

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 Committee on Banking and Insurance

BILL: SB 1622

INTRODUCER: Senator Trumbull

SUBJECT: Insurance

DATE: January 26, 2024

REVISED: _____

| ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|-----------|----------------|-----------|--------------------|
| 1. Thomas | Knudson | BI | Pre-meeting |
| 2. _____ | _____ | AEG | _____ |
| 3. _____ | _____ | FP | _____ |

I. Summary:

SB 1622 revises provisions relating to the Office of Insurance Regulation (OIR). Specifically, the bill:

- Requires each insurer and insurer group to file the required supplemental reports monthly, rather than quarterly, and to provide such information broken down by zip code;
- Provides the Financial Services Commission authority to adopt rules to administer certain provisions;
- Revises financial requirements for a public housing self-insurance fund;
- Provides that, upon a declaration of an emergency, and the filing of an order by the Commissioner of Insurance Regulation, a surplus lines insurer may not cancel or nonrenew a personal residential or commercial residential property insurance policy covering a residential property that has been damaged as a result of a hurricane until 90 days after the residential property has been repaired;
- Provides that if an averaged hurricane loss projection model is used for residential property insurance ratemaking by an insurer, the same averaged model must be used throughout the state. If a weighted average is used, the insurer must provide the OIR with a justification for using the weighted average which shows that it results in a rate that is reasonable, adequate, and fair;
- Repeals provisions providing that certain coverage under the Citizens Property Insurance Corporation is not subject to its rate limitations; and
- Provides a substantial rewrite of provisions regulating reciprocal insurers.

The bill does not appear to have a significant fiscal impact on state or local government.

The bill takes effect July 1, 2025.

II. Present Situation:

Regulation of Insurance in Florida

The Office of Insurance Regulation (OIR) regulates specified insurance products, insurers and other risk bearing entities in Florida.¹ As part of its regulatory oversight, the OIR may suspend or revoke an insurer's certificate of authority under certain conditions.²

Financial Examinations

The OIR is responsible for examining the affairs, transactions, accounts, records, and assets of each insurer that holds a certificate of authority to transact insurance business in Florida.³ As part of the examination process, all persons being examined must make available to the OIR the accounts, records, documents, files, information, assets, and matters in their possession or control that relate to the subject of the examination.⁴ The OIR is charged with conducting an exam once every three years for high-risk insurers and once every five years for low-risk insurers.⁵ However, a domestic insurer that has held a certificate of authority for less than three years must be examined on an annual basis.⁶ The OIR is required to examine an insurer applying for an initial certificate of authority prior to issuing the certificate of authority.⁷

Market Conduct Exams

The OIR is authorized, as often as it deems necessary, to perform a market conduct examination of, among other entities, any authorized insurer, to determine compliance with applicable provisions of the workers' compensation law and the Insurance Code.⁸ The costs of the examination are to be paid by the subject entity.⁹ Section 624.3161, F.S., authorizes the OIR to subject any authorized insurer to a market conduct examination after a hurricane if the insurer, at any time more than 90 days after the end of the hurricane, is among the top 20 percent of insurers based upon a calculation of the ratio of hurricane-related property insurance claims filed to the number of property insurance policies in force.¹⁰

The OIR must subject any authorized insurer to a market conduct examination after a hurricane if the insurer, at any time more than 90 days after the end of the hurricane:

- Is among the top 20 percent of insurers based upon a calculation of the ratio of consumer complaints made to the DFS to hurricane-related claims;

¹ Section 20.121(3)(a), F.S. The Financial Services Commission, composed of the Governor, the Attorney General, the Chief Financial Officer, and the Commissioner of Agriculture, serves as agency head of the OIR for purposes of rulemaking. Further, the Commission appoints the commissioner of the OIR.

² Section 624.418, F.S.

³ Section 624.316(1)(a), F.S.

⁴ Section 624.318(2), F.S.

⁵ Section 624.316(2)(a), F.S.

⁶ Section 624.316(2)(f), F.S.

⁷ Section 624.316(2)(b), F.S.

⁸ Section 624.3161(1), F.S.

⁹ Section 624.3161(4), F.S.

¹⁰ Section 624.3161(7)(a), F.S.

- Is among the top 20 percent of insurers based upon a calculation of the ratio of hurricane claims closed without payment to the insurer's total number of hurricane claims on policies providing wind or windstorm coverage;
- Has made significant payments to its managing general agent since the hurricane; or
- Is identified by the OIR as necessitating a market conduct exam for any other reason.¹¹

The relevant criteria under ss. 624.3161 and s. 624.316, F.S., are to be applied to the market conduct examination after a hurricane.¹² Such market conduct examination, if any, must be started within 18 months after the landfall of the related hurricane.¹³ The insurer's managing general agent must be included in the market conduct examination as if it were the insurer.¹⁴

If a market conduct examination reveals that the "insurer has exhibited a pattern or practice of willful violations of an unfair insurance trade practice related to claims-handling which caused harm to policyholders," the OIR may order the insurer to file its claims-handling practices and procedures with the OIR for review and inspection.¹⁵ The practices and procedures are to be held by the OIR for 36 months and are considered public records, not trade secrets, during the 36-month period.¹⁶ The term "claims-handling practices and procedures" is defined as "any policies, guidelines, rules, protocols, standard operating procedures, instructions, or directives that govern or guide how and the manner in which an insured's claims for benefits under any policy will be processed."¹⁷

Annual Statement and Other Information

All insurers with a Florida certificate of authority to transact insurance business must file quarterly and annual reports with the OIR containing various financial data, including audited financial statements, actuarial opinions, and certain claims data.¹⁸ Each year, insurers must file an annual statement covering the preceding calendar year on or before March 1.¹⁹ Quarterly statements covering each period ending on March 31, June 30, and September 30 must be filed within 45 days after each such date.²⁰

In 2021, the Legislature enacted legislation²¹ to assist the OIR and the Legislature in identifying current and emerging property insurance litigation trends that are cost drivers adversely affecting insurance rates. As of January 1, 2022, each authorized insurer or insurer group issuing personal lines or commercial lines residential property insurance policies in this state must provide specific pieces of data regarding closed claims to the OIR on an annual basis.²² The report must include, excluding liability only claims, the following information on a per claim basis:

¹¹ Section 624.3161(7)(b), F.S.

¹² Section 624.3161(7), F.S.

¹³ *Id.*

¹⁴ *Id.*

¹⁵ Section 624.3161(6), F.S.

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ Section 624.424, F.S.

¹⁹ Section 624.424(1)(a), F.S.

²⁰ *Id.*

²¹ Chapter 2021-77, L.O.F.

²² Section 624.424(11), F.S.

- Claim identification number;
- Type of policy;
- Date, location, and type of loss;
- Name and type of vendors utilized for mitigation, repair, or replacement;
- Dates of when the claim was made; initially closed; most recently reopened, if applicable; when a supplemental claim was made, if applicable; and most recently closed, if different from the initial date the claim was closed;
- Name of the public adjuster, if any;
- Name and Florida Bar number of the claimant's attorney, if any;
- Total amounts that the insurer paid for indemnity, loss adjustment expenses,²³ and insured's attorney fees, including any contingency risk multiplier²⁴ requested by the attorney; and
- Any other information deemed necessary by the Financial Services Commission to provide the OIR with the ability to track litigation and claims trends occurring in the property market.²⁵

Section 624.424(10), F.S., requires insurers and insurer groups doing business in Florida to file quarterly reports with the OIR. These reports, also known as QUASR reports, must include the following information for each county in Florida, compiled on a quarterly basis:

- The total number of policies in force at the end of each month;
- The total number of policies canceled;
- The total number of policies nonrenewed;
- The number of policies canceled due to hurricane risk;
- The number of policies nonrenewed due to hurricane risk;
- The number of new policies written;
- The total dollar value of structure exposure under policies that include wind coverage;
- The number of policies that exclude wind coverage;
- Number of claims open each month;
- Number of claims closed each month;
- Number of claims pending each month; and
- Number of claims in which either the insurer or insured invoked any form of alternative dispute resolution, and specifying which form of alternative dispute resolution was used.

The OIR must aggregate on a statewide basis the data submitted make such data publicly available on the OIR website within 1 month after each quarterly and annual filing.²⁶ The information must be published on the OIR website within one month after each quarterly and annual filing.²⁷ This information is not a trade secret as defined in s. 688.002(4), F.S., or s.

²³ Loss adjustment expenses are the costs associated with investigating and adjusting losses or insurance claims. IRMI, <https://www.irmi.com/term/insurance-definitions/loss-adjustment-expense> (last visited January 25, 2024).

²⁴ A contingency risk multiplier is a multiplier applied to attorney fees that reflects the risk of attorneys accepting, on a contingency fee basis, cases that may be difficult to win. *See e.g., Joyce v. Federated Nat'l Ins. Co.*, 228 So.3d 1122 (Fla. 2017).

²⁵ Section 624.424(11), F.S.

²⁶ Section 624.424(10)(b), F.S.

²⁷ *Id.*

812.081, F.S., and is not subject to the public records exemption for trade secrets provided in s. 119.0715, F.S.²⁸

Nonrenewal of Residential Property Insurance Policies

An insurer that plans to nonrenew more than 10,000 residential property insurance policies within a 12-month period must give written notice to the OIR for informational purposes 90 days before the issuance of such notices of nonrenewal.²⁹ The notice provided to the OIR must set forth the insurer's reasons for such action, the effective dates of nonrenewal, and any arrangements made for other insurers to offer coverage to affected policyholders.³⁰

Public Housing Authorities Self-Insurance Funds

Two or more public housing authorities may form a self-insurance fund as to any one or more risks. Such self-insurance fund that is created must:

- Have annual normal premiums in excess of \$5 million;
- Use a qualified actuary to determine rates and annually submit to the OIR a certification by the actuary that the rates are actuarially sound and are not inadequate;
- Use a qualified actuary to establish reserves for loss and loss adjustment expenses and annually submit to the OIR a certification by the actuary that the loss and loss adjustment expense reserves are adequate;
- Maintain a continuing program of excess insurance coverage and reserve evaluation to protect the financial stability of the fund in an amount and manner determined by a qualified and independent actuary. At a minimum, the program must:
 - Purchase excess insurance from authorized insurance carriers or eligible surplus lines insurers;
 - Retain a per-loss occurrence that does not exceed \$350,000;
- Submit to the OIR annually an audited fiscal year-end financial statement by an independent certified public accountant;
- Have a governing body which is comprised entirely of commissioners of public housing authorities that are members of the fund or persons appointed by the commissioners;
- Use knowledgeable persons to administer the fund in the areas of claims administration, claims adjusting, underwriting, risk management, loss control, policy administration, financial audit, and legal areas;
- Submit to the OIR copies of contracts used for its members that clearly establish the liability of each member for the obligations of the fund; and
- Annually submit to the OIR a certification by the governing body of the fund that, to the best of its knowledge, the requirements of this section are met.

A business entity in which a public housing authority holds an ownership interest or participates in its governance may join a self-insurance fund solely to insure risks related to public housing.

²⁸ *Id.*

²⁹ Section 624.4305, F.S.

³⁰ *Id.*

Surplus Lines Insurance

Surplus lines insurance refers to a category of insurance for which the admitted market is unable or unwilling to provide coverage.³¹ 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 that 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, which means they do not obtain a certificate of authority from the OIR to transact insurance in Florida.³² Rather, surplus lines insurers are “unauthorized” insurers,³³ but may transact surplus lines insurance if they are made “eligible” by the OIR. Except as specifically stated as applicable, surplus lines insurers are not subject to regulation under ch. 627, F.S., of the Florida Insurance Code, which includes, in part, provisions related to ratings standard, contracts, and attorney fees for authorized insurers.³⁴

Notice of Cancellation, Nonrenewal, or Renewal of Insurance Policies

The requirements for an authorized insurer to provide notice of cancellation, nonrenewal, or renewal premium are set forth in s. 627.4133, F.S. The specific notice depends on the type of insurance provided and the particular circumstances of the subject policy.

For an authorized insurer writing personal lines residential or commercial lines residential property insurance policies are generally subject to the following requirements:

- The insurer must give written notice of cancellation, nonrenewal, or termination at least 120 days prior to the effective date of the cancellation, nonrenewal, or termination and the notice is required to include the reason for nonrenewal, cancellation, or termination;³⁵
- The insurer must give written notice of renewal premium at least 45 days prior to the renewal premium³⁶ and the notice of renewal premium must specify certain information, including the dollar amount of any premium increase that is due to an approved rate increase and the total dollar amount that is due to coverage changes;³⁷

An authorized insurer may not cancel or nonrenew a personal residential or commercial residential property insurance policy covering a dwelling or residential property located in this state:

³¹ The admitted market is comprised of insurance companies licensed to transact insurance in Florida. The administration of surplus lines insurance business is managed by the Florida Surplus Lines Service Office. Section 626.921, F.S.

³² Section 624.09(1), F.S.

³³ Section 624.09(2), F.S.

³⁴ Section 626.913(4), F.S.

³⁵ Section 627.4133(2)(b), F.S.

³⁶ Section 627.4133(2)(a), F.S.

³⁷ Section 627.4133(7), F.S.

- For a period of 90 days after the property has been repaired, if such property has been damaged as a result of a hurricane or wind loss that is the subject of the declaration of emergency and the filing of an order by the Commissioner of Insurance Regulation.³⁸
- Until the earlier of when property has been repaired or 1 year after the insurer issues the final claim payment, if such property was damaged by any covered peril, but was not damaged as a result of a hurricane or wind loss that is the subject of the declaration of emergency and the filing of an order by the Commissioner of Insurance Regulation.³⁹

The requirements for a surplus lines insurer to provide notice of cancellation, nonrenewal, or renewal premium are set forth in s. 626.9201, F.S. A surplus lines insurer issuing a policy providing coverage for property insurance must give the insured at least 45 days' advance written notice of nonrenewal that includes the reasons why the policy is not to be renewed.⁴⁰

A surplus lines insurer issuing a policy providing coverage for property insurance must give the named insured written notice of cancellation or termination other than nonrenewal at least 45 days before the effective date of the cancellation or termination, including in the written notice the reasons for the cancellation or termination, except that:

- If cancellation is for nonpayment of premium, at least 10 days' written notice of cancellation;⁴¹ and
- If cancellation or termination occurs during the first 90 days during which the insurance is in force and if the insurance is canceled or terminated for reasons other than nonpayment, at least 20 days' written notice of cancellation or termination accompanied by the reason for cancellation or termination must be given.⁴²

Rate Standards

Part I of ch. 627, F.S., the Rating Law,⁴³ governs property, casualty, and surety insurance covering the subjects of insurance resident, located, or to be performed in this state.⁴⁴ The rating law provides that the rates for all classes of insurance it governs may not be excessive, inadequate, or unfairly discriminatory.⁴⁵ Though the terms “rate” and “premium” are often used interchangeably, the rating law specifies that “rate” is the unit charge that is multiplied by the measure of exposure or amount of insurance specified in the policy to determine the premium, which is the consideration paid by the consumer.⁴⁶

All insurers or rating organizations must file rates with the OIR either 90 days before the proposed effective date of a new rate, which is considered a “file and use” rate filing, or within 30 days after the effective date of a new rate, which is considered a “use and file” rate filing.⁴⁷

³⁸ Section 627.4133(2)(e)1.a., F.S.

³⁹ Section 627.4133(2)(e)1.b., F.S.

⁴⁰ Section 626.9201(1), F.S.

⁴¹ Section 626.9201(2)(a), F.S.

⁴² Section 626.9201(2)(b), F.S.

⁴³ Section 627.011, F.S.

⁴⁴ Section 627.021(1), F.S.

⁴⁵ Section 627.062(1), F.S.

⁴⁶ Section 627.041, F.S.

⁴⁷ Section 627.062, F.S.

Upon receiving a rate filing, the OIR reviews the filing to determine if the rate is excessive, inadequate, or unfairly discriminatory. The OIR makes that determination in accordance with generally acceptable actuarial techniques and considers the following:

- Past and prospective loss experience;
- Past and prospective expenses;
- The degree of competition among insurers for the risk insured;
- Investment income reasonably expected by the insurer;
- The reasonableness of the judgment reflected in the rate filing;
- Dividends, savings, or unabsorbed premium deposits returned to policyholders;
- The adequacy of loss reserves;
- The cost of reinsurance;
- Trend factors, including trends in actual losses per insured unit for the insurer;
- Conflagration and catastrophe hazards;
- Projected hurricane losses;
- Projected flood losses, if the policy covers the risk of flood;
- The cost of medical services, if applicable;
- A reasonable margin for underwriting profit and contingencies; and
- Other relevant factors that affect the frequency or severity of claims or expenses.⁴⁸

Citizens Property Insurance Corporation

Citizens Property Insurance Corporation (Citizens) 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.⁴⁹ Citizens is not a private insurance company.⁵⁰ Citizens was statutorily created in 2002 when the Florida Legislature combined the state's two insurers of last resort, the Florida Residential Property and Casualty Joint Underwriting Association (RPCJUA) and the Florida Windstorm Underwriting Association (FWUA).⁵¹

Citizens operates in accordance with the provisions in s. 627.351(6), F.S., and is governed by a nine member Board of Governors that administers its Plan of Operations. The Plan of Operations is reviewed and approved by the Financial Services Commission.⁵² The Governor, President of the Senate, Speaker of the House of Representatives, and Chief Financial Officer each appoint two members to the board.⁵³ The Governor appoints an additional member who serves solely to advocate on behalf of the consumer.⁵⁴

⁴⁸ Section 627.062(2)(b), F.S.

⁴⁹ The term "admitted market" means insurance companies licensed to transact insurance in Florida.

⁵⁰ Section 627.351(6)(a)1., F.S.

⁵¹ Section 2, ch. 2002-240, L.O.F.

⁵² Section 627.351(6)(a)2., F.S.

⁵³ Section 627.351(6)(c)4.a., F.S.

⁵⁴ Section 627.351(6)(c)4., F.S.

Citizens “Glidepath” Rates

From 2007 until 2010, Citizens’ rates were frozen by statute at the level that had been established in 2006.⁵⁵ In 2010, the Legislature established a “glidepath” to impose annual rate increases up to a level that is actuarially sound. Under the original established glidepath, Citizens had to implement an annual rate increase which, except for sinkhole coverage, does not exceed 10 percent above the previous year for any individual policyholder, adjusted for coverage changes and surcharges.⁵⁶ In 2021, the Legislature revised this glidepath to increase it one percent per year to up to 15 percent, as follows:

- 11 percent for 2022;
- 12 percent for 2023;
- 13 percent for 2024;
- 14 percent for 2025; and
- 15 percent for 2026 and all subsequent years.⁵⁷

The implementation of these increases cease when Citizens has achieved actuarially sound rates.⁵⁸ In addition to the overall glidepath rate increase, Citizens may increase its rates to recover the additional reimbursement premium it incurs as a result of the annual cash build-up factor added to the price of the mandatory layer of the Florida Hurricane Catastrophe Fund coverage, pursuant to s. 215.555(5)(b), F.S.⁵⁹ The glidepath does not apply to policies written on or after November 1, 2023, that:

- Do not cover a primary residence;
- Are new policies under which the coverage for the insured risk, before the date of application with the corporation, was last provided by an insurer determined by the OIR to be unsound or an insurer placed in receivership under chapter 631; or
- Are subsequent renewals of those policies.⁶⁰

Instead, the rate standard for such policies prohibits a rate lower than the previous year’s rate charged by Citizens and allows a rate increase of greater than 50 percent.

Insurance Holding Companies; Registration; Regulation

An authorized insurer that is a member of an insurance holding company must register and file a registration statement with the OIR each year.⁶¹ The Financial Services Commission has authority to adopt rules establishing the information and manner in which such registered insurers and their affiliates are regulated.⁶² The rules do not apply to foreign insurers domiciled in states that are currently accredited by the National Association of Insurance Commissioners (NAIC).⁶³ The rules must include all requirements and standards of ss. 4 and 5 of the Insurance Holding Company System Regulatory Act and the Insurance Holding Company System Model Regulation of the NAIC, as adopted in December 2010.

⁵⁵ Section 15, ch. 2006-12, L.O.F.

⁵⁶ Section 10, ch. 2009-87, L.O.F.

⁵⁷ Section 627.351(6)(n)5., F.S.

⁵⁸ Section 627.351(6)(n)7., F.S.

⁵⁹ Section 627.351(6)(n)6., F.S.

⁶⁰ Section 627.351(6)(n)8., F.S.

⁶¹ Section 628.801(1), F.S.

⁶² *Id.*

⁶³ *Id.*

NAIC Model Acts

The NAIC is a voluntary association of insurance regulators from all 50 states.⁶⁴ The NAIC coordinates regulation and examination of multistate insurers, provides a forum for addressing major insurance issues, and promotes uniform model laws among the states.⁶⁵

Model Holding Company Act and Regulation

The NAIC has adopted the Insurance Holding Company System Regulatory Model Act⁶⁶ and the Insurance Holding Company Model Regulation with Reporting Forms and Instructions.⁶⁷ The provisions of the model acts provide insurance regulators access to information of an insurer and its affiliates to ascertain the financial condition of the insurer, including the enterprise risk to the insurer by the ultimate controlling party. The regulator may require any insurer registered as a controlled insurer to produce information not in the possession of the insurer if the insurer can obtain access to such. If the insurer fails to obtain the requested information, the insurer is required to provide an explanation of such failure. If the regulator determines that the explanation is without merit, the regulator may require the insurer to pay a penalty for each day's delay, or may suspend or revoke the insurer's certificate of authority.⁶⁸

Reciprocal Insurers

A reciprocal insurance exchange is a form of insurance organization in which individuals and businesses exchange insurance contracts and spread the risks associated with those contracts among themselves.⁶⁹ Policyholders of a reciprocal insurance exchange are referred to as subscribers.⁷⁰ In Florida, reciprocal insurers are regulated pursuant to ch. 629, F.S. Florida law provides that a "reciprocal insurer" is "an unincorporated aggregation of subscribers operating individually and collectively through an attorney in fact to provide reciprocal insurance among themselves"⁷¹ and:

"Reciprocal insurance" is that resulting from an interexchange among persons, known as "subscribers," of reciprocal agreements of indemnity, the interexchange being effectuated through an "attorney in fact" common to all such persons.⁷²

A reciprocal insurer may transact any kind of insurance other than life insurance or title insurance.⁷³ A domestic reciprocal insurer must maintain surplus funds of not less than \$250,000 and must, when first authorized, have an expendable surplus of not less than \$750,000.⁷⁴ A

⁶⁴ *Frequently Asked Questions*, National Association of Insurance Commissioners, [about-faq.pdf \(naic.org\)](https://content.naic.org/sites/default/files/NAIC_FAQ.pdf) (last visited January 25, 2024).

⁶⁵ *Id.*

⁶⁶ https://content.naic.org/sites/default/files/MO440_0.pdf (last visited January 25, 2024).

⁶⁷ https://content.naic.org/sites/default/files/MO450_0.pdf (last visited January 25, 2024).

⁶⁸ Section 6B of the NAIC Insurance Holding Company System Regulatory Act.

⁶⁹ *What Is a Reciprocal Insurance Exchange?* Investopedia <https://www.investopedia.com/terms/r/reciprocal-insurance-exchange> (last visited January 25, 2024).

⁷⁰ *Id.*

⁷¹ Section 629.021, F.S.

⁷² Section 629.011, F.S.

⁷³ Section 629.041, F.S.

⁷⁴ Section 629.071, F.S.

domestic reciprocal insurer may organize with twenty-five or more persons domiciled in Florida making application to the OIR for a certificate of authority to transact insurance and file a declaration setting forth:

- The name of the insurer;
- The location of the insurer's principal office, which must be the same as that of the attorney and must be maintained within this state;
- The kinds of insurance proposed to be transacted;
- The names and addresses of the original subscribers;
- The designation and appointment of the proposed attorney and a copy of the power of attorney;
- The names and addresses of the officers and directors of the attorney, if a corporation, or of its members, if other than a corporation;
- The powers of the subscribers' advisory committee, and the names and terms of office of its members;
- That all moneys paid to the reciprocal must, after deducting therefrom any sum payable to the attorney, be held in the name of the insurer and for the purposes specified in the subscribers' agreement;
- A copy of the subscribers' agreement;
- A statement that each of the original subscribers has in good faith applied for insurance of a kind proposed to be transacted, and that the insurer has received from each such subscriber the full premium or premium deposit required for the policy applied for, for a term of not less than 6 months at an adequate approved rate;
- A statement of the financial condition of the insurer, a schedule of its assets, and a statement that the required surplus is on hand; and
- A copy of each policy, endorsement, and application form it proposes to use.

When the declaration is filed, the attorney must file a \$100,000 bond in favor of the state for the benefit of all persons damaged as a result of a breach by the attorney of the conditions of his or her bond.⁷⁵

Each domestic reciprocal insurer must have a subscribers' advisory committee. The advisory committee exercising the subscribers' rights must be selected under such rules as the subscribers adopt.⁷⁶ Not less than two-thirds of such committee must be subscribers other than the attorney, or any person employed by, representing, or having a financial interest in the attorney.⁷⁷ The committee must:

- Supervise the finances of the insurer;
- Supervise the insurer's operations to assure conformity with the subscribers' agreement and power of attorney;
- Procure the audit of the accounts and records of the insurer and of the attorney at the expense of the insurer; and
- Have such additional powers and functions as may be conferred by the subscribers' agreement.⁷⁸

⁷⁵ Section 629.121, F.S.

⁷⁶ Section 629.201(1), F.S.

⁷⁷ Section 629.201(2), F.S.

⁷⁸ Section 629.201(3), F.S.

III. Effect of Proposed Changes:

Market Conduct Examinations

Section 1 amends s. 624.3161, F.S., to extend the authority of the OIR to conduct market conduct examinations of the attorney in fact of each reciprocal insurer.

Annual Statement and Other Information

Section 2 amends s. 624.424, F.S., to require each insurer and insurer group to file the required supplemental reports on personal lines and commercial lines property insurance monthly, rather than quarterly. Requires such information to be broken down by zip code, rather than by county.

Nonrenewal of Residential Property Insurance Policies

Section 3 amends s. 624.4305, F.S., to provide the Financial Services Commission the authority to adopt rules to administer this section.

Public Housing Authorities Self-Insurance Funds

Section 4 amends s. 624.46226, F.S., to revise financial requirements for a public housing self-insurance fund to:

- Specify that reinsurance may be used as part of its program to protect the financial stability of the fund;
- Require the fund's continuing program of excess insurance coverage and reinsurance be certified by a qualified and independent actuary as to the program's adequacy;
- Require a net retention in an amount and manner selected by the administrator, ratified by the governing body, and certified by a qualified actuary; and
- Eliminate the requirement to retain a per-loss occurrence that does not exceed \$350,000.

Notice of cancellation or nonrenewal by Surplus Lines Insurers

Section 5 amends s. 626.9201, F.S., to provide that, upon a declaration of an emergency, and the filing of an order by the Commissioner of Insurance Regulation, a surplus lines insurer may not cancel or nonrenew a personal residential or commercial residential property insurance policy covering a dwelling or residential property which has been damaged as a result of a hurricane that is the subject of the declaration of emergency for a period of 90 days after the dwelling or residential property has been repaired.

The bill provides that the Commission may adopt rules, and the Commissioner of Insurance Regulation may issue orders, necessary to implement this requirement.

Rate Standards

Section 6 amends s. 627.062, F.S., to provide that if an averaged model is used for ratemaking by an insurer in a residential property insurance rate filing, the same averaged model must be used throughout this state. If a weighted average is used, the insurer must provide the OIR with a

justification for using the weighted average which shows that it results in a rate that is reasonable, adequate, and fair.

Citizens Property Insurance Corporation

Section 7 amends s. 627.351, F.S., to repeal provisions adopted last legislative session that allow the Citizens Property Insurance Corporation to apply a different methodology to policies which, immediately prior to being insured by Citizens, were insured by an insurer determined by OIR to be unsound or that was placed in receivership. Rates for such policies, if they cover a primary residence, will be subject to the Citizens rate “glidepath” which will restrict rate increases to 13 percent for 2024, rather than a prohibition on rate decreases and a limit of 50 percent on rate increases at issuance at renewal. If such policies do not cover a primary residence, the prohibition on rate decreases and the 50 percent limit on rate increases will apply.

Insurance Holding Companies; Registration; Regulation

Section 10 amends s. 628.801, F.S., to provide that the Financial Services Commission may adopt rules for the filing of the annual enterprise risk report in accordance with the Insurance Holding Company System Regulatory Act and the Insurance Holding Company System Model Regulation of the NAIC, as adopted in December 2020.

Reciprocal Insurers

Definitions

Section 11 amends s. 629.011, F.S., to add definitions for the terms “affiliated person,” “attorney in fact,” “controlling company,” and “reciprocal insurer.”

“Reciprocal insurer” is defined as an unincorporated aggregation of subscribers domiciled in Florida operating individually and collectively through an attorney in fact to provide reciprocal insurance to such subscribers. A domestic reciprocal insurer must be licensed as an assessable or nonassessable reciprocal insurer. Assessable reciprocal insurers may require their subscribers to make up shortfalls in capital and surplus to cover claims, either jointly or severally. Nonassessable reciprocal insurers have no recourse against subscribers for such shortfalls.

“Reciprocal Insurer” Defined

Section 12 repeals s. 629.021, F.S., defining “reciprocal insurer.”

Scope of Chapter

Section 13 repeals s. 629.031, F.S., expressing the scope of the chapter’s application.

Name; Suits

Section 14 amends s. 629.051, F.S., to provide that a foreign or alien reciprocal insurer transacting business in Florida, whose name does not include the word “reciprocal,” “interinsurer,” “interinsurance,” “exchange,” “underwriters,” or “underwriting,” must use a

fictitious name, registered in accordance with s. 865.09, F.S., which includes one of those words when transacting business in Florida.

Premium Reserves

Section 15 creates s. 629.056, F.S., to provide that a reciprocal insurer must maintain unearned premium reserves equal to 50 percent of the net written premiums of the subscribers on policies having 1 year or less to run, and pro rata on policies running for longer periods, except that all premiums on any marine or transportation insurance trip risk are deemed unearned until the trip is terminated.

Attorney

Section 16 repeals s. 629.061, F.S., providing requirements related to the attorney in fact.

Surplus Funds Required

Section 17 amends s. 629.071, F.S., to remove the existing surplus requirements for reciprocal insurers and, instead, require such insurers to meet the same surplus requirements as required for authorized insurers in s. 624.407, F.S., as to the kind of insurance proposed to be transacted.

Organization of Reciprocal Insurer

Section 18 amends s. 629.081, F.S., to provide for the application by those domiciled in this state who wish to organize as a domestic reciprocal insurer. Such application must include the required background information for all officers, directors, managers, and those in equivalent positions of the proposed attorney in fact, as well as, for any person with an ownership interest of 10 percent or more in the proposed attorney in fact. The application must include the proposed charter, a copy of the proposed subscribers' agreement, a copy of the required bond, and the required application fee. A domestic reciprocal insurer may not be formed unless the persons so proposing have first received a permit from the OIR.

Certificate of Authority

Section 19 amends s. 629.091, F.S., to provide the application requirements for a certificate of authority as a domestic reciprocal insurer. Such application must include:

- Executed copies of any proposed or draft documents required as part of the permit application;
- A statement affirming that all moneys paid to the reciprocal insurer must, after deducting any sum payable to the attorney in fact, be held in the name of the insurer and for the purposes specified in the subscribers' agreement;
- A statement that each of the original subscribers has in good faith applied for insurance of a kind proposed to be transacted, and that the insurer has received from each such subscriber the full premium or premium deposit required for the policy applied for, for a term of not less than 6 months at the rate that was filed with and approved by the OIR;
- A copy of the required bond;

- A statement of the financial condition of the insurer, a schedule of its assets, and a statement that the required surplus is on hand; and
- Such other pertinent information or documents as reasonably requested by the OIR.

Continued Eligibility for Certificate of Authority

Section 20 creates s. 629.094, F.S., to provide that in order to maintain its eligibility for a certificate of authority, a domestic reciprocal insurer must continue to meet all conditions required under the chapter and the rules for the initial applications for a permit and certificate of authority.

Power of Attorney

Section 21 amends s. 629.101, F.S., to provide that the power of attorney given by the subscribers of a reciprocal insurer which delineates the rights and powers of the attorney in fact must include the place where the office of the attorney in fact is maintained.

Modifications

Section 22 amends s. 629.111, F.S., to provide that modifications of the charter of the subscribers' advisory committee must be made jointly by the attorney in fact and the subscribers' advisory committee. The bill provides that a modification of the terms of the subscribers' agreement, charter of the subscribers' advisory committee, or of the power of attorney are not effective until filed with, and approved in writing by, the OIR.

Attorney in Fact's Bond

Section 23 amends s. 629.121, F.S., to increase the minimum amount of the required bond on the attorney in fact from \$100,000 to \$300,000.

Contributions to Insurer

Section 26 amends s. 629.161, F.S., to provide that a reciprocal insurer may borrow money to defray the expenses of its organization, to provide itself with surplus funds, or for any purpose of its business provided that:

- The money is borrowed upon a written agreement that such money is required to be repaid only out of the insurer's surplus in excess of that stipulated in such agreement;
- Any interest stipulated in such agreement does not constitute a liability of the insurer as to its funds other than such excess of surplus;
- Any commission or promotion expense may not be paid in connection with any such loan;
- Money so borrowed, together with the interest thereon, may not form a part of the insurer's legal liabilities, except as to its surplus in excess of the amount stipulated in the agreement, or be the basis of any setoff; but until repaid, financial statements filed or published by the insurer must show as a footnote to such statement the amount of the unpaid loan together with any interest accrued but unpaid;
- Any such loan to a reciprocal insurer is subject to the approval of the OIR for the issue and the rate of interest to be paid. The reciprocal insurer must, in advance of the loan, file a

statement of the purpose of the loan and a copy of the proposed loan agreement. The OIR must disapprove any proposed loan or agreement if it finds that the loan is unnecessary or excessive for the purpose intended; that the terms of the loan agreement are not fair and equitable to the parties and to other similar lenders, if any, to the reciprocal insurer; or that the information so filed by the reciprocal insurer is inadequate; and

- Any such loan to a reciprocal insurer, or a substantial portion of such loan, must be repaid by the reciprocal insurer when no longer reasonably necessary for the purpose originally intended. A reciprocal insurer may not repay such loan or any interest on such loan unless repayment is approved in advance by the OIR.

This section does not apply to loans obtained by the reciprocal insurer in the ordinary course of business from banks and other financial institutions, or to loans secured by pledge or mortgage of assets.

Annual Statement

Section 27 amends s. 629.171, F.S., to provide that the annual statement of a reciprocal insurer must be made and filed by its attorney in fact in the same manner as a domestic stock insurer.

Acquisitions

Section 30 creates s. 629.225, F.S., to provide requirements regarding the acquisition of 10 percent or more of a reciprocal insurer. To complete such an acquisition, the person seeking to obtain such ownership interest must provide notice of the attorney in fact of the reciprocal insurer within certain time frames, file an application with the OIR containing detailed information about the offer and the person making the offer which will be reviewed pursuant to ch. 120, F.S., and receive OIR approval of the acquisition. The OIR must approve the acquisition if the applicant proves that the acquisition will not jeopardize the financial stability of the attorney in fact or harm the reciprocal insurer's subscribers or public.

Background Information

Section 31 creates s. 629.227, F.S., to provide the required background information that must be submitted on officers, directors, managers, and those in equivalent positions of the proposed attorney in fact, as well as, for any person with an ownership interest of 10 percent or more.

Assessments

Section 32 amends s. 629.231, F.S., to provide that upon impairment of surplus of a nonassessable reciprocal insurer, the OIR must revoke its authorization to convert to a nonassessable reciprocal insurer. After such revocation, any policy in force at the time the revocation occurs remains in force for the remainder of the period for which the premium has been paid, but the reciprocal insurer may not issue new policies without requiring contingent assessment liability from the new subscriber.

Nonassessable Policies

Section 35 repeals s. 629.261, F.S., which provides that a reciprocal insurer that has a surplus the same as required of an authorized domestic stock insurer, the OIR must issue its certificate authorizing the insurer to extinguish the contingent liability of subscribers.

Merger or conversion

Section 38 amends s. 629.291, F.S., to provide requirements for mergers and conversions. The bill provides that a domestic stock insurer may not be converted to a reciprocal insurer. The bill provides that any plan to merge a reciprocal insurer with another reciprocal insurer or for conversion of the reciprocal insurer to a stock or mutual insurer must be filed with the OIR on forms adopted by the Financial Services Commission and must contain such information as the OIR reasonably requires to evaluate the transaction.

The bill provides that an assessable reciprocal insurer may be converted to a nonassessable reciprocal insurer if the subscriber's advisory committee approves, the attorney in fact submits the required application, and the OIR approves.

Impaired Reciprocal Insurers

Section 39 amends s. 629.301, F.S., to provide that an insolvent reciprocal insurer must be proceeded against by the OIR in the same manner as any other domestic insurer.

Insurance Exchange

Section 40 repeals s. 629.401, F.S., which provides for the creation of one or more insurance exchanges, with one or more offices.

Authority of a Limited Reciprocal Insurer

Section 41 repeals s. 629.520, F.S., which provides that the authority of any limited reciprocal insurer to accept new business or renewals may not continue beyond October 1, 1992.

Rulemaking Authority

Section 42 creates s. 629.525, F.S., to grant rulemaking authority to the Financial Services Commission to adopt, amend, or repeal rules necessary to implement the chapter.

Participation of Financial Institutions in Reinsurance and in Insurance Exchanges

Section 45 amends s. 624.45, F.S., to delete language that allows a financial institution or aggregation of such institutions to participate as an underwriting member or as an investor in an underwriting member of any insurance exchange.

Application to Existing Reciprocal Insurers

Section 47 requires reciprocal insurers licensed before July 1, 2025, to increase their surplus as required by the bill for new reciprocal insurers, by January 1, 2026, which is the same amount required for authorized insurers as to the kind of insurance proposed to be transacted. The bill requires the attorney in fact of a reciprocal insurer licensed before July 1, 2025, to increase its bond as required by the bill for new reciprocal insurers by January 1, 2026, from \$100,000 to \$300,000.

Conforming Changes

Sections 8, 9, 24, 25, 28, 29, 33, 34, 36, 37, 43, 44, and 46 amend ss. 628.011 (Scope of Part), 628.061 (Investigation of Proposed Organization), 629.131 (Deposit in Lieu of Bond), 629.141 (Action on Bond), 629.191 (Who May be Subscribers), 629.201 (Subscribers' Advisory Committee), 629.241 (Time Limit for Assessments), 629.251 (Aggregate Liability), 629.271 (Distribution of Savings), 629.281 (Subscribers' Share in Assets), 163.01 (Florida Interlocal Cooperation Act of 1969), 624.413 (Application for Certificate of Authority), and 626.9531 (Identification of Insurers, Agents, and Insurance Contracts), F.S., to conform those sections based on changes made by the bill.

Effective Date

Section 48 provides that the bill becomes effective on July 1, 2025.

IV. Constitutional Issues:**A. Municipality/County Mandates Restrictions:**

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None.

V. Fiscal Impact Statement:**A. Tax/Fee Issues:**

None.

B. Private Sector Impact:

The bill is intended to have a positive impact on consumers. Insurers will need to revise current procedures in order to comply.

C. Government Sector Impact:

The bill makes numerous changes that will require systems and process changes in the Office of Insurance Regulation.

VI. Technical Deficiencies:

On lines 606-608, the definition created for “attorney in fact” for a reciprocal insurer is self-referential and thus fails to define the term, stating that an attorney in fact means the attorney in fact of the reciprocal insurer.

On line 1408, the word “reasonable” should be replaced with the word “reasonably.”

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 624.3161, 624.424, 624.4305, 624.46226, 626.9201, 627.062, 627.351, 628.011, 628.061, 628.801, 629.011, 629.051, 629.071, 629.081, 629.091, 629.101, 629.111, 629.121, 629.131, 629.141, 629.161, 629.171, 629.191, 629.201, 629.231, 629.241, 629.251, 629.271, 629.281, 629.291, 629.301, 163.01, 624.413, 624.45, and 626.9531.

This bill creates the following sections of the Florida Statutes: 629.056, 629.094, 629.225, 629.227, and 629.525.

This bill repeals the following sections of the Florida Statutes: 629.021, 629.031, 629.061, 629.261, 629.401, and 629.520.

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

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

None.

B. Amendments:

None.

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