

Bill No. PCS for SB 1980 (070118)

Barcode 942450

CHAMBER ACTION

Senate

House

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Comm: WD
04/10/2006 11:53 AM

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

Senate Amendment (with title amendment)

On page 26, line 12, through
page 28, line 30, delete those lines

and insert:

Section 7. Effective July 1, 2006, paragraph (b) of subsection (2) and subsection (5) of section 627.062, Florida Statutes, are amended, and subsections (9) and (10) are added to that section, to read:

627.062 Rate standards.--

(2) As to all such classes of insurance:

(b) Upon receiving a rate filing, the office shall review the rate filing to determine if a rate is excessive, inadequate, or unfairly discriminatory. In making that determination, the office shall, in accordance with generally accepted and reasonable actuarial techniques, consider the following factors:

1. Past and prospective loss experience within and

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1 without this state.

2 2. Past and prospective expenses.

3 3. The degree of competition among insurers for the
4 risk insured.

5 4. Investment income reasonably expected by the
6 insurer, consistent with the insurer's investment practices,
7 from investable premiums anticipated in the filing, plus any
8 other expected income from currently invested assets
9 representing the amount expected on unearned premium reserves
10 and loss reserves. The commission may adopt rules utilizing
11 reasonable techniques of actuarial science and economics to
12 specify the manner in which insurers shall calculate
13 investment income attributable to such classes of insurance
14 written in this state and the manner in which such investment
15 income shall be used in the calculation of insurance rates.
16 Such manner shall contemplate allowances for an underwriting
17 profit factor and full consideration of investment income
18 which produce a reasonable rate of return; however, investment
19 income from invested surplus shall not be considered.

20 5. The reasonableness of the judgment reflected in the
21 filing.

22 6. Dividends, savings, or unabsorbed premium deposits
23 allowed or returned to Florida policyholders, members, or
24 subscribers.

25 7. The adequacy of loss reserves.

26 8. The cost of reinsurance, as further specified in
27 subsection (5).

28 9. Trend factors, including trends in actual losses
29 per insured unit for the insurer making the filing.

30 10. Conflagration and catastrophe hazards, if
31 applicable.

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1 11. A reasonable margin for underwriting profit and
 2 contingencies. For that portion of the rate covering the risk
 3 of hurricanes and other catastrophic losses for which the
 4 insurer has not purchased reinsurance and has exposed its
 5 capital and surplus to such risk, the office must approve a
 6 rating factor that provides the insurer a reasonable rate of
 7 return that is commensurate with such risk.

8 12. The cost of medical services, if applicable.

9 13. Other relevant factors which impact upon the
 10 frequency or severity of claims or upon expenses.

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12 The provisions of this subsection shall not apply to workers'
 13 compensation and employer's liability insurance and to motor
 14 vehicle insurance.

15 (5) With respect to a rate filing involving coverage
 16 of the type for which the insurer is required to pay a
 17 reimbursement premium to the Florida Hurricane Catastrophe
 18 Fund, the insurer may fully recoup in its property insurance
 19 premiums any reimbursement premiums paid to the Florida
 20 Hurricane Catastrophe Fund, together with ~~reasonable~~ costs of
 21 other reinsurance consistent with prudent business practices
 22 and sound actuarial principles, but may not recoup reinsurance
 23 costs that duplicate coverage provided by the Florida
 24 Hurricane Catastrophe Fund. The burden is on the office to
 25 establish that any costs of other reinsurance are in excess of
 26 amounts consistent with prudent business practices and sound
 27 actuarial principles. An insurer may not recoup more than 1
 28 year of reimbursement premium at a time. Any under-recoupment
 29 from the prior year may be added to the following year's
 30 reimbursement premium and any over-recoupment shall be
 31 subtracted from the following year's reimbursement premium.

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1 (9) Rates for personal lines residential coverage with
2 a dwelling replacement cost of \$1 million or more and for
3 condominium units with a combined dwelling and contents
4 replacement cost of \$1 million or more are not subject to
5 disapproval by the office based on a determination that the
6 rate is excessive.

7 (10) Notwithstanding any other provision of this
8 section, any rate filing or applicable portion of the rate
9 filing that includes the peril of wind in the high-risk
10 account of the Citizens Property Insurance Corporation shall
11 be deemed approved upon submission to the office if the filing
12 or the applicable portion of the filing requests approval of a
13 rate that is less than the approved rate for similar risks
14 insured in the high-risk account of the corporation unless the
15 office determines that such rate is inadequate or unfairly
16 discriminatory as provided in subsection (2).

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19 ----- T I T L E A M E N D M E N T -----

20 And the title is amended as follows:

21 On page 2, line 16, after the first semicolon,

22

23 insert:

24 providing for the approval of a rate filing
25 that includes the peril of wind in the
26 high-risk account of the Citizens Property
27 Insurance Corporation under certain
28 circumstances;

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