

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.)

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

BILL: SB 812

INTRODUCER: Senator Perry

SUBJECT: Insurance Policy Transfers

DATE: March 13, 2017

REVISED: _____

| | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|----|-----------|----------------|-----------|--------------------|
| 1. | Billmeier | Knudson | BI | Pre-meeting |
| 2. | | | CM | |
| 3. | | | RC | |

I. Summary:

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 affiliated 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 transfer results in substantially similar coverage;
- Notice of the transfer is delivered to the insured or his or her agent; 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.¹ A commercial policy that is transferred is considered a renewal policy, rather than a cancellation, nonrenewal, or termination.² 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.³

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.⁴ 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.⁵

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 affiliated 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 transfer results in substantially similar coverage;
- Notice of the transfer is delivered to the insured or his or her agent; and
- The Office of Insurance Regulation has approved the transfer.

The bill takes effect July 1, 2017.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

¹ s. 627.4133(8), F.S.

² *Id.*

³ *Id.*

⁴ *Id.*

⁵ s. 627.4133(2)(b), F.S.

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:

Insurers will be able to more efficiently transfer policies to different companies.

The Office of Insurance Regulation (OIR) notes that there are “no requirements on how the rates should compare” between the transferring insurer and the affiliated insurer. The OIR states that this would generally be “regulated through appropriate rate filings, but depending on how different the rating structure and the experience is between the companies, there could be significant rate swings for the affected policyholders.”⁶

C. Government Sector Impact:

The Office of Insurance Regulation does not anticipate a fiscal impact.⁷

VI. Technical Deficiencies:

None.

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 Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

⁶ Office of Insurance Regulation, *Analysis of SB 812* (March 6, 2017).

⁷ Office of Insurance Regulation, *Analysis of SB 812* (March 6, 2017).

B. Amendments:

None.

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