

Amendment No. 3

COMMITTEE/SUBCOMMITTEE ACTION

ADOPTED	_____	(Y/N)
ADOPTED AS AMENDED	_____	(Y/N)
ADOPTED W/O OBJECTION	_____	(Y/N)
FAILED TO ADOPT	_____	(Y/N)
WITHDRAWN	_____	(Y/N)
OTHER		

1 Committee/Subcommittee hearing bill: Appropriations Committee
 2 Representative Trumbull offered the following:

Amendment (with title amendment)

Remove lines 1300-1505 and insert:

6 (1) A property insurer stability unit is created within
 7 the office to aid in the detection and prevention of insurer
 8 insolvencies in the homeowners' and condominium unit owners'
 9 insurance market. The following responsibilities are limited
 10 only to matters related to homeowners' and condominium unit
 11 owners' insurance.

12 (2) The insurer stability unit shall provide enhanced
 13 monitoring whenever the office identifies significant concerns
 14 about an insurer's solvency, rates, proposed contracts,
 15 underwriting rules, market practices, claims handling, consumer

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16 complaints, litigation practices and outcomes, and any other
17 issue related to compliance with the insurance code.

18 (3) The insurer stability unit shall, at a minimum:

19 (a) Conduct a target market exam when there is reason to
20 believe that an insurer's claims practices, rate requirements,
21 investment activities, or financial statements suggest that the
22 insurer may be in an unsound financial condition.

23 (b) Closely monitor all risk-based capital reports, own-
24 risk solvency assessments, reinsurance agreements, and financial
25 statements filed by insurers selling homeowners' and condominium
26 unit owners' insurance policies in this state.

27 (c) Have primary responsibility to conduct annual
28 catastrophe stress tests of all domestic insurers and insurers
29 that are commercially domiciled in this state.

30 1. The insurer stability unit shall cooperate with the
31 Florida Commission on Hurricane Loss Projection Methodology to
32 select the hurricane scenarios that are used in the annual
33 catastrophe stress test.

34 2. Catastrophe stress testing must determine:

35 a. Whether an individual insurer can survive a one in 130-
36 year probable maximum loss (PML), and a second event 50-year
37 return PML following a first event that exceeds a 100-year
38 return PML; and

39 b. The impact of the selected hurricane scenarios on the
40 Citizens Property Insurance Corporation, the Florida Hurricane

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41 Catastrophe Fund, the Florida Insurance Guaranty Association,
42 and taxpayers.

43 (d) Update wind mitigation credits required by s. 627.711
44 and associated rules.

45 (e) Review the causes of insolvency and business practices
46 of insurers that have been referred to the department's Division
47 of Rehabilitation and Liquidation and make recommendations to
48 prevent similar failures in the future.

49 (f) On January 1 and July 1 of each year, provide a report
50 on the status of the homeowners' and condominium unit owners'
51 insurance market to the Governor, the President of the Senate,
52 the Speaker of the House of Representatives, the Minority Leader
53 of the Senate, the Minority Leader of the House of
54 Representatives, and the chairs of the legislative committees
55 with jurisdiction over matters of insurance showing:

56 1. Litigation practices and outcomes of insurance
57 companies.

58 2. Percentage of homeowners and condominium unit owners
59 who obtain insurance in the voluntary market.

60 3. Percentage of homeowners and condominium unit owners
61 who obtain insurance from the Citizens Property Insurance
62 Corporation.

63 4. Profitability of the homeowners' and condominium unit
64 owners' lines of insurance in this state, including a comparison

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65 with similar lines of insurance in other hurricane-prone states
66 and with the national average.

67 5. Average premiums charged for homeowners' and
68 condominium unit owners' insurance in each of the 67 counties in
69 this state.

70 6. Results of the latest annual catastrophe stress tests
71 of all domestic insurers and insurers that are commercially
72 domiciled in this state.

73 7. The availability of reinsurance in the personal lines
74 insurance market.

75 8. The number of property and casualty insurance carriers
76 referred to the insurer stability unit for enhanced monitoring,
77 including the reason for the referral.

78 9. The number of referrals to the insurer stability unit
79 which were deemed appropriate for enhanced monitoring, including
80 the reason for the monitoring.

81 10. The name of any insurer against which delinquency
82 proceedings were instituted, including the grounds for
83 rehabilitation pursuant to s. 631.051 and the date that each
84 insurer was deemed impaired of capital or surplus, as the terms
85 impairment of capital and impairment of surplus are defined in
86 s. 631.011, or insolvent, as the term insolvency is defined in
87 s. 631.011; a concise statement of the circumstances that led to
88 the insurer's delinquency; and a summary of the actions taken by
89 the insurer and the office to avoid delinquency.

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Published On: 5/23/2022 6:28:40 PM

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90 11. Recommendations for improvements to the regulation of
91 homeowners' and condominium unit owners' insurance market and an
92 indication of whether such improvements require any change to
93 existing laws or rules.

94 12. Identification of any trends that may warrant
95 attention in the future.

96 (4) Any of the following events must trigger a referral to
97 the insurer stability unit:

98 (a) Consumer complaints related to homeowners' insurance
99 or condominium unit owners' insurance under s. 624.307(10), if
100 the complaints, in the aggregate, suggest a trend within the
101 marketplace and are not an isolated incident.

102 (b) There is reason to believe that an insurer who is
103 authorized to sell homeowners' or condominium unit owners'
104 insurance in this state has engaged in an unfair trade practice
105 under part IX of chapter 626.

106 (c) A market conduct examination determines that an
107 insurer has exhibited a pattern or practice of willful
108 violations of an unfair insurance trade practice related to
109 claims-handling which caused harm to policyholders, as
110 prohibited by s. 626.9541(1)(i).

111 (d) An insurer authorized to sell homeowners' or
112 condominium unit owners' insurance in this state requests a rate
113 increase that exceeds 15 percent, in accordance with s.
114 627.0629(6).

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115 (e) An insurer authorized to sell homeowners' or
116 condominium unit owners' insurance in this state violates the
117 ratio of actual or projected annual written premiums required by
118 s. 624.4095(4) (a).

119 (f) An insurer authorized to sell homeowners' or
120 condominium unit owners' insurance in this state files a notice
121 pursuant to s. 624.4305 advising the office that it intends to
122 nonrenew more than 10,000 residential property insurance
123 policies in this state within a 12-month period.

124 (g) A quarterly or annual financial statement required by
125 ss. 624.424 and 627.915 demonstrates that an insurer authorized
126 to sell homeowners' or condominium unit owners' insurance in
127 this state is in an unsound condition, as defined in s.
128 624.80(2); has exceeded its powers in a manner as described in
129 s. 624.80(3); is impaired, as defined in s. 631.011(12) or (13);
130 or is insolvent, as defined in s. 631.011.

131 (h) An insurer authorized to sell homeowners' or
132 condominium unit owners' insurance in this state files a
133 quarterly or annual financial statement required by ss. 624.424
134 and 627.915 which is misleading or contains material errors.

135 (i) An insurer authorized to sell homeowners' or
136 condominium unit owners' insurance in this state fails to timely
137 file a quarterly or annual financial statement required by ss.
138 624.424 and 627.915.

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139 (j) An insurer authorized to sell homeowners' or
140 condominium unit owners' insurance in this state files a risk-
141 based capital report that triggers a company action level event,
142 regulatory action level event, authorized control level event,
143 or mandatory control level event, as those terms are defined in
144 s. 624.4085.

145 (k) An insurer selling homeowners' or condominium unit
146 owners' insurance in this state that is subject to the own-risk
147 solvency assessment requirement of s. 628.8015, and fails to
148 timely file the own-risk solvency assessment.

149 (l) A reinsurance agreement creates a substantial risk of
150 insolvency for an insurer authorized to sell homeowners' or
151 condominium unit owners' insurance in this state, pursuant to s.
152 624.610(13).

153 (m) An insurer authorized to sell homeowners' or
154 condominium unit owners' insurance in this state is party to a
155 reinsurance agreement that does not create a meaningful transfer
156 of risk of loss to the reinsurer, pursuant to s. 624.610(14).

157 (n) Citizens Property Insurance Corporation is required to
158 absorb policies from an insurer that participated in the
159 corporation's depopulation program authorized by s. 627.3511
160 within 3 years after the insurer takes policies out of the
161 corporation.

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163 The insurer stability unit's supervisors shall review all
164 referrals triggered by the statutory provisions to determine
165 whether enhanced scrutiny of the insurer is appropriate.

166 (5) Expenses of the insurer stability unit shall be paid
167 from moneys allocated to the Insurance Regulatory Trust Fund.
168 However, if the unit recommends that a market conduct exam or
169 targeted market exam be conducted, the reasonable cost of the
170 examination shall be paid by the person examined, in accordance
171 with s. 624.3161.

172 Section 20. Subsection (1) of section 631.031, Florida
173 Statutes, is amended to read:

174 631.031 Initiation and commencement of delinquency
175 proceeding.-

176 (1) Upon a determination by the office that one or more
177 grounds for the initiation of delinquency proceedings exist
178 pursuant to this chapter and that delinquency proceedings must
179 be initiated, the Director of the Office of Insurance Regulation
180 shall notify the department of such determination and shall
181 provide the department with all necessary documentation and
182 evidence. If the director must notify the department of a
183 determination regarding a property insurer, the notification
184 must include an affidavit that identifies the grounds for
185 rehabilitation pursuant to s. 631.051; the date that each
186 insurer was deemed impaired of capital or surplus, as the terms
187 impairment of capital and impairment of surplus are defined in

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188 s. 631.011, or insolvent, as the term insolvency is defined in
189 s. 631.011; a concise statement of the circumstances that led to
190 the insurer's delinquency; and a summary of the actions taken by
191 the insurer and the office to avoid delinquency. The department
192 shall then initiate such delinquency proceedings.

193 Section 21. Subsection (3) of section 631.398, Florida
194 Statutes, is amended to read:

195 631.398 Prevention of insolvencies.—To aid in the
196 detection and prevention of insurer insolvencies or impairments:

197 (3)(a) The department shall, no later than the conclusion
198 of any domestic insurer insolvency proceeding, prepare a summary
199 report containing such information as is in its possession
200 relating to the history and causes of such insolvency, including
201 a statement of the business practices of such insurer which led
202 to such insolvency.

203 (b) For an insolvency involving a domestic property
204 insurer, the department shall:

205 1. Begin an analysis of the history and causes of the
206 insolvency once the department is appointed by the court as
207 receiver.

208 2. Submit an initial report analyzing the history and
209 causes of the insolvency to the Governor, the President of the
210 Senate, the Speaker of the House of Representatives, and the
211 office. The initial report must be submitted no later than 4
212 months after the department is appointed as receiver. The

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213 initial report shall be updated at least annually until the
214 submission of the final report. The report may not be used as
215 evidence in any proceeding brought by the department or others
216 to recover assets on behalf of the receivership estate as part
217 of its duties under s. 631.141(8). The submission of a report
218 under this subparagraph shall not be considered a waiver of any
219 evidentiary privilege the department may assert under state or
220 federal law.

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

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Remove lines 143-153 and insert:

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627.7154, F.S.; creating a property insurer stability unit

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within the office for a specified purpose; specifying the duties

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of the unit; requiring the unit to provide a specified report

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biannually; specifying requirements for such report; specifying

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events that trigger referrals to the unit; requiring the unit's

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supervisors to review such referrals for a certain

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determination; requiring unit expenses be paid from a specified

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fund; requiring costs of examinations to be paid by examined

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persons in a specified circumstance; amending s. 631.031, F.S.;

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requiring certain notifications by