

By Senator Atwater

25-03064-08

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1                   A bill to be entitled  
2           An act relating to insurance; amending s. 627.062, F.S.;  
3           deleting the requirement for the Office of Insurance  
4           Regulation to approve a rating factor that provides an  
5           insurer a reasonable rate of return for covering  
6           catastrophic losses not covered by reinsurance; providing  
7           an effective date.  
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9   Be It Enacted by the Legislature of the State of Florida:  
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11           Section 1. Paragraph (b) of subsection (2) of section  
12   627.062, Florida Statutes, is amended to read:

13           627.062 Rate standards.--

14           (2) As to all such classes of insurance:

15           (b) Upon receiving a rate filing, the office shall review  
16   the rate filing to determine if a rate is excessive, inadequate,  
17   or unfairly discriminatory. In making that determination, the  
18   office shall, in accordance with generally accepted and  
19   reasonable actuarial techniques, consider the following factors:

20           1. Past and prospective loss experience within and without  
21   this state.

22           2. Past and prospective expenses.

23           3. The degree of competition among insurers for the risk  
24   insured.

25           4. Investment income reasonably expected by the insurer,  
26   consistent with the insurer's investment practices, from  
27   investable premiums anticipated in the filing, plus any other  
28   expected income from currently invested assets representing the  
29   amount expected on unearned premium reserves and loss reserves.

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30 The commission may adopt rules using ~~utilizing~~ reasonable  
31 techniques of actuarial science and economics to specify the  
32 manner in which insurers shall calculate investment income  
33 attributable to such classes of insurance written in this state  
34 and the manner in which such investment income shall be used to  
35 calculate ~~in the calculation of~~ insurance rates. Such manner  
36 shall contemplate allowances for an underwriting profit factor  
37 and full consideration of investment income which produce a  
38 reasonable rate of return; however, investment income from  
39 invested surplus may ~~shall~~ not be considered.

40 5. The reasonableness of the judgment reflected in the  
41 filing.

42 6. Dividends, savings, or unabsorbed premium deposits  
43 allowed or returned to Florida policyholders, members, or  
44 subscribers.

45 7. The adequacy of loss reserves.

46 8. The cost of reinsurance.

47 9. Trend factors, including trends in actual losses per  
48 insured unit for the insurer making the filing.

49 10. Conflagration and catastrophe hazards, if applicable.

50 11. A reasonable margin for underwriting profit and  
51 contingencies. ~~For that portion of the rate covering the risk of~~  
52 ~~hurricanes and other catastrophic losses for which the insurer~~  
53 ~~has not purchased reinsurance and has exposed its capital and~~  
54 ~~surplus to such risk, the office must approve a rating factor~~  
55 ~~that provides the insurer a reasonable rate of return that is~~  
56 ~~commensurate with such risk.~~

57 12. The cost of medical services, if applicable.

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58           13. Other relevant factors which impact upon the frequency  
59 or severity of claims or upon expenses.

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61 The provisions of this subsection shall not apply to workers'  
62 compensation and employer's liability insurance and to motor  
63 vehicle insurance.

64           Section 2. This act shall take effect July 1, 2008.