

By Senator Smith

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A bill to be entitled
An act relating to insurers' financial transactions;
amending s. 624.424, F.S.; requiring certain insurers
to annually provide specified information to the
Office of Insurance Regulation; defining the term
"managing general agent"; requiring the office to
contract annually with a specified entity to conduct a
review of certain transactions; specifying a
requirement of such contract; requiring insurers to
post certain information on their websites; specifying
that certain information is not considered a trade
secret and is subject to public disclosure; creating
s. 624.4244, F.S.; prohibiting an insurer from
engaging in certain transactions with affiliates;
specifying prohibited transactions; prohibiting an
insurer from declaring or paying dividends to
shareholders or issuing executive bonuses under
certain circumstances; providing an effective date.

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

Section 1. Subsection (13) of section 624.424, Florida
Statutes, is amended to read:

624.424 Annual statement and other information.—

(13) (a) Each insurer doing business in this state which
pays a fee, commission, or other financial consideration or
payment to any affiliate directly or indirectly shall annually
~~is required upon request to provide to the office all of the~~
following any information: the office deems necessary. The fee,

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~~commission, or other financial consideration or payment to any affiliate must be fair and reasonable. In determining whether the fee, commission, or other financial consideration or payment is fair and reasonable, the office shall consider, among other things, the actual cost of the service being provided.~~

1. A description and cost analysis of each service provided by an affiliate, including the actual cost of the service, the amount charged to the insurer, the basis used to determine the amount charged to the insurer, and any profit margin included in the amount charged.

2. A benchmarking study demonstrating that the fee, commission, or other financial consideration is comparable to the rates ordinarily payable to vendors independent of and unaffiliated with the insurer.

3. The total amount of affiliate fees, commissions, or other financial considerations for the reporting period, whether paid by the insurer or forgiven by the affiliate, reported both in dollars and as a percentage of the insurer's gross written premiums for that period.

4. A certification that the percentage reported in subparagraph 3. does not exceed 20 percent, or a certification that any amount exceeding 20 percent is necessary for the insurer's operations, including the specific reasons why such fees, commissions, or other financial considerations are necessary. If the percentage reported in subparagraph 3. exceeds 20 percent, the insurer must also report the total amount of any dividends and officer and director compensation paid during the same period.

(b) As used in this paragraph, the term "managing general

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agent" has the same meaning as provided in s. 626.015. Each insurer doing business in this state which pays a fee, commission, or other financial consideration or payment to a managing general agent shall annually provide to the office all of the following information:

1. The total amount of managing general agent fees, commissions, or other financial considerations for the reporting period, whether paid by the insurer or forgiven by the managing general agent, reported both in dollars and as a percentage of the insurer's gross written premiums for that period.

2. A certification that the percentage reported under subparagraph 1. does not exceed 20 percent, or a certification that any amount exceeding 20 percent is necessary for the insurer's operations, including the specific reasons why such fees, commissions, or other financial considerations are necessary. If the percentage reported in subparagraph 1. exceeds 20 percent, the insurer must also report the total amount of any dividends and officer and director compensation paid during the same period.

(c) The office shall contract annually with an independent third-party entity with expertise in insurance regulation to conduct a review of affiliate and managing general agent transactions reported under this subsection. The contract must require submission of a final report to the office by February 1 of each year, which report must identify any affiliate and managing general agent transactions that are not fair and reasonable.

(d) Insurers shall annually post the information reported under paragraphs (a) and (b) on their websites in a clear and

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88 readily accessible format. Information disclosed under
89 paragraphs (a) and (b) is not considered a trade secret and is
90 subject to public disclosure.

91 Section 2. Section 624.4244, Florida Statutes, is created
92 to read:

93 624.4244 Prohibitions relating to affiliate transactions.—

94 (1) An insurer may not engage in any transaction or series
95 of transactions with an affiliate which have the purpose or
96 effect of misrepresenting or misstating the insurer's financial
97 condition. Prohibited transactions include, but are not limited
98 to, transactions in which an affiliate forgives, waives, or
99 otherwise cancels fees or other amounts owed by the insurer for
100 the purpose or effect of manipulating the insurer's financial
101 position, or engaging in circular transactions intended to
102 misrepresent the insurer's financial condition.

103 (2) An insurer may not declare or pay dividends to
104 shareholders or issue executive bonuses if the insurer is in
105 hazardous financial condition, as defined in s. 627.942, or if
106 its financial statements or reports to the office indicate that
107 the insurer's financial condition has been materially affected
108 by high affiliate fees or expenses.

109 Section 3. This act shall take effect July 1, 2026.