

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/CS/HB 805 Insurance Policy Transfers
SPONSOR(S): Commerce; Insurance & Banking Subcommittee; Ingoglia
TIED BILLS: IDEN./SIM. **BILLS:** CS/SB 812

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Insurance & Banking Subcommittee	15 Y, 0 N, As CS	Peterson	Luczynski
2) Appropriations Committee	26 Y, 0 N	Helpling	Leznoff
3) Commerce Committee	26 Y, 0 N, As CS	Peterson	Hamon

SUMMARY ANALYSIS

Insurance companies writing commercial lines insurance policies may transfer commercial policies to a different Florida licensed insurance company that is a member of the same insurance group or owned by the same holding company as the first insurer. A commercial policy that is transferred under current law is considered a renewal policy, rather than a cancellation, nonrenewal, or termination. The insurer must provide notice of intent to transfer at least 45 days in advance along with the financial rating of the authorized insurer to which the policy is being transferred.

Insurance companies that write personal lines residential and commercial residential policies, except for certain farmowners policies, are not authorized to use this procedure. Instead, the insurer must first cancel, nonrenew, or terminate residential policies and meet current law applicable to cancellations, nonrenewal, or terminations, including a requirement to provide notice 120 days in advance of the action.

The bill allows the transfer of a personal lines residential or commercial residential policy as a renewal. The bill provides certain conditions to protect a policyholder when a policy is being transferred.

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

The bill provides for an effective date of July 1, 2017.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Nonrenewal Notice for Property Insurance

Under current law, insurers writing personal lines residential¹ or commercial lines residential² property insurance must give policyholders a notice of cancellation, nonrenewal, or termination at least 120 days prior to the effective date of the cancellation, nonrenewal, or termination.³ An insurer writing most other property and casualty policies must give policyholders at least 45 days written notice of nonrenewal.⁴

Transfer of Insurance Policies

Insurance companies writing commercial lines⁵ insurance policies may transfer commercial policies to a different Florida licensed insurance company that is a member of the same insurance group or owned by the same holding company as the first insurer. A commercial policy that is transferred under current law is considered a renewal policy, rather than a cancellation, nonrenewal, or termination. The insurer must provide notice of intent to transfer at least 45 days in advance along with the financial rating of the authorized insurer to which the policy is being transferred.

Insurance companies that write personal lines residential and commercial residential policies, other than specified farmowners insurance policies, are not authorized to use this procedure.⁶ Instead, the insurer must first cancel, nonrenew, or terminate residential policies and meet current law applicable to cancellations, nonrenewal, or terminations, including the 120-day advance notice requirement.

Effect of the Bill on Transfers of Residential Insurance Policies

The bill allows the transfer of a personal lines residential or commercial residential policy as a renewal, provided certain procedures are satisfied. The company to which the policy is being transferred must be admitted in Florida and other states and presently writing residential property insurance and may not convert a policy to a surplus lines policy. The Office of Insurance Regulation (OIR) must have determined that the financial position of the receiving company is at least as sound as the transferring company; the transfer results in substantially similar coverage; and the transfer is made on a nondiscriminatory basis. Additionally, the OIR must approve the transfer. The receiving company must provide the policyholder with a notice of change in policy terms that complies with s. 627.43141, F.S., which must also include notice of the policy transfer and the authorized insurer's financial rating. Section 627.43141, F.S., requires the insurer to give at least 60-days' prior notice of the change to both the policyholder and his or her agent. The practical effect of the bill is to allow transfers of residential policies between insurers that are members of the same insurance group or owned by the same holding company without requiring that the policy be cancelled or nonrenewed. Transfers of farmowners insurance are not subject to the additional procedures and remain subject only to the procedures applicable to transfers of non-residential commercial policies.

¹ Personal lines residential policies include homeowners, mobile homeowners, dwelling fire, tenants, condominium unit owners, and similar policies.

² Commercial residential policies include condominium association, apartment building, and homeowner's association policies.

³ s. 627.4133(2)(b), F.S.

⁴ s. 627.4133(1)(a), F.S.

⁵ Commercial lines insurance is insurance designed for and bought by a business to cover losses sustained by the business. INSURANCE INFORMATION INSTITUTE, *Glossary*, <http://www.iii.org/services/glossary/c/> (last visited Feb. 28, 2017). Some commercial insurance, such as workers' compensation insurance, is required to be bought by the business. (Generally, non-construction businesses employing four or more employees have to buy workers' compensation insurance. A construction business must buy workers' compensation insurance if the business has one or more employees).

⁶ s. 627.4133(8), F.S.

B. SECTION DIRECTORY:

- Section 1:** Amends s. 627.4133, F.S., relating to notice of cancellations, nonrenewal, or renewal premium.
- Section 2:** Provides an effective date of July 1, 2017.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

The bill requires the OIR to confirm that receiving insurers have the same or better financials than the transferring insurers, and to approve any transfers of residential properties to related companies. It is not known how many companies may utilize the procedure, thus how many policies the OIR may be asked to review and approve for transfer. The OIR's primary role under the bill is to approve the financials of the receiving insurer, to confirm that policy coverages are comparable, and to confirm that policies are selected for transfer in a nondiscriminatory fashion. Thus, it does not appear the bill will have a significant fiscal impact to the OIR.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill should decrease the administrative costs of insurers who wish to consolidate coverage from a subsidiary company to its parent corporation. The bill allows a simpler procedure that is less likely to result in a loss of business because it permits the transfer without first cancelling or nonrenewing policies. Because the bill requires the transfer to be approved by the OIR and to be made to a company whose financials meet or exceed those of the transferring insurer, it is not likely the policyholders will be negatively affected by the changes.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. The bill does not appear to affect county or municipal governments.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On March 7, 2017, the Insurance & Banking Subcommittee considered and adopted one amendment and reported the bill favorably as a committee substitute. The amendment changed the term “affiliated insurer” to “authorized insurer” and the term “insured” to “policyholder” to make the terminology internally consistent; revised the notice requirements to clarify scope and responsibility for providing same; and eliminated duplicative language.

On March 22, 2017, the Commerce Committee considered and adopted one amendment and reported the bill favorably as a committee substitute. The amendment clarified that insurers receiving transferred policies must be admitted in Florida and may not convert a policy to a surplus lines policy, and required that notice be sent 60 days in advance of the transfer, rather than 45 days as was allowed in the bill.

This analysis is drafted to the committee substitute as passed by the Commerce Committee.