A bill to be entitled

An act relating to insurance; amending s. 624.155, F.S.; defining the term "sufficient evidence"; providing procedures and timelines for objecting, and responding to the objections, to the sufficiency of evidence submitted by claimants to insurers; creating s. 624.341, F.S.; providing legislative findings and intent; requiring the Department of Law Enforcement to accept certain fingerprints; specifying procedures for fingerprinting; authorizing the department to exchange certain records with the Office of Insurance Regulation; specifying that fingerprints must be submitted in accordance with certain rules; authorizing that the fingerprints be submitted through a third-party vendor authorized by the department; requiring the department to conduct certain background checks; requiring that certain fingerprints be submitted and entered into a specified system; requiring the office to inform the department of any person whose fingerprints no longer must be retained; specifying who bears the costs of fingerprint processing; specifying that certain criminal records must be used by the office for certain purposes; creating s. 624.347, F.S.; providing definitions; providing applicability; establishing standards for

compensation arrangements and oversight of affiliate transactions involving insurers, managing general agents, and attorneys in fact; providing penalties; requiring the office to adopt rules; amending s. 624.424, F.S.; specifying requirements for affiliate compensation arrangements; removing requirements that the office consider a specified factor in determining whether certain affiliate considerations and payments by an insurer are fair and reasonable; amending s. 626.854, F.S.; requiring public adjusters, public adjuster apprentices, and public adjusting firms to respond to requests for claims' statuses within a specified timeframe; creating s. 627.4823, F.S.; providing definitions; providing reporting requirements relating to universal life insurance policies; providing applicability; amending s. 628.371, F.S.; defining the term "affiliated entity"; applying provisions on prohibitions against, limitations on, and authority of insurers relating to dividend payments and distributions to stockholders to affiliated entities; providing requirements for certain approvals of dividends, distributions, and other financial arrangements; creating s. 628.372, F.S.; providing authority of the office over affiliate dividends; providing penalties; requiring the office

to adopt rules; amending s. 629.011, F.S.; revising and providing definitions; amending s. 629.071, F.S.; authorizing assessable and nonassessable reciprocal insurers, rather than domestic reciprocal insurers, to transact insurance if they maintain specified amounts of surplus funds; creating s. 629.082, F.S.; providing that attorneys in fact of reciprocal insurers are affiliated entities for certain purposes; amending s. 629.121, F.S.; providing that certain bonds filed with the office as security are filed by attorneys in fact, rather than attorneys, of domestic reciprocal insurers; increasing the bond amount; amending s. 629.181, F.S; replacing surplus deposits of subscribers with subscriber contributions; providing limits on subscriber contributions; creating s. 629.162, F.S.; authorizing reciprocal insurers to require subscriber contributions; providing disclosure and reporting requirements for subscriber contributions; creating s. 629.163, F.S.; authorizing reciprocal insurers to establish subscriber savings accounts; providing construction; providing requirements for subscriber savings accounts; creating s. 629.164, F.S.; authorizing reciprocal insurers to make distributions to subscribers from subscriber savings accounts; granting to subscribers' advisory

committees sole authority to authorize distributions, subject to prior written approval by the office; providing requirements for reciprocal insurers that prohibit subscribers from receiving distributions for a specified period of time; providing construction; authorizing reciprocal insurers to return to subscribers unused premiums, savings, and credits accruing to their accounts; authorizing domestic reciprocal insurers to pay to their subscribers portions of unassigned funds; providing distribution limits; prohibiting distribution discrimination; providing requirements for distributions and other financial arrangements; amending s. 629.171, F.S.; revising requirements for filing with the office annual statements by reciprocal insurers; providing requirements for filing annual statements of the accounts and records of attorneys in fact; amending s. 629.201, F.S.; requiring that each domestic reciprocal insurer have a subscribers' advisory committee; requiring that such committee be formed in compliance with specified laws; requiring that rules and amendments adopted by subscribers have prior approval of the office; revising subscribers' advisory committees' duties and membership; providing for election and terms; requiring that attorneys in fact

provide a communication platform to subscribers under certain circumstances; repealing s. 629.271, F.S., relating to distribution of savings; amending s. 629.291, F.S.; providing that forms filed with the office for plans to merge a reciprocal insurer with another reciprocal insurer or to convert a reciprocal insurer to a stock or mutual insurer are adopted by the Financial Services Commission rather than the office; amending s. 629.301, F.S.; specifying the manner in which impaired reciprocal insurers are proceeded against if they cannot make up deficiencies in assets; specifying the manner in which assessments are levied upon subscribers if reciprocal insurers are liquidated; providing that assessments are subject to specified limits; repealing ss. 629.401 and 629.520, F.S., relating to insurance exchange and the authority of a limited reciprocal insurer, respectively; creating s. 629.56, F.S.; requiring reciprocal insurers to maintain unearned premium reserves at all times; amending s. 624.45, F.S.; conforming a provision to changes made by the act; providing applicability timelines; providing effective dates.

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

Section 1. Paragraph (a) of subsection (4) of section 624.155, Florida Statutes, is amended to read:

624.155 Civil remedy.—

(4)(a)1. An action for bad faith involving a liability insurance claim, including any such action brought under the common law, may ~~shall~~ not lie if the insurer tenders the lesser of the policy limits or the amount demanded by the claimant within 90 days after receiving actual notice of a claim which is accompanied by sufficient evidence to support the amount of the claim.

2. For purposes of this paragraph, the term "sufficient evidence" means written or photographic evidence submitted to the insurer which indicates that the claimant has suffered personal injury or property damage. Evidence that may satisfy this requirement includes, but is not limited to:

a. Accident reports.

b. Photographs of an accident scene, physical injuries, or property damage.

c. Medical bills.

d. Repair bills.

e. Other receipts or copies of payments rendered.

3. If an insurer does not believe that the submitted evidence is sufficient evidence, the insurer must provide a written notice of objection within 10 business days after receipt of the submitted evidence; otherwise, any objection to

the sufficiency of the evidence for purposes of this paragraph is waived. The submitting party has an additional 10 business days after receipt of a written notice of objection to provide clarification or submit further evidence.

Section 2. Section 624.341, Florida Statutes, is created to read:

624.341 Authority of Department of Law Enforcement to accept fingerprints of, and exchange criminal history records with respect to, certain persons applying to the Office of Insurance Regulation.—

(1) The Legislature finds that criminal activity of insurers poses a particular danger to the residents of this state. Floridians rely, in good faith, on the honest conduct of those who issue and manage insurance policies and other insurance instruments in this state. To safeguard this state's residents, the Legislature finds it necessary to ensure that organizers, incorporators, subscribers, officers, employees, contractors, affiliates, stockholders, directors, owners, members, managers, or volunteers of, or any other persons who exercise or have the ability to exercise effective control of, or who influence or have the ability to influence the transaction of the business of, or any other persons involved, directly or indirectly, in the organization, operation, or management of any insurer that is authorized to sell insurance do not have a criminal background.

(2) The Department of Law Enforcement shall accept and process fingerprints of organizers, incorporators, subscribers, officers, employees, contractors, affiliates, stockholders, directors, owners, members, managers, or volunteers involved, directly or indirectly, in the organization, operation, or management of:

(a) Any insurer or proposed insurer transacting or proposing to transact insurance in this state.

(b) Any other entity that is examined or investigated or that is eligible to be examined or investigated under the Florida Insurance Code.

(c) Any other person or entity subject to licensure under the Florida Insurance Code.

(3) A full set of fingerprints of persons described in subsection (2) must be submitted to the office or to a vendor, an entity, or an agency authorized by s. 943.053(13). The office, vendor, entity, or agency shall forward the fingerprints to the Department of Law Enforcement for state processing, and the Department of Law Enforcement shall forward the fingerprints to the Federal Bureau of Investigation for national processing as described in s. 624.34. Fees for state and federal fingerprint processing must be borne by the person submitting the fingerprints. The state cost for fingerprint processing is as provided in s. 943.053(3)(e).

(4) The Department of Law Enforcement may, to the extent

provided by federal law, exchange state, multistate, and federal criminal history records with the office for the purpose of issuance, denial, suspension, or revocation of a certificate of authority, certification, or license to operate in this state.

(5) Fingerprints for each person described in subsection (2) must be submitted in accordance with rules adopted by the commission.

(a) Fingerprints may be submitted through a third-party vendor authorized by the Department of Law Enforcement.

(b) The Department of Law Enforcement shall conduct the state criminal history background check, and a federal criminal history background check shall be conducted through the Federal Bureau of Investigation.

(c) All fingerprints submitted to the Department of Law Enforcement must be submitted and entered into the statewide automated biometric identification system established in s. 943.05(2)(b) and available for use in accordance with s. 943.05(2)(g) and (h). The office shall inform the Department of Law Enforcement of any person whose fingerprints are no longer required to be retained.

(d) The costs of fingerprint processing, including the costs of retaining the fingerprints, must be borne by the person subject to the background checks.

(e) The office shall review the results of the state and federal criminal history background checks and determine whether

the applicant meets the requirements for the certificate of authority, certification, or license to operate in this state.

(6) Statewide criminal records obtained through the Department of Law Enforcement, federal criminal records obtained through the Federal Bureau of Investigation, and local criminal records obtained through local law enforcement agencies must be used by the office for the purpose of issuance, denial, suspension, or revocation of certificates of authority, certifications, or licenses to operate in this state.

Section 3. Section 624.347, Florida Statutes, is created to read:

624.347 Affiliate transactions; managing general agents; attorneys in fact; oversight.—

(1) DEFINITIONS.—As used in this section, the term:

(a) "Affiliated entity" means any affiliate. The term includes a managing general agent, attorney in fact, and reciprocal insurer when acting in a capacity that involves compensation or contractual arrangements with the insurer.

(b) "Attorney in fact" has the same meaning as in s. 629.011.

(c) "Managing general agent" has the same meaning as in s. 626.015.

(d) "Reciprocal insurer" has the same meaning as in s. 629.011.

(2) APPLICABILITY.—This section applies to any insurer

that contracts with or makes payments to an affiliated entity.

(3) COMPENSATION ARRANGEMENTS WITH AFFILIATED ENTITIES.—

(a) Each insurer doing business in this state which pays, directly or indirectly, a fee, commission, or other financial consideration or payment to any affiliated entity must provide to the office documentation demonstrating that such fee, commission, or other financial consideration or payment is fair and reasonable for each service being provided. In determining whether the fee, commission, or other financial consideration or payment is fair and reasonable, the office must consider all of the following:

1. The actual cost of each service provided by the affiliated entity.

2. The relative financial condition of the insurer and the affiliated entity.

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

4. The amount and purpose of any dividends or other payments exchanged between the insurer and any affiliated entity, including payments made to or received from the affiliated entity, and any payments between affiliated entities.

5. Whether the terms of the written contract benefit the insurer and are in the best interest of the insurer.

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

(b) For each agreement with an affiliated entity in force

on July 1, 2025, each insurer shall provide to the office no later than October 1, 2025, the cost incurred by the affiliated entity to provide each service, the dollar amount charged to the insurer for each service, and the dollar amount of fees forgiven, waived, or reimbursed by the affiliated entity for the 2 most recent preceding years. If the total dollar amount charged to the insurer was greater than the total cost to provide services for either year, the insurer must explain how it determined the fee was fair and reasonable. For any proposed contract with an affiliated entity effective after July 1, 2025, the insurer must provide documentation to support that the fee, commission, or other financial consideration or payment to the affiliated entity is fair and reasonable.

(c)1. All compensation arrangements between an insurer and any affiliated entity entered into on or after July 1, 2026, must be structured as fee for service. As used in this subparagraph, the term "fee for service" means fixed amounts or hourly rates for itemized services.

2. Compensation may not be based on:

a. Commission;

b. Premium volume;

c. Underwriting profit; or

d. Financial results of the insurer.

(d) This subsection does not prohibit an insurer from paying a dividend or other financial arrangement to an

affiliated entity if such dividend or financial arrangement is separately reviewed and approved by the office pursuant to this section, s. 628.372, or any other applicable law.

(e) An agreement between an insurer and an affiliated entity must include a termination clause and may not exceed a term of 3 years. Any extension of such an agreement must be approved by the office before becoming effective. An agreement between an insurer and an affiliated entity may include provisions for extension, but 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) EMERGENCY RESTRICTIONS.—

(a) During a declared emergency, the office may issue orders restricting fund transfers from an insurer to an affiliated entity without prior approval.

(b) Orders under paragraph (a) may apply to all or specified insurers and may not exceed 90 days unless extended by the office.

(5) ADDITIONAL OVERSIGHT.—

(a) Any dividend paid by an insurer to an affiliated entity must be reviewed and approved by the office, regardless of whether the affiliated entity is the insurer's parent, subsidiary, or otherwise related entity.

(b) The office may recover improper affiliated entity payment transfers, including, but not limited to, both of the following:

1. Transfers that violate the approved compensation, approved dividend, or any other approved financial arrangement.

2. Transfers made while the insurer was undercapitalized.

(c) An insurer must provide notice to the office at least 30 days before any pledge of capital or assets to any affiliated entity 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 such financial arrangement is not in the best interest of the insurer.

(6) ENFORCEMENT.—

(a) The office may impose penalties for violations of this section.

(b) The office shall adopt rules to implement this section.

Section 4. Subsection (13) of section 624.424, Florida Statutes, is amended to read:

624.424 Annual statement and other information.—

(13) Each insurer doing business in this state which pays a fee, commission, or other financial consideration or payment to any affiliate directly or indirectly is required upon request to provide to the office any information the office deems

necessary. The fee, commission, or other financial consideration or payment to any affiliate must be fair and reasonable. Affiliate compensation arrangements must comply with s. 624.347 and with the requirements of this subsection ~~In determining whether the fee, commission, or other financial consideration or payment is fair and reasonable, the office shall consider, among other things, the actual cost of the service being provided~~.

Section 5. Subsection (24) is added to section 626.854, Florida Statutes, to read:

626.854 "Public adjuster" defined; prohibitions.—The Legislature finds that it is necessary for the protection of the public to regulate public insurance adjusters and to prevent the unauthorized practice of law.

(24) A public adjuster, public adjuster apprentice, or public adjusting firm shall respond with specific information to a written or electronic request for a claim's status from an insured or claimant or his or her designated representative within 14 days after receipt of the request and shall document the file accordingly.

Section 6. Section 627.4823, Florida Statutes, is created to read:

627.4823 Universal life insurance policies.—

(1) As used in this section, the term:

(a) "Cash surrender value" means the net cash surrender value, plus any outstanding amounts as policy loans.

(b) "Fixed-premium universal life insurance policy" means a universal life insurance policy other than a flexible-premium universal life insurance policy.

(c) "Flexible-premium universal life insurance policy" means a universal life insurance policy that allows the policyowner to vary, independently of each other, the amount of timing of one or more premium payments or the amount of insurance.

(d) "Net cash surrender value" means the maximum amount payable to the policyowner upon surrender.

(e) "Policy value" means the value of any individual life insurance policy, rider, group master policy, or individual certificate, under the provisions of which separately identified interest credits, other than in connection with dividend accumulations, premium deposit funds, or other supplementary accounts, and mortality and expense charges are made to the policy. A universal life insurance policy may provide for other credits and charges, such as charges for the cost of benefits provided by a rider.

(f) "Universal life insurance policy" means any individual life insurance policy, rider, group master policy, or individual certificate, under the provisions of which separately identified interest credits and mortality and expense charges are made to the policy. The policy, rider, or certificate does not apply to policies, riders, group master policies, or individual

certificates in connection with dividend accumulations, premium deposit funds, or other supplementary accounts. A universal life insurance policy may provide for other credits and charges, such as charges for the cost of benefits provided by a rider.

(2)(a) A universal life insurance policy issued in this state must provide that the policyowner will be sent without charge, at least annually, a report that will serve to keep the policyowner advised of the status of the policy. The end date of the current reporting period may not be more than 3 months before the date of the mailing of the report.

(b) The report must include all of the following:

1. The beginning and end dates of the current reporting period.

2. The policy value at the end of the previous reporting period and at the end of the current reporting period.

3. The total amounts, identified by each type, which have been credited or debited to the policy value during the current reporting period.

4. The current death benefit at the end of the current reporting period on each life covered by the policy.

5. The net cash surrender value of the policy as of the end of the current reporting period.

6. The amount of outstanding loans, if any, as of the end of the current reporting period.

7. For a fixed-premium universal life insurance policy,

if, assuming the guaranteed interest, mortality and expense loads, and continued scheduled premium payment, the policy's net cash surrender value is such that it would not maintain insurance in force until the end of the next reporting period, a notice to this effect in the report.

8. For a flexible-premium universal life insurance policy, if, assuming the guaranteed interest and the mortality and expense loads, the policy's net cash surrender value will not maintain insurance in force until the end of the next reporting period unless further premium payments are made, a notice to this effect in the report.

9. For a fixed-premium or flexible-premium universal life insurance policy, if, assuming the guaranteed interest and the mortality and expense loads, the policy's net cash surrender value will not maintain insurance in force until the maturity of the contract, the projected date on which policy values will be insufficient to continue coverage in force.

(3) This section applies to all universal life insurance policies except variable contracts as defined in s. 627.8015.

Section 7. Section 628.371, Florida Statutes, is amended to read:

628.371 Dividends to stockholders.—

(1) As used in this section, the term "affiliated entity" has the same meaning as in s. 624.347(1).

(2)~~(1)~~ A domestic stock insurer or an affiliated entity

shall not pay any dividend or distribute cash or other property to stockholders except out of that part of its available and accumulated surplus funds which is derived from realized net operating profits on its business and net realized capital gains.

(3) ~~(2)~~ Dividend payments or distributions to stockholders, without prior written approval of the office, shall not exceed the larger of:

(a) The lesser of 10 percent of surplus or net gain from operations (life and health companies) or net income (property and casualty companies), not including realized capital gains, plus a 2-year carryforward for property and casualty companies;

(b) Ten percent of surplus, with dividends payable constrained to unassigned funds minus 25 percent of unrealized capital gains;

(c) The lesser of 10 percent of surplus or net investment income (net gain before capital gains for life and health companies) plus a 3-year carryforward (2-year carryforward for life and health companies) with dividends payable constrained to unassigned funds minus 25 percent of unrealized capital gains.

(4) ~~(3)~~ In lieu of ~~the provisions in~~ subsection (3) ~~(2)~~, an insurer or an affiliated entity may pay a dividend or make a distribution without the prior written approval of the office when:

(a) The dividend is equal to or less than the greater of:

1. Ten percent of the insurer's or the affiliated entity's surplus as to policyholders derived from realized net operating profits on its business and net realized capital gains; or

2. The insurer's or the affiliated entity's entire net operating profits and realized net capital gains derived during the immediately preceding calendar year; ~~and~~

(b) The insurer or the affiliated entity will have surplus as to policyholders equal to or exceeding 115 percent of the minimum required statutory surplus as to policyholders after the dividend or distribution is made; ~~and~~

(c) The insurer or the affiliated entity has filed notice with the office at least 10 business days before ~~prior to~~ the dividend payment or distribution, or such shorter period of time as approved by the office on a case-by-case basis. Such notice shall not create a right in the office to approve or disapprove a dividend otherwise properly payable hereunder; and

(d) The notice includes a certification by an officer of the insurer or the affiliated entity attesting that after payment of the dividend or distribution the insurer or the affiliated entity will have at least 115 percent of required statutory surplus as to policyholders.

(5)~~(4)~~ The office shall not approve a dividend or distribution in excess of the maximum amount allowed in subsection (2) ~~(1)~~ unless, considering the following factors, it determines that the distribution or dividend would not

jeopardize the financial condition of the insurer or the affiliated entity:

(a) The liquidity, quality, and diversification of the insurer's assets and the effect on its ability to meet its obligations.

(b) Reduction of investment portfolio and investment income.

(c) Effects on the written premium to surplus ratios as required by the Florida Insurance Code.

(d) Industrywide financial conditions.

(e) Prior dividend distributions of the insurer or the affiliated entity.

(f) Whether the dividend is only a "pass-through" dividend from a subsidiary of the insurer or the affiliated entity.

(6) ~~(5)~~ A dividend or distribution by a not-for-profit insurance company subsidiary to its mutual insurance holding company, directly or indirectly through one or more intermediate holding companies, pursuant to part III of this chapter, which meets the requirements of this section and which applies to a stock insurer, is permitted under this section.

(7) Approval of a dividend, distribution, or other financial arrangement under this section must comply with the requirements of s. 624.347.

Section 8. Section 628.372, Florida Statutes, is created to read:

628.372 Authority over affiliate dividends.—

(1) The office has oversight and regulatory authority over the issuance of dividends or other financial arrangements paid to an affiliate.

(2) There may be no declaration or distribution of such dividends or other financial arrangements without prior approval of the office.

(3) Dividends and other financial arrangements must comply with the requirements of s. 624.347.

(4) Any unauthorized dividend, distribution, or other financial arrangement may result in penalties determined by the office.

(5) The office must adopt rules to implement this section.

Section 9. Subsection (5) of section 629.011, Florida Statutes, is amended, and subsections (6), (7), and (8) are added to that section, to read:

629.011 Definitions.—As used in this part, the term:

(4) "Distribution" means any transfer of money from the reciprocal insurer to subscribers other than for the payment of a claim, settlement of a legal dispute, or return of principle.

(6) ~~(5)~~ "Reciprocal insurer" means an unincorporated aggregation of subscribers operating individually and collectively through an attorney in fact to provide reciprocal insurance among themselves.

(a) An assessable reciprocal insurer is a reciprocal

insurer that is able to levy an assessment on its subscribers to make up any shortfall in capital and surplus to cover claims and expenses as specified in s. 629.231.

(b) A nonassessable reciprocal insurer is a reciprocal insurer authorized under s. 629.091(3) or s. 629.291(5) to issue policies where there is no recourse against subscribers for any shortfall in capital and surplus to cover claims and expenses.

(7) "Subscriber contribution" means any transfer of money by a subscriber of a reciprocal insurer to the reciprocal insurer in excess of the premium approved by the office, when such money is counted as surplus for the reciprocal insurer or used to pay surplus notes.

(8) "Subscriber savings account" means any account in which a reciprocal insurer assigns money for the benefit of an individual subscriber, other than accounts holding money for the payment of a specific claim by or settlement of a specific legal dispute with that individual subscriber.

(9) "Subscribers' advisory committee" means the committee of a domestic reciprocal insurer which is formed in compliance with s. 629.201 and represents the interests of the subscribers.

Section 10. Section 629.071, Florida Statutes, is amended to read:

629.071 Surplus funds required.—

(1) An assessable ~~A domestic~~ reciprocal insurer ~~hereunder formed~~, if it has otherwise complied with the applicable

provisions of this code, may be authorized to transact insurance if it has and thereafter maintains surplus funds of not less than $3 million ~~$250,000~~.

(2) A nonassessable reciprocal insurer, if it has otherwise complied with the applicable provisions of this code, may be authorized to transact insurance if it has and thereafter maintains a surplus as to policyholders which is equal to that required under s. 624.408 for a domestic stock insurer authorized to transact like kinds of insurance ~~In addition to the surplus required to be maintained under subsection (1), the insurer shall have, when first so authorized, an expendable surplus of not less than $750,000~~.

Section 11. Section 629.082, Florida Statutes, is created to read:

629.082 Reciprocal affiliates.—The attorney in fact of a reciprocal insurer is an affiliated entity of the reciprocal insurer for purposes of ss. 624.10 and 624.347.

Section 12. Section 629.121, Florida Statutes, is amended to read:

629.121 Attorney in fact ~~Attorney's~~ bond.—

(1) Concurrently with the filing of the declaration provided for in s. 629.081, the attorney in fact of a domestic reciprocal insurer shall file with the office a bond in favor of this state for the benefit of all persons damaged as a result of breach by the attorney in fact of the conditions of his or her

bond as set forth in subsection (2). The bond shall be executed by the attorney in fact and by an authorized corporate surety and shall be subject to the approval of the office.

(2) The bond shall be in the sum of $300,000 ~~$100,000~~, aggregate in form, the bond conditioned that the attorney in fact will faithfully account for all moneys and other property of the insurer coming into his or her hands, and that he or she will not withdraw or appropriate to his or her own use from the funds of the insurer any moneys or property to which he or she is not entitled under the power of attorney.

(3) The bond shall provide that it is not subject to cancellation unless 30 days' advance notice in writing of cancellation is given to both the attorney in fact and the office.

Section 13. Section 629.162, Florida Statutes, is created to read:

629.162 Subscriber contributions.—

(1) Reciprocal insurers may, subject to prior approval by the office, require contributions from subscribers in addition to premiums approved by the office.

(2) A reciprocal insurer shall clearly disclose required subscriber contributions on the declarations page of any policy issued by the reciprocal insurer, separate from any cost associated with the premium.

(3) Reciprocal insurers must provide subscribers an annual

report detailing how each dollar of subscriber contributions was allocated or spent.

Section 14. Section 629.163, Florida Statutes, is created to read:

629.163 Subscriber savings accounts.—

(1) Reciprocal insurers may establish subscriber savings accounts.

(2) Moneys assigned to subscriber savings accounts are not considered distributions under s. 629.164.

(3) Subscriber savings accounts are subject to the following requirements:

(a) Reciprocal insurers must inform each subscriber, in writing, of the limitations and restrictions imposed upon the use or possession of moneys assigned to subscriber savings accounts.

(b) Reciprocal insurers must inform each subscriber, in writing, of the procedures used to assign moneys to subscriber savings accounts and any calculations used to determine the amount of moneys to be assigned to subscriber savings accounts.

(c) Advertisements marketing the benefits of subscriber savings accounts must note the limitations and restrictions imposed upon the use or possession of moneys assigned to subscriber savings accounts.

(d) Upon cancellation or nonrenewal of a subscriber's policy or policies, the subscriber is entitled, within 60 days,

to all moneys assigned to the subscriber's savings account, except when such moneys are otherwise allocated by law or contract, or when such assignment is prohibited by order of the office.

Section 15. Section 629.164, Florida Statutes, is created to read:

629.164 Subscriber distributions.—

(1) Reciprocal insurers may make distributions to subscribers from their subscriber savings accounts.

(2) The subscribers' advisory committee has the sole authority to authorize distributions, subject to prior written approval by the office.

(3) Any reciprocal insurer that otherwise authorizes distributions but prohibits subscribers from receiving distributions for a specified period of time, including after initial subscription, must renew the subscriber's policy for that period of time plus 1 additional policy year. This subsection does not prohibit the cancellation or nonrenewal of a policy pursuant to s. 624.4133 or by order of the office.

(4) A reciprocal insurer may return to its subscribers any unused premiums, savings, or credits accruing to their accounts. Such distribution may not unfairly discriminate between classes of risks or policies, or between subscribers, but may vary as to classes of subscribers based on the experience of the classes.

(5) In addition to the option provided in subsection (4),

a domestic reciprocal insurer may, upon the prior written approval of the office, pay to its subscribers a portion of unassigned funds of up to 10 percent of surplus, with distribution limited to 50 percent of net income from the previous calendar year. Such distribution may not unfairly discriminate between classes of risks or policies, or between subscribers, but may vary as to classes of subscribers based on the experience of the classes.

(6) Distributions and other financial arrangements must comply with the requirements of s. 624.347.

Section 16. Section 629.171, Florida Statutes, is amended to read:

629.171 Annual statement.—

(1) The subscribers' advisory committee shall procure an audited annual statement of the accounts and records of the insurer and the attorney in fact. The statement of the insurer must be prepared by an independent auditor at the expense of the reciprocal insurer and must be available for inspection by any subscriber. The statement of the attorney in fact must be prepared by an independent auditor at the expense of the attorney in fact.

(2) ~~(1)~~ The annual statement filing of a reciprocal insurer must ~~shall~~ be submitted ~~made and filed~~ by its attorney in fact.

(3) ~~(2)~~ The audited statement of the attorney in fact must ~~shall~~ be submitted with the annual statement filing of the

reciprocal insurer, as required under s. 624.424, and supplemented by such information as may be required by the office relative to the affairs and transactions of the attorney in fact relating ~~insofar as they relate~~ to the reciprocal insurer.

Section 17. Section 629.201, Florida Statutes, is amended to read:

629.201 Subscribers' advisory committee.—Each domestic reciprocal insurer must have a subscribers' advisory committee representing the interests of the subscribers.

(1) The subscribers' advisory committee of a domestic reciprocal insurer exercising the subscribers' rights must ~~shall~~ be formed in compliance with this section and ~~selected~~ under such rules as the subscribers adopt. Such rules, along with any amendments, must be approved by the office before becoming effective.

~~(2) Not less than two-thirds of such committee shall be subscribers other than the attorney, or any person employed by, representing, or having a financial interest in the attorney.~~

(2)~~(3)~~ The subscribers' advisory committee shall perform all of the following duties:

(a) Supervise the finances of the insurer.~~;~~

(b) Supervise the insurer's operations to such extent as to ensure ~~assure~~ conformity with the subscribers' agreement, ~~and~~ power of attorney, and other governing documents.~~;~~

CODING: Words ~~stricken~~ are deletions; words underlined are additions.

(c) Hire independent auditors, counsel, and other experts at the expense of the insurer as necessary to fulfill the committee's duties. ~~Procure the audit of the accounts and records of the insurer and of the attorney at the expense of the insurer; and~~

(d) Exercise any ~~Have such~~ additional powers and functions as may be conferred by the subscribers' agreement.

(3) The initial subscribers' advisory committee must be appointed by the original subscribers or the attorney in fact. Within 6 months after the reciprocal insurer is authorized to transact insurance, at least two-thirds of the committee members must be elected as provided for in subsections (4) and (5).

(4) The subscribers' advisory committee must consist of subscribers of the domestic reciprocal insurer. At least two-thirds of the subscribers' advisory committee must be composed of subscribers who are independent of, not employed by, not representing, not selected by, and without any financial interest in the attorney in fact. The independent subscribers must be elected by the subscribers of the domestic reciprocal insurer.

(5) Any rules governing the election of subscribers to the subscribers' advisory committee must require all of the following:

(a) An electorate composed exclusively of all subscribers of the reciprocal insurer.

(b) Terms of not more than 5 years.

(c) A process that allows subscribers to nominate other subscribers for election to the subscribers' advisory committee.

(6) If a reciprocal insurer has more than 50 subscribers, the attorney in fact must provide a platform by which subscribers can communicate with each other regarding the subscribers' advisory committee election process.

Section 18. Subsection (1) of section 629.181, Florida Statutes, is amended to read:

629.181 Financial condition; method of determining.—In determining the financial condition of a reciprocal insurer, the office shall apply the following rules:

(1) Subscriber contributions are ~~The surplus deposits of subscribers shall be~~ allowed as assets, except that any premium deposits delinquent for 90 days must ~~shall~~ first be charged against such subscriber contributions. Subscriber contributions may not exceed 2 percent of each individual subscribers' policy premium for a nonassessable reciprocal insurer and 10 percent of each individual subscribers' policy premium for an assessable reciprocal insurer ~~surplus deposit~~.

Section 19. Section 629.271, Florida Statutes, is repealed.

Section 20. Effective upon this act becoming a law, subsections (1) and (2) of section 629.291, Florida Statutes, are amended to read:

629.291 Merger or conversion.—

(1) A reciprocal insurer, upon affirmative vote of not less than two-thirds of its subscribers who vote on such merger or conversion pursuant to due notice, and subject to approval by the office of the terms therefor, may merge with another reciprocal insurer or be converted to a stock or mutual insurer, to be thereafter governed by the applicable sections of the Florida Insurance Code. However, a domestic stock insurer may not convert to a reciprocal insurer.

(2) A plan to merge a reciprocal insurer with another reciprocal insurer or for conversion of the reciprocal insurer to a stock or mutual insurer must be filed with the office on forms adopted by the commission ~~office~~ and must contain such information as the office reasonably requires to evaluate the transaction.

Section 21. Section 629.301, Florida Statutes, is amended to read:

629.301 Impaired reciprocal insurers.—

(1) If the assets of a domestic reciprocal insurer are at any time insufficient to discharge its liabilities, other than any liability on account of funds contributed by the attorney in fact or others, and to maintain the required surplus, its attorney in fact shall forthwith make up the deficiency or levy an assessment upon the subscribers for the amount needed to make up the deficiency, but subject to the limitation set forth in

the power of attorney or policy.

(2) If the attorney in fact fails to make up such deficiency or to make the assessment within 30 days after the office orders the attorney in fact ~~him or her~~ to do so, or if the deficiency is not fully made up within 60 days after the date the assessment was made, the insurer shall be deemed insolvent and shall be proceeded against in the same manner as any other insurer under chapter 631 and the insurance ~~as authorized by this~~ code.

(3) If liquidation of a reciprocal ~~such an~~ insurer is ordered, the receiver shall levy ~~an assessment shall be levied~~ upon the subscribers an assessment for such an amount as the receiver determines to be necessary to discharge all liabilities of the insurer. The liabilities must be~~, subject to limits as provided by this chapter, as the office determines to be necessary to discharge all liabilities of the insurer,~~ exclusive of any funds contributed by the attorney in fact or other persons, but inclusive of ~~including~~ the reasonable cost of the liquidation. The assessment is subject to any limits set forth in the power of attorney, the subscribers' agreement, the policy, or this chapter.

Section 22. Section 629.401, Florida Statutes, is repealed.

Section 23. Section 629.520, Florida Statutes, is repealed.

CODING: Words ~~stricken~~ are deletions; words underlined are additions.

Section 24. Section 629.56, Florida Statutes, is created to read:

629.56 Unearned premium reserves.—A reciprocal insurer must maintain an unearned premium reserve at all times and as required under s. 625.051.

Section 25. Subsection (2) of section 624.45, Florida Statutes, is amended to read:

624.45 Participation of financial institutions in reinsurance and in insurance exchanges.—Subject to applicable laws relating to financial institutions and to any other applicable provision of the Florida Insurance Code, any financial institution or aggregation of such institutions may:

(2) Participate, directly or indirectly, as an underwriting member or as an investor in an underwriting member of any insurance exchange ~~authorized in accordance with s. 629.401~~, which underwriting member transacts only aggregate or specific excess insurance over underlying self-insurance coverage for self-insurance organizations authorized under the Florida Insurance Code, for multiple-employer welfare arrangements, or for workers' compensation self-insurance trusts, in addition to any reinsurance the underwriting member may transact.

Nothing in this section shall be deemed to prohibit a financial institution from engaging in any presently authorized insurance

activity.

Section 26. Reciprocal insurers licensed before July 1, 2025, have until July 1, 2026, to comply with the changes made to subscribers' advisory committees in s. 629.201, Florida Statutes. Reciprocal insurers licensed before July 1, 2025, have until July 1, 2027, to comply with the unearned premium reserve requirements imposed under s. 629.56, Florida Statutes.

Section 27. Except as otherwise expressly provided in this act and except for this section, which shall take effect upon this act becoming a law, this act shall take effect July 1, 2025.