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LEGISLATIVE ACTION

Senate	.	House
Comm: RCS	.	
05/23/2022	.	
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The Committee on Appropriations (Boyd) recommended the following:

**Senate Amendment (with title amendment)**

Delete lines 1295 - 1499  
and insert:

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



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11 (2) The insurer stability unit shall provide enhanced  
12 monitoring whenever the office identifies significant concerns  
13 about an insurer's solvency, rates, proposed contracts,  
14 underwriting rules, market practices, claims handling, consumer  
15 complaints, litigation practices and outcomes, and any other  
16 issue related to compliance with the insurance code.

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

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

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

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

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

33 2. Catastrophe stress testing must determine:

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

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



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

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

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

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

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

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

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

62 4. Profitability of the homeowners' and condominium unit  
63 owners' lines of insurance in this state, including a comparison  
64 with similar lines of insurance in other hurricane-prone states  
65 and with the national average.

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

68 6. Results of the latest annual catastrophe stress tests of



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69 all domestic insurers and insurers that are commercially  
70 domiciled in this state.

71 7. The availability of reinsurance in the personal lines  
72 insurance market.

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

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

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

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

92 12. Identification of any trends that may warrant attention  
93 in the future.

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

96 (a) Consumer complaints related to homeowners' insurance or  
97 condominium unit owners' insurance under s. 624.307(10), if the



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98 complaints, in the aggregate, suggest a trend within the  
99 marketplace and are not an isolated incident.

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

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

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

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

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

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



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127 s. 624.80(3); is impaired, as defined in s. 631.011(12) or (13);  
128 or is insolvent, as defined in s. 631.011.

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

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

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

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

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

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

155 (n) Citizens Property Insurance Corporation is required to



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156 absorb policies from an insurer that participated in the  
157 corporation's depopulation program authorized by s. 627.3511  
158 within 3 years after the insurer takes policies out of the  
159 corporation.

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

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

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

172 631.031 Initiation and commencement of delinquency  
173 proceeding.-

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



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

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

193 631.398 Prevention of insolvencies.—To aid in the detection  
194 and prevention of insurer insolvencies or impairments:

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

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

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

206 2. Submit an initial report analyzing the history and  
207 causes of the insolvency to the Governor, the President of the  
208 Senate, the Speaker of the House of Representatives, and the  
209 office. The initial report must be submitted no later than 4  
210 months after the department is appointed as receiver. The  
211 initial report shall be updated at least annually until the  
212 submission of the final report. The report may not be used as  
213 evidence in any proceeding brought by the department or others





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214 to recover assets on behalf of the receivership estate as part  
215 of its duties under s. 631.141(8). The submission of a report  
216 under this subparagraph shall not be considered a waiver of any  
217 evidentiary privilege the department may assert under state or  
218 federal law.

219  
220 ===== T I T L E A M E N D M E N T =====

221 And the title is amended as follows:

222 Delete lines 143 - 153

223 and insert:

224 627.7154, F.S.; creating a property insurer stability  
225 unit within the office for a specified purpose;  
226 specifying the duties of the unit; requiring the unit  
227 to provide a specified report biannually; specifying  
228 requirements for such report; specifying events that  
229 trigger referrals to the unit; requiring the unit's  
230 supervisors to review such referrals for a certain  
231 determination; requiring unit expenses be paid from a  
232 specified fund; requiring costs of examinations to be  
233 paid by examined persons in a specified circumstance;  
234 amending s. 631.031, F.S.; requiring certain  
235 notifications by