

1970

Session Law 70-188: Preliminary Report, Jan. 11, 1965, Committee on Insurance

Florida Senate & House of Representatives

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Recommended Citation

House of Representatives, Florida Senate &, "Session Law 70-188: Preliminary Report, Jan. 11, 1965, Committee on Insurance" (1970). *Staff Analysis*. 23.

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FILE: Preliminary Report
Jan. 11, 1965, Comm. on
Insurance

PRELIMINARY REPORT
LEGISLATIVE COUNCIL COMMITTEE
ON INSURANCE

January 11, 1965

Senator L. K. Edwards, Chairman
Florida Legislative Council

The following is a preliminary report of the Legislative Council Committee on Insurance. This report is prepared in 3 sections.

1. Contains a summary analysis of all proposed legislation recommended by the Insurance Committee.
2. Contains all the proposed bills together with a comparative analysis of each bill.
3. Contains all sub-committee reports of the Insurance Committee as they were officially adopted by the full committee.

The Insurance Committee has held numerous sub-committee meetings and public hearings in Pensacola, Miami, Tampa, Orlando and Jacksonville. All of the proposed legislation contained in this report and several proposals rejected by the committee were explained in each of the public hearings. At the conclusion of the public hearings the Insurance Committee met and studied each proposal that had been submitted to the committee. This report contains the affirmative action of the committee on these proposals.

This report is titled a preliminary report because there still is pending in the committee a proposal to regulate the Title Insurance Industry in Florida. This proposal has had extensive study and work by many people including the Insurance Commissioner, the Florida Land Title Association, the Lawyers Title Guaranty Fund and the committee. After all this work and study, there still exists some substantial objections to the proposal as drafted. In view of the situation, the committee unanimously adopted a motion at its last meeting which included the following 3 provisions:

1. That the committee would accept for study the proposal as drafted and explained at the public hearings.
2. That the committee go on record as feeling that a sufficient case had been made for the proposal to regulate the Title Insurance industry in Florida to warrant the public statement that the committee would definitely submit a proposal prior to the last meeting of the Legislative Council before the 1965 session of the Legislature which would regulate all the Companies, Firms, Associations and Trusts which write title insurance business in Florida.
3. In order to accomplish the purpose of the 2nd portion of the motion adopted by the committee, the Chairman was authorized and directed to appoint a special committee.

In compliance with the 3rd provision of the motion the Chairman has appointed the following committee and this committee will hold its


first meeting January 28, 1965 in Tallahassee, Florida:

1. Honorable Delbridge L. Gibbs
P. O. Box 447
Jacksonville, Florida
2. Honorable Paul Game, Sr.
P. O. Box 2417
Tampa, Florida
3. Honorable Melbourne L. Martin
P. O. Box 3131
Miami, Florida
4. Honorable Wallace M. Jopling
P. O. Box 585
Lake City, Florida

All of these gentlemen are eminent Florida attorneys, two of whom are past presidents of the Florida Bar and all of whom are authorities in the field of Real Property. Working with these 4 men will be the Chairman of the Insurance Committee, Mr. David V. Kerns, Director, Legislative Reference Bureau, Mr. Walter T. Rountree, General Counsel, Insurance Commissioner and Mr. Peter Guarisco, Committee Counsel.

All the members of the Insurance Committee have worked diligently in the preparation of the matters contained in this report and the affirmative action on all the proposals contained herein was unanimous.

Respectfully submitted,


Robert Williams, Chairman
Legislative Council Insurance
Committee

**SUMMARY ANALYSIS
OF
PROPOSED LEGISLATION
RECOMMENDED BY
INSURANCE COMMITTEE**

Page 2 - Proposal No. 1

proceedures and the depreciation provisions of the Internal Revenue Code. An insurance company is authorized to make real estate investments with a lower limitation of 4% of its assets or not more than 50% of its capital and surplus whichever is less. For real estate acquired for leasing at the same time there is a 10% investment limitation on all real property owned or held by an insurer. The proposed amendment deletes the lower limitation with regard to real estate for leasing and subjects all investments relative to real property by an insurance company not to exceed 10% of its assets as now required in Section 625.0135. For example, if an insurance company has only 2% of its assets invested in a home office it can then invest the remaining 8% in real estate or leasing rather than be limited to the 4% in the present law. But at no time will an insurance company be permitted to invest more than the 10% of its assets in real property.

PROPOSAL NO. 1

S. B. NO. _____

H. B. NO. _____

WHOLLY-OWNED SUBSIDIARIES; MORTGAGE LOANS;
REAL ESTATE FOR LEASING; LIMITS OF INVESTMENTS

EXPLANATION OF BILL

PRESENT LAW

Section 625.0124
Provides that with the commissioner's consent an insurer may invest in stock of its substantially wholly-owned subsidiary insurer corporation (insurance company) all of insurer's investments under this section and other insurance stocks under Section 625.0123 shall not exceed of insurer's investing surplus in excess of its surplus maintained as a life insurer or surplus to policyholders if other than life insurer.

(2) No subsection (2) in the present law, however, this exact wording is in the present law.

PROPOSED CHANGES

Section 625.0124
(1) Provides that with the commissioner's consent an insurer may invest in stock of:

(a) Substantially wholly-owned subsidiary insurer corporation.

(b) Substantially wholly-owned or substantially wholly-owned subsidiary corporation in conjunction with one or more insurers formed and operated solely for the purpose of owning and operating a home office or regional home office building and facilities.

(c) Substantially wholly-owned or substantially-owned subsidiary corporation in conjunction with one or more insurers formed and operated solely for the purpose of owning and operating electronic data processing equipment and facilities.

(2) Exactly as in the present law, provides that all of insurer's investments together with investments in other insurance stocks under Section 625.0123 shall not exceed the amount of insurer's investing surplus in excess of its surplus maintained as a life

PRESENT LAW

Section 625.0126

(3) Provides that no mortgage loan made by an insurer on any one property shall exceed the larger of the following amounts:

(a) 75% of the value of the real property or leasehold securing the same on dwellings for occupancy by not more than 2 families, or 66-2/3% of such value in other real estate mortgages.

Section 625.0133

(1) Provides that an insurer may acquire and hold real property for the purpose of leasing to any person or firm or property already leased under the following condition:

(a) That there has been erected on the property a building or improvements satisfactory to the purchaser, or

(b) That lessee at his own cost erect free of liens, a building or other improvements satisfactory to the lessor, or

(c) That lessor under terms of lease for a period of 25 years from date of lease entered into simultaneously with purchase of the property agrees to erect a building or other improvements.

PROPOSED CHANGES

insurer or surplus to policyholders if other than life insurer.

Section 625.0126

(3) No change.

(a) 80% of the value of the real property or leasehold securing the same on dwellings for occupancy by not more than 2 families, or 75% of such value in other real estate mortgages.

Section 625.0133

(1) No change.

(a) No change.

(b) No change.

(c) No change.

PRESENT LAW

(d) Improvements to remain on property for a period of the lease, and improvements erected at cost of lessee title of improvements at termination of lease shall vest, free of liens, in the owner of the real estate.

(e) That during the lease the tenant shall keep and maintain the improvements in good repair.

(2) Provides that real property acquired pursuant to this section shall not be treated as an admitted asset unless the improvements required are constructed and the lease agreement is in accordance with subsection (1); nor is real estate acquired pursuant to this section to be treated as an admitted asset in an amount exceeding the amount actually invested reduced each year by equal decrements to write at least 75% of the investment at normal termination of the lease or at end of 30 years if term of lease is for longer period.

(3) Provides for total investments of insurer under this section not to exceed 4% of assets nor more than 50% of its capital and surplus which ever is less.

Section 625.0135
Provides that no investment can be made by an insurer relative to real estate for leasing and real estate for employee

PROPOSED CHANGES

(d) No change.

(e) No change.

(2) Only change made is to delete the word "investment" and add in its place "value" of the building or other improvements on the property." This will require (decrements) depreciation to be taken only on buildings or other improvements and brings the law in conformity with standard accounting procedures and the depreciation provisions of the Internal Revenue Code. Land is not a depreciable asset.

(3) Subsection (3) is deleted since limitation on investment of real property is provided for in section 625.0135 of the present law.

Section 625.0135
Provides that no investment can be made by an insurer relative to real estate for leasing and real estate for employee facilities (Sections 625.0133

PRESENT LAW

facilities (Sections 625.0133 and 625.0134) which will cause the insurer's investment in all real property to exceed 10% of its assets.

PROPOSED CHANGES

and 625.0134) which will cause the insurer's investment in all real property to exceed 10% of its assets, except as may be authorized under the provisions of Section 625.0132 (2).

Section 625.0132 (2) of the present law provides proper limitations of investment on real property.

Effective Date June 15, 1965

A BILL

TO BE ENTITLED

AN ACT RELATING TO THE INSURANCE CODE; AMENDING SECTION 625.0124, FLORIDA STATUTES, BY AUTHORIZING INSURERS TO INVEST IN STOCK OF SUBSTANTIALLY WHOLLY-OWNED SUBSIDIARIES FOR THE PURPOSE OF OWNING HOME OFFICE AND REGIONAL HOME OFFICE BUILDINGS AND ELECTRONIC DATA PROCESSING EQUIPMENT; AMENDING PARAGRAPH (a) OF SUBSECTION (3) OF SECTION 625.0126, FLORIDA STATUTES, RELATING TO MORTGAGE LOANS BY AUTHORIZING INSURERS TO INCREASE THE INVESTMENT ON ANY ONE PROPERTY; AMENDING SECTION 625.0133, FLORIDA STATUTES, RELATING TO REAL ESTATE FOR LEASING BY LIMITING DEPRECIATION OF PROPERTY BY INSURERS TO BUILDINGS OR OTHER IMPROVEMENTS; DELETING INSURERS INVESTMENT LIMITATION AS TO REAL ESTATE FOR LEASING; AMENDING SECTION 625.0135, FLORIDA STATUTES, RELATING TO INSURER'S LIMITS OF INVESTMENTS IN REAL ESTATE IN ADDITION TO HOME OFFICE AND BRANCH OFFICE PROPERTY; AND PROVIDING AN EFFECTIVE DATE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF FLORIDA:

Section 1. Section 625.0124, Florida Statutes, is amended to read:

625.0124 Stocks of subsidiaries.--

(1) With the Commissioner's consent an insurer may invest in the stock of:

(a) Its substantially wholly-owned subsidiary insurer corporation,

(b) Its substantially wholly-owned, or substantially wholly-owned in conjunction with one or more other insurers, subsidiary corporation formed and operated solely for the purpose of owning and operating home office and regional home office buildings and facilities.

(c) Its substantially wholly-owned, or substantially wholly-owned in conjunction with one or more other insurers, subsidiary corporation formed and operated solely for the purpose of owning and operating electronic and similar data processing equipment and facilities.

(2) All of the insurer's investments under this section, together with its investment in other insurance stocks under Section 625.0123, Florida Statutes, shall not at any time exceed the amount of the investing insurer's surplus in excess of its surplus required to be maintained, if a life insurer, or its surplus to policyholders, if other than a life insurer.

Section 2. Paragraph (a) of subsection (3) of Section 625.0126, Florida Statutes, is amended to read:

625.0126 Mortgage loans.--

(3) No such mortgage loan or loans made or acquired by an insurer on any one property shall, at the time of investment by the insurer, exceed the larger of the following amounts as applicable:

(a) Eighty percent (80%) of the value of the real property or leasehold securing the same in the case of mortgages on dwellings primarily intended for occupancy by not more than two (2) families, or seventy-five percent (75%) of such value in the case of other real estate mortgages; or

Section 3. Section 625.0133, Florida Statutes, is amended to read:

625.0133 Real estate for leasing.--

(1) An insurer may acquire and hold real property for the purpose of leasing the same to any person, firm or corporation, or real property already leased, under the following conditions:

(a) That there has already been erected on the property a building or other improvements satisfactory to the purchaser, or

(b) That the lessee shall at its own cost erect thereon, free of liens, a building or other improvements satisfactory to the lessor, or

(c) That the lessor under the terms and conditions of a lease for a period of not less than twenty-five (25) years from date of lease executed and entered into simultaneously with the purchase of the property agrees to erect a building or other improvements on the property;

(d) That the improvements shall remain on the property during the period of the lease, and in cases where the improvements are put upon the property at the cost of the lessee title to the improvements at the termination of the lease shall vest, free of liens, in the owner of the real estate;

(e) That during the term of the lease the tenant shall keep and maintain the improvements in good repair.

(2) Real property acquired pursuant to this section shall not be treated as an admitted asset unless and until the improvements herein required shall have been constructed and the lease agreement entered into in accordance with the terms of subsection (1); nor shall

real estate acquired pursuant to this section be treated as an admitted asset in an amount exceeding the amount actually invested reduced each year by equal decrements sufficient to write off at least seventy-five per cent (75%) of the value of the buildings or other improvements on the property at the normal termination of the lease or at the end of thirty (30) years should the term of the lease be for a longer period.

Section 4. Section 625.0135, Florida Statutes, is amended to read:

625.0135 Real estate; limits of investments.--

No investment in real property shall be made by any insurer pursuant to Section 625.0133, Florida Statutes, (real estate for leasing) or Section 625.0134, Florida Statutes, (real estate for employee facilities) which will cause the insurer's investment in all real property owned or held by it directly or indirectly to exceed ten per cent (10%) of its assets, except as may be authorized under the provisions of Section 625.0132 (2), Florida Statutes.

Section 5. This act shall take effect June 15, 1965.