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 1740

INTRODUCER: Senator Ingoglia

SUBJECT: Insurance

DATE: March 14, 2025 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Thomas	Knudson	BI	**Pre-meeting**
2.			AEG	
3.			FP	

I. Summary:

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;
  - Serve as 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.

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]

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

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[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).

- 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 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.

[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.
[17] Section 627.711(2)(a), F.S.

- 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;
- $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]

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[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.
[24] Section 624.408(1), F.S.

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]

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, 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

[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.

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.[29]

[29] 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.

Effective Date

Section 5 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, and 624.408.

IX. Additional Information:

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

None.

B. Amendments:

None.