

By the Committee on Commerce and Consumer Services; and
Senators Garcia, Lynn and Atwater

577-2056-06

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A bill to be entitled

An act relating to corporation not for profit
self-insurance funds; creating s. 624.4624,
F.S.; authorizing two or more corporations not
for profit to form a self-insurance fund for
certain purposes; providing specific
requirements; providing an effective date.

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

Section 1. Section 624.4624, Florida Statutes, is
created to read:

624.4624 Corporation not for profit self-insurance
funds.--

(1) Notwithstanding any other provision of law, any
two or more corporations not for profit located in and
organized under the laws of this state may form a
self-insurance fund for the purpose of pooling and spreading
liabilities of its group members in any property or casualty
risk or surety insurance or securing the payment of benefits
under chapter 440, provided the nonprofit organization
self-insurance fund that is created:

(a) Has annual normal premiums in excess of \$5
million.

(b) Requires for qualification that each participating
member receive at least 75 percent of its revenues from local,
state, or federal governmental sources.

(c) Uses a qualified actuary to determine rates using
accepted actuarial principles and annually submits to the
office a certification by the actuary that the rates are

1 actuarially sound and are not inadequate, as defined in s.
2 627.062.
3 (d) Uses a qualified actuary to establish reserves for
4 loss and loss adjustment expenses and annually submits to the
5 office a certification by the actuary that the loss and loss
6 adjustment expense reserves are adequate. If the actuary
7 determines that reserves are not adequate, the fund shall file
8 a remedial plan for increasing the reserves or otherwise
9 addressing the financial condition of the fund, subject to a
10 determination by the office that the fund will operate on an
11 actuarially sound basis and does not pose a significant risk
12 of insolvency.
13 (e) Maintains a continuing program of excess insurance
14 coverage and reserve evaluation to protect the financial
15 stability of the fund in an amount and manner determined by a
16 qualified actuary. At a minimum, this program must:
17 1. Purchase excess insurance from authorized insurance
18 carriers; and
19 2. Retain a per-loss occurrence that does not exceed
20 \$350,000.
21 (f) Submits to the office annually an audited fiscal
22 year-end financial statement by an independent certified
23 public accountant within 6 months after the end of the fiscal
24 year.
25 (g) Has a governing body that is comprised entirely of
26 nonprofit organization officials.
27 (h) Uses knowledgeable persons or business entities to
28 administer or service the fund in the areas of claims
29 administration, claims adjusting, underwriting, risk
30 management, loss control, policy administration, financial
31 audit, and legal. Such persons or business entities must meet

1 all applicable requirements of law for state licensure and
2 must have at least 5 years' experience with commercial
3 self-insurance funds formed under s. 624.462, self-insurance
4 funds formed under s. 624.4662, or domestic insurers.

5 (i) Submits to the office copies of contracts used for
6 its members which clearly establish the liability of each
7 member for the obligations of the fund.

8 (j) Annually submits to the office a certification by
9 the governing body of the fund that, to the best of its
10 knowledge, the requirements of this section are met.

11 (2) As used in this section, the term "qualified
12 actuary" means an actuary that is a member of the Casualty
13 Actuarial Society or the American Academy of Actuaries.

14 (3) A corporation not for profit self-insurance fund
15 that meets the requirements of this section is not:

16 (a) Subject to the premium tax imposed by s. 624.509;

17 (b) An insurer for purposes of participation in, or
18 coverage by, any insurance guaranty association established by
19 chapter 631; or

20 (c) Subject to s. 624.4621 and is not required to file
21 any report with the department under s. 440.38(2)(b) which is
22 uniquely required of group self-insurer funds qualified under
23 s. 624.4621.

24 (4) If any of the requirements of this section are not
25 met, a corporation not for profit self-insurance fund is
26 subject to the requirements of s. 624.4621 if the fund
27 provides only workers' compensation coverage, or is subject to
28 the requirements of ss. 624.460-624.488 if the fund provides
29 coverage for other property, casualty, or surety risks.

30 Section 2. This act shall take effect July 1, 2006.
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STATEMENT OF SUBSTANTIAL CHANGES CONTAINED IN
COMMITTEE SUBSTITUTE FOR
Senate Bill 1966

This committee substitute differs from the bill as filed in that it:

- uses a qualified actuary (as defined) to determine rates who annually submits to the Office of Insurance Regulation (OIR) a certification that the rates are actuarially sound and are not inadequate;
- uses a qualified actuary to establish reserves who annually submits to OIR a certification that the reserves are adequate, subject to a requirement for the fund to file a remedial plan if the reserves are not adequate;
- maintains excess insurance, with a retention (amount of loss retained or assumed by the fund) that does not exceed \$350,000 per occurrence;
- uses knowledgeable personnel to administer the fund that have a minimum of 5 years experience with commercial self-insurance funds, group self-insurance funds, or domestic insurers and that such persons must meet all of the licensure requirements;
- submits to OIR contracts used for its members which clearly establish the liability of each member for obligations of the fund; and
- annually submits to OIR a certification by the governing body that, to the best of its knowledge, the requirement of this law are met.