

STORAGE NAME: h4009s1z.in

DATE: June 21, 2000

****PASSED AS CS/SB 1744****

CHAPTER #: 2000-333, Laws of Florida

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
INSURANCE
FINAL ANALYSIS**

BILL #: CS/HB 4009 (PCB RC 00-05)

RELATING TO: Florida Statutes/Repeals & Deletions

SPONSOR(S): Committee on Insurance, Committee on Rules & Calendar, and Representative Bitner

TIED BILL(S): None

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) RULES & CALENDAR YEAS 17 NAYS 0
 - (2) INSURANCE YEAS 12 NAYS 0
 - (3)
 - (4)
 - (5)
-

I. SUMMARY:

Florida Statutes contain a number of obsolete or dated insurance provisions. This bill would remove these obsolete or dated provisions from law.

This bill would have no fiscal impact on state or local government.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

B. PRESENT SITUATION:

Many sections of the Florida Statutes contain dated or obsolete provisions relating to insurance. For more information, see II.D., Section-by-Section Analysis.

C. EFFECT OF PROPOSED CHANGES:

This bill would repeal from the Florida Statutes dated or obsolete provisions relating to insurance. For more information, see II.D., Section-by-Section Analysis.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. The amount of surplus-as-to-policyholders required for a property and casualty insurer is set forth in s. 624.408, F.S. This amount is being phased-in over a six year period, that began December 31, 1998. Dates that have passed would be removed from s. 624.408, F.S.

Section 2. The Legislature created the Florida Commission on Hurricane Loss Projection Methodology in 1995. Governed by s. 627.0628, F.S., the Commission was given a deadline of December 31, 1995, to adopt its "initial actuarial methods, principles, standards, models, or output ranges" and a deadline of July 1, 1996, to adopt revised actuarial methods, principles, standards, models, or output ranges. Since the Commission has complied with this section of Florida Statutes, these dates are no longer relevant and would be removed from statute.

Section 3. Under s. 627.215, F.S., the Department of Insurance was required to submit to the Legislature by October 1, 1995, a history of the excess profits law and a year-by-year listing of the excess profits returned to policyholders. Since this date has passed, and the report has been completed, s. 627.215, F.S., would be amended to remove this provision.

Section 4. Under s. 627.3511, F.S., the Residential Property and Casualty Joint Underwriting Association (RPCJUA) is allowed to enact depopulation programs in an effort to reduce its size. According to the legislative findings and intent, the RPCJUA had become "by virtue of its size, a significant impediment to the restoration of a stable and competitive residential property insurance market." At the time these legislative findings were made, the RPCJUA had approximately 780,000 policies representing exposures of roughly \$80 billion. Since the implementation of the depopulation statute, the RPCJUA has become considerably smaller. As of November 1999, the RPCJUA had 105,896 policies

representing exposures of \$17.4 billion. While the language regarding legislative findings would be removed, the legislative intent language authorizing the use of financial incentives to encourage the depopulation of the RPCJUA would be preserved.

Section 5. The Department of Insurance was prohibited by s. 629.520, F.S., from issuing certificates of authority for limited reciprocal insurers after October 1, 1991. Limited reciprocal insurers were granted until October 1, 1992, to convert their certificates of authority by meeting the requirements for a certificate of authority as another type of insurer. The date by which limited reciprocal insurers were given to convert their certificates of authority has expired. Therefore, this opportunity no longer exists.

Section 6. A person who is licensed as a contractor of fire protection systems was required to have a certain number of continuing education hours for the June 30, 1998, renewal period under s. 633.41, F.S. The exception only applied to the June 30, 1998, renewal period and, therefore, no longer exists.

Section 7. This section repeals a number of obsolete statutes, including:

s. 624.515(2)(b), F.S.: Each insurer authorized to transact insurance in this state is required to collect an annual surcharge of 0.1 percent from each holder of a policy of fire, allied lines, or multi-peril insurance covering commercial property in this state. The surcharge is remitted to the Department of Revenue and deposited in the Fire College Trust Fund administered by the State Fire Marshal. Under s. 624.515(2)(b), F.S., the surcharge applies to policies issued or renewed after July 1, 1992. No policies issued or renewed prior to this date are still in force.

s. 626.9929, F.S.: Viatical settlement sales agents transacting business in the state on June 30, 1999, were allowed a grace period until November 1, 1999, to comply with changes in licensing requirements. Since the grace period in s. 626.9929, F.S., expired on November 1, 1999, all viatical settlement sales agents are required to meet licensing requirements, and the grace period is no longer relevant.

s. 627.072(4)(c), F.S.: The making and use of rates in workers' compensation and employer's liability insurance is governed under s. 627.072, F.S. This section sets forth a methodology that the Department of Insurance could use in making rate determinations. The Commissioner of Insurance was directed to consider using this methodology prior to March 30, 1980. The Insurance Commissioner was required to report to the Legislature the reasons for not using this methodology prior to March 30, 1980, if it was not used. Since the date has passed, and it applies to a requirement enacted nearly two decades ago, paragraph (c) of subsection (4) of s. 627.072, F.S., is obsolete and would be removed.

s. 627.706(5), F.S.: Section 627.706(5), Florida Statutes, requires insurers in the state to offer sinkhole insurance to new and renewal policies issued on or after October 1, 1981. Since there are no longer any policies in force that were issued before this date, the distinction based on the date of issuance is of no affect. Therefore, this section would be removed.

s. 627.990, F.S.: Section 627.990, Florida Statutes, which creates the Workers' Compensation Insurance Purchasing Alliance, would be removed. The Alliance has not met in three years and performs essentially the same functions as the market assistance plan of the Workers' Compensation Joint Underwriting Association.

s. 627.991, F.S.: Section 627.991, Florida Statutes, sets forth the powers, duties, and responsibilities of the Workers' Compensation Insurance Purchasing Alliance. Since the Alliance would be repealed, this section would no longer be relevant.

s. 627.992, F.S.: Section 627.992, Florida Statutes, sets forth the composition of the board of the Workers' Compensation Insurance Purchasing Alliance. Since the Alliance would be repealed, this section would no longer be relevant.

Section 8. This bill would take effect upon becoming law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None

2. Expenditures:

None

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None

2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None

D. FISCAL COMMENTS:

None

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

STORAGE NAME: h4009s1z.in

DATE: June 21, 2000

PAGE 5

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None

B. RULE-MAKING AUTHORITY:

None

C. OTHER COMMENTS:

None

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On February 7, 2000, HB 4009 was amended by the Committee on Insurance and adopted as a committee substitute. In addition to re-ordering the bill into statutory order and repealing all obsolete statutes in one section, CS/HB 4009 differs from the original bill in the following ways:

- ◆ The repeal of s. 215.555(15), F.S., which defines the term “collateral protection insurance” for purposes of the Florida Hurricane Catastrophe Fund, would be removed.
- ◆ Current language in s. 624.408(1)(b), F.S., regarding the required surplus of property and casualty insurers that held a certificate authority on December 1, 1993 would be reinserted. The original bill would strike the requirement of \$2.5 million that must be maintained on December 31, 1999 to December 30, 2000, and the committee substitute restores the language in current law.
- ◆ The repeals of s. 633.537(3)(b), F.S., an obsolete provision relating to firefighters certificate of tenure; s. 634.404(1)(a) and (b), F.S., an obsolete phase-in period for service warranty associations to meet minimum net asset requirements; and s. 642.0262(2), F.S., an obsolete phase-in period for legal expense insurance corporations to meet minimum net worth requirements would be removed. These sections would be repealed in PCB RC 00-40, a reviser’s bill from the Committee on Rules & Calendar.
- ◆ Sections 627.990, 627.991, and 627.992, Florida Statutes, relating to the Workers’ Compensation Insurance Purchasing Alliance, would be repealed. The board of the purchasing alliance has not met in over three years, and the market assistance plan of

STORAGE NAME: h4009s1z.in

DATE: June 21, 2000

PAGE 6

the Workers' Compensation Joint Underwriting Association performs the same functions.

VII. SIGNATURES:

COMMITTEE ON INSURANCE:

Prepared by:

Staff Director:

Meredith Woodrum Snowden

Stephen Hogge

FINAL ANALYSIS PREPARED BY THE COMMITTEE ON INSURANCE:

Prepared by:

Staff Director:

Meredith Woodrum Snowden

Stephen Hogge