

By Senator Oelrich

14-00267-11

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1                   A bill to be entitled  
2           An act relating to commercial insurance rates;  
3           amending s. 627.062, F.S.; exempting certain liability  
4           and property insurance lines from specific rate  
5           standards and filing requirements; revising certain  
6           reporting and recordkeeping requirements for such  
7           exempt insurers and certain rating organizations  
8           regarding rate changes; deleting a provision that  
9           permits the Office of Insurance Regulation of the  
10          Financial Services Commission to require such insurers  
11          to provide certain information regarding rates at the  
12          insurer's expense; amending s. 627.0651, F.S.;  
13          exempting certain commercial motor vehicle insurance  
14          from specific rate standards and filing requirements;  
15          revising certain reporting and recordkeeping  
16          requirements for such exempt insurers and certain  
17          rating organizations regarding rate changes; deleting  
18          a provision that permits the Office of Insurance  
19          Regulation of the Financial Services Commission to  
20          require such insurers to provide certain information  
21          regarding rates at the insurer's expense; providing an  
22          effective date.

23  
24 Be It Enacted by the Legislature of the State of Florida:

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26           Section 1. Subsection (3) of section 627.062, Florida  
27           Statutes, is amended to read:

28           627.062 Rate standards.—

29           (3) (a) For individual risks that are not rated in

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30 accordance with the insurer's rates, rating schedules, rating  
31 manuals, and underwriting rules filed with the office and which  
32 have been submitted to the insurer for individual rating, the  
33 insurer must maintain documentation on each risk subject to  
34 individual risk rating. The documentation must identify the  
35 named insured and specify the characteristics and classification  
36 of the risk supporting the reason for the risk being  
37 individually risk rated, including any modifications to existing  
38 approved forms to be used on the risk. The insurer must maintain  
39 these records for a period of at least 5 years after the  
40 effective date of the policy.

41 (b) Individual risk rates and modifications to existing  
42 approved forms are not subject to this part or part II, except  
43 for paragraph (a) and ss. 627.402, 627.403, 627.4035, 627.404,  
44 627.405, 627.406, 627.407, 627.4085, 627.409, 627.4132,  
45 627.4133, 627.415, 627.416, 627.417, 627.419, 627.425, 627.426,  
46 627.4265, 627.427, and 627.428, but are subject to all other  
47 applicable provisions of this code and rules adopted thereunder.

48 (c) This subsection does not apply to private passenger  
49 motor vehicle insurance.

50 (d)1. The following categories or kinds of insurance and  
51 types of commercial lines risks are not subject to paragraph  
52 (2) (a) or paragraph (2) (f):

53 a. Excess or umbrella.

54 b. Surety and fidelity.

55 c. Boiler and machinery and leakage and fire extinguishing  
56 equipment.

57 d. Errors and omissions professional liability.

58 e. Directors and officers, employment practices, fiduciary

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59 liability, and other management liability.

60 f. Intellectual property and patent infringement liability.

61 g. Advertising injury and Internet liability insurance.

62 h. Property risks rated under a highly protected risks  
63 rating plan.

64 i. General liability.

65 j. Nonresidential property.

66 k. Nonresidential multiperil.

67 l. Excess property.

68 m. Any other commercial lines categories or kinds of  
69 insurance or types of commercial lines risks that the office  
70 determines should not be subject to paragraph (2) (a) or  
71 paragraph (2) (f) because of the existence of a competitive  
72 market for such insurance, similarity of such insurance to other  
73 categories or kinds of insurance not subject to paragraph (2) (a)  
74 or paragraph (2) (f), or to improve the general operational  
75 efficiency of the office.

76 2. Insurers or rating organizations shall establish and use  
77 rates, rating schedules, or rating manuals to allow the insurer  
78 a reasonable rate of return on insurance and risks described in  
79 subparagraph 1. which are written in this state.

80 3. An insurer must notify the office of any changes to  
81 rates for insurance and risks described in subparagraph 1. no  
82 later than 30 days after the effective date of the change. The  
83 notice must include the name of the insurer, the type or kind of  
84 insurance subject to rate change, ~~total premium written during~~  
85 ~~the immediately preceding year by the insurer for the type or~~  
86 ~~kind of insurance subject to the rate change,~~ and the average  
87 statewide percentage change in rates. Actuarial data

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88 ~~Underwriting files, premiums, losses, and expense statistics~~  
89 with regard to rates for insurance and risks described in  
90 subparagraph 1. written by an insurer shall be maintained by the  
91 insurer for 2 years after the effective date of changes to rates  
92 and are subject to examination by the office. Upon examination,  
93 the office shall, in accordance with generally accepted and  
94 reasonable actuarial techniques, consider the rate factors in  
95 paragraphs (2) (b), (c), and (d) and the standards in paragraph  
96 (2) (e) to determine if the rate is excessive, inadequate, or  
97 unfairly discriminatory.

98 4. A rating organization must notify the office of any  
99 changes to loss cost for insurance and risks described in  
100 subparagraph 1. no later than 30 days after the effective date  
101 of the change. The notice must include the name of the rating  
102 organization, the type or kind of insurance subject to a loss  
103 cost change, loss costs during the immediately preceding year  
104 for the type or kind of insurance subject to the loss cost  
105 change, and the average statewide percentage change in loss  
106 cost. Actuarial data ~~Loss and exposure statistics~~ with regard to  
107 changes to loss cost for risks applicable to loss costs for a  
108 ~~rating organization~~ not subject to paragraph (2) (a) or paragraph  
109 (2) (f) shall be maintained by the rating organization for 2  
110 years after the effective date of the change and are subject to  
111 examination by the office. Upon examination, the office shall,  
112 in accordance with generally accepted and reasonable actuarial  
113 techniques, consider the rate factors in paragraphs (2) (b)-(d)  
114 and the standards in paragraph (2) (e) to determine if the rate  
115 is excessive, inadequate, or unfairly discriminatory.

116 5. ~~In reviewing a rate, the office may require the insurer~~

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117 ~~to provide at the insurer's expense all information necessary to~~  
118 ~~evaluate the condition of the company and the reasonableness of~~  
119 ~~the rate according to the applicable criteria described in this~~  
120 ~~section.~~

121 Section 2. Subsection (14) of section 627.0651, Florida  
122 Statutes, is amended to read:

123 627.0651 Making and use of rates for motor vehicle  
124 insurance.—

125 (14) (a) Commercial motor vehicle insurance ~~covering a fleet~~  
126 ~~of 20 or more self-propelled vehicles~~ is not subject to  
127 subsection (1), subsection (2), or subsection (9) or s.  
128 627.0645.

129 (b) The rates for insurance described in this subsection  
130 may not be excessive, inadequate, or unfairly discriminatory.

131 (c) Insurers shall establish and use rates, rating  
132 schedules, or rating manuals to allow the insurer a reasonable  
133 rate of return on commercial motor vehicle insurance written in  
134 this state ~~covering a fleet of 20 or more self-propelled~~  
135 ~~vehicles.~~

136 (d) An insurer must notify the office of any changes to  
137 rates for type of insurance described in this subsection no  
138 later than 30 days after the effective date of the change. The  
139 notice shall include the name of the insurer, the type or kind  
140 of insurance subject to rate change, ~~total premium written~~  
141 ~~during the immediately preceding year by the insurer for the~~  
142 ~~type or kind of insurance subject to the rate change,~~ and the  
143 average statewide percentage change in rates. Actuarial data  
144 with regard to rates for risks ~~Underwriting files, premiums,~~  
145 ~~losses, and expense statistics for the type of insurance~~

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146 described in this subsection shall be maintained by the insurer  
147 for 2 years after the effective date of changes to rates and are  
148 subject to examination by the office. Upon examination, the  
149 office shall, in accordance with generally accepted and  
150 reasonable actuarial techniques, consider the factors in  
151 paragraphs (2)(a)-(1) and apply subsections (3)-(8) to determine  
152 if the rate is excessive, inadequate, or unfairly  
153 discriminatory.

154 (e) A rating organization must notify the office of any  
155 changes to loss cost for the type of insurance described in this  
156 subsection no later than 30 days after the effective date of the  
157 change. The notice shall include the name of the rating  
158 organization, the type or kind of insurance subject to a loss  
159 cost change, loss costs during the immediately preceding year  
160 for the type or kind of insurance subject to the loss cost  
161 change, and the average statewide percentage change in loss  
162 cost. Actuarial data ~~loss and exposure statistics~~ with regard to  
163 changes to loss cost for risks applicable to loss costs for a  
164 ~~rating organization~~ not subject to subsection (1), subsection  
165 (2), or subsection (9) shall be maintained by the rating  
166 organization for 2 years after the effective date of the change  
167 and are subject to examination by the office. Upon examination,  
168 the office shall, in accordance with generally accepted and  
169 reasonable actuarial techniques, consider the rate factors in  
170 paragraphs (2)(a)-(1) and apply subsections (3)-(8) to determine  
171 if the rate is excessive, inadequate, or unfairly  
172 discriminatory.

173 ~~(f) In reviewing the rate, the office may require the~~  
174 ~~insurer to provide at the insurer's expense all information~~

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175 ~~necessary to evaluate the condition of the company and the~~  
176 ~~reasonableness of the rate according to the applicable criteria~~  
177 ~~described herein.~~

178       Section 3. This act shall take effect July 1, 2011.