

Bill No. CS for CS for SB 1980

Barcode 052528

CHAMBER ACTION

Senate

House

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31

Floor: WD/2R  
05/05/2006 12:16 PM

.  
. .  
. .  
. .  
. .

Senator Campbell moved the following **amendment to amendment**  
(021596):

**Senate Amendment (with title amendment)**

On page 28, line 29, through  
page 30, line 22, delete those lines

and insert:

Section 7. Effective July 1, 2006, subsection (2) of  
section 627.062, Florida Statutes, is amended, and subsection  
(9) is added to that section, to read:

627.062 Rate standards.--

(2) As to all such classes of insurance:

(a) Insurers or rating organizations shall establish  
and use rates, rating schedules, or rating manuals to allow  
the insurer a reasonable rate of return on such classes of  
insurance written in this state. A copy of rates, rating  
schedules, rating manuals, premium credits or discount  
schedules, and surcharge schedules, and changes thereto, shall  
be filed with the office under one of the following  
procedures:

Bill No. CS for CS for SB 1980

Barcode 052528

1           1. If the filing is made at least 90 days before the  
2 proposed effective date and the filing is not implemented  
3 during the office's review of the filing and any proceeding  
4 and judicial review, then such filing shall be considered a  
5 "file and use" filing. In such case, the office shall  
6 finalize its review by issuance of a notice of intent to  
7 approve or a notice of intent to disapprove within 90 days  
8 after receipt of the filing. The notice of intent to approve  
9 and the notice of intent to disapprove constitute agency  
10 action for purposes of the Administrative Procedure Act.  
11 Requests for supporting information, requests for mathematical  
12 or mechanical corrections, or notification to the insurer by  
13 the office of its preliminary findings shall not toll the  
14 90-day period during any such proceedings and subsequent  
15 judicial review. The rate shall be deemed approved if the  
16 office does not issue a notice of intent to approve or a  
17 notice of intent to disapprove within 90 days after receipt of  
18 the filing.

19           2. If the filing is not made in accordance with the  
20 provisions of subparagraph 1., such filing shall be made as  
21 soon as practicable, but no later than 30 days after the  
22 effective date, and shall be considered a "use and file"  
23 filing. An insurer making a "use and file" filing is  
24 potentially subject to an order by the office to return to  
25 policyholders portions of rates found to be excessive, as  
26 provided in paragraph (h).

27           3. The chief executive officer and the chief financial  
28 officer of each property insurer shall sign a statement of  
29 certification, sworn under oath, to accompany the rate filing.  
30 The statement must certify the appropriateness of the  
31 information in the rate filing and that the information fairly

Bill No. CS for CS for SB 1980

Barcode 052528

1 presents, in all material respects, the basis of the rate  
 2 filing submitted by the insurer. The insurer shall certify all  
 3 of the information and factors described in paragraph (b),  
 4 including investment income. The Office of Insurance  
 5 Regulation shall adopt by rule the form for the statement of  
 6 certification. Failure to provide the statement of  
 7 certification shall result in the rate filing being  
 8 disapproved without prejudice to be refiled.

9           (b) Upon receiving a rate filing, the office shall  
 10 review the rate filing to determine if a rate is excessive,  
 11 inadequate, or unfairly discriminatory. In making that  
 12 determination, the office shall, in accordance with generally  
 13 accepted and reasonable actuarial techniques, consider the  
 14 following factors:

- 15           1. Past and prospective loss experience within and  
 16 without this state.
- 17           2. Past and prospective expenses.
- 18           3. The degree of competition among insurers for the  
 19 risk insured.
- 20           4. Investment income reasonably expected by the  
 21 insurer, consistent with the insurer's investment practices,  
 22 from investable premiums anticipated in the filing, plus any  
 23 other expected income from currently invested assets  
 24 representing the amount expected on unearned premium reserves  
 25 and loss reserves. The commission may adopt rules utilizing  
 26 reasonable techniques of actuarial science and economics to  
 27 specify the manner in which insurers shall calculate  
 28 investment income attributable to such classes of insurance  
 29 written in this state and the manner in which such investment  
 30 income shall be used in the calculation of insurance rates.

31 Such manner shall contemplate allowances for an underwriting

Barcode 052528

1 profit factor and full consideration of investment income  
2 which produce a reasonable rate of return; however, investment  
3 income from invested surplus shall not be considered.

4 5. The reasonableness of the judgment reflected in the  
5 filing.

6 6. Dividends, savings, or unabsorbed premium deposits  
7 allowed or returned to Florida policyholders, members, or  
8 subscribers.

9 7. The adequacy of loss reserves.

10 8. The cost of reinsurance.

11 9. Trend factors, including trends in actual losses  
12 per insured unit for the insurer making the filing.

13 10. Conflagration and catastrophe hazards, if  
14 applicable.

15 11. A reasonable margin for underwriting profit and  
16 contingencies. For that portion of the rate covering the risk  
17 of hurricanes and other catastrophic losses for which the  
18 insurer has not purchased reinsurance and has exposed its  
19 capital and surplus to such risk, the office must approve a  
20 rating factor that provides the insurer a reasonable rate of  
21 return that is commensurate with such risk.

22 12. The cost of medical services, if applicable.

23 13. Other relevant factors which impact upon the  
24 frequency or severity of claims or upon expenses.

25

26 The provisions of this subsection shall not apply to workers'  
27 compensation and employer's liability insurance and to motor  
28 vehicle insurance.

29

30

31

Bill No. CS for CS for SB 1980

Barcode 052528

1 ===== T I T L E    A M E N D M E N T =====

2 And the title is amended as follows:

3            On page 131, line 5, after the semicolon,

4

5 insert:

6            requiring the chief executive officer and chief

7            financial officer of each property insurer to

8            sign a statement of certification, sworn under

9            oath, to accompany the rate filing annual

10           statements and lists of assets;

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31