

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: The Professional Staff of the Committee on Banking and Insurance

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BILL: CS/SB 812

INTRODUCER: Banking and Insurance Committee and Senator Perry

SUBJECT: Insurance Policy Transfers

DATE: March 15, 2017

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Billmeier	Knudson	BI	Fav/CS
2.			CM	
3.			RC	

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**Please see Section IX. for Additional Information:**

COMMITTEE SUBSTITUTE - Substantial Changes

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**I. Summary:**

CS/SB 812 alters the method by which personal lines residential and commercial residential insurance policies may be transferred from one insurance company to another company within the same insurance group. Insurance companies writing commercial lines insurance policies may transfer commercial policies to a different Florida licensed insurance company that is a member of the same insurance group or owned by the same holding company as the first insurer. A commercial policy that is transferred under current law is considered a renewal policy rather than a cancellation, nonrenewal, or termination. The insurer must provide notice of intent to transfer at least 45 days in advance along with the financial rating of the authorized insurer to which the policy is being transferred.

Insurance companies that write personal lines residential and commercial residential policies, except for certain farmowners policies, are not authorized to use this procedure. Instead, the insurer must first cancel, nonrenew, or terminate residential policies and meet current law applicable to cancellations, nonrenewal, or terminations, including a requirement to provide notice 120 days in advance of the action.

This bill provides that insurers providing personal lines residential or commercial residential property insurance coverage may transfer policies to another authorized insurer that is a member of the same group or owned by the same holding company if:

- The insured is transferred to an insurer that is admitted to do business in Florida, that is admitted and writing residential property insurance in other states, and that has been

determined by the Office of Insurance Regulation to have the same or better financial strength than the transferring insurer;

- The insured is not being transferred to a surplus lines policy;
- The transfer results in substantially similar coverage;
- The insurer to which the policy is being transferred provides a notice of change in policy terms. The notice must be provided with the notice of renewal premium and must be provided at least 60 days before the effective date of the transfer;
- The policyholder of the policy being transferred was selected on a nondiscriminatory basis; and
- The Office of Insurance Regulation has approved the transfer.

## II. Present Situation:

A holding company is a company that holds a controlling share of stock in one or more other companies. Some Florida insurance companies are owned by holding companies and some holding companies own more than one insurance company.

Insurance companies writing commercial lines insurance policies may transfer commercial policies to a different Florida licensed insurance company that is a member of the same insurance group or owned by the same holding company as the transferring insurer.<sup>1</sup> A commercial policy that is transferred is considered a renewal policy, rather than a cancellation, nonrenewal, or termination.<sup>2</sup> In order to transfer policies to a different company, the insurer must provide notice of intent to transfer at least 45 days in advance along with the financial rating of the authorized insurer to which the policy is being transferred.<sup>3</sup>

Insurance companies that write personal lines residential and commercial residential policies, other than specified farmowners insurance policies, may not use this procedure to transfer policies within their holding company system.<sup>4</sup> Instead, the insurer must first cancel, nonrenew, or terminate residential policies. Insurers writing personal lines residential or commercial lines residential property insurance must give policyholders a notice of cancellation, nonrenewal, or termination at least 120 days prior to the effective date of the cancellation, nonrenewal, or termination.<sup>5</sup>

## III. Effect of Proposed Changes:

This bill provides that insurers providing personal lines residential or commercial residential property insurance coverage may transfer policies to another authorized insurer that is a member of the same group or owned by the same holding company if:

- The insured is transferred to an insurer that is admitted to do business in Florida, that is admitted and writing residential property insurance in other states, and that has been determined by the Office of Insurance Regulation to have the same or better financial strength than the transferring insurer;

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<sup>1</sup> s. 627.4133(8), F.S.

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

<sup>5</sup> s. 627.4133(2)(b), F.S.

- The policy is not being converted to a surplus lines policy;
- The transfer results in substantially similar coverage;
- The policyholder of the policy being transferred has been selected on a nondiscriminatory basis; and
- The Office of Insurance Regulation has approved the transfer.

The bill provides that the insurer to which the policy is being transferred must provide a notice of change in policy terms to the policyholder in compliance with s. 627.43141, F.S. The notice must also include notice of the policy transfer and the insurer's financial rating. The notice must be provided with the notice of renewal premium. The notice and information provided must be provided to the insured at least 60 days before the effective date of the transfer.

The bill takes effect July 1, 2017.

#### **IV. Constitutional Issues:**

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

#### **V. Fiscal Impact Statement:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The Office of Insurance Regulation does not anticipate a fiscal impact.<sup>6</sup>

#### **VI. Technical Deficiencies:**

None.

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<sup>6</sup> Office of Insurance Regulation, *Analysis of SB 812* (March 6, 2017).

**VII. Related Issues:**

None.

**VIII. Statutes Affected:**

This bill substantially amends section 627.4133 of the Florida Statutes.

**IX. Additional Information:**

- A. **Committee Substitute – Statement of Substantial Changes:**  
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

**CS by Banking and Insurance on March 14, 2017:**

The CS provides that a transferred policy cannot be converted to a surplus lines policy and that the policyholder of a policy being transferred must be selected on a nondiscriminatory basis.

The CS provides that the insurer to which the policy is being transferred must provide a notice of change in policy terms to the policyholder in compliance with s. 627.43141, F.S.<sup>7</sup> The notice must also include notice of the policy transfer and the insurer's financial rating. The notice must be provided with the notice of renewal premium. The notice and information provided must be provided to the insured at least 60 days before the effective date of the transfer.

- B. **Amendments:**

None.

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This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

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<sup>7</sup> Section 627.43141, F.S., requires insurers to provide notice of changes in policy terms. An insurer cannot include additional optional coverage that increases a premium unless the policyholder affirmatively approves the addition of the optional coverage.