

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: CS/SB 1740

INTRODUCER: Banking and Insurance Committee and Senator Ingoglia and Sharief

SUBJECT: Insurance

DATE: March 19, 2025

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Thomas	Knudson	BI	Fav/CS
2.			AEG	
3.			FP	

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/SB 1740 amends various laws relating to insurance. Specifically, the bill:

- Provides that a hurricane mitigation grant under the My Safe Florida Home Program may be awarded only for each mitigation improvement that will result in a property insurance premium mitigation credit, discount, or other rate differential.
- Increases minimum surplus requirements for certain residential property insurers and provides staggered dates for existing insurers to meet the new requirements.
- Prohibits a person who was an officer or director of an insolvent insurer or the attorney in fact or officer or director of the attorney in fact for an insolvent reciprocal insurer within 5 years of such insolvency from thereafter serving as:
 - The officer or director of an authorized insurer;
 - An officer or director of a managing general agent of an authorized insurer;
 - An attorney in fact, or an officer or director of an attorney in fact, of an authorized insurer;
 - An officer or director of an affiliate of an authorized insurer which provides services to such insurer; or
 - Exercise direct or indirect control over the selection of the foregoing positions.
- Prohibits the Office of Insurance Regulation (OIR) from requesting that an insurer waive the 90-day time limit for the review of any residential property insurance rate filing in which the insurer proposes a rate decrease, provided that the decrease is not solely due to a reduction in coverage or changes to policy forms. Provides that OIR may not issue a notice of intent to disapprove such a rate filing unless OIR has completed a finalized review.

- Provides that an insurer's decision to deny a claim or any portion of a claim must be made by a qualified human professional.

The bill does not appear to have a fiscal impact on state or local government.

The bill takes effect on July 1, 2025.

II. Present Situation:

My Safe Florida Home Program

Background

Following the 2004 and 2005 hurricane seasons, where 2.8 million Florida homeowners suffered more than \$33 billion in insured property damage, 86 percent of the 4.4 million homes in Florida were built prior to the adoption of stronger building codes in 2002, and the average age of a home was 26 years, Florida began to experience a decline in the availability of property insurance and an increase in its cost.¹ In 2006, the Legislature created the My Safe Florida Home Program (MSFH Program) within the Department of Financial Services (DFS).² The original appropriation for the MSFH Program was \$250 million for a period not to exceed three years with any unused appropriated funds reverting to the General Revenue Fund on June 30, 2009.³

The MSFH Program was created with the intent to provide trained and certified inspectors to perform mitigation inspections for owners of site-built, single-family, residential properties, and mitigation grants to eligible applicants, subject to the availability of funds.⁴ The Program was to “develop and implement a comprehensive and coordinated approach for hurricane damage mitigation...”⁵ The Program allowed the DFS to undertake a public outreach and advertising campaign to inform consumers of the availability and benefits of the mitigation inspections and grants.⁶ From its inception to January 30, 2009, the Program received approximately 425,193 applications, performed more than 391,000 inspections and awarded 39,000 grants. From July 2007 through January 2009, MSFH Program expenditures totaled approximately \$151.9 million.⁷ Funding for the program ceased on June 30, 2009.⁸

¹ Department of Financial Services, *My Safe Florida Home, 2008 Annual Report* (Feb. 2009) (on file with Senate Committee on Banking and Insurance).

² The Legislature initially established the program as the Florida Comprehensive Hurricane Damage Mitigation Program (ch. 2006-12, L.O.F.) however, the name was subsequently changed in 2007 (ch. 2007-126, L.O.F.).

³ Chapter 2006-12, L.O.F.

⁴ Section 215.5586, F.S.

⁵ *Id.*

⁶ Section 215.5586(3), F.S.

⁷ Florida Auditor General, *Department of Financial Services, My Safe Florida Home Program, Operational Audit Report No. 2010-074* (Jan. 2010), available at <https://flauditor.gov> (last visited March 13, 2025).

⁸ Department of Financial Services, *My Safe Florida Home, 2008 Annual Report* (Feb. 2009) (on file with Senate Committee on Banking and Insurance).

Renewal and Funding of the MSFH Program

In May 2022, during Special Session 2022-D, and under a property insurance bill (SB 2-D), the Legislature reestablished the MSFH Program and appropriated \$150 million in nonrecurring funds from the General Revenue Fund designated for the following purposes:

- \$25 million for hurricane mitigation inspections;
- \$115 million for hurricane mitigation grants;
- Four million dollars for education and consumer awareness;
- One million dollars for public outreach to contractors, real estate brokers, and sales associates; and
- Five million dollars for administrative costs.⁹

During the 2023 Regular Legislative Session, the Legislature appropriated an additional \$100 million in nonrecurring funds from the General Revenue Fund for mitigation grants and \$2,065,000 for operations and administration costs.¹⁰ During Special Session 2023-C, the Legislature appropriated \$176,170,000 in nonrecurring funds from the General Revenue Fund for hurricane mitigation grants and \$5,285,100 for administrative costs. During the 2024 Regular Legislative Session, the Legislature appropriated \$200 million in nonrecurring funds from the General Revenue Fund for hurricane mitigation grants, inspections, and administrative costs.¹¹

Residential Property Insurance Mitigation Credits, Discounts, or Other Rate Differentials

Residential property insurance rates must account for mitigation measures undertaken by policyholders to reduce hurricane losses.¹² Specifically, insurer rate filings must include actuarially reasonable discounts, credits, or other rate differentials or appropriate reductions in deductibles to consumers who implement windstorm damage mitigation techniques to their properties.¹³ Upon their filing by an insurer or rating organization, the Office of Insurance Regulation (OIR) determines the discounts, credits, and other rate differentials.¹⁴ Windstorm mitigation measures that must be evaluated for purposes of mitigation discounts include fixtures or construction techniques that enhance roof strength, roof covering performance, roof-to-wall strength, wall-to-floor-to-foundation strength, opening protection, and window, door, and skylight strength.¹⁵

An insurer is required to notify an applicant or policyholder of any personal lines residential property insurance policy, at the time of the issuance of the policy and at each renewal, of the availability of each premium discount, credit, other rate differential for properties on which fixtures or construction techniques demonstrated to reduce the amount of loss in a windstorm can be or have been installed or implemented.¹⁶ The Financial Services Commission is required to

⁹ Section 4, ch. 2022-268, L.O.F.

¹⁰ SB 2500 (2023); Specific Appropriations 2368A & 2368B, ch. 2023-239, Laws of Fla.

¹¹ Section 2, ch. 2024-107, L.O.F.

¹² Section 627.062(2)(j), F.S.

¹³ Section 627.0629(1), F.S.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ Section 627.711(1), F.S.

develop a uniform mitigation verification inspection form to be used by all insurers when submitted by policyholders for the purpose of factoring discounts for wind insurance.¹⁷

MSFH Program Insurance Premium Discounts Experience

The DFS reports that grant recipients in the MSFH Program have seen positive impacts to their insurance premiums, as follows:

- In 2024, those homeowners who responded saw an average of \$938 annual premium savings due to their participation in the Program.
- Over 49% of reimbursed homeowners reported an annual premium savings, while 28% saw no change, and approximately 17% reported increases.¹⁸

Insurance Company Surplus

To transact insurance in Florida, insurers must apply for a certificate of authority and meet certain surplus requirements. The surplus requirements for existing insurers are different than the requirements for new insurers.¹⁹

Surplus Requirement for New Residential Property Insurers

Section 624.407, F.S., establishes the surplus requirement for new insurers doing business in this state. The minimum surplus requirement for a new domestic insurer that transacts residential property insurance is:

- \$15 million if not a wholly owned subsidiary of an insurer domiciled in any other state.²⁰
- \$50 million if a wholly owned subsidiary of an insurer domiciled in any other state.²¹

The minimum surplus requirement for a domestic insurer that only transacts limited sinkhole coverage insurance for personal lines residential property pursuant to s. 627.7151, F.S., is \$7.5 million.²²

An insurer that only transacts residential property renter's insurance, tenant's coverage, or cooperative unit owner insurance, or any combination thereof, must have a minimum surplus of \$10 million.²³

Surplus Requirement for Existing Residential Property Insurers

Section 624.408, F.S., establishes the surplus requirement for existing insurers doing business in this state. The minimum surplus requirement for existing residential property insurers is:

- \$15 million for residential property insurers not holding a certificate of authority before July 1, 2011;

¹⁷ Section 627.711(2)(a), F.S.

¹⁸ Department of Financial Services, *My Safe Florida Home, 2024 Annual Report* (Feb. 2025), p.2 (on file with the Senate Committee on Banking and Insurance).

¹⁹ See ss. 624.407 and 624.408, F.S.

²⁰ Section 624.407(1)(e)1., F.S.

²¹ Section 624.407(1)(e)2., F.S.

²² Section 624.407(1)(f), F.S.

²³ Section 624.407(1)(g), F.S.

- \$5 million for residential property insurers holding a certificate of authority before July 1, 2011, and until June 30, 2016;
- \$10 million for residential property insurers holding a certificate of authority on or after July 1, 2016, and until June 30, 2021; and
- \$15 million for residential property insurers holding a certificate of authority on or after July 1, 2021.²⁴

The minimum surplus requirement for a domestic insurer that only transacts limited sinkhole coverage insurance for personal lines residential property pursuant to s. 627.7151, F.S., is \$7.5 million.²⁵

The minimum surplus requirement for an insurer that only transacts residential property insurance in the form of renter's insurance, tenant's coverage, cooperative unit owner insurance, or any combination thereof, is \$10 million.²⁶

Officers and Directors of Insolvent Insurers

The OIR has broad authority to deny, suspend, or revoke an insurer's authority to transact insurance in Florida if it finds the insurer's officers or directors to be:

- Incompetent or untrustworthy;
- So lacking in insurance company managerial experience as to make the proposed operation hazardous to the insurance-buying public;
- So lacking in insurance experience, ability, and standing as to jeopardize the reasonable promise of successful operation; or
- Affiliated directly or indirectly through ownership, control, reinsurance transactions, or other insurance or business relations, with any person or persons whose business operations are or have been marked, to the detriment of policyholders, stockholders, investors, creditors, or the public, by manipulation of assets, accounts, or reinsurance or by bad faith.²⁷

The OIR may not grant or continue authority to transact insurance to any insurer if any person, including any subscriber, stockholder, or incorporator, who exercises or has the ability to exercise effective control of the insurer, or who influences or has the ability to influence the transaction of the business of the insurer, does not possess the financial standing and business experience for the successful operation of the insurer.

An officer or director of an insurer who served in that capacity within the 2-year period before the date the insurer became insolvent may not serve as an officer or director of an insurer authorized in this state or have direct or indirect control over the selection or appointment of an officer or director through contract, trust, or by operation of law, unless the officer or director demonstrates to the OIR that his or her personal actions or omissions were not a significant contributing cause to the insolvency.²⁸

²⁴ Section 624.408(1), F.S.

²⁵ Section 624.408(1)(h), F.S.

²⁶ Section 624.408(1)(i), F.S.

²⁷ Section 624.404(3)(a), F.S.

²⁸ Section 624.4073, F.S.

Regulation of Insurance Rates

Part I of ch. 627, F.S., the Rating Law,²⁹ governs property, casualty, and surety insurance covering the subjects of insurance resident, located, or to be performed in this state.³⁰ The rating law provides that the rates for all classes of insurance it governs may not be excessive, inadequate, or unfairly discriminatory.³¹ Though the terms “rate” and “premium” are often used interchangeably, the rating law specifies that “rate” is the unit charge that is multiplied by the measure of exposure or amount of insurance specified in the policy to determine the premium, which is the consideration paid by the consumer.³²

Upon receiving a rate filing, the OIR reviews the filing to determine if the rate is excessive, inadequate, or unfairly discriminatory. The OIR makes that determination in accordance with generally acceptable actuarial techniques and considers the following:

- Past and prospective loss experience;
- Past and prospective expenses;
- The degree of competition among insurers for the risk insured;
- Investment income reasonably expected by the insurer;
- The reasonableness of the judgment reflected in the rate filing;
- Dividends, savings, or unabsorbed premium deposits returned to policyholders;
- The adequacy of loss reserves;
- The cost of reinsurance;
- Trend factors, including trends in actual losses per insured unit for the insurer;
- Conflagration and catastrophe hazards;
- Projected hurricane losses;
- Projected flood losses, if the policy covers the risk of flood;
- The cost of medical services, if applicable;
- A reasonable margin for underwriting profit and contingencies; and
- Other relevant factors that affect the frequency or severity of claims or expenses.³³

All insurers or rating organizations writing any line of property or casualty insurance to which this part applies must make an annual base rate filing for each such line with the OIR no later than 12 months after its previous base rate filing, demonstrating that its rates are not inadequate.³⁴ The annual base rate filing requirement may be satisfied, if no rate change is proposed, by filing a certification by an actuary that the existing rate level produces rates which are actuarially sound and which are not inadequate, as defined in s. 627.062, F.S.³⁵

²⁹ Section 627.011, F.S.

³⁰ Section 627.021(1), F.S.

³¹ Section 627.062(1), F.S.

³² Section 627.041, F.S.

³³ Section 627.062(2)(b), F.S.

³⁴ Section 627.0645(1), F.S.

³⁵ Rates shall be deemed inadequate if they are clearly insufficient, together with the investment income attributable to them, to sustain projected losses and expenses in the class of business to which they apply. Section 627.062(2)(e)3., F.S. A rate shall be deemed inadequate as to the premium charged to a risk or group of risks if discounts or credits are allowed which exceed a reasonable reflection of expense savings and reasonably expected loss experience from the risk or group of risks. Section 627.062(2)(3)5., F.S.

Waiver of Timelines

All insurers or rating organizations must file rates with the OIR either 90 days before the proposed effective date of a new rate, which is considered a “file and use” rate filing, or 30 days after the effective date of a new rate, which is considered a “use and file” rate filing.³⁶ A “file and use” rate filing is deemed approved if the OIR does not issue a notice of intent to approve or disapprove within 90 days after receipt of the filing.³⁷

As a general proposition, a person may waive any matter which affects his property or any alienable right which he owns, which belongs to him, or to which he is legally entitled, whether secured by contract, conferred by statute, or guaranteed by the Constitution, provided such rights and privileges rest in the individual, are intended for his sole benefit, to not interfere with the rights of others, and are not forbidden by law or public policy.³⁸ A party may waive a legal right, “whether secured by contract, conferred by statute, or guaranteed by the Constitution.”³⁹

Artificial Intelligence in Claim Handling

Generally

Artificial intelligence (AI) is the development of computer systems to perform tasks that normally require human intelligence, such as learning and decision-making.⁴⁰ It enables computer systems to receive information that is either provided to them by others or gathered by them (e.g. through camera lenses or other sensors), which they can then process and respond to in some meaningful way. To a certain extent, AI systems are capable of adapting their behavior by analyzing the effects of previous actions and working autonomously.⁴¹

Investments in AI have led to many of the transformative advancements that U.S. consumers rely upon every day,⁴² including mapping technologies, voice-assisted smartphones, handwriting recognition for mail delivery, financial trading, smart logistics, spam filtering, and language translation. AI advances have also provided significant social benefits in areas such as precision medicine, environmental sustainability, education, and public welfare.⁴³

Concerns about the potential misuse or unintended consequences of AI have prompted efforts to examine and develop standards at the federal and state levels.⁴⁴ For example, the White House

³⁶ Section 627.062(2)(a), F.S.

³⁷ Section 627.062(2)(a)1., F.S.

³⁸ AGO 077-41.

³⁹ *Schoeff v. R.J. Reynolds Tobacco Co.*, 232 So.3d 294 (Fla. 2017), citing *DK Arena, Inc. v. EB Acquisitions I, LLC*, 112 So.3d 85, 97 (Fla. 2013) (quoting *Gilman v. Butzloff*, 155 Fla. 888, 22 So.2d 263, 265 (1945)).

⁴⁰ National Conference of State Legislatures (NCSL), *Artificial Intelligence 2023 Legislation*, Jan. 12, 2024, <https://www.ncsl.org/technology-and-communication/artificial-intelligence-2023-legislation> (last visited March 17, 2025).

⁴¹ European Parliament, *What is artificial intelligence and how is it used?*, E.U. News, Jun. 20, 2023, <https://www.europarl.europa.eu/news/en/headlines/society/20200827STO85804/what-is-artificial-intelligence-and-how-is-it-used> (last visited March 17, 2025).

⁴² U.S. Department of State, *Artificial Intelligence (AI)*, <https://www.state.gov/artificial-intelligence/> (last visited March 17, 2025).

⁴³ *Id.*

⁴⁴ NCSL, *Artificial Intelligence 2023 Legislation*, Jan. 12, 2024, <https://www.ncsl.org/technology-and-communication/artificial-intelligence-2023-legislation> (last visited March 17, 2025).

Office of Science and Technology Policy has published a document identifying principles that should guide the design, use, and deployment of automated systems.⁴⁵ And the U.S. National Institute of Standards and Technology⁴⁶ is holding workshops and discussions with the public and private sectors to develop federal standards for the creation of reliable and trustworthy AI systems.⁴⁷

Insurance Claim Handling

AI techniques are deployed across all stages of the insurance life cycle, including product development, marketing, sales and distribution, underwriting and pricing, policy servicing, claim management, and fraud detection. AI may facilitate the development of innovative products, improve consumer interface and service, simplify and automate processes, and promote efficiency and accuracy. However, AI, including AI systems, can present unique risks to consumers, including the potential for inaccuracy, unfair discrimination, data vulnerability, and lack of transparency and explainability. The National Association of Insurance Commissioners has issued a model bulletin that directs insurers to take actions to minimize these risks.⁴⁸

The DFS is responsible for the regulation of insurance agents and adjusters. Part VI of ch. 626, F.S., governs insurance adjusters.⁴⁹ Current law provides the following five adjuster licenses: an all-lines adjuster, temporary license all-lines adjuster, public adjuster, public adjuster apprentice, and catastrophe or emergency adjuster.⁵⁰ A licensed all-lines adjuster may be appointed as an independent adjuster, or company employee adjuster, but not concurrently as both.⁵¹ An all-lines adjuster means a person who acts on behalf of an insurer to determine the amount of and settle a claim (adjust).⁵² An “independent adjuster” is defined as a person who is licensed as an all-lines adjuster and who is self-appointed or works for an independent adjusting firm to adjust claims.⁵³ A “company adjuster” is defined as a person who is licensed as an all-lines adjuster and who is appointed and employed by an insurer to adjust claims.⁵⁴

III. Effect of Proposed Changes:

My Safe Florida Home Program

Section 1 amends s. 215.5586, F.S., to provide that a hurricane mitigation grant under the MSFH Program may be awarded only for each mitigation improvement that, when applied to the home,

⁴⁵ The White House, Office of Science and Technology Policy (OSTP), *Blueprint for an AI Bill of Rights*, <https://www.whitehouse.gov/ostp/ai-bill-of-rights/> (last visited March 17, 2025).

⁴⁶ The U.S. National Institute of Standards and Technology (NIST) was founded in 1901 and today forms part of the U.S. Department of Commerce. It is one of the nation’s oldest physical science laboratories. NIST, *About NIST*, <https://www.nist.gov/about-nist> (last visited March 17, 2025).

⁴⁷ National Conference of State Legislatures (NCSL), *Artificial Intelligence 2023 Legislation*, Jan. 12, 2024, <https://www.ncsl.org/technology-and-communication/artificial-intelligence-2023-legislation> (last visited March 17, 2025).

⁴⁸ NAIC Model Bulletin, *Use of Artificial Intelligence Systems by Insurers*, December 4, 2023, https://content.naic.org/sites/default/files/inline-files/2023-12-4%20Model%20Bulletin_Adopted_0.pdf (last visited March 17, 2025).

⁴⁹ Section 626.852, F.S., provides this part does not apply to life insurance or annuity contracts.

⁵⁰ Section 626.859, F.S.

⁵¹ Section 626.864, F.S.

⁵² Section 626.8548, F.S.

⁵³ Section 626.855, F.S.

⁵⁴ Section 626.856, F.S.

will result in a property insurance mitigation credit, discount, or other rate differential. If necessary for the home to qualify for a mitigation credit, discount, or other rate differential, the DFS must require that improvements be made to all openings, including exterior doors, garage doors, windows, and skylights, as a condition of reimbursing a homeowner approved for a grant.

Insurance Company Surplus

Surplus Requirement for New Residential Property Insurers

Section 2 amends s. 624.407, F.S., to provide that the minimum surplus requirement for a new domestic insurer:

- That transacts residential property insurance and is not a wholly owned subsidiary of an insurer domiciled in any other state, \$35 million (up from \$15 million).
- That only transacts limited sinkhole coverage insurance for personal lines residential property pursuant to s. 627.7151, F.S., is \$10 million (up from \$7.5 million).
- That only transacts residential property insurance in the form of renter's insurance, tenant's coverage, cooperative unit owner insurance, or any combination thereof, \$12.5 million (up from \$10 million).

Surplus Requirement for Existing Residential Property Insurers

Section 4 amends s. 624.408, F.S., to provide that the minimum surplus requirement for existing residential property insurers is:

- \$35 million for residential property insurers not holding a certificate of authority before July 1, 2025;
- \$15 million for residential property insurers holding a certificate of authority before July 1, 2025, and until June 30, 2030;
- \$25 million for residential property insurers holding a certificate of authority on or after July 1, 2030, and until June 30, 2035; and
- \$35 million for residential property insurers holding a certificate of authority on or after July 1, 2035.

The bill provides that the minimum surplus requirement for a domestic insurer that only transacts limited sinkhole coverage insurance for personal lines residential property pursuant to s. 627.7151, F.S., is:

- For such an insurer that does not hold a certificate of authority before July 1, 2025, \$10 million.
- For such an insurer holding a certificate of authority:
 - Before July 1, 2025, and until June 30, 2030, \$7.5 million;
 - On or after July 1, 2030, and until June 30, 2035, \$8.75 million;
 - On or after July 1, 2035, \$10 million.

The minimum surplus requirement for an insurer that only transacts residential property insurance in the form of renter's insurance, tenant's coverage, cooperative unit owner insurance, or any combination thereof, is \$10 million.⁵⁵

⁵⁵ Section 624.408(1)(i), F.S.

Officers and Directors of Insolvent Insurers

Section 3 amends s. 624.4073, F.S., to apply to insolvencies that occurred on or after July 1, 2002, but before July 1, 2025, the existing provision limiting an officer or director of an insurer who served in that capacity within the 2-year period before the date the insurer became insolvent from serving as an officer or director of an insurer authorized in this state or have direct or indirect control over the selection or appointment of an officer or director through contract, trust, or by operation of law, unless the officer or director demonstrates to the OIR that his or her personal actions or omissions were not a significant contributing cause to the insolvency.

In newly created s. 624.4073(2), F.S., the bill provides that any person who was an officer or director of an insurer doing business in this state, was the attorney in fact of a reciprocal insurer doing business in this state, or was an officer or director of an attorney in fact of a reciprocal insurer doing business in this state and who served in that capacity within the 5-year period before the date such insurer or reciprocal insurer became insolvent, for any insolvency that occurs on or after July 1, 2025, may not thereafter do any of the following:

- (2)(a) Serve as an officer or a director of an insurer authorized in this state.
- (2)(b) Serve as an officer or a director of a managing general agent of an insurer authorized in this state.
- (2)(c) Serve as an attorney in fact or as an officer or a director of the attorney in fact of a reciprocal insurer authorized in this state.
- (2)(d) Serve as an officer or a director of an affiliate of an insurer authorized in this state which provides services to such insurer.
- (2)(e) Exercise direct or indirect control through contract, trust, or by operation of law over the selection or appointment of any position specified in paragraphs (a)-(d).

The bill provides that these prohibitions do not apply if the officer, director, or attorney in fact demonstrates, and the OIR determines, that his or her personal actions or omissions were not a significant contributing cause to the insolvency.

For any violation of paragraph (2)(b), paragraph (2)(c), or paragraph (2)(d), the OIR must prohibit an insurer or reciprocal insurer authorized in this state from paying any compensation to a managing general agent, affiliate, or attorney in fact that has an officer or director or is an attorney in fact that engaged in such violation until the office determines the violation has been remedied.

Regulation of Insurance Rates

Section 5 amends s. 627.062, F.S., to prohibit the OIR from requesting that an insurer waive the 90-day time limit for the review of any residential property insurance rate filing in which the insurer proposes a rate decrease, provided that the decrease is not solely due to a reduction in coverage or changes to policy forms. The OIR may not issue a notice of intent to disapprove a residential property insurance rate filing in which the insurer proposes a rate decrease unless it has completed a finalized review.

Artificial Intelligence in Claim Handling

Section 6 creates s. 627.4263, F.S., to provide that an insurer's decision to deny a claim or any portion of a claim must be made by a qualified human professional. Such professional must also:

- Analyze the facts of the claim and the terms of the insurance policy independently of any system or algorithm.
- Review the accuracy of any output generated by such a system or algorithm.
- Conduct any review of a claim adjustment or claim decision that was made by another qualified human professional.

The bill requires insurers to maintain detailed records of the activities of the qualified human professionals that are required under this section, including:

- The name and title of the qualified human professional who made the decision to deny the claim or a portion of the claim and of any qualified human professional who reviewed the claim adjustment or claim decision.
- The date and time of the claim decision and of any review of the claim adjustment.
- Documentation of the basis for the denial of the claim or a portion of the claim, including any information provided by an algorithm, artificial intelligence system, or machine learning system.

The bill provides that an artificial intelligence system, a machine learning system, or an algorithm may not serve as the sole basis for determining whether to deny a claim. In all claim denial communications to a claimant, an insurer must:

- Clearly identify the qualified human professional who made the decision to deny the claim or a portion of the claim.
- Include a statement affirming that an algorithm, an artificial intelligence system, or a machine learning system did not serve as the sole basis for determining whether to deny the claim.

An insurer that uses an algorithm, an artificial intelligence system, or a machine learning system as part of its claims handling process must detail in its claims handling manual the manner in which such systems are used and the manner in which the insurer complies with this section. The OIR is authorized to conduct market conduct examinations and investigations or use any method it deems necessary to verify compliance with this section.

Effective Date

Section 7 provides that the bill takes effect on July 1, 2025.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None.

V. Fiscal Impact Statement:**A. Tax/Fee Issues:**

None.

B. Private Sector Impact:

The bill should result in more My Safe Florida Home Program grant recipients receiving insurance premium discounts.

New and existing insurers will be more well capitalized under the increased surplus requirements. Some existing insurers may have to raise capital to meet the bill's requirements.

C. Government Sector Impact:

The bill does not appear to have an impact on state or local government.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 215.5586, 624.407, 624.4073, 624.408, and 627.062.

This bill creates the following section of the Florida Statutes: 627.4263.

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 Committee on March 17, 2025:

The committee substitute made the following changes to the bill as filed:

- Prohibits OIR from requesting that an insurer waive the 90-day time limit for the review of any residential property insurance rate filing in which the insurer proposes a rate decrease, provided that the decrease is not solely due to a reduction in coverage or changes to policy forms. OIR may not issue a notice of intent to disapprove a residential property insurance rate filing in which the insurer proposes a rate decrease unless it has completed a finalized review.
- Provides that an insurer's decision to deny a claim or any portion of a claim must be made by a qualified human professional.

- B. **Amendments:**

None.