

By Representative Jones

1                                   A bill to be entitled  
2           An act relating to credit and mortgage guaranty  
3           insurance; amending s. 624.408, F.S.;  
4           specifying minimum surplus for mortgage  
5           guaranty insurers; amending s. 626.321, F.S.;  
6           authorizing individuals and entities holding a  
7           credit life or disability insurance license to  
8           sell credit insurance; modifying requirements  
9           for licensure; amending s. 627.679, F.S.;  
10          requiring certain disclosures to be made within  
11          a specified time upon the sale of credit life  
12          insurance; allowing a borrower a specified time  
13          from the date of such disclosures to rescind  
14          the coverage; amending s. 635.042, F.S.;  
15          revising limits on total liability and exposure  
16          to losses for mortgage guaranty insurers;  
17          requiring certain audited financial reports to  
18          include certain information; authorizing the  
19          Department of Insurance to take certain actions  
20          against certain mortgage guaranty insurers;  
21          providing an effective date.

22  
23 Be It Enacted by the Legislature of the State of Florida:

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25           Section 1. Paragraph (a) of subsection (1) of section  
26   624.408, Florida Statutes, is amended, and subsection (4) is  
27   added to said section, to read:

28           624.408 Surplus as to policyholders required; new and  
29   existing insurers.--

30           (1)(a) To maintain a certificate of authority to  
31   transact any one kind or combinations of kinds of insurance,

1 as defined in part V of this chapter, an insurer in this state  
2 shall at all times maintain surplus as to policyholders not  
3 less than the greater of:

4 1. Except as provided in subparagraph 5. and paragraph  
5 (b), \$1.5 million;

6 2. For life insurers, 4 percent of the insurer's total  
7 liabilities;

8 3. For life and health insurers, 4 percent of the  
9 insurer's total liabilities plus 6 percent of the insurer's  
10 liabilities relative to health insurance; or

11 4. For all insurers other than mortgage guaranty  
12 insurers, life insurers, and life and health insurers, 10  
13 percent of the insurer's total liabilities.

14 5. For property and casualty insurers, \$4 million.

15 (4) Mortgage guaranty insurers shall have and maintain  
16 a minimum surplus as required by s. 635.042.

17 Section 2. Paragraph (e) of subsection (1) of section  
18 626.321, Florida Statutes, is amended to read:

19 626.321 Limited licenses.--

20 (1) The department shall issue to a qualified  
21 individual, or a qualified individual or entity under  
22 paragraphs (c), (d), and (e), a license as agent authorized to  
23 transact a limited class of business in any of the following  
24 categories:

25 (e) Credit life or disability insurance.--License  
26 covering only credit life or disability insurance. The license  
27 may be issued only to an individual employed by a life or  
28 health insurer as an officer or other salaried or commissioned  
29 representative, or to an individual employed by or associated  
30 with a lending or financing institution or creditor, and may  
31 authorize the sale of such insurance only with respect to

1 borrowers or debtors of such lending or financing institution  
2 or creditor. However, only the individual or entity whose tax  
3 identification number is used in receiving or is credited with  
4 receiving the commission from the sale of such insurance shall  
5 be the licensed agent of the insurer. No individual while so  
6 licensed shall hold a license as an agent or solicitor as to  
7 any other or additional kind or class of life or health  
8 insurance coverage. An entity ~~other than a lending or~~  
9 ~~financial institution defined in s. 655.005(1)(g), (h), or (p)~~  
10 holding a limited license under this paragraph ~~is~~ shall also  
11 ~~be~~ authorized to sell credit insurance and credit property  
12 insurance. An entity applying for a license under this  
13 section:

14 1. Is required to submit only one application for a  
15 license under s. 626.171, excluding the requirements of s.  
16 626.171(5), provided that the entity is regulated by any of  
17 the following federal or state agencies: Office of the  
18 Comptroller of the Currency; the Securities and Exchange  
19 Commission; or the Department of Banking and Finance.

20 2. Is not required to obtain a license or appointment  
21 for each office, branch office, or place of business making  
22 use of the entity's business name ~~by applying to the~~  
23 ~~department for the license on a simplified form developed by~~  
24 ~~rule of the department for this purpose.~~ However, the licensed  
25 entity shall file with the department the address and  
26 telephone number of each place of business at which credit  
27 insurance is being marketed or sold. This information must be  
28 filed annually by January 1 in an electronic format as  
29 specified by the department by rule. The licensee is required  
30 to file with the department, in the same specified electronic  
31 format, any changes, additions, or deletions regarding each

1 place of business marketing or selling credit insurance within  
2 30 days after such change.

3 ~~3. Is not required to pay any additional application~~  
4 ~~fees for a license issued to the offices or places of business~~  
5 ~~referenced in subsection (2), but is required to pay the~~  
6 ~~license fee as prescribed in s. 624.501, be appointed under s.~~  
7 ~~626.112, and pay the prescribed appointment fee under s.~~  
8 ~~624.501.~~ Shall post a copy of the license obtained under this  
9 paragraph shall be posted at each the business location at for  
10 which employees are selling insurance authorized under the  
11 entity license it was issued so as to be readily visible to  
12 prospective purchasers of such coverage.

13 Section 3. Subsection (1) of section 627.679, Florida  
14 Statutes, is amended to read:

15 627.679 Amount of insurance; disclosure.--

16 (1)(a) The amount of credit life insurance written  
17 under one or more policies shall not exceed by more than \$5  
18 the total of the payments of the specific contracts of  
19 indebtedness in connection with which it is written, when the  
20 indebtedness is repayable in substantially equal installments  
21 or in one installment or a single payment.

22 (b) The total amount of credit life insurance on the  
23 life of any debtor with respect to any loan or loans covered  
24 in one or more insurance policies shall at no time exceed  
25 \$50,000 with any one creditor, except that loans not exceeding  
26 1 year's duration shall not be subject to such limits, and on  
27 such loans not exceeding 1 year's duration, the limits of  
28 coverage shall not exceed \$50,000 with any one insurer.

29 (c) Before any credit life insurance may be sold, the  
30 creditor agent or agent shall obtain a separate written  
31 acknowledgment with respect to each of the following:

1           1. That the borrower understands that he or she has  
2 the option of assigning any other policy or policies the  
3 borrower owns or may procure for the purpose of covering such  
4 loan and that the policy need not be purchased from the  
5 creditor agent in order to obtain the loan.

6           2. That the borrower understands that the credit life  
7 coverage may be deferred if, at the time of application, the  
8 borrower is unable to engage in employment or unable to  
9 perform normal activities of a person of like age and sex, if  
10 the proposed credit life insurance policy contains this  
11 restriction.

12           3. That the borrower understands that the benefits  
13 under the policy will terminate when the borrower reaches a  
14 certain age and that the borrower's age is accurately  
15 represented on the application or policy.

16  
17 Notwithstanding the required disclosures set forth in this  
18 paragraph, if the sale of credit life insurance is solicited  
19 or consummated telephonically, the creditor or agent shall  
20 provide the foregoing disclosures to the borrower within 30  
21 days after the date the coverage takes effect. The borrower  
22 shall be notified that he or she has 30 days from the date the  
23 disclosures are received to rescind the credit life insurance  
24 coverage.

25           Section 4. Section 635.042, Florida Statutes, is  
26 amended to read:

27           635.042 Minimum surplus requirement ~~Limitation on~~  
28 ~~outstanding liability.--~~

29           (1) A mortgage guaranty insurer must have and maintain  
30 a minimum surplus of not less than the greater of \$4 million  
31 or 10 percent of the insurer's total outstanding liabilities

1 other than the required contingency reserve. No insurer shall  
2 be required under this subsection to have a surplus as to  
3 policyholders greater than \$100 million.

4 (2) A mortgage guaranty insurer shall also possess  
5 sufficient capital and surplus so that the total outstanding  
6 aggregate exposure net of reinsurance under mortgage guaranty  
7 policies written by the insurer does not exceed 25 times its  
8 paid-in capital, surplus, and contingency reserve combined.  
9 The audited financial reports required pursuant to s.  
10 624.424(8) shall disclose the total aggregate exposure net of  
11 reinsurance under mortgage guaranty policies written by the  
12 insurer.

13 (3) If a mortgage guaranty insurer is not in  
14 compliance with this section, the department may take any  
15 action against such insurer that the department may take  
16 against an insurer that is not in compliance with s. 624.408.  
17 ~~No mortgage guaranty insurer may at any time have outstanding~~  
18 ~~a total liability net of reinsurance, under its aggregate~~  
19 ~~mortgage guaranty insurance policies, exceeding 25 times its~~  
20 ~~paid-in capital, surplus, and contingency reserve combined.~~

21 Section 5. This act shall take effect July 1, 2000.

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24 HOUSE SUMMARY

25  
26 Revises minimum surplus requirements for mortgage  
27 guaranty insurers, revises limits on total liability and  
28 exposure to losses for such insurers, requires audited  
29 financial reports to include specified information, and  
30 authorizes the Department of Insurance to take  
31 enforcement actions against noncomplying mortgage  
guaranty insurers. Authorizes individuals and entities  
holding a credit life or disability insurance license to  
sell credit insurance. Modifies the requirements for  
licensure. Requires certain disclosures to be made within  
a specified time upon the sale of credit life insurance.  
Allows a borrower a specified time from the date of such  
disclosure to rescind coverage.