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LEGISLATIVE ACTION

Senate	.	House
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The Committee on Budget Subcommittee on General Government Appropriations (Hays) recommended the following:

Senate Amendment (with title amendment)

Between lines 26 and 27
insert:

Section 2. Section 627.215, Florida Statutes, is amended to read:

627.215 Excessive profits for ~~workers' compensation,~~
~~employer's liability,~~ commercial property, and commercial
casualty insurance prohibited.—

(1) (a) Each insurer group writing ~~workers' compensation and
employer's liability insurance as defined in s. 624.605(1)(c),~~
commercial property insurance as defined in s. 627.0625,



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13 commercial umbrella liability insurance as defined in s.
14 627.0625, or commercial casualty insurance as defined in s.
15 627.0625 shall annually file with the office before ~~prior to~~
16 July 1 ~~of each year~~, on a form prescribed by the commission, the
17 following data for the component types of such insurance as
18 provided in the form:

- 19 1. Calendar-year earned premium.
- 20 2. Accident-year incurred losses and loss adjustment
21 expenses.
- 22 3. The administrative and selling expenses incurred in this
23 state or allocated to this state for the calendar year.
- 24 4. Policyholder dividends applicable to the calendar year.

25
26 This paragraph does not ~~Nothing herein is intended to~~ prohibit
27 an insurer from filing on a calendar-year basis.

28 (b) The data filed for the group shall be a consolidation
29 of the data of the individual insurers of the group. However, an
30 insurer may elect to ~~either~~ consolidate commercial umbrella
31 liability insurance data with commercial casualty insurance data
32 or to separately file data for commercial umbrella liability
33 insurance. Each insurer shall elect its method of filing
34 commercial umbrella liability insurance at the time of filing
35 data for accident year 1987 and shall thereafter continue filing
36 under the same method. In the case of commercial umbrella
37 liability insurance data reported separately, a separate
38 excessive profits test shall be applied and the test period
39 shall be 10 years. ~~In the case of workers' compensation and~~
40 ~~employer's liability insurance, the final report for the test~~
41 ~~period including accident years 1984, 1985, and 1986 must be~~



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42 ~~filed prior to July 1, 1988. In the case of commercial property~~
43 ~~and commercial casualty insurance, the final report for the test~~
44 ~~period including accident years 1987, 1988, and 1989 must be~~
45 ~~filed prior to July 1, 1991.~~

46 ~~(2) Each insurer group writing workers' compensation and~~
47 ~~employer's liability insurance shall also file a schedule of~~
48 ~~Florida loss and loss adjustment experience for each of the 3~~
49 ~~years previous to the most recent accident year. The incurred~~
50 ~~losses and loss adjustment expenses shall be valued as of~~
51 ~~December 31 of the first year following the latest accident year~~
52 ~~to be reported, developed to an ultimate basis, and at two 12-~~
53 ~~month intervals thereafter, each developed to an ultimate basis,~~
54 ~~so that a total of three evaluations will be provided for each~~
55 ~~accident year. The first year to be so reported shall be~~
56 ~~accident year 1984, so that the reporting of 3 accident years~~
57 ~~under this revised evaluation will not take place until accident~~
58 ~~years 1985 and 1986 have become available. For reporting~~
59 ~~purposes unrelated to determining excessive profits, the loss~~
60 ~~and loss adjustment experience of each accident year shall~~
61 ~~continue to be reported until each accident year has been~~
62 ~~reported at eight stages of development.~~

63 ~~(2)(3)~~(a) Each insurer group writing commercial property
64 insurance or commercial casualty insurance shall also file a
65 schedule of Florida loss and loss adjustment experience for each
66 of the 3 years previous to the most recent accident year. The
67 incurred losses and loss adjustment expenses shall be valued as
68 of December 31 of the first year following the latest accident
69 year, developed to an ultimate basis, and at two 12-month
70 intervals thereafter, each developed to an ultimate basis, so



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71 that a total of three ~~3~~ evaluations are ~~will be~~ provided for
72 each accident year. ~~The first year to be so reported shall be~~
73 ~~accident year 1987, which shall first be reported on or before~~
74 ~~July 1, 1989, and the reporting of 3 accident years will not~~
75 ~~take place until accident years 1988 and 1989 have become~~
76 ~~available. For medical malpractice insurance, the first year to~~
77 ~~be so reported shall be accident year 1990, which shall first be~~
78 ~~reported on or before July 1, 1992, and the reporting of 3~~
79 ~~accident years for full inclusion of medical malpractice~~
80 ~~experience in commercial casualty insurance will not take place~~
81 ~~until accident years 1991 and 1992 become available.~~
82 ~~Accordingly, no medical malpractice insured shall be eligible~~
83 ~~for refunds or credits until the reporting period ending with~~
84 ~~calendar accident year 1992.~~ For reporting purposes unrelated to
85 determining excess profits, the loss and loss adjustment
86 experience of each accident year shall continue to be reported
87 until each accident year has been reported at eight stages of
88 development.

89 (b) Each insurer group writing commercial umbrella
90 liability insurance which elects to file separate data for such
91 insurance shall also file a schedule of Florida loss and loss
92 adjustment experience for each of the 10 years previous to the
93 most recent accident year. The incurred losses and loss
94 adjustment expenses shall be valued as of December 31 of the
95 first year following the latest accident year, developed to an
96 ultimate basis, and at nine 12-month intervals thereafter, each
97 developed to an ultimate basis, so that a total of 10
98 evaluations will be provided for each accident year. ~~The first~~
99 ~~year to be so reported shall be accident year 1987, which shall~~



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100 ~~first be reported on or before October 1, 1989, and the~~
101 ~~reporting of 10 accident years will not take place until~~
102 ~~accident year 1996 data is reported.~~

103 ~~(3)~~(4) Each insurer group's underwriting gain or loss for
104 each calendar-accident year shall be computed as follows: The
105 sum of the accident-year incurred losses and loss adjustment
106 expenses as of December 31 of the year, developed to an ultimate
107 basis, plus the administrative and selling expenses incurred in
108 the calendar year, plus policyholder dividends applicable to the
109 calendar year, shall be subtracted from the calendar-year earned
110 premium to determine the underwriting gain or loss.

111 ~~(4)~~(5) For the 3 most recent calendar-accident years for
112 which data is to be filed under this section, the underwriting
113 gain or loss shall be compared to the anticipated underwriting
114 profit, except in the case of separately reported commercial
115 umbrella liability insurance for which such comparison shall be
116 made for the 10 most recent calendar-accident years.

117 ~~(6) For those insurer groups writing workers' compensation~~
118 ~~and employer's liability insurance during the years 1984, 1985,~~
119 ~~1986, 1987, and 1988, an excessive profit has been realized if~~
120 ~~underwriting gain is greater than the anticipated underwriting~~
121 ~~profit plus 5 percent of earned premiums for the 3 most recent~~
122 ~~calendar years for which data is to be filed under this section.~~
123 ~~Any excess profit of an insurance company offering workers'~~
124 ~~compensation or employer's liability insurance during this~~
125 ~~period of time, shall be returned to policyholders in the form~~
126 ~~of a cash refund or a credit toward future purchase of~~
127 ~~insurance. The excessive amount shall be refunded on a pro rata~~
128 ~~basis in relation to the final compilation year earned premiums~~



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129 ~~to the workers' compensation policyholders of record of the~~
130 ~~insurer group on December 31 of the final compilation year.~~

131 (5)~~(7)~~ (a) With respect to the ~~Beginning with the July 1,~~
132 ~~1991,~~ report for ~~workers' compensation insurance, employer's~~
133 ~~liability insurance,~~ commercial property insurance, and
134 commercial casualty insurance, an excessive profit has been
135 realized if the combined net aggregate underwriting gain for ~~all~~
136 these lines ~~combined~~ is greater than the net aggregate
137 anticipated underwriting profit for these lines plus 5 percent
138 of earned premiums for the 3 most recent calendar years for
139 which data is to be filed under this section. For calculation
140 purposes commercial property insurance and commercial casualty
141 insurance shall be broken down into sublines in order to
142 ascertain the anticipated underwriting profit factor versus the
143 actual underwriting gain for the given subline.

144 (b) Beginning with the July 1, 1998, report for commercial
145 umbrella liability insurance, if an insurer has elected to file
146 data separately for such insurance, an excessive profit has been
147 realized if the underwriting gain for such insurance is greater
148 than the anticipated underwriting profit for such insurance plus
149 5 percent of earned premiums for the 10 most recent calendar
150 years for which data is to be filed under this section.

151 (6)~~(8)~~ As used in this section with respect to any 3-year
152 period, or with respect to any 10-year period in the case of
153 commercial umbrella liability insurance, "anticipated
154 underwriting profit" means the sum of the dollar amounts
155 obtained by multiplying, for each rate filing of the insurer
156 group in effect during such period, the earned premiums
157 applicable to such rate filing during such period by the



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158 percentage factor included in such rate filing for profit and
159 contingencies, such percentage factor having been determined
160 with due recognition to investment income from funds generated
161 by Florida business, except that the anticipated underwriting
162 profit for the purposes of this section shall be calculated
163 using a profit and contingencies factor that is not less than
164 zero. Separate calculations need not be made for consecutive
165 rate filings containing the same percentage factor for profits
166 and contingencies.

167 (7)~~(9)~~ If the insurer group has realized an excessive
168 profit, the office shall order a return of the excessive amounts
169 after affording the insurer group an opportunity for hearing and
170 otherwise complying with the requirements of chapter 120. Such
171 excessive amounts shall be refunded in all instances unless the
172 insurer group affirmatively demonstrates to the office that the
173 refund of the excessive amounts will render a member of the
174 insurer group financially impaired or will render it insolvent
175 under the ~~provisions of the~~ Florida Insurance Code.

176 (8)~~(10)~~ Any excess profit of an insurance company ~~as~~
177 ~~determined on July 1, 1991, and thereafter~~ shall be returned to
178 policyholders in the form of a cash refund or a credit toward
179 the future purchase of insurance. The excessive amount shall be
180 refunded on a pro rata basis in relation to the final
181 compilation year earned premiums to the policyholders of record
182 of the insurer group on December 31 of the final compilation
183 year.

184 (9)~~(11)~~(a) Cash refunds to policyholders may be rounded to
185 the nearest dollar.

186 (b) Data in required reports to the office may be rounded



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187 to the nearest dollar.

188 (c) Rounding, if elected by the insurer, must ~~shall~~ be
189 applied consistently.

190 ~~(10)-(12)~~ (a) Refunds shall be completed in one of the
191 following ways:

192 1. If the insurer group elects to make a cash refund, the
193 refund must ~~shall~~ be completed within 60 days after ~~of~~ entry of
194 a final order indicating that excessive profits have been
195 realized.

196 2. If the insurer group elects to make refunds in the form
197 of a credit to renewal policies, such credits must ~~shall~~ be
198 applied to policy renewal premium notices that ~~which~~ are
199 forwarded to insureds more than 60 calendar days after entry of
200 a final order indicating that excessive profits have been
201 realized. If an insurer group has made this election but an
202 insured thereafter cancels her or his policy or otherwise allows
203 the policy to terminate, the insurer group must ~~shall~~ make a
204 cash refund within ~~not later than~~ 60 days after termination of
205 such coverage.

206 (b) Upon completion of the renewal credits or refund
207 payments, the insurer group shall immediately certify to the
208 office that the refunds have been made.

209 ~~(11)-(13)~~ Any refund or renewal credit made pursuant to this
210 section shall be treated as a policyholder dividend applicable
211 to the year immediately succeeding the compilation period giving
212 rise to the refund or credit, for purposes of reporting under
213 this section for subsequent years.

214 ~~(12)-(14)~~ The application of this law to commercial property
215 and commercial casualty insurance, which includes commercial



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216 umbrella liability insurance, ceases on January 1, 1997.

217 Section 3. Subsection (4) of section 628.6017, Florida
218 Statutes, is amended to read:

219 628.6017 Converting assessable mutual insurer.—

220 (4) An assessable mutual insurer becoming a stock insurer
221 or a nonassessable mutual insurer is ~~shall~~ not ~~be~~ subject to s.
222 627.215 or s. 627.351(5) for 5 years following authorization of
223 the conversion by the office. However, the converted stock
224 insurer or nonassessable mutual insurer shall file all necessary
225 data required by s. 627.215. Such amounts otherwise subject to
226 s. 627.215(8) ~~627.215(10)~~ shall be maintained as surplus as to
227 policyholders and not be available for dividends for ~~a period of~~
228 5 years.

229
230 ===== T I T L E A M E N D M E N T =====

231 And the title is amended as follows:

232 Delete line 5

233 and insert:

234 compensation as required; amending s. 627.215, F.S.;

235 deleting the prohibition against excessive profits for

236 workers' compensation and employer's liability

237 insurance; deleting obsolete provisions; amending s.

238 628.6017, F.S.; conforming a cross-reference;

239 providing an effective date.