

By Senator Latvala

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1 A bill to be entitled
2 An act relating to insurance; transferring and
3 renumbering s. 624.4435, F.S., relating to
4 assets of insurers and reporting requirements;
5 providing an effective date.

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

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9 Section 1. Section 624.4435, Florida Statutes, is
10 transferred and renumbered as section 624.4091, Florida
11 Statutes, to read:

12 624.4091 ~~624.4435~~ Assets of insurers; reporting
13 requirements.--

14 (1) As used in this section, the term:

15 (a) "Material acquisition of assets" or "material
16 disposition of assets" means one or more transactions
17 occurring during any 30-day period which are nonrecurring and
18 not in the ordinary course of business and involve more than 5
19 percent of the reporting insurer's total admitted assets as
20 reported in its most recent statutory statement filed with the
21 insurance department of the insurer's state of domicile.

22 (b) "Material nonrenewal, cancellation, or revision of
23 a ceded reinsurance agreement" is one that affects:

24 1. With respect to property and casualty business,
25 including accident and health business written by a property
26 and casualty insurer:

27 a. More than 50 percent of the insurer's total ceded
28 written premium; or

29 b. More than 50 percent of the insurer's total ceded
30 indemnity and loss adjustment reserves.

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1 2. With respect to life, annuity, and accident and
2 health business, more than 50 percent of the total reserve
3 credit taken for business ceded, on an annualized basis, as
4 indicated in the insurer's most recent annual statement.

5 3. With respect to property and casualty business or
6 life, annuity, and accident and health business, a material
7 revision includes:

8 a. The replacement of an authorized reinsurer
9 representing more than 10 percent of a total cession by one or
10 more unauthorized reinsurers; or

11 b. The reduction or waiver, with respect to one or
12 more unauthorized insurers, of previously established
13 collateral requirements representing more than 10 percent of a
14 total cession.

15 (2) Each domestic insurer shall file a report with the
16 Department of Insurance disclosing a material acquisition of
17 assets, a material disposition of assets, or a material
18 nonrenewal, cancellation, or revision of a ceded reinsurance
19 agreement, unless the material acquisition or disposition of
20 assets or the material nonrenewal, cancellation, or revision
21 of a ceded reinsurance agreement has been submitted to the
22 department for review, approval, or informational purposes
23 under another section of the Florida Insurance Code or a rule
24 adopted thereunder. A copy of the report and each exhibit or
25 other attachment must be filed by the insurer with the
26 National Association of Insurance Commissioners. The report
27 required in this section is due within 15 days after the end
28 of the calendar month in which the transaction occurs.

29 (3) An immaterial acquisition or disposition of assets
30 need not be reported under this section.

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1 (4)(a) Acquisitions of assets which are subject to
2 this section include each purchase, lease, exchange, merger,
3 consolidation, succession, or other acquisition of assets.
4 Asset acquisitions for the construction or development of real
5 property by or for the reporting insurer and the acquisition
6 of construction materials for this purpose are not subject to
7 this section.

8 (b) Dispositions of assets which are subject to this
9 section include each sale, lease, exchange, merger,
10 consolidation, mortgage, hypothecation, assignment for the
11 benefit of a creditor or otherwise, abandonment, destruction,
12 or other disposition of assets.

13 (5)(a) The following information must be disclosed in
14 any report of a material acquisition or disposition of assets:

- 15 1. The date of the transaction;
- 16 2. The manner of acquisition or disposition;
- 17 3. The description of the assets involved;
- 18 4. The nature and amount of the consideration given or
19 received;
- 20 5. The purpose of, or reason for, the transaction;
- 21 6. The manner by which the amount of consideration was
22 determined;
- 23 7. The gain or loss recognized or realized as a result
24 of the transaction; and
- 25 8. The name of the person from whom the assets were
26 acquired or to whom they were disposed.

27 (b) Insurers must report material acquisitions or
28 dispositions on a nonconsolidated basis unless the insurer is
29 part of a consolidated group of insurers which uses a pooling
30 arrangement or a 100-percent reinsurance agreement that
31 affects the solvency and integrity of the insurer's reserves

1 and the insurer has ceded substantially all of its direct and
2 assumed business to the pool. An insurer is deemed to have
3 ceded substantially all of its direct and assumed business to
4 a pool if the insurer has less than \$1 million in total direct
5 and assumed written premiums during a calendar year which are
6 not subject to a pooling arrangement and if the net income of
7 the business which is not subject to the pooling arrangement
8 represents less than 5 percent of the insurer's capital and
9 surplus.

10 (6) The nonrenewal, cancellation, or revision of a
11 ceded reinsurance agreement need not be reported if the
12 renewal or the revision is not material or if:

13 (a) With respect to property and casualty business,
14 including accident and health business written by a property
15 and casualty insurer, the insurer's total ceded written
16 premium represents, on an annualized basis, less than 10
17 percent of its total written premium for direct and assumed
18 business; or

19 (b) With respect to life, annuity, and accident and
20 health business, the total reserve credit taken for business
21 ceded represents, on an annualized basis, less than 10 percent
22 of the statutory reserve requirement before the cession.

23 (7)(a) The following information must be disclosed in
24 any report of a material nonrenewal, cancellation, or revision
25 of a ceded reinsurance agreement:

26 1. The effective date of the nonrenewal, cancellation,
27 or revision;

28 2. The description of the transaction and the
29 identification of the initiator of the transaction;

30 3. The purpose of, or reason for, the transaction; and
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1 4. If applicable, the identity of each replacement
2 reinsurer.

3 (b) Insurers shall report the material nonrenewal,
4 cancellation, or revision of a ceded reinsurance agreement on
5 a nonconsolidated basis unless the insurer is part of a
6 consolidated group of insurers which uses a pooling
7 arrangement or a 100-percent reinsurance agreement that
8 affects the solvency and integrity of the insurer's reserves
9 and the insurer has ceded substantially all of its direct and
10 assumed business to the pool. An insurer is deemed to have
11 ceded substantially all of its direct and assumed business to
12 a pool if the insurer has less than \$1 million in total direct
13 and assumed written premiums during a calendar year which are
14 not subject to a pooling arrangement and if the net income of
15 the business not subject to the pooling arrangement represents
16 less than 5 percent of the insurer's capital and surplus.

17 Section 2. This act shall take effect upon becoming a
18 law.

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21 SENATE SUMMARY

22 Redesignates s. 624.4435, F.S., relating to assets of
23 insurers and reporting requirements, as s. 624.4091, F.S.

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