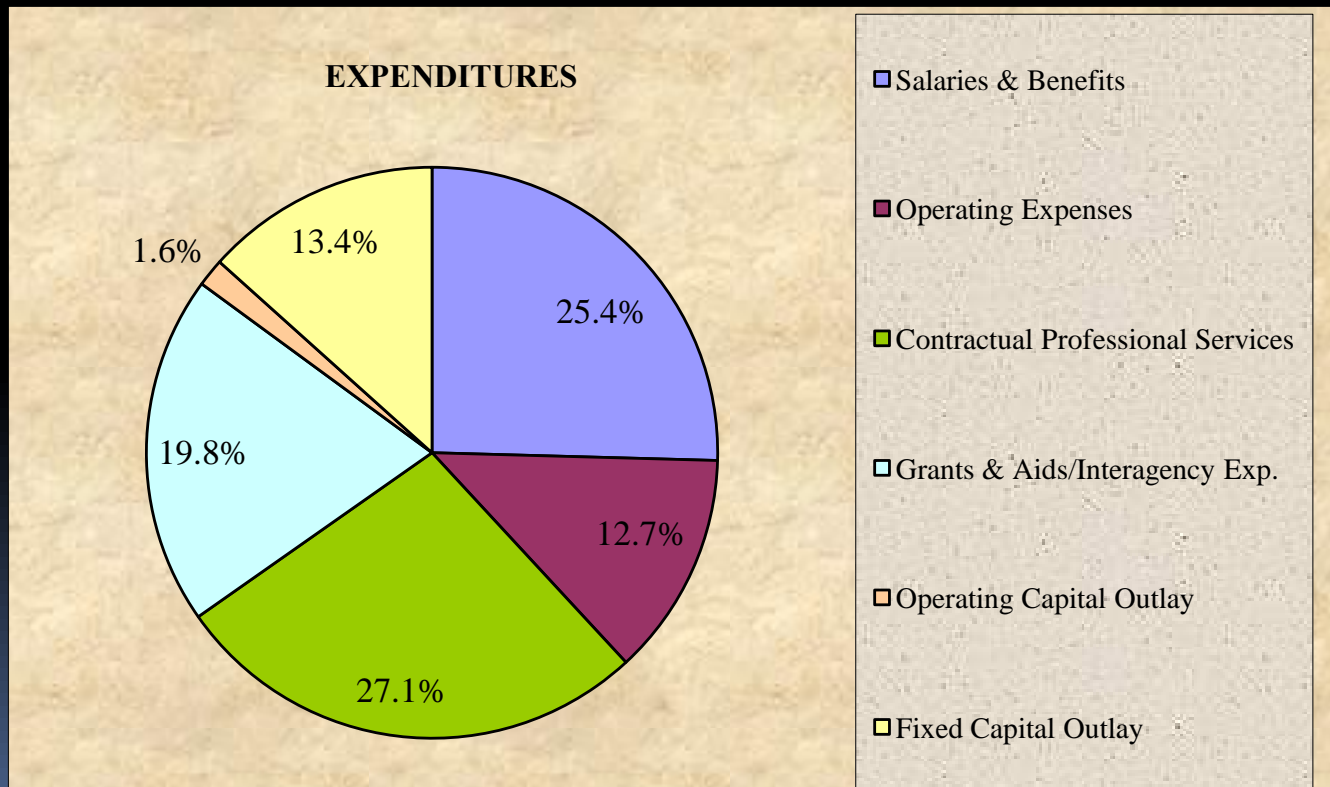


Northwest Florida Water Management District

Estimated Fiscal Year 2012-2013 Budget

EXPENDITURES

Salaries & Benefits	\$ 8,666,872
Operating Expenses	\$ 4,322,505
Contractual Professional Services	\$ 9,250,478
Grants & Aids/Interagency Expenditures	\$ 6,749,316
Operating Capital Outlay	\$ 537,250
Fixed Capital Outlay	<u>\$ 4,550,819</u>
 Total Expenditures	 <u>\$ 34,077,240</u>

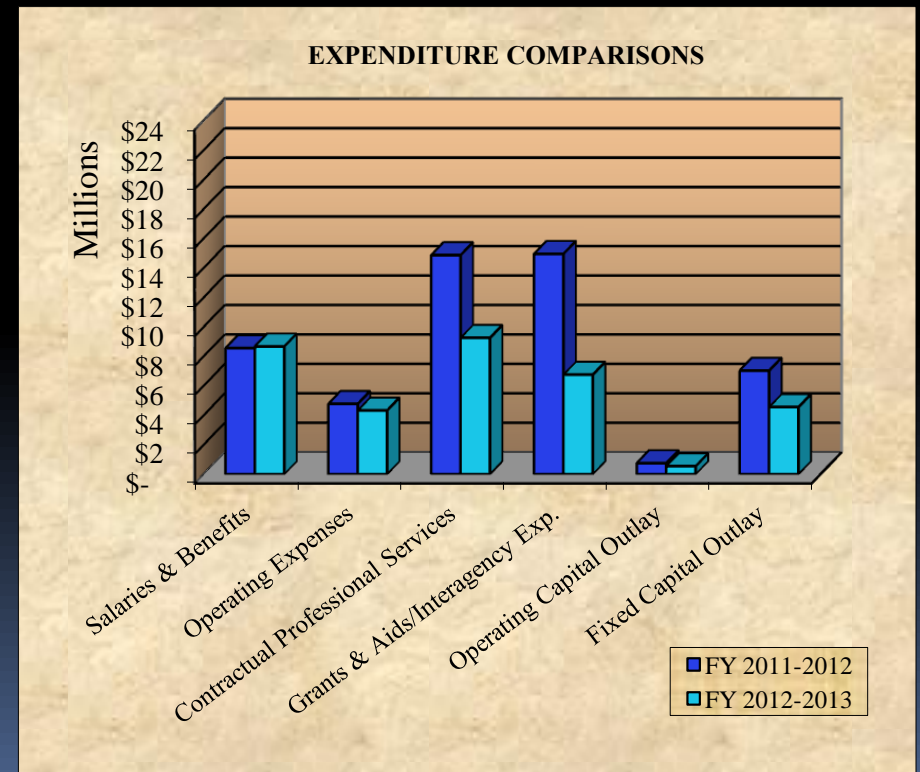
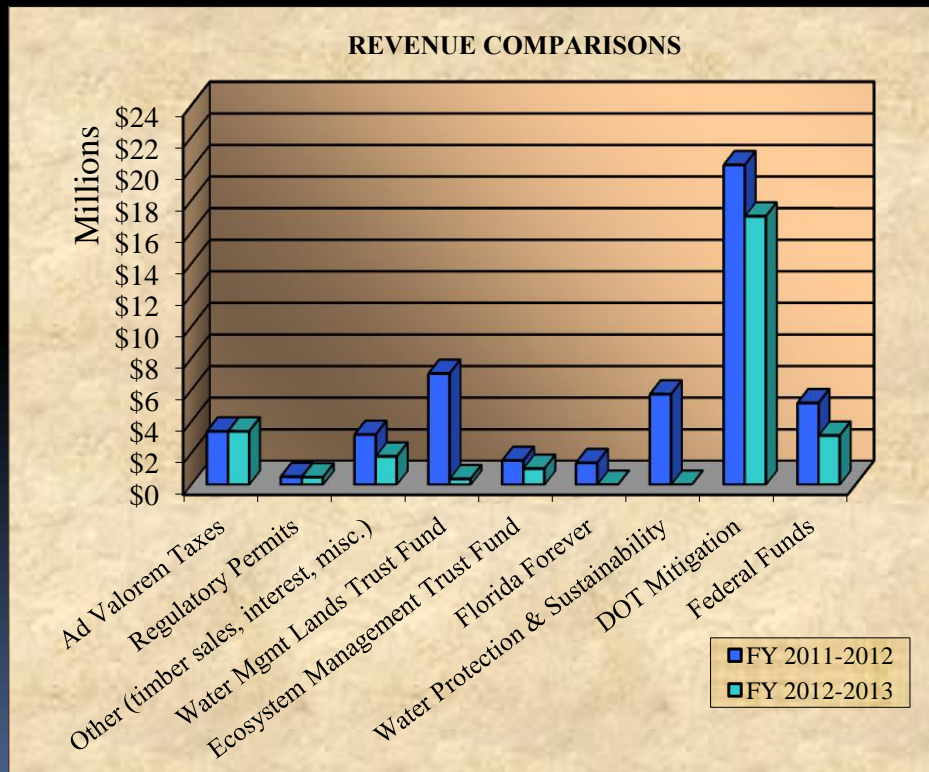


Northwest Florida Water Management District

Adopted FY 2011-12 – Estimated FY 2012-13

<u>REVENUES</u>	<u>FY 2011-2012</u>	<u>FY 2012-2013</u>
Ad Valorem Taxes	\$ 3,371,815	\$ 3,371,815
Regulatory Permits	\$ 498,500	\$ 468,500
Other (timber sales, interest, misc.)	\$ 3,167,759	\$ 1,785,990
Water Mgmt Lands Trust Fund	\$ 7,032,067	\$ 360,000
Ecosystem Management Trust Fund	\$ 1,523,383	\$ 1,014,562
Florida Forever	\$ 1,376,103	\$ -
Water Protection & Sustainability	\$ 5,720,234	\$ -
DOT Mitigation	\$ 20,238,683	\$ 16,994,000
Federal Funds	\$ 5,173,957	\$ 3,111,449
Total Revenues	\$ 48,102,501	\$ 27,106,316

<u>EXPENDITURES</u>	<u>FY 2011-2012</u>	<u>FY 2012-2013</u>
Salaries & Benefits	\$ 8,555,832	\$ 8,666,872
Operating Expenses	\$ 4,767,238	\$ 4,322,505
Contractual Professional Services	\$ 14,864,924	\$ 9,250,478
Grants & Aids/Interagency Exp.	\$ 14,950,103	\$ 6,749,316
Operating Capital Outlay	\$ 745,050	\$ 537,250
Fixed Capital Outlay	\$ 7,025,819	\$ 4,550,819
Total Expenditures	\$ 50,908,966	\$ 34,077,240



Northwest Florida Water Management District

Ad Valorem Tax and Millage

	Amount	Millage Rate
Statutory Millage Rate		.05 mill
Authorized Tax Amount in Senate Bill 2142	\$3,946,969	
Fiscal Year 2012-13 Proposed Millage	\$3,371,815	.04 mill

History of Ad Valorem Tax

Fiscal Year	Actual Revenue	Millage Rate
2006-07	\$4,897,751	0.050
2007-08	\$4,701,799	0.045
2008-09	\$4,538,582	0.045
2009-10	\$4,141,448	0.045
2010-11	\$3,788,876	0.045
2011-12 (Budget)	\$3,371,815*	0.040

*14.6% below authorized amount

*20.0% below authorized millage rate

Northwest Florida Water Management

District Workforce Summary

	<u>FTE</u>	<u>Student</u>	<u>Total</u>
Executive Direction/Administrative Services	24	1	25
Division of Lands Management	14	3	17
Division of Resource Management	29	8	37
Division of Resource Regulation	<u>48</u>	<u>3</u>	<u>51</u>
Total by Type	115	15	130

Northwest Florida Water Management District
Revenues, Expenditures, Reserves & Personnel
Fiscal Year 2012-13 Estimated Budget

	Adopted Budget 2011-2012	Preliminary Budget 2012-2013
REVENUE		
Carryover (Estimated at 9/30/12)	\$ 54,901,373	\$ 39,794,740
Ad Valorem Taxes	3,371,815	3,371,815
State	36,005,281	18,478,373
Federal	5,173,957	3,111,449
Other	3,551,445	2,144,679
Estimated Revenue	48,102,498	27,106,316
TOTAL AVAILABLE REVENUES	\$ 103,003,871	\$ 66,901,056
EXPENDITURES		
Salaries and Benefits	\$ 8,555,832	\$ 8,666,872
Other Personal Services/Contracted Services	14,864,924	9,250,478
Operating Expenses	4,767,238	4,322,505
Operating Capital Outlay	745,050	537,250
Fixed Capital Outlay	7,025,819	4,550,819
Interagency Expenditures (Cooperative Funding)	14,950,103	6,749,316
Debt	-	-
Contingency/Emergency	-	-
TOTAL EXPENDITURES	\$ 50,908,966	\$ 34,077,240
RESERVES		
Nonspendable	\$ -	\$ -
Restricted	12,240,575	9,873,569
Committed	31,916,852	15,247,760
Assigned	3,523,538	3,988,547
Unassigned	4,413,940	3,713,940
TOTAL RESERVES	\$ 52,094,905	\$ 32,823,816
TOTAL EXPENDITURES AND RESERVES	\$ 103,003,871	\$ 66,901,056
PERSONNEL		
Full-time Equivalents	115.0	115.0
Temporary/Student	16.0	15.0
Contract/Other	-	-
TOTAL PERSONNEL	131.00	130.00

Northwest Florida Water Management District

Estimated Reserve Balances

		Five Year Utilization Schedule				
Designations (Assigned or Unassigned)	Total Designated Amounts	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017
NONSPENDABLE						
N/A						
RESTRICTED						
Mitigation	11,149,241	1,526,125	1,200,000	1,200,000	1,200,000	1,200,000
Phipps Endowment Account	250,481	30,000	30,000	30,000	30,000	30,000
COMMITTED						
Water Resource & Supply Projects	18,745,641	7,500,000	6,000,000	5,245,641		
Lands Management (Lands Fee Fund)	9,775,713	4,778,078	3,500,000	1,497,635		
Capital Improvement Projects (Cap Improv/Land Acq TF)	1,294,946	199,302	250,000	250,000	250,000	250,000
ASSIGNED						
Small Community Water Supply	1,130,000					
Mitigation Banking Activities	1,000,000					
Capital Improvement Projects	900,000					
Litigation and Expert Witnesses	360,000					
Compensated Absences	688,547					
Other Post Employment Benefits	40,000					
UNASSIGNED						
UNDESIGNATED FUND BALANCE - Estimated at 09/30/2012						
Budget Stabilization Reserve	4,873,940	3,351,188	1,522,752			
Total	50,208,509	17,384,693	12,502,752	8,223,276	1,230,000	1,230,000
Total Remaining Balance at Fiscal Year End						
Total Restricted Balance		9,842,597				
Total Unrestricted Balance		22,980,219				

Northwest Florida Water Management District

Water Supply Reserve Expenditures

FY 2011/12 Water Supply Expenditures

- Shoal River Water Supply Reservoir - \$2.0M+
- Walton County Inland Wellfield - \$2.0M (30" transmission main) to \$3.5M (42" transmission main) plus \$500,000 for auxiliary transmission lines.
- Bay County Wellfield Construction and Monitoring - \$3.0M+

Total = \$7.5 M to \$9.0M

FY 2012/13 (currently anticipated)

- Santa Rosa County Inland Wellfield - \$2.0M (additional wells)
- Coastal Interconnect Project – \$1.0M final design of eastern sub-region interconnect
- Shoal River Reservoir - \$3.0M

Total = \$6.0 M

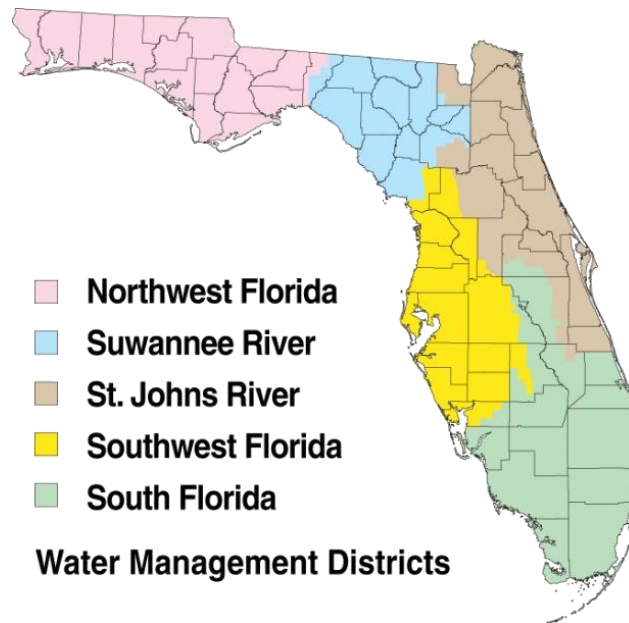
Northwest Florida Water Management District
FY 2012-13 Budget Issues (2012 Legislative Session)

- Environmental Resource Permitting (ERP)
Funding
- Land Management Funding

Presentation to
**Senate Budget Subcommittee on
General Government Appropriations**

Southwest Florida Water Management District
Fiscal Year 2012–2013 Budget Presentation

January 12, 2012



Colleen Thayer, Bureau Chief, Public Affairs
Colleen.thayer@watermatters.org



SWFWMD Priorities

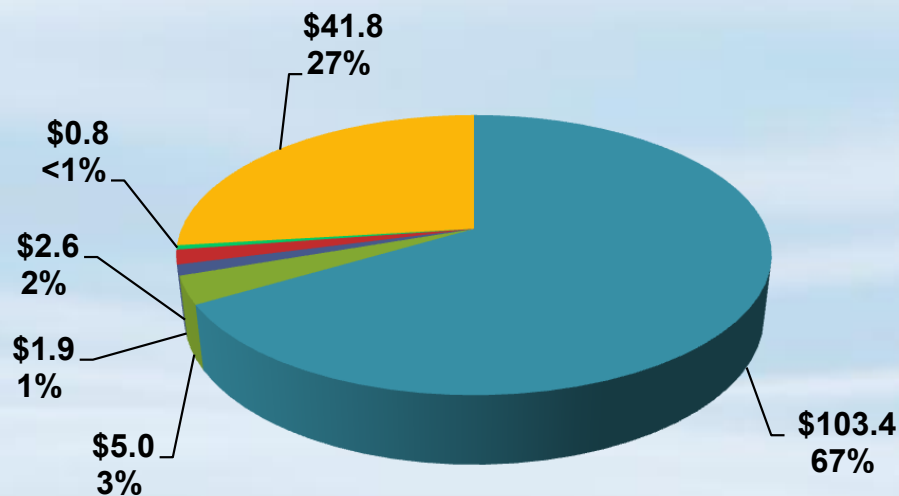
- Sustainable Water Supply
 - Alternative water source development
 - Water storage (reservoirs)
 - Reclaimed water
 - Water Conservation
- Facilitating Agricultural Resource Management Systems (FARMS)
- Environmental Restoration
 - Surface Water Improvement & Management (SWIM) program
- Stormwater Improvements (water quality and flood protection)
- Cooperative Funding



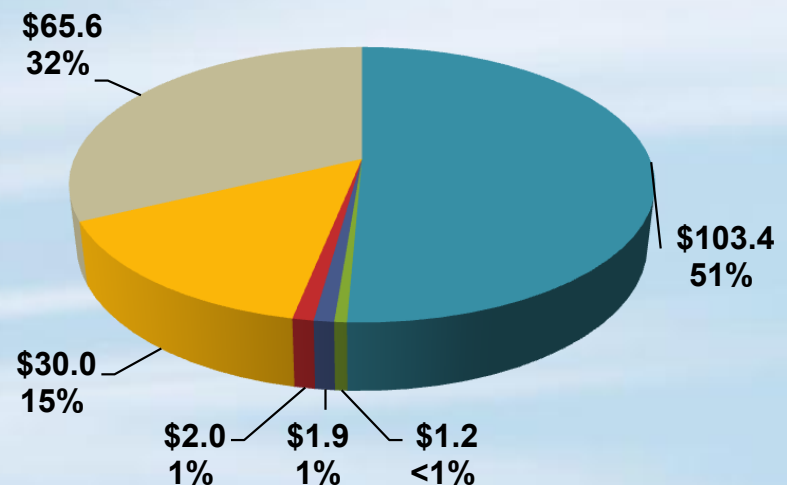
Revenues

(in millions)

**Adopted
FY2011-12 Budget
(\$156 Million)**



**Preliminary
FY2012-13 Budget
(\$204 Million)**

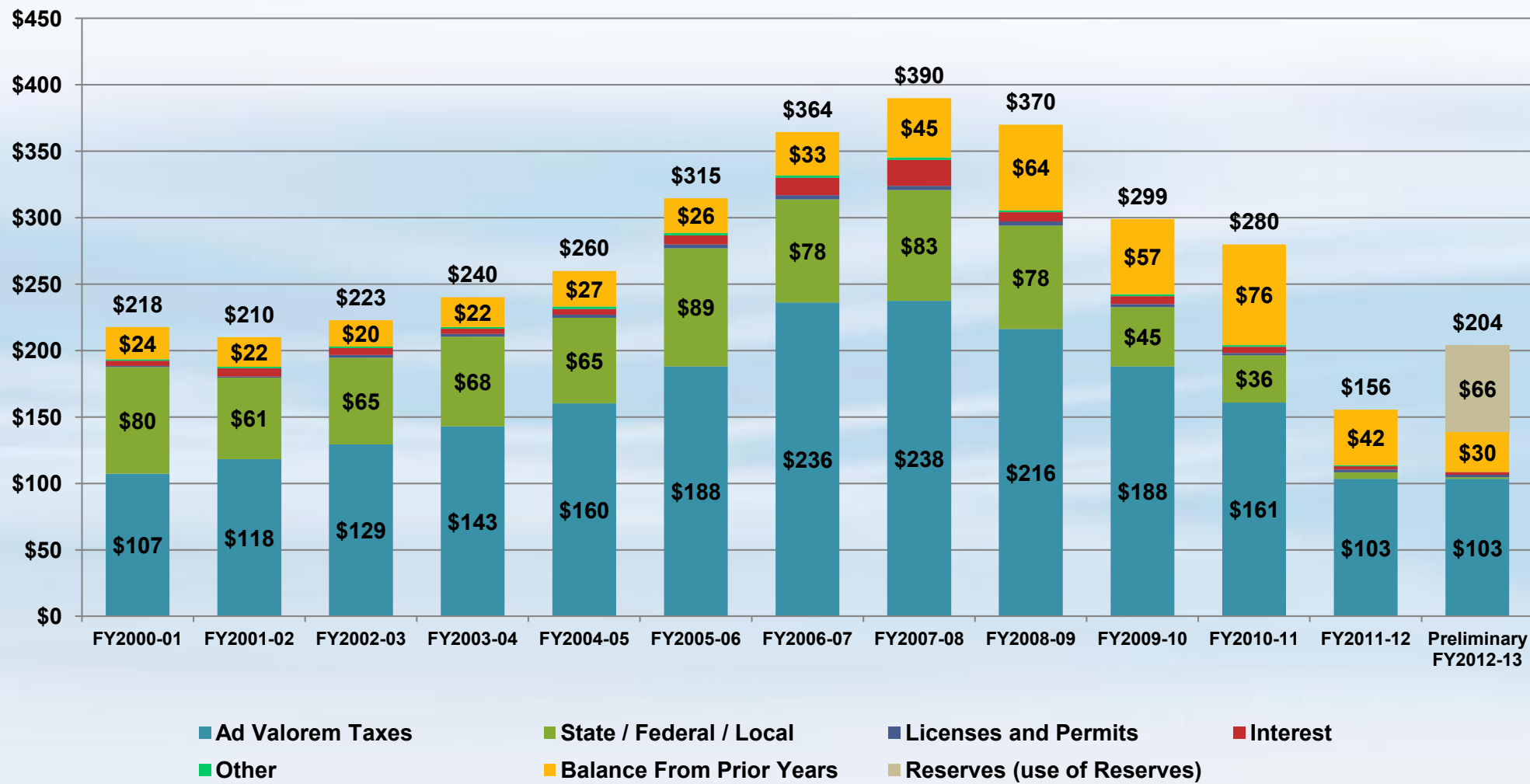


■ Ad Valorem Taxes
■ State / Federal / Local
■ Licenses and Permits
■ Interest
■ Other
■ Balance From Prior Years
■ Reserves (use of Reserves)

Use of reserves proposed for cooperative funding and environmental projects.

Historical Trends – Revenue Budget

Adopted FY2000-01 through FY2011-12 and Preliminary FY2012-13
(in millions)

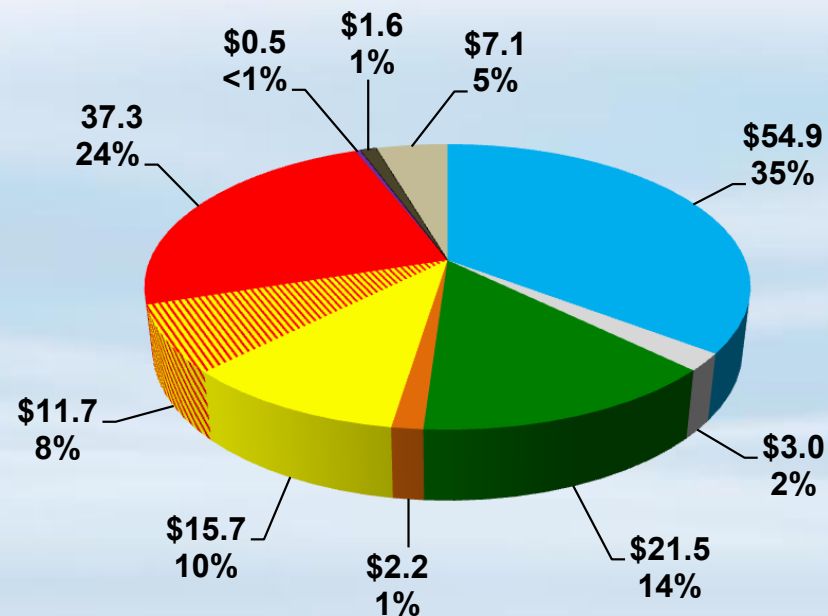


Use of reserves proposed for cooperative funding and environmental projects.

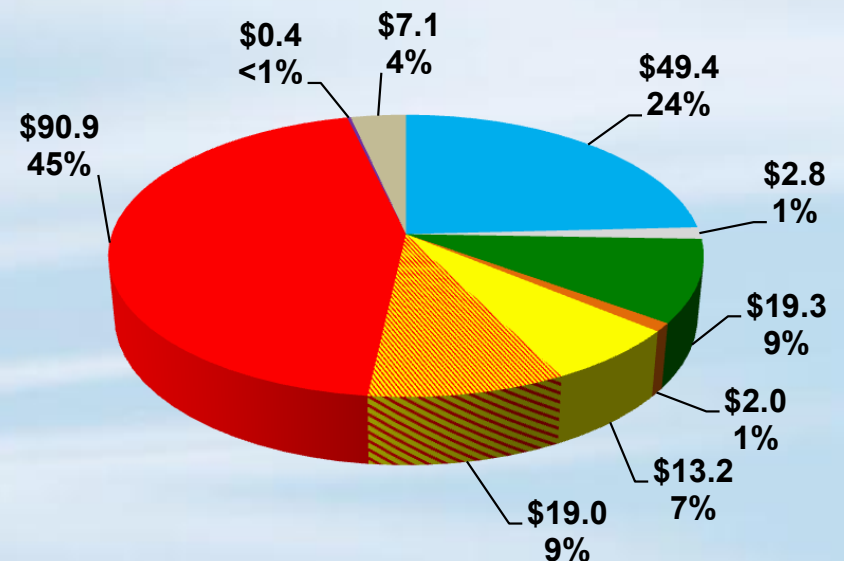
Expenditure Categories

(in millions)

**Adopted
FY2011-12 Budget
(\$156 Million)**



**Preliminary
FY2012-13 Budget
(\$204 Million)**

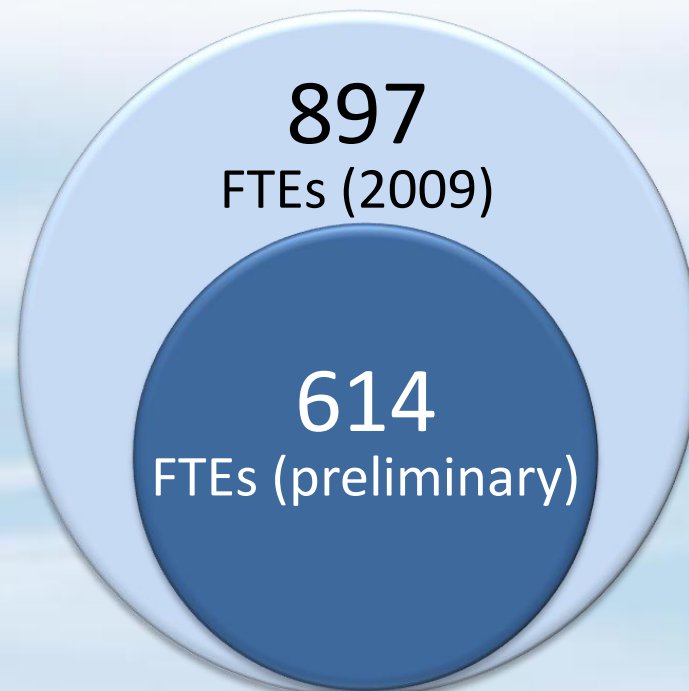
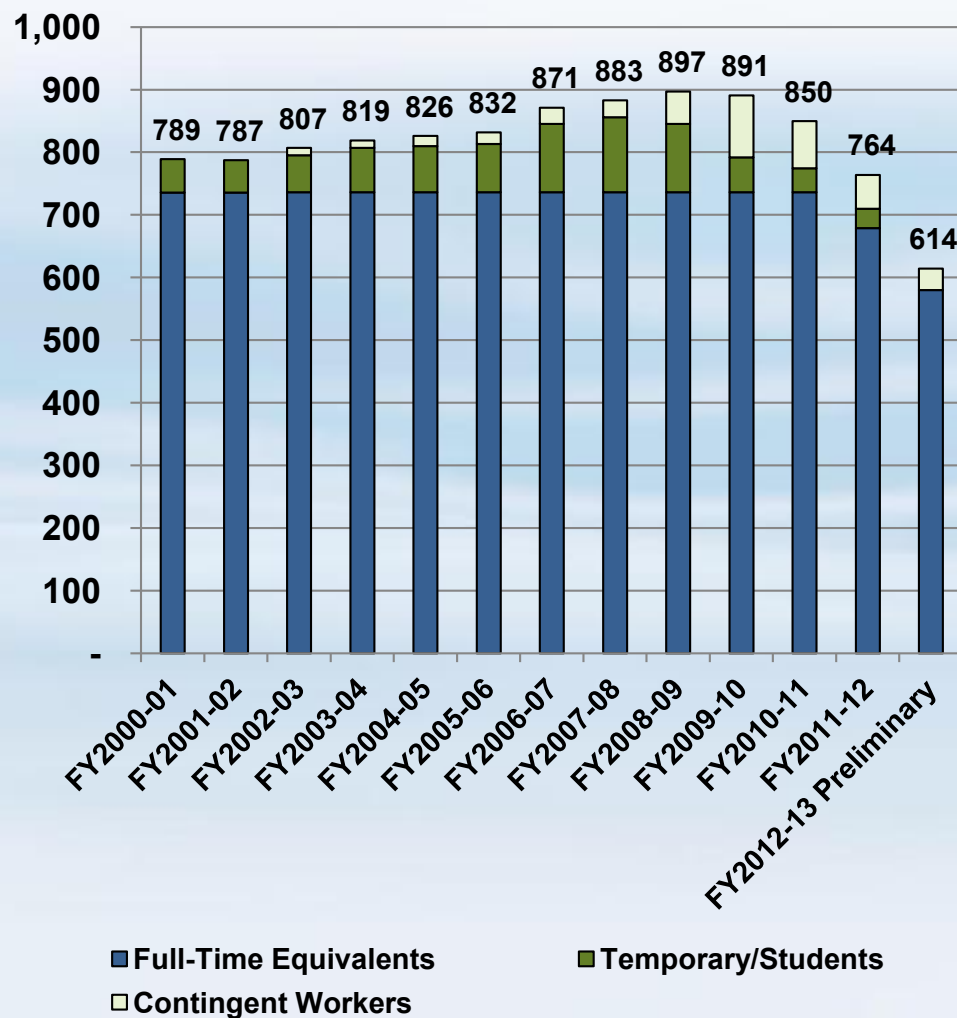


- Salaries & Benefits
- Other Personal Services
- Operating Expenses
- Operating Capital Outlay
- Contracted Svcs for Oper Support & Maint
- Contracted Svcs for Projects
- Cooperative Funding
- Fixed Capital Outlay
- Project Reserves
- Annual Contingency Funds

Preliminary FY2012-13 budget reflects increase in contracted services and cooperative funding for projects to be funded through use of reserves.

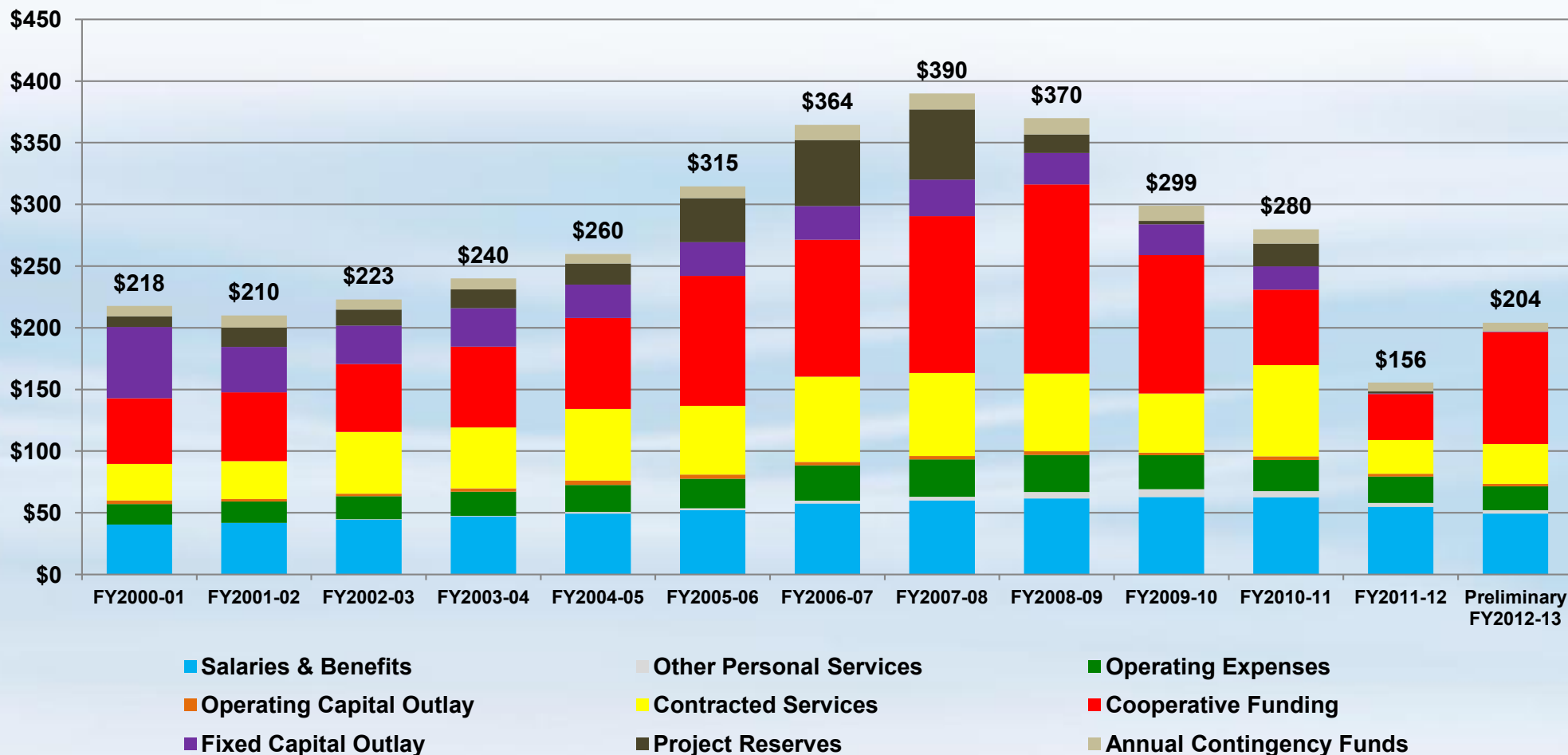
Total Workforce

FY2000-01 through Preliminary FY2012-13



Historical Trends – Expenditure Budget

Adopted FY2000-01 through FY2011-12 and Preliminary FY2012-13
(in millions)

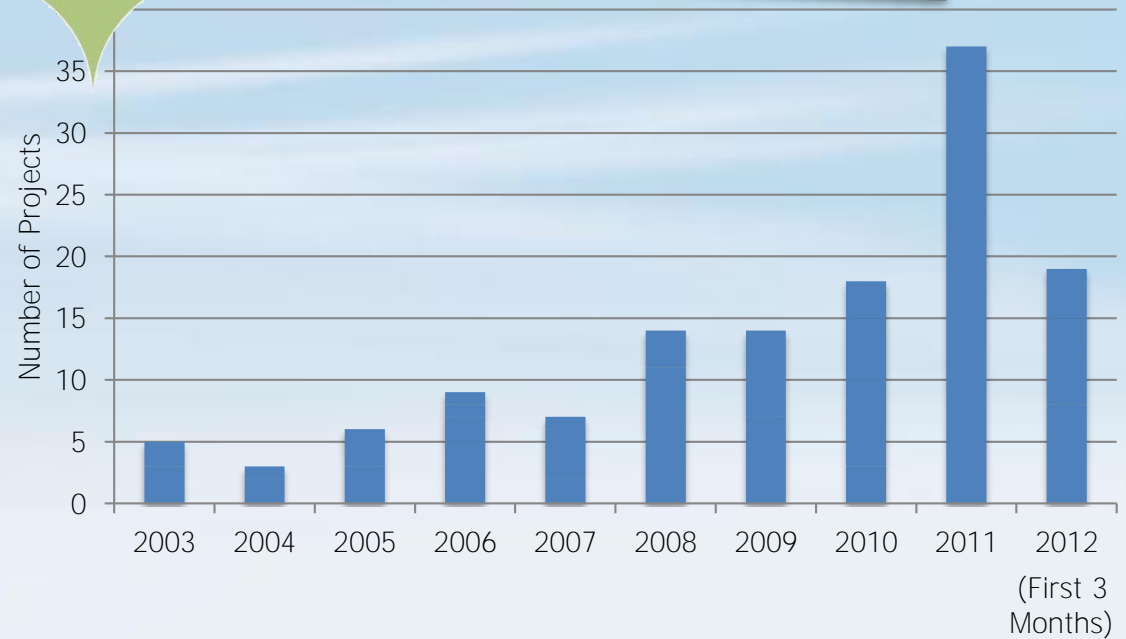
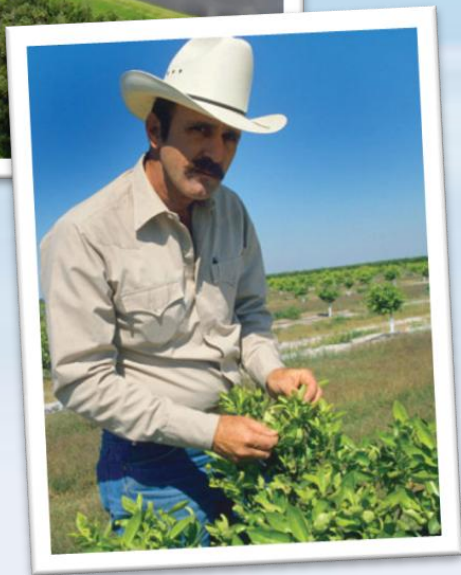


Preliminary FY2012-13 budget reflects increase in contracted services and cooperative funding for projects to be funded through use of reserves.

Alternative Water Supply Development – Projected \$73 million

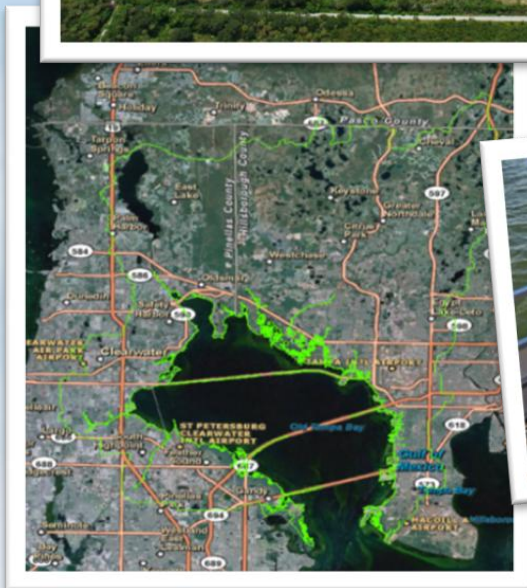


FARMS Program – Projected \$5 million



Natural Systems and Habitat Restorations – Projected \$10 million

Schultz Preserve Restoration



Old Tampa Bay



McKay Bay

Stormwater Improvements (water quality and flood protection) - Projected \$15 million



Cooperative Funding Since 1988

- **\$1 billion** District-funded
- **\$2 billion** combined regional investment
- **\$91 million** preliminary FY2012-13 budget



Questions?



CourtSmart Tag Report

Room: SB 401

Case:

Caption: Senate General Government Appropriations Subcommittee

Type:

Judge:

Started: 1/12/2012 1:03:02 PM

Ends: 1/12/2012 3:00:20 PM

Length: 01:57:19

1:03:34 PM	Senator Hays (Chair)
1:03:52 PM	Tab 1
1:04:26 PM	SB 578
1:04:42 PM	Senator Richter
1:06:21 PM	Senator Bullard
1:07:57 PM	Sen Richter
1:10:31 PM	Sen Bullard
1:13:39 PM	Sen Hays
1:16:05 PM	Sen Benacquisto
1:17:35 PM	Sen Richter
1:18:39 PM	Sen Diaz de la Portilla
1:20:32 PM	Sen Richter
1:22:01 PM	Christine Ashburn, Director of Legislative External Affairs, Citizens Property Ins. Corp
1:23:31 PM	Sen Hays
1:24:11 PM	Sen Jones
1:24:52 PM	Sen Richter
1:25:19 PM	Sen Jones
1:26:25 PM	Sen Gibson
1:27:28 PM	Sen Richter
1:27:40 PM	C. Ashburn
1:31:24 PM	Sen Jones
1:33:16 PM	C. Ashburn
1:37:21 PM	Sen Hays
1:39:48 PM	Sen Latvala
1:41:13 PM	Sen Richter
1:44:12 PM	Monte Stevens, OIR
1:45:19 PM	C. Ashburn
1:47:02 PM	Sen Benacquisto
1:48:08 PM	Sen Richter
1:49:09 PM	M. Stevens
1:50:01 PM	Sen Diaz de la Portilla
1:51:57 PM	C. Ashburn
1:52:08 PM	Sen Bullard
1:55:26 PM	Sen Richter
1:57:27 PM	M. Stevens
1:57:57 PM	Sen Bullard
1:58:50 PM	C. Ashburn
2:02:31 PM	Sen Braynon
2:04:08 PM	Am 218052
2:04:36 PM	Sen Richter
2:04:50 PM	Sen Latvala
2:05:16 PM	Am.129526
2:05:47 PM	Sen. Richter
2:06:49 PM	Sen Gibson
2:09:46 PM	Sen Hays
2:11:58 PM	Reggie Garcia, Florida Justice Association
2:16:56 PM	Jay Neal/David Welch, Executive Director, FL Association Insurance Reform
2:22:17 PM	C. Ashburn
2:22:26 PM	Tim Meenan, Geovera Insurance Company
2:26:15 PM	Doug Mang, Fla. Surplus Lines Assoc.
2:26:38 PM	Sen Bullard
2:29:28 PM	Sen Benacquisto

2:30:31 PM	Sen Braynon
2:32:17 PM	Sen Diaz de la Portilla
2:32:58 PM	Sen Gibson
2:34:34 PM	Sen Richter
2:38:59 PM	Tab 2
2:39:11 PM	SB 610
2:39:31 PM	Sen Diaz de la Portilla
2:40:12 PM	Am 557604
2:41:40 PM	Sen Latvala
2:42:01 PM	Sen Diaz de la Portilla
2:44:49 PM	Sen Gibson
2:45:22 PM	Teye Reeves, FI Chamber of Commerce
2:45:32 PM	Ivette Arango, The Beacon Council
2:45:39 PM	Sharon Spratt, Enterprise Florida
2:45:46 PM	Jess McCarty, Miami-Dade County
2:46:55 PM	Tab 3
2:46:59 PM	Sen Gaetz Legislative Assistant, Eric Edwards presenting SB 792
2:47:20 PM	SB 792
2:47:45 PM	Jared Ross, League of Southeastern Credit Unions
2:47:55 PM	David Barney, Anti-Defamation League
2:48:33 PM	Tab 5
2:49:39 PM	Water Management Districts on Preliminary Budgets for Fiscal Year 2012-13
2:52:15 PM	Hans Tanzler, Executive Director
2:56:56 PM	Sen Gibson
2:57:37 PM	Public comments on Florida Public Hurricane Loss Projection Model
2:57:49 PM	Dr. Kurtis Gurley, University of Florida
2:58:32 PM	