

By Senator Alexander

17-196A-05

1                                   A bill to be entitled  
2            An act relating to motor vehicle insurance;  
3            amending s. 627.311, F.S.; providing standards  
4            for administration of the motor vehicle  
5            insurance risk apportionment program;  
6            prescribing duties of the program's board of  
7            governors and the Office of Insurance  
8            Regulation; providing circumstances in which  
9            new carriers will be added to the program and  
10           in which the board of governors will be  
11           replaced; providing composition of the board;  
12           requiring actuarial certification of loss  
13           reserves; providing for certain costs to be  
14           included in rate filings; providing an  
15           effective date.

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

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19           Section 1. Subsection (8) is added to section 627.311,  
20 Florida Statutes, to read:

21           627.311 Joint underwriters and joint reinsurers;  
22 public records and public meetings exemptions.--

23           (8)(a) The motor vehicle insurance risk apportionment  
24 program established by this section shall be administered in a  
25 manner so as to produce a combined loss ratio that does not  
26 exceed 100 percent, thereby avoiding assessments to the extent  
27 reasonably achievable, which shall be a priority that  
28 supersedes any other provision set forth in this section.

29           (b) The motor vehicle insurance risk apportionment  
30 program shall establish a special investigation and litigation  
31 department that may be an adjunct to, or separate and distinct

1 from, the servicing carrier's claims administration and that  
2 will be funded to the extent considered necessary and  
3 appropriate to prevent the payment of fraudulent claims as  
4 determined solely by the program's board of governors subject  
5 only to the approval of the Office of Insurance Regulation.

6 (c) After any fiscal year in which the motor vehicle  
7 insurance risk apportionment program exceeds a combined loss  
8 ratio of 100 percent, the board of governors shall appoint one  
9 or more new servicing carriers, which shall be selected on a  
10 first-priority basis from the insurance company applicants  
11 that have the lowest combined loss ratios arising from their  
12 voluntary business.

13 (d) If the motor vehicle insurance risk apportionment  
14 program exceeds a combined loss ratio of 100 percent in any 2  
15 successive years, the Office of Insurance Regulation shall  
16 replace a majority of the board of governors with appointees  
17 that are among the insurers maintaining the lowest combined  
18 loss ratios in their voluntary business who are willing to  
19 serve as members of the board of governors.

20 (e) The combined loss ratio provisions set forth in  
21 paragraphs (c) and (d) are applicable if any actuarially  
22 certified adverse loss development establishes a combined loss  
23 ratio that exceeds 100 percent.

24 (f) The motor vehicle insurance risk apportionment  
25 program shall obtain an actuarial certification of its loss  
26 reserves no less frequently than every 6 months and shall  
27 issue policies that are effective for a period of 6 months  
28 only.

29 (g) If the motor vehicle insurance risk apportionment  
30 program's actuarial certification of its loss reserves  
31 establishes that the program is operating at a deficit or has

1 inadequate rates, a rate filing shall be submitted to the  
2 Office of Insurance Regulation for approval.

3 (h) The motor vehicle insurance risk apportionment  
4 program's board of governors shall be comprised of  
5 representatives that include, but are not limited to, the  
6 Office of Insurance Regulation, the Florida Property and  
7 Casualty Association, the Florida Insurance Council, the  
8 Florida Association of Insurance Agents, the Specialty Agents,  
9 the Latin American Association of Insurance Agents, and three  
10 at-large appointees of the Chief Financial Officer.

11 (i) If an assessment results from an operating deficit  
12 of the motor vehicle insurance risk apportionment program,  
13 insurance companies shall be authorized to recoup these  
14 assessments by incorporating such assessments as a factor in  
15 their rate filings.

16 Section 2. This act shall take effect July 1, 2005.

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19 SENATE SUMMARY

20 Requires the motor vehicle insurance risk apportionment  
21 program to be operated in such a manner that its combined  
22 loss ratio does not exceed 100 percent; if it does for 1  
23 year, additional carriers may be added, and if it does  
24 for 2 years, the Office of Insurance Regulation may  
25 replace the program's board of governors. Provides  
26 eligibility standards for membership on the board.  
27 Requires an actuarial certification of loss reserves at  
28 least every 6 months and requires policies to be issued  
29 for 6-month periods. Authorizes a rate filing when the  
30 program is operating at a deficit or has inadequate rates  
31 and when an assessment results from a deficit.