

1 A bill to be entitled
 2 An act relating to the regulation of not-for-profit
 3 self-insurance funds; amending s. 624.4625, F. S.;
 4 revising requirements for the formation of corporation
 5 not for profit self-insurance funds; providing an
 6 effective date.

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 8 Be It Enacted by the Legislature of the State of Florida:

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 10 Section 1. Subsection (1) of section 624.4625, Florida
 11 Statutes, is amended to read

12 624.4625 Corporation not for profit self-insurance funds.—

13 (1) Notwithstanding any other provision of law, any two or
 14 more corporations not for profit located in and organized under
 15 the laws of this state may form a self-insurance fund for the
 16 purpose of pooling and spreading liabilities of its group
 17 members in any one or combination of property or casualty risk,
 18 provided the corporation not for profit self-insurance fund that
 19 is created:

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

21 (b) Requires for qualification that each participating
 22 member receive at least 75 percent of its revenues from:

23 1. Local, state, or federal governmental sources or a
 24 combination of such sources; or

25 2. The public, as evidenced on the organization's most
 26 recent Internal Revenue Service Form 990 or Form 990-EZ and

27 Schedule A, and is a publicly supported organization under s.
 28 501(c)(3) of the Internal Revenue Code.

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

33 (d) Uses a qualified actuary to establish reserves for
 34 loss and loss adjustment expenses and annually submits to the
 35 office a certification by the actuary that the loss and loss
 36 adjustment expense reserves are adequate. If the actuary
 37 determines that reserves are not adequate, the fund shall file
 38 with the office a remedial plan for increasing the reserves or
 39 otherwise addressing the financial condition of the fund,
 40 subject to a determination by the office that the fund will
 41 operate on an actuarially sound basis and the fund does not pose
 42 a significant risk of insolvency.

43 (e) A fund with at least one member qualifying solely
 44 under subparagraph (b)2. shall:

45 1. Maintain surplus in a positive amount with the loss and
 46 loss adjustment expense reserve at the 70-percent confidence
 47 level as of the end of the fiscal year as determined by the
 48 qualified actuary specified in paragraph (d).

49 2. If a fund does not maintain surplus in a positive
 50 amount with the loss and loss adjustment expense reserve at the
 51 70-percent confidence level, a fund shall file with the office a
 52 remedial plan addressing the financial condition of the fund,

53 subject to a determination by the office that the fund will
54 operate on an actuarially sound basis and the fund does not pose
55 a significant risk of insolvency.

56 (f) A corporation not for profit self-insurance fund
57 operating under this section before July 1, 2015, has until July
58 1, 2020, to comply with paragraph (e).

59 (g)-(e) Maintains a continuing program of excess insurance
60 coverage and reserve evaluation to protect the financial
61 stability of the fund in an amount and manner determined by a
62 qualified actuary. At a minimum, this program must:

63 1. Purchase excess insurance from authorized insurance
64 carriers or eligible surplus lines insurers or reinsurers. Any
65 entity providing such excess insurance shall have a rating of A-
66 or higher from a statistical rating organization deemed
67 acceptable by the commissioner.

68 2. Retain a per-loss occurrence that does not exceed
69 \$350,000.

70 (h)-(f) Submit to the office annually an audited fiscal
71 year-end financial statement by an independent certified public
72 accountant within 6 months after the end of the fiscal year.

73 (i)-(g) Have a governing body that is comprised entirely of
74 officials from corporations not for profit that are members of
75 the corporation not for profit self-insurance fund.

76 (j)-(h) Use knowledgeable persons or business entities to
77 administer or service the fund in the areas of claims
78 administration, claims adjusting, underwriting, risk management,

79 | loss control, policy administration, financial audit, and legal
80 | areas. Such persons must meet all applicable requirements of law
81 | for state licensure and must have at least 5 years' experience
82 | with commercial self-insurance funds formed under s. 624.462,
83 | self-insurance funds formed under s. 624.4622, or domestic
84 | insurers.

85 | ~~(k)-(i)~~ Submit to the office copies of contracts used for
86 | its members that clearly establish the liability of each member
87 | for the obligations of the fund.

88 | ~~(l)-(j)~~ Annually submit to the office a certification by
89 | the governing body of the fund that, to the best of its
90 | knowledge, the requirements of this section are met.

91 | Section 2. This act shall take effect July 1, 2015.