

1 A bill to be entitled

2 An act relating to self-insurance funds; amending s.
3 624.4622, F.S.; authorizing local government self-
4 insurance funds to insure or self-insure real or personal
5 property against loss or damage; amending s. 624.4623,
6 F.S.; prohibiting requiring participation of independent
7 educational institution self-insurance funds in or
8 entitlement to coverage under certain guaranty
9 associations; creating s. 624.4624, F.S.; authorizing two
10 or more corporations not for profit to form a self-
11 insurance fund for certain purposes; providing specific
12 requirements; providing a definition; providing
13 limitations; providing for application of certain
14 provisions to certain premiums, contributions, and
15 assessments; providing for payment of insurance premium
16 tax at a reduced rate by corporation not for profit self-
17 insurance funds; subjecting a corporation not for profit
18 self-insurance fund to certain group self-insurance fund
19 provisions under certain circumstances; creating s.
20 627.443, F.S.; prohibiting rejecting certain workers'
21 compensation insurance policies by certain persons on
22 certain grounds; providing an effective date.

23
24 Be It Enacted by the Legislature of the State of Florida:

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

28 624.4622 Local government self-insurance funds.--
 29 (1) Any two or more local governmental entities may enter
 30 into interlocal agreements for the purpose of securing the
 31 payment of benefits under chapter 440, or insuring or self-
 32 insuring real or personal property of every kind and every
 33 interest in such property against loss or damage from any hazard
 34 or cause and against any loss consequential to such loss or
 35 damage, provided the local government self-insurance fund that
 36 is created must:
 37 (a) Have annual normal premiums in excess of \$5 million;
 38 (b) Maintain a continuing program of excess insurance
 39 coverage and reserve evaluation to protect the financial
 40 stability of the fund in an amount and manner determined by a
 41 qualified and independent actuary;
 42 (c) Submit annually an audited fiscal year-end financial
 43 statement by an independent certified public accountant within 6
 44 months after the end of the fiscal year to the office; and
 45 (d) Have a governing body which is comprised entirely of
 46 local elected officials.

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

49 624.4623 Independent Educational Institution Self-
 50 Insurance Funds.--

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

55 Section 3. Section 624.4624, Florida Statutes, is created
56 to read:

57 624.4624 Corporation not for profit self-insurance
58 funds.--

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

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

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

72 (c) Uses a qualified actuary to determine rates using
73 accepted actuarial principles and annually submits to the office
74 a certification by the actuary that the rates are actuarially
75 sound and are not inadequate, as defined in s. 627.062.

76 (d) Uses a qualified actuary to establish reserves for
77 loss and loss adjustment expenses and annually submits to the
78 office a certification by the actuary that the loss and loss
79 adjustment expense reserves are adequate. If the actuary
80 determines that reserves are not adequate, the fund shall file
81 with the office a remedial plan for increasing the reserves or

82 otherwise addressing the financial condition of the fund,
83 subject to a determination by the office that the fund will
84 operate on an actuarially sound basis and the fund does not pose
85 a significant risk of insolvency.

86 (e) Maintains a continuing program of excess insurance
87 coverage and reserve evaluation to protect the financial
88 stability of the fund in an amount and manner determined by a
89 qualified actuary. At a minimum, this program must:

90 1. Purchase excess insurance from authorized insurance
91 carriers.

92 2. Retain a per-loss occurrence that does not exceed
93 \$350,000.

94 (f) Submits to the office annually an audited fiscal year-
95 end financial statement by an independent certified public
96 accountant within 6 months after the end of the fiscal year.

97 (g) Has a governing body that is comprised entirely of
98 officials from corporations not for profit that are members of
99 the corporation not for profit self-insurance fund.

100 (h) Uses knowledgeable persons or business entities to
101 administer or service the fund in the areas of claims
102 administration, claims adjusting, underwriting, risk management,
103 loss control, policy administration, financial audit, and legal
104 areas. Such persons must meet all applicable requirements of law
105 for state licensure and must have at least 5 years' experience
106 with commercial self-insurance funds formed under s. 624.462,
107 self-insurance funds formed under s. 624.4622, or domestic
108 insurers.

109 (i) Submits to the office copies of contracts used for its
110 members which clearly establish the liability of each member for
111 the obligations of the fund.

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

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

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

120 (a) An insurer for purposes of participation in or
121 coverage by any insurance guaranty association established by
122 chapter 631; or

123 (b) Subject to s. 624.4621 and is not required to file any
124 report with the department under s. 440.38(2)(b) which is
125 uniquely required of group self-insurer funds qualified under s.
126 624.4621.

127 (4) Premiums, contributions, and assessments received by a
128 corporation not for profit self-insurance fund are subject to
129 ss. 624.509(1) and (2) and 624.5092, except that the tax rate
130 shall be 1.6 percent of the gross amount of such premiums,
131 contributions, and assessments.

132 (5) If any of the requirements of subsection (1) are not
133 met, a corporation not for profit self-insurance fund is subject
134 to the requirements of s. 624.4621 if the fund provides only
135 workers' compensation coverage or is subject to the requirements

136 of ss. 624.460-624.488 if the fund provides coverage for other
137 property, casualty, or surety risks.

138 Section 4. Section 627.443, Florida Statutes, is created
139 to read:

140 627.443 Workers' compensation insurance policy
141 limitation.--Notwithstanding any other provision in this
142 chapter, a workers' compensation insurance policy issued by a
143 self-insurance fund that is subject to part V of chapter 631 may
144 not be rejected by any person requiring a workers' compensation
145 insurance policy pursuant to a construction contract, if such
146 rejection is because the self-insurance fund is not rated by a
147 nationally-recognized insurance rating service.

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