The Committee on Appropriations (Boyd) recommended the following:

**Senate Amendment (with title amendment)**

Delete lines 1295 - 1499 and insert:

(1) A property insurer stability unit is created within the office to aid in the detection and prevention of insurer insolvencies in the homeowners’ and condominium unit owners’ insurance market. The following responsibilities are limited only to matters related to homeowners’ and condominium unit owners’ insurance.
(2) The insurer stability unit shall provide enhanced monitoring whenever the office identifies significant concerns about an insurer’s solvency, rates, proposed contracts, underwriting rules, market practices, claims handling, consumer complaints, litigation practices and outcomes, and any other issue related to compliance with the insurance code.

(3) The insurer stability unit shall, at a minimum:
   (a) Conduct a target market exam when there is reason to believe that an insurer’s claims practices, rate requirements, investment activities, or financial statements suggest that the insurer may be in an unsound financial condition.
   (b) Closely monitor all risk-based capital reports, own-risk solvency assessments, reinsurance agreements, and financial statements filed by insurers selling homeowners’ and condominium unit owners’ insurance policies in this state.
   (c) Have primary responsibility to conduct annual catastrophe stress tests of all domestic insurers and insurers that are commercially domiciled in this state.

1. The insurer stability unit shall cooperate with the Florida Commission on Hurricane Loss Projection Methodology to select the hurricane scenarios that are used in the annual catastrophe stress test.

2. Catastrophe stress testing must determine:
   a. Whether an individual insurer can survive a one in 130-year probable maximum loss (PML), and a second event 50-year return PML following a first event that exceeds a 100-year return PML; and
   b. The impact of the selected hurricane scenarios on the Citizens Property Insurance Corporation, the Florida Hurricane
Catastrophe Fund, the Florida Insurance Guaranty Association, and taxpayers.

(d) Update wind mitigation credits required by s. 627.711 and associated rules.

(e) Review the causes of insolvency and business practices of insurers that have been referred to the department’s Division of Rehabilitation and Liquidation and make recommendations to prevent similar failures in the future.

(f) On January 1 and July 1 of each year, provide a report on the status of the homeowners’ and condominium unit owners’ insurance market to the Governor, the President of the Senate, the Speaker of the House of Representatives, the Minority Leader of the Senate, the Minority Leader of the House of Representatives, and the chairs of the legislative committees with jurisdiction over matters of insurance showing:

1. Litigation practices and outcomes of insurance companies.

2. Percentage of homeowners and condominium unit owners who obtain insurance in the voluntary market.

3. Percentage of homeowners and condominium unit owners who obtain insurance from the Citizens Property Insurance Corporation.

4. Profitability of the homeowners’ and condominium unit owners’ lines of insurance in this state, including a comparison with similar lines of insurance in other hurricane-prone states and with the national average.

5. Average premiums charged for homeowners’ and condominium unit owners’ insurance in each of the 67 counties in this state.

6. Results of the latest annual catastrophe stress tests of
all domestic insurers and insurers that are commercially domiciled in this state.

7. The availability of reinsurance in the personal lines insurance market.

8. The number of property and casualty insurance carriers referred to the insurer stability unit for enhanced monitoring, including the reason for the referral.

9. The number of referrals to the insurer stability unit which were deemed appropriate for enhanced monitoring, including the reason for the monitoring.

10. The name of any insurer against which delinquency proceedings were instituted, including the grounds for rehabilitation pursuant to s. 631.051 and the date that each insurer was deemed impaired of capital or surplus, as the terms impairment of capital and impairment of surplus are defined in s. 631.011, or insolvent, as the term insolvency is defined in s. 631.011; a concise statement of the circumstances that led to the insurer’s delinquency; and a summary of the actions taken by the insurer and the office to avoid delinquency.

11. Recommendations for improvements to the regulation of homeowners’ and condominium unit owners’ insurance market and an indication of whether such improvements require any change to existing laws or rules.

12. Identification of any trends that may warrant attention in the future.

(4) Any of the following events must trigger a referral to the insurer stability unit:

(a) Consumer complaints related to homeowners’ insurance or condominium unit owners’ insurance under s. 624.307(10), if the
complaints, in the aggregate, suggest a trend within the
marketplace and are not an isolated incident.

(b) There is reason to believe that an insurer who is
authorized to sell homeowners’ or condominium unit owners’
insurance in this state has engaged in an unfair trade practice
under part IX of chapter 626.

(c) A market conduct examination determines that an insurer
has exhibited a pattern or practice of willful violations of an
unfair insurance trade practice related to claims-handling which
caus[ed] harm to policyholders, as prohibited by s. 626.9541(1)(i).

(d) An insurer authorized to sell homeowners’ or
condominium unit owners’ insurance in this state requests a rate
increase that exceeds 15 percent, in accordance with s. 627.0629(6).

(e) An insurer authorized to sell homeowners’ or
condominium unit owners’ insurance in this state violates the
ratio of actual or projected annual written premiums required by
s. 624.4095(4)(a).

(f) An insurer authorized to sell homeowners’ or
condominium unit owners’ insurance in this state files a notice
pursuant to s. 624.4305 advising the office that it intends to
nonrenew more than 10,000 residential property insurance
policies in this state within a 12-month period.

(g) A quarterly or annual financial statement required by
ss. 624.424 and 627.915 demonstrates that an insurer authorized
to sell homeowners’ or condominium unit owners’ insurance in
this state is in an unsound condition, as defined in s. 624.80(2); has exceeded its powers in a manner as described in
s. 624.80(3); is impaired, as defined in s. 631.011(12) or (13); or is insolvent, as defined in s. 631.011.

(h) An insurer authorized to sell homeowners’ or condominium unit owners’ insurance in this state files a quarterly or annual financial statement required by ss. 624.424 and 627.915 which is misleading or contains material errors.

(i) An insurer authorized to sell homeowners’ or condominium unit owners’ insurance in this state fails to timely file a quarterly or annual financial statement required by ss. 624.424 and 627.915.

(j) An insurer authorized to sell homeowners’ or condominium unit owners’ insurance in this state files a risk-based capital report that triggers a company action level event, regulatory action level event, authorized control level event, or mandatory control level event, as those terms are defined in s. 624.4085.

(k) An insurer selling homeowners’ or condominium unit owners’ insurance in this state that is subject to the own-risk solvency assessment requirement of s. 628.8015, and fails to timely file the own-risk solvency assessment.

(l) A reinsurance agreement creates a substantial risk of insolvency for an insurer authorized to sell homeowners’ or condominium unit owners’ insurance in this state, pursuant to s. 624.610(13).

(m) An insurer authorized to sell homeowners’ or condominium unit owners’ insurance in this state is party to a reinsurance agreement that does not create a meaningful transfer of risk of loss to the reinsurer, pursuant to s. 624.610(14).

(n) Citizens Property Insurance Corporation is required to
absorb policies from an insurer that participated in the corporation’s depopulation program authorized by s. 627.3511 within 3 years after the insurer takes policies out of the corporation.

The insurer stability unit’s supervisors shall review all referrals triggered by the statutory provisions to determine whether enhanced scrutiny of the insurer is appropriate.

(5) Expenses of the insurer stability unit shall be paid from moneys allocated to the Insurance Regulatory Trust Fund. However, if the unit recommends that a market conduct exam or targeted market exam be conducted, the reasonable cost of the examination shall be paid by the person examined, in accordance with s. 624.3161.

Section 20. Subsection (1) of section 631.031, Florida Statutes, is amended to read:

631.031 Initiation and commencement of delinquency proceeding.—

(1) Upon a determination by the office that one or more grounds for the initiation of delinquency proceedings exist pursuant to this chapter and that delinquency proceedings must be initiated, the Director of the Office of Insurance Regulation shall notify the department of such determination and shall provide the department with all necessary documentation and evidence. If the director must notify the department of a determination regarding a property insurer, the notification must include an affidavit that identifies the grounds for rehabilitation pursuant to s. 631.051; the date that each insurer was deemed impaired of capital or surplus, as the terms
impairment of capital and impairment of surplus are defined in s. 631.011, or insolvent, as the term insolvency is defined in s. 631.011; a concise statement of the circumstances that led to the insurer’s delinquency; and a summary of the actions taken by the insurer and the office to avoid delinquency. The department shall then initiate such delinquency proceedings.

Section 21. Subsection (3) of section 631.398, Florida Statutes, is amended to read:

631.398 Prevention of insolvencies.—To aid in the detection and prevention of insurer insolvencies or impairments:

(3) (a) The department shall, no later than the conclusion of any domestic insurer insolvency proceeding, prepare a summary report containing such information as is in its possession relating to the history and causes of such insolvency, including a statement of the business practices of such insurer which led to such insolvency.

(b) For an insolvency involving a domestic property insurer, the department shall:

1. Begin an analysis of the history and causes of the insolvency once the department is appointed by the court as receiver.

2. Submit an initial report analyzing the history and causes of the insolvency to the Governor, the President of the Senate, the Speaker of the House of Representatives, and the office. The initial report must be submitted no later than 4 months after the department is appointed as receiver. The initial report shall be updated at least annually until the submission of the final report. The report may not be used as evidence in any proceeding brought by the department or others.
to recover assets on behalf of the receivership estate as part of its duties under s. 631.141(8). The submission of a report under this subparagraph shall not be considered a waiver of any evidentiary privilege the department may assert under state or federal law.

And the title is amended as follows:

Delete lines 143 - 153

and insert:

627.7154, F.S.; creating a property insurer stability unit within the office for a specified purpose; specifying the duties of the unit; requiring the unit to provide a specified report biannually; specifying requirements for such report; specifying events that trigger referrals to the unit; requiring the unit’s supervisors to review such referrals for a certain determination; requiring unit expenses be paid from a specified fund; requiring costs of examinations to be paid by examined persons in a specified circumstance; amending s. 631.031, F.S.; requiring certain notifications by