

## CHAMBER ACTION

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1 The Commerce Council recommends the following:

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3 **Council/Committee Substitute**

4 Remove the entire bill and insert:

5 A bill to be entitled

6 An act relating to self-insurance funds; amending s.  
7 624.4622, F.S.; authorizing local government self-  
8 insurance funds to insure or self-insure real or personal  
9 property against loss or damage; amending s. 624.4623,  
10 F.S.; prohibiting requiring participation of independent  
11 educational institution self-insurance funds in or  
12 entitlement to coverage under certain guaranty  
13 associations; creating s. 624.4624, F.S.; authorizing two  
14 or more corporations not for profit to form a self-  
15 insurance fund for certain purposes; providing specific  
16 requirements; providing a definition; providing  
17 limitations; providing for application of certain  
18 provisions to certain premiums, contributions, and  
19 assessments; providing for payment of insurance premium  
20 tax at a reduced rate by corporation not for profit self-  
21 insurance funds; subjecting a corporation not for profit  
22 self-insurance fund to certain group self-insurance fund  
23 provisions under certain circumstances; creating s.

HB 517 CS

2006  
CS

24 627.443, F.S.; prohibiting rejecting certain workers'  
25 compensation insurance policies by certain persons on  
26 certain grounds; providing an effective date.

27  
28 Be It Enacted by the Legislature of the State of Florida:

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30 Section 1. Subsection (1) of section 624.4622, Florida  
31 Statutes, is amended to read:

32 624.4622 Local government self-insurance funds.--

33 (1) Any two or more local governmental entities may enter  
34 into interlocal agreements for the purpose of securing the  
35 payment of benefits under chapter 440, or insuring or self-  
36 insuring real or personal property of every kind and every  
37 interest in such property against loss or damage from any hazard  
38 or cause and against any loss consequential to such loss or  
39 damage, provided the local government self-insurance fund that  
40 is created must:

41 (a) Have annual normal premiums in excess of \$5 million;

42 (b) Maintain a continuing program of excess insurance  
43 coverage and reserve evaluation to protect the financial  
44 stability of the fund in an amount and manner determined by a  
45 qualified and independent actuary;

46 (c) Submit annually an audited fiscal year-end financial  
47 statement by an independent certified public accountant within 6  
48 months after the end of the fiscal year to the office; and

49 (d) Have a governing body which is comprised entirely of  
50 local elected officials.

HB 517 CS

2006  
CS

51 Section 2. Subsection (3) is added to section 624.4623,  
52 Florida Statutes, to read:

53 624.4623 Independent Educational Institution Self-  
54 Insurance Funds.--

55 (3) An independent educational institution self-insurance  
56 fund may not be required to participate in, or be entitled to  
57 coverage under, any guaranty association created pursuant to  
58 part II or part V of chapter 631.

59 Section 3. Section 624.4624, Florida Statutes, is created  
60 to read:

61 624.4624 Corporation not for profit self-insurance  
62 funds.--

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

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

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

76 (c) Uses a qualified actuary to determine rates using  
77 accepted actuarial principles and annually submits to the office

HB 517 CS

2006  
CS

78 | a certification by the actuary that the rates are actuarially  
79 | sound and are not inadequate, as defined in s. 627.062.

80 | (d) Uses a qualified actuary to establish reserves for  
81 | loss and loss adjustment expenses and annually submits to the  
82 | office a certification by the actuary that the loss and loss  
83 | adjustment expense reserves are adequate. If the actuary  
84 | determines that reserves are not adequate, the fund shall file  
85 | with the office a remedial plan for increasing the reserves or  
86 | otherwise addressing the financial condition of the fund,  
87 | subject to a determination by the office that the fund will  
88 | operate on an actuarially sound basis and the fund does not pose  
89 | a significant risk of insolvency.

90 | (e) Maintains a continuing program of excess insurance  
91 | coverage and reserve evaluation to protect the financial  
92 | stability of the fund in an amount and manner determined by a  
93 | qualified actuary. At a minimum, this program must:

94 | 1. Purchase excess insurance from authorized insurance  
95 | carriers.

96 | 2. Retain a per-loss occurrence that does not exceed  
97 | \$350,000.

98 | (f) Submits to the office annually an audited fiscal year-  
99 | end financial statement by an independent certified public  
100 | accountant within 6 months after the end of the fiscal year.

101 | (g) Has a governing body that is comprised entirely of  
102 | officials from corporations not for profit that are members of  
103 | the corporation not for profit self-insurance fund.

104 | (h) Uses knowledgeable persons or business entities to  
105 | administer or service the fund in the areas of claims

HB 517 CS

2006  
CS

106 administration, claims adjusting, underwriting, risk management,  
107 loss control, policy administration, financial audit, and legal  
108 areas. Such persons must meet all applicable requirements of law  
109 for state licensure and must have at least 5 years' experience  
110 with commercial self-insurance funds formed under s. 624.462,  
111 self-insurance funds formed under s. 624.4622, or domestic  
112 insurers.

113 (i) Submits to the office copies of contracts used for its  
114 members which clearly establish the liability of each member for  
115 the obligations of the fund.

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

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

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

124 (a) An insurer for purposes of participation in or  
125 coverage by any insurance guaranty association established by  
126 chapter 631; or

127 (b) Subject to s. 624.4621 and is not required to file any  
128 report with the department under s. 440.38(2)(b) which is  
129 uniquely required of group self-insurer funds qualified under s.  
130 624.4621.

131 (4) Premiums, contributions, and assessments received by a  
132 corporation not for profit self-insurance fund are subject to  
133 ss. 624.509(1) and (2) and 624.5092, except that the tax rate

HB 517 CS

2006  
CS

134 shall be 1.6 percent of the gross amount of such premiums,  
135 contributions, and assessments.

136 (5) If any of the requirements of subsection (1) are not  
137 met, a corporation not for profit self-insurance fund is subject  
138 to the requirements of s. 624.4621 if the fund provides only  
139 workers' compensation coverage or is subject to the requirements  
140 of ss. 624.460-624.488 if the fund provides coverage for other  
141 property, casualty, or surety risks.

142 Section 4. Section 627.443, Florida Statutes, is created  
143 to read:

144 627.443 Workers' compensation insurance policy  
145 limitation.--Notwithstanding any other provision in this  
146 chapter, a workers' compensation insurance policy issued by a  
147 self-insurance fund that is subject to part V of chapter 631 may  
148 not be rejected by any person requiring a workers' compensation  
149 insurance policy pursuant to a construction contract, if such  
150 rejection is because the self-insurance fund is not rated by a  
151 nationally-recognized insurance rating service.

152 Section 5. This act shall take effect July 1, 2006.