

By the Committee on Banking and Insurance; and Senator Horne

311-1858-00

1 A bill to be entitled
2 An act relating to mortgage guaranty insurance;
3 amending ss. 624.408, 635.042, F.S.; revising
4 minimum surplus requirements for mortgage
5 guaranty insurers; revising limits on total
6 liability and exposure to losses for such
7 insurers; requiring audited financial reports
8 required pursuant to s. 624.424(8) to include
9 certain information; authorizing the Department
10 of Insurance to take certain actions against a
11 mortgage guaranty insurer that is not in
12 compliance; providing an effective date.

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

16 Section 1. Section 624.408, Florida Statutes, is
17 amended to read:

18 624.408 Surplus as to policyholders required; new and
19 existing insurers.--

20 (1)(a) To maintain a certificate of authority to
21 transact any one kind or combinations of kinds of insurance,
22 as defined in part V of this chapter, an insurer in this state
23 shall at all times maintain surplus as to policyholders not
24 less than the greater of:

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

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

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

1 4. For all insurers other than mortgage guaranty
2 insurers, life insurers, and life and health insurers, 10
3 percent of the insurer's total liabilities.

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

5 (b) For any property and casualty insurer holding a
6 certificate of authority on December 1, 1993, the following
7 amounts apply instead of the \$4 million required by
8 subparagraph (a)5.:

9 1. On December 31, 1998, and until December 30, 1999,
10 \$2.25 million.

11 2. On December 31, 1999, and until December 30, 2000,
12 \$2.5 million.

13 3. On December 31, 2000, and until December 30, 2001,
14 \$2.75 million.

15 4. On December 31, 2001, and until December 30, 2002,
16 \$3 million.

17 5. On December 31, 2002, and until December 30, 2003,
18 \$3.25 million.

19 6. On December 31, 2003, and until December 30, 2004,
20 \$3.6 million.

21 7. On December 31, 2004, and thereafter, \$4 million.

22 (2) For purposes of this section, liabilities shall
23 not include liabilities required under s. 625.041(4). For
24 purposes of computing minimum surplus as to policyholders
25 pursuant to s. 625.305(1), liabilities shall include
26 liabilities required under s. 625.041(4).

27 (3) No insurer shall be required under this section to
28 have surplus as to policyholders greater than \$100 million.

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

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1 Section 2. Section 635.042, Florida Statutes, is
2 amended to read:

3 635.042 Minimum surplus requirement ~~Limitation on~~
4 ~~outstanding liability.--~~

5 (1) A mortgage guaranty insurer must have and maintain
6 a minimum surplus of not less than the greater of \$4 million
7 or 10 percent of the insurer's total outstanding liabilities
8 other than the required contingency reserve. No insurer shall
9 be required under this subsection to have a surplus as to
10 policyholders greater than \$100 million.

11 (2) A mortgage guaranty insurer must also possess
12 sufficient capital and surplus so that the total outstanding
13 aggregate exposure net of reinsurance under mortgage guaranty
14 policies written by the insurer does not exceed 25 times its
15 paid-in capital, surplus, and contingency reserve combined.
16 The audited financial reports required pursuant to s.
17 624.424(8) must disclose the total aggregate exposure net of
18 reinsurance under mortgage guaranty policies written by the
19 insurer.

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

28 Section 3. This act shall take effect July 1, 2000.

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STATEMENT OF SUBSTANTIAL CHANGES CONTAINED IN
COMMITTEE SUBSTITUTE FOR
Senate Bill 834

1. Revises the minimum surplus requirement for mortgage guaranty insurers by providing that the insurer's contingency reserve would not be considered as a liability, for purposes of requiring surplus to be 10 percent of liabilities.
2. Clarifies current law by requiring mortgage guaranty insurers to have sufficient capital and surplus so that their total outstanding exposure of their written policies does not exceed 25 times its paid-in-capital, surplus and contingency reserve combined.
3. Requires mortgage guaranty insurers to file their outstanding exposure in their audited financial report.
4. Authorizes the Department of Insurance to take administrative action against a mortgage guaranty insurer if the insurer is not in compliance with these requirements.