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S 514 GENERAL BILL/CS by Insurance; Kirkpatrick (Identical CS/H 960, Compare CS/CS/CS/1ST ENG/H 336, CS/CS/S 587)
Commercial Umbrella Liability Ins.; excludes flood insurance from definition of commercial property insurance; provides definition for "commercial umbrella liability insurance"; requires commercial umbrella liability insurance to meet reporting requirements & prohibitions of excessive profits; provides election for commercial umbrella insurers to consolidate data with commercial casualty data; provides requirements for data filing. Amends 627.0625,.215. Effective Date: 07/01/89.

03/14/89 SENATE Prefiled

04/04/89 SENATE Introduced, referred to Insurance -SJ 50

04/14/89 SENATE Extension of time granted Committee Insurance; On Committee agenda—Insurance, 04/18/89, 1:00 pm, Room-A-(LL-37)

04/18/89 SENATE Comm. Report: CS by Insurance, placed on Calendar -SJ 200

04/25/89 SENATE CS read first time -SJ 201

05/09/89 SENATE Placed on Special Order Calendar -SJ 275

05/10/89 SENATE Placed on Special Order Calendar -SJ 275

05/16/89 SENATE Placed on Consent Calendar -SJ 354; Placed on Special Order Calendar -SJ 354; CS passed; YEAS 39 NAYS 0 -SJ 369

05/18/89 HOUSE In Messages

05/25/89 HOUSE Received, placed on Calendar -HJ 633

05/26/89 HOUSE Placed on Special Order Calendar

05/29/89 HOUSE Substituted for CS/HB 960 -HJ 719; Read second time; Amendments adopted; Read third time; CS passed as amended; YEAS 115 NAYS 0 -HJ 720; Reconsidered; Amendments reconsidered, withdrawn; CS passed; YEAS 113 NAYS 0 -HJ 720

05/29/89 Ordered enrolled -SJ 503

06/12/89 Signed by Officers and presented to Governor

06/28/89 Became Law without Governor's Signature; Chapter No. 89-225; See also: CS/CS/CS/HB 336 (Ch. 89-167)

NOTES: Above bill history from Division of Legislative Information's *FINAL LEGISLATIVE BILL INFORMATION, 1989 SESSIONS*. Staff Analyses for bills amended beyond final committee action may not be in accordance with the enacted law. Journal page numbers (HJ & SJ) refer to daily Journals and may not be the same as final bound Journals.

REVISED: _____

BILL NO. CS/SB 514DATE: April 18, 1989Page 1

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

<u>ANALYST</u>	<u>STAFF DIRECTOR</u>	<u>REFERENCE</u>	<u>ACTION</u>
1. Stupski <i>SS</i>	Fort <i>SS</i>	1. INS _____	Fav/CS _____
2. _____	_____	2. _____	_____
3. _____	_____	3. _____	_____
4. _____	_____	4. _____	_____

SUBJECT:

Insurer Groups/Umbrella
Liability Policy

BILL NO. AND SPONSOR:

CS/SB 514 by
Insurance Committee and
Senator Kirkpatrick

I. SUMMARY:

A. Present Situation:

Section 627.215, F.S., requires insurers writing workers' compensation and employer's liability, commercial property, or commercial casualty policies to submit data to the Department of Insurance to determine the existence of excess profits.

The insurers are required to submit annual reports of direct earned premiums, incurred losses and loss-adjustment expenses, and administration and selling expenses to the department by July 1 of each year.

The financial data submitted by insurers is used to compute the existence of excess profits. Under the provisions of s. 627.215, F.S., an excess profit has been realized if the net underwriting gain for all lines is greater than the net aggregate anticipated underwriting profit plus 5 percent of direct earned premiums for the last 3 calendar years of required reporting.

Determination of excess profits for insurers writing workers' compensation and employer liability coverage first occurred on July 1, 1988, from data submitted the previous 3 years.

Commercial property and casualty insurers will start reporting as required by ch. 88-360, Laws of Florida, data for excess profit calculations on July 1, 1989. The final fiscal data to determine excess profits for the years 1987, 1988, 1989, will be due on July 1, 1991. This data will be analyzed according to the provision of s. 627.215(7), F.S., to determine if excess profits have occurred. Section 627.215(10), F.S., provides for refunding excess profits to policyholders.

"Umbrella" or "excess insurance" provides coverage to policyholders in the event of liability judgments that exceed underlying primary insurance coverage. Commercial umbrella policies, as commercial casualty insurance, are subject to excess profits laws and reporting requirements.

Section 627.0625, F.S., defines "commercial property insurance" as property insurance limited to the coverage of commercial risks. However, s. 627.0625, F.S., exempts coverage such as windstorm coverage, federal crop insurance, and pollution liability insurance from the definition of commercial property insurance.

The excess profit law, s. 627.215, F.S., would not apply to the insurance excluded from the definition of commercial property insurance.

B. Effect of Proposed Changes:

CS/SB 514 provides an election for a 10-year experience rating to determine excess profits for commercial umbrella liability insurers.

Under the provisions of the bill, insurers writing umbrella policies can consolidate umbrella reporting requirements with commercial casualty insurance and report as provided in current law with an excess profit test being applied to the 3 year period 1987, 1988, 1989, on July 1, 1991. Insurers may elect to provide separate financial records of umbrella coverage experience and have excess profits determined from a 10-year base beginning on July 1, 1996.

CS/SB 514 exempts flood insurance from the definition of commercial property insurance. This exemption would exempt flood insurance from excess profit laws.

II. ECONOMIC IMPACT AND FISCAL NOTE:**A. Public:**

Exempting flood insurance from excess profit law restrictions may have an affect on the availability of flood insurance. Currently, flood insurance is only issued through a federal program. Exempting flood insurance from excess profit laws may attract private insurers to offer flood insurance.

Providing an election for commercial liability insurers to report excess profits on a 10-year period may promote consistent premium levels for commercial umbrella liability policies. Since a longer period for calculating profits and losses is available, rates may not fluctuate as much assuming losses in the umbrella market occur on an infrequent but large basis.

Should issuers of commercial umbrella liability policies be experiencing excess profits, refunds to policyholders would be delayed for 5 years for companies electing the 10-year base period reporting requirements.

B. Government:

None.

III. COMMENTS:

Findings of the Academic Task Force for Review of the Insurance and Tort Systems recommended that a 6-year period for calculating excess profits should be used for commercial property and casualty insurance.

IV. AMENDMENTS:

None.

CS/SB 514

COMMITTEE SUBSTITUTE FOR SENATE BILL 514 (CHAPTER 89-)
exempts flood insurance from the excess profit law in an
attempt to increase the availability of flood insurance.

In addition, the committee substitute provides an election
for commercial umbrella liability insurers to select a 10-
year experience rating for determining excess profits.
Current law provides for commercial insurers to report
excess profits on a 3-year experience rating.

STORAGE NAME: s514-f.inv

DATE: June 30, 1989

HOUSE OF REPRESENTATIVES
INSURANCE COMMITTEE
FINAL STAFF ANALYSIS & ECONOMIC IMPACT STATEMENT

BILL #: CS/SB 514

RELATING TO: Insurance

SPONSOR(S): Committee on Insurance and Senator Kirkpatrick

EFFECTIVE DATE: Upon becoming law

DATE BECAME LAW: June 28, 1989

CHAPTER #: 89-225, Laws of Florida

COMPANION BILL(S): CS/HB 960

OTHER COMMITTEES OF REFERENCE: (1) None

(2)

I. SUMMARY:

CS/SB 514 exempts flood insurance policies from the excess profits provisions of the statutes. The bill also defines umbrella liability insurance and extends the excess profits experience period for umbrella liability insurance to ten years.

A. PRESENT SITUATION:

There is no commercial market for flood insurance today except through the Federal Government, and the federal flood programs are exempted from excess profits (s. 627.215(1)) by s. 627.0625.

Under current law, commercial casualty insurance, including umbrella liability, is subject to the excess profits law (s. 627.215, F.S.). The excess profits law requires insurers to refund to policyholders any underwriting profits earned over a three-year period which exceed five percent of earned premiums.

Personal umbrella liability policies are not subject to the excess profits law.

B. EFFECT OF PROPOSED CHANGES:

The bill will exempt flood insurance policies from the excess profits provision of the statutes and also from the requirement of filing a described list of information with respect to excessive profits. The bill defines umbrella liability insurance

policies as those in excess of \$300,000 liability or equivalent limits on specific insured items. The bill also extends the experience period for calculating excess profits on umbrella liability insurance policies to ten years.

C. SECTION-BY-SECTION ANALYSIS:

None

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring or First Year Start-Up Effects:

None

2. Recurring or Annualized Continuation Effects:

None

3. Long Run Effects Other Than Normal Growth:

None

4. Appropriations Consequences:

None

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring or First Year Start-Up Effects:

None

2. Recurring or Annualized Continuation Effects:

None

3. Long Run Effects Other Than Normal Growth:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None

2. Direct Private Sector Benefits:

None

STORAGE NAME: s514-f.inv
DATE: June 30, 1989
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3. Effects on Competition, Private Enterprise, and Employment Markets:

None

D. FISCAL COMMENTS:

None

III. LONG RANGE CONSEQUENCES:

This bill does not directly relate to and is not inconsistent with the goals and policies specified in the State Comprehensive Plan.

IV. COMMENTS:

The mission of the Insurance Committee is to construct insurance laws which will require payment of claims when due, promote the availability of affordable insurance, stabilize insurance rates, protect the solvency of insurance institutions, and expand the ability of companies to profit from wise investments. This bill does not relate to the specific mission of the Committee.

V. SIGNATURES:

SUBSTANTIVE COMMITTEE:

Prepared by:


H. Fred Varn

Staff Director:


John Guthrie

~~SECOND COMMITTEE OF REFERENCE:~~

Prepared by:

Staff Director:

APPROPRIATIONS:

Prepared by:

Staff Director: