

Bill No. SB 4-A

Barcode 955870

CHAMBER ACTION

Senate

House

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The Committee on Banking and Insurance (Bennett) recommended
the following amendment:

Senate Amendment (with title amendment)

On page 55, before line 1,

insert:

Section 5. Subsections (2) and (3) of section
215.5595, Florida Statutes, are amended to read:

215.5595 Insurance Capital Build-Up Incentive
Program.--

(2) The purpose of this section is to provide surplus
notes to new or existing authorized residential property
insurers under the Insurance Capital Build-Up Incentive
Program administered by the State Board of Administration,
under the following conditions:

(a) The amount of the surplus note for any insurer or
insurer group, other than an insurer writing residential
property insurance covering manufactured housing, may not
exceed \$25 million or 20 percent of the total amount of funds
available under the program, whichever is greater. The amount

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1 of the surplus note for any insurer or insurer group writing
2 residential property insurance covering only manufactured
3 housing may not exceed \$7 million.

4 (b) The insurer must contribute an amount of new
5 capital to its surplus which is at least equal to the amount
6 of the surplus note and must apply to the board by July 1,
7 2006. If an insurer applies after July 1, 2006, but before
8 June 1, 2007, the amount of the surplus note is limited to
9 one-half of the new capital that the insurer contributes to
10 its surplus. For purposes of this section, new capital must be
11 in the form of cash or cash equivalents as specified in s.
12 625.012(1), but may also include the surplus and capital of
13 any property insurance company domiciled in this state
14 initially licensed after September 1, 2006, which begins
15 writing any new homeowners' or manufactured housing
16 residential property insurance and applies for a surplus note
17 after January 1, 2007.

18 (c) The insurer's surplus, new capital, and the
19 surplus note must total at least \$50 million, except for
20 insurers writing residential property insurance covering
21 manufactured housing. The insurer's surplus, new capital, and
22 the surplus note must total at least \$14 million for insurers
23 writing residential property insurance covering manufactured
24 housing policies as provided in paragraph (a).

25 (d) The insurer must commit to meeting a minimum
26 writing ratio of net written premium to surplus of at least
27 2:1 for the term of the surplus note, which shall be
28 determined by the Office of Insurance Regulation and certified
29 quarterly to the board. For this purpose, the term "net
30 written premium" means net written premium for residential
31 property insurance in Florida, including the peril of wind,

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1 and "surplus" refers to the entire surplus of the insurer. If
2 the required ratio is not maintained during the term of the
3 surplus note, the board may increase the interest rate,
4 accelerate the repayment of interest and principal, or shorten
5 the term of the surplus note, subject to approval by the
6 Commissioner of Insurance of payments by the insurer of
7 principal and interest as provided in paragraph (f).

8 (e) If the requirements of this section are met, the
9 board may approve an application by an insurer for a surplus
10 note, unless the board determines that the financial condition
11 of the insurer and its business plan for writing residential
12 property insurance in Florida places an unreasonably high
13 level of financial risk to the state of nonpayment in full of
14 the interest and principal. The board shall consult with the
15 Office of Insurance Regulation and may contract with
16 independent financial and insurance consultants in making this
17 determination.

18 (f) The surplus note must be repayable to the state
19 with a term of 20 years. The surplus note shall accrue
20 interest on the unpaid principal balance at a rate equivalent
21 to the 10-year U.S. Treasury Bond rate, require the payment
22 only of interest during the first 3 years, and include such
23 other terms as are approved by the board. Payment of principal
24 or interest by the insurer on the surplus note must be
25 approved by the Commissioner of Insurance, who shall approve
26 the ~~such~~ payment unless the commissioner determines that the
27 ~~such~~ payment will substantially impair the financial condition
28 of the insurer. If such a determination is made, the
29 commissioner shall approve the ~~such~~ payment that will not
30 substantially impair the financial condition of the insurer.

31 (g) The total amount of funds available for the

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1 program is limited to the amount appropriated by the
 2 Legislature for this purpose. If the amount of surplus notes
 3 requested by insurers exceeds the amount of funds available,
 4 the board may prioritize insurers that are eligible and
 5 approved, with priority for funding given to insurers writing
 6 residential property insurance covering manufactured housing,
 7 regardless of the date of application, based on the financial
 8 strength of the insurer, the viability of its proposed
 9 business plan for writing additional residential property
 10 insurance in the state, and the effect on competition in the
 11 residential property insurance market. Among insurers writing
 12 residential property insurance covering manufactured housing,
 13 priority shall be given to the insurers writing the highest
 14 number of manufactured housing policies as a percentage of all
 15 policies written by that insurer.

16 (h) The board may allocate portions of the funds
 17 available for the program and establish dates for insurers to
 18 apply for surplus notes from such allocation which are earlier
 19 than the dates established in paragraph (b).

20 (i) Notwithstanding paragraph (d), a newly formed
 21 manufactured housing insurer that is eligible for a surplus
 22 note under this section shall meet the
 23 premium-to-surplus-ratio provisions of s. 624.4095.

24 (3) As used in this section, the term:

25 (a) "Board" means the State Board of Administration.

26 (b) "Program" means the Insurance Capital Build-Up
 27 Incentive Program established by this section.

28 (c) "Insurer writing residential property insurance
 29 covering manufactured housing" means an insurer whose policies
 30 for residential manufactured homes equals or exceeds 25
 31 percent of the insurer's total number of outstanding policies.

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(Redesignate subsequent sections.)

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

And the title is amended as follows:

On page 3, line 3, after the semicolon,

insert:

amending s. 215.5595, F.S.; providing that the amount of the surplus note under the Insurance Capital Build-Up Incentive Program for an insurer or insurer group writing residential property insurance covering only manufactured housing may not exceed a specified amount; providing that the new capital to be added to an insurer's surplus must be in the form of cash or cash equivalents but may also include the surplus and capital of a property insurer that is domiciled in this state, that is initially licensed after a specific date, that begins writing new homeowners or manufactured housing residential property insurance, and that applies for a surplus note after a specified date; providing that an insurer's surplus, new capital, and surplus note must total a specified amount; providing an exception for insurers writing property insurance policies covering manufactured housing; providing that priority for receiving funds from the Insurance Capital Build-Up

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1 Incentive Program be given to insurers writing
2 residential property insurance covering
3 manufactured housing, and that substantially
4 among insurers writing residential property
5 insurance for manufactured housing, priority be
6 given to insurers writing the highest number of
7 manufactured housing policies as a percentage
8 of all policies written by that insurer;
9 defining the term "insurer writing residential
10 property insurance covering manufactured
11 housing";

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