HB 29C 2023C

A bill to be entitled

An act relating to insurer accountability; amending s.
624.424, F.S.; revising reporting requirements for
insurers that pay financial consideration or payment
to affiliates; revising factors the office must
consider in determining whether such financial
consideration or payment is fair and reasonable;
specifying reporting requirements for insurers
relating to agreements with affiliates; providing an
effective date.

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

Section 1. Subsection (13) of section 624.424, Florida Statutes, is amended to read:

624.424 Annual statement and other information.-

(13) (a) Each insurer doing business in this state which pays a fee, commission, or other financial consideration or payment to any affiliate directly or indirectly <u>must</u> is required upon request to provide to the office documentation supporting that such any information the office deems necessary. The fee, commission, or other financial consideration or payment to any affiliate is <u>must</u> be fair and reasonable for each service being provided by contract. In determining whether the fee, commission, or other financial consideration or payment is fair

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and reasonable, the office shall consider, at a minimum, the following:

- 1. The actual cost of each service provided by an affiliate;
- 2. The cost of that service, if provided by a nonaffiliate;

- 3. The relative financial condition of the insurer and of the managing general agent;
- 4. The level of holding company debt and how that debt is serviced;
- 5. The amount of dividends paid by the managing general agent and for what purpose; and
- 6. Whether the terms of the written contract benefit the insurer and are in the best interest of policyholders.
- (b) For each agreement with an affiliate in force on July 1, 2024, each insurer shall provide to the office no later than October 1, 2024, the cost incurred by the affiliate to provide each service, the amount charged to the insurer for each service, and the dollar amount of fees forgiven, waived, or reimbursed by the affiliate for the two 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 affiliate effective after July 1, 2024, the insurer may include a proposal

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for the same services by an unaffiliated third party to support
that the fee, commission, or other financial consideration or
payment to the affiliate is fair and reasonable among other
things, the actual cost of the service being provided.
Section 2. This act shall take effect July 1, 2024.

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