A bill to be entitled

An act relating to property insurance affiliates; creating s. 624.44101, F.S.; providing applicability; defining the term "affiliate"; requiring certain property insurers to provide to the Office of Insurance Regulation documentation demonstrating that financial considerations and payments to affiliates are fair and reasonable; requiring the office to consider certain factors to determine whether such considerations and payments are fair and reasonable; requiring property insurers to submit, and the office to review, audited financial statements; requiring contracts between property insurers and affiliates to contain certain provisions; authorizing the office to issue orders restricting fund transfers from property insurers to affiliates under specified circumstances; providing penalties; requiring affiliates to make certain refunds under certain circumstances; requiring the office to adopt forms, processes, and rules; creating s. 624.44102, F.S.; providing applicability; providing a definition; providing authority of the office over affiliate dividends; providing restrictions on and prohibitions against dividends paid by property insurers to affiliates under certain circumstances; requiring property insurers to provide

notice before pledges of capital and assets to affiliates for loans and financial obligations; providing penalties; requiring affiliates to make certain refunds under certain circumstances; requiring the office to adopt forms, processes, and rules; creating s. 624.44103, F.S.; providing applicability; providing a definition; requiring affiliates to register with the office; specifying requirements to obtain registration; requiring annual renewal; providing administrative penalties; providing criminal penalties; requiring the office to adopt forms, processes, and rules; amending s. 627.062, F.S.; revising factors and standards for the office determination whether a property insurance rate filing is excessive; providing effective dates.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Section 624.44101, Florida Statutes, is created to read:

624.44101 Oversight of affiliate transactions.—

(1) This section applies to insurers that issue property insurance policies and their affiliates.

(2)(a) As used in this section, the term "affiliate" means an entity that engages in the business of insurance and that

exercises control over or is directly or indirectly controlled by the insurer through:

1. Equity ownership of voting securities;

2. Common managerial control as defined in s. 624.10; or

3. Participation by the management of the insurer and the affiliate in the management of the insurer or the affiliate.

(b) The term also includes an attorney in fact as defined in s. 629.011 and a managing general agent as defined in s. 626.015.

(3)(a) Each property insurer doing business in this state which pays, directly or indirectly, a fee, commission, or other financial consideration or payment to any affiliate must provide to the office documentation demonstrating that such fee, commission, or other financial consideration or payment is fair and reasonable. The office must determine whether the fee, commission, or other financial consideration or payment is fair and reasonable by considering the following factors:

1. The actual cost of each service provided by the affiliate.

2. The relative financial condition of the property insurer and the affiliate.

3. The level of debt and how that debt is serviced.

4. The amount of the dividends paid by the property insurer and the affiliates and for what purpose.

5. Whether the terms of the written contract benefit the

property insurer and are in the best interest of the policyholders or subscribers.

6. Any other information as the office reasonably requires in making the determination.

(b) For any contract with an affiliate executed on or after July 1, 2026, the property insurer must annually provide audited financial statements to the office which demonstrate any fee, commission, or other financial consideration or payment from the property insurer to the affiliate is fair and reasonable. The office must review audited financial statements to determine if the fee, commission, or other financial consideration or payment to the affiliate is fair and reasonable.

(c) Any contract between a property insurer and an affiliate executed on or after July 1, 2026, must include a termination clause that automatically terminates the contract after 3 years. An agreement between a property insurer and an affiliate may include provisions for extension, but such extension must be approved by the office before becoming effective. Any extension may not remain in effect for longer than 3 years without a review pursuant to paragraph (a) and approval by the office. If the agreement provides for extension, the agreement must clearly state that the extension is subject to approval by the office at least every 3 years.

(4)(a) During a state of emergency declared by the

Governor pursuant to chapter 252, the office may issue orders restricting fund transfers from a property insurer to an affiliate.

(b) Orders under paragraph (a) may apply to all or specified property insurers and may not exceed 60 days unless extended by the office.

(5) The office may impose penalties on a property insurer for violations of this section, including administrative fines of up to $10,000 for each violation, as well as suspension or revocation of the property insurer's license or authority to do business in this state.

(6) In addition to any penalties imposed by the office under subsection (5), the affiliate must refund the property insurer any fee, commission, or other financial consideration or payment that is determined by the office not to be fair and reasonable.

(7) The office shall adopt forms, processes, and rules necessary to implement this section.

Section 2. Section 624.44102, Florida Statutes, is created to read:

624.44102 Authority over affiliate dividends and loans.—

(1) This section applies to insurers that issue property insurance policies and their affiliates.

(2) As used in this section, the term "affiliate" has the same meaning as in s. 624.44101(2).

(3) The office has oversight and regulatory authority over the issuance of dividends paid to an affiliate.

(4) There may be no declaration or distribution of dividends paid to an affiliate without prior approval of the office. The office shall make a determination within 7 days after a property insurer submits all documents required by the office.

(5) Dividends may not be made for the purpose of manipulating the property insurer's financial position, and they may be made only if the property insurer is solvent.

(6) Dividends must be fair and reasonable as determined by the office in accordance with s. 624.44101(3)(a).

(7) A property insurer must provide notice to the office at least 30 days before a pledge of capital or assets to any affiliate for a loan or financial obligation. Such notice must include a description of the collateral, the nature of the obligation, and the parties involved. The office may reject and prohibit the pledge if the office determines that such financial arrangement is not in the best interest of the financial condition of the property insurer.

(8) The office may impose penalties on a property insurer for any unauthorized dividend, distribution, or pledge of capital or assets, including administrative fines of up to $10,000 for each violation, as well as suspension or revocation of the property insurer's license or authority to do business in

this state.

(9) In addition to any penalties imposed by the office under subsection (8), the affiliate must refund the property insurer any payment that is determined by the office to violate this section.

(10) The office shall adopt forms, processes, and rules necessary to approve dividends and pledges of capital or assets from property insurers to affiliates.

Section 3. Effective January 1, 2027, section 624.44103, Florida Statutes, is created to read:

624.44103 Affiliate registration.—

(1) This section applies to insurers that issue property insurance policies and their affiliates.

(2) As used in this section, the term "affiliate" has the same meaning as in s. 624.44101(2).

(3) Before doing business in this state, an affiliate must obtain registration from the office.

(4) To obtain registration, the affiliate must file with the office an application for registration upon a form to be adopted by the commission and furnished by the office. The office may not require an applicant to pay a fee for the registration or for filing an application for such registration. The application must include the following information and documents:

(a) A statement of duties the applicant is expected to

perform on behalf of the property insurer, and the lines of insurance for which the applicant is to be authorized to act.

(b) All basic organizational documents of the affiliate, such as the articles of incorporation, articles of association, partnership agreement, trade name certificate, trust agreement, shareholder agreement, or other applicable documents, and all amendments to those documents.

(c) The names, addresses, official positions, and professional qualifications of the individuals employed or retained by the affiliate who are responsible for the conduct of the affairs of the affiliate, including all members of the board of directors, board of trustees, executive committee, or other governing board or committee, and the principal officers in the case of a corporation or the partners or members in the case of a partnership or association of the affiliate.

(d) An independent background report as prescribed by the office detailing the involvement of the individuals employed or retained by the affiliate who are responsible for the conduct of the affairs of the affiliate, including all members of the board of directors, board of trustees, executive committee, or other governing board or committee, and the principal officers in the case of a corporation or the partners or members in the case of a partnership or association of the affiliate.

(e) A self-disclosure of any administrative, civil, or criminal complaints, settlements, or discipline of the affiliate

which relate to a violation of the insurance code or the insurance laws of any other state.

(5) Affiliate registrations must be renewed annually. The office may not require an affiliate to pay a fee for the renewal or pay a fee to file an application for such renewal.

(6) The office may, in its discretion, deny an application for, suspend, revoke, or refuse to renew an affiliate's registration; impose an administrative fine of up to $10,000 against an affiliate; and suspend or revoke the eligibility of an affiliate for registration, if the office finds any of the following applicable grounds:

(a) Any cause for which issuance of the registration could have been refused had it then existed and been known to the office.

(b) Violation of any provision of the insurance code or any other law applicable to the business of insurance in the course of doing business as an affiliate in this state.

(c) The registration is used, or to be used, to circumvent any of the requirements or prohibitions of the insurance code.

(d) Any of the individuals employed or retained by the affiliate who are responsible for the conduct of the affairs of the affiliate have been found guilty of, or having pleaded guilty or nolo contendere to, a felony in this state or any other state relating to the business of insurance or an insurance agency, without regard to whether a judgment of

conviction has been entered by the court having jurisdiction of such cases.

(e) Knowingly employing any individual in a managerial capacity or in a capacity dealing with the public who is under an order of revocation by the office or the department.

(f) In the conduct of business under the registration, engaging in unfair methods of competition or in unfair or deceptive acts or practices, prohibited under part IX of chapter 626.

(g) Knowingly aiding, assisting, procuring, advising, or abetting any person in the violation of or in the attempt to violate a provision of the insurance code or any other order or rule of the department, commission, or office.

(h) Receiving a fee, commission, or other financial consideration or payment that violates the requirements of s. 624.44101 or s. 624.44102.

(i) Receiving any dividend or pledges of capital assets for a loan or financial obligation in violation of s. 624.44101 or s. 624.44102.

(j) Failing to annually renew a registration.

(k) Failing to refund a fee, commission, or other financial consideration or payment to a property insurer under s. 624.44101(6) or s. 624.44102(9).

(7) A person who does business as an affiliate in this state without a current registration from the office commits a

misdemeanor of the first degree, punishable as provided in s. 775.082 or s. 775.083, for the first offense, and, for a second or subsequent offense, commits a felony of the third degree, punishable as provided in s. 775.082 or s. 775.083.

(8) The office shall adopt forms, processes, and rules necessary for affiliates to obtain and renew their registration and for the regulation, investigation, and discipline of affiliates.

Section 4. Paragraphs (b) and (e) of subsection (2) of section 627.062, Florida Statutes, are amended to read:

627.062 Rate standards.—

(2) As to all such classes of insurance:

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

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

2. Past and prospective expenses.

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

4. Investment income reasonably expected by the insurer, consistent with the insurer's investment practices, from investable premiums anticipated in the filing, plus any other

expected income from currently invested assets representing the amount expected on unearned premium reserves and loss reserves. The commission may adopt rules using reasonable techniques of actuarial science and economics to specify the manner in which insurers calculate investment income attributable to classes of insurance written in this state and the manner in which investment income is used to calculate insurance rates. Such manner must contemplate allowances for an underwriting profit factor and full consideration of investment income that produces a reasonable rate of return; however, investment income from invested surplus may not be considered.

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

6. Dividends, savings, or unabsorbed premium deposits allowed or returned to policyholders, members, or subscribers in this state.

7. The adequacy of loss reserves.

8. The cost of reinsurance. The office may not disapprove a rate as excessive solely due to the insurer having obtained catastrophic reinsurance to cover the insurer's estimated 250-year probable maximum loss or any lower level of loss.

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

10. Conflagration and catastrophe hazards, if applicable.

11. Projected hurricane losses, if applicable, which must

be estimated using a model or method found to be acceptable or reliable by the Florida Commission on Hurricane Loss Projection Methodology, and as further provided in s. 627.0628.

12. Projected flood losses for personal residential property insurance, if applicable, which may be estimated using a model or method, or a straight average of model results or output ranges, independently found to be acceptable or reliable by the Florida Commission on Hurricane Loss Projection Methodology and as further provided in s. 627.0628.

13. A reasonable margin for underwriting profit and contingencies.

14. The cost of medical services, if applicable.

15. For property insurance filings, the profits, revenues, and investment income of any affiliate, as defined in s. 624.44101(2), which are attributable or materially related to the insurer's business in this state.

16.~~15.~~ Other relevant factors that affect the frequency or severity of claims or expenses.

(e) After consideration of the rate factors provided in paragraphs (b), (c), and (d), the office may find a rate to be excessive, inadequate, or unfairly discriminatory based upon the following standards:

1. Rates shall be deemed excessive if they are likely to produce a profit from Florida business which is unreasonably high in relation to the risk involved in the class of business

or if expenses are unreasonably high in relation to services rendered.

2. Rates shall be deemed excessive if, among other things, the rate structure established by a stock insurance company provides for replenishment of surpluses from premiums, if the replenishment is attributable to investment losses.

3. For property insurance filings, rates may be deemed excessive if they do not reflect the profits, revenues, and investment income of any affiliate, as defined in s. 624.44101(2), which are attributable or materially related to the insurer's business in this state.

4.~~3.~~ Rates shall be deemed inadequate if they are clearly insufficient, together with the investment income attributable to them, to sustain projected losses and expenses in the class of business to which they apply.

5.~~4.~~ A rating plan, including discounts, credits, or surcharges, shall be deemed unfairly discriminatory if it fails to clearly and equitably reflect consideration of the policyholder's participation in a risk management program adopted pursuant to s. 627.0625.

6.~~5.~~ A rate shall be deemed inadequate as to the premium charged to a risk or group of risks if discounts or credits are allowed which exceed a reasonable reflection of expense savings and reasonably expected loss experience from the risk or group of risks.

7.~~6.~~ A rate shall be deemed unfairly discriminatory as to a risk or group of risks if the application of premium discounts, credits, or surcharges among such risks does not bear a reasonable relationship to the expected loss and expense experience among the various risks.

The provisions of this subsection do not apply to workers' compensation, employer's liability insurance, and motor vehicle insurance.

Section 5. Except as otherwise expressly provided in this act, this act shall take effect July 1, 2026.