

The Creation of a Florida Self-Insurance Fund for Nonprofit Organizations

Until 2007, not-for-profit organizations, who received a predominant source of their funding from governmental entities, could not avail of themselves to the self-insurance laws as many other organizations, such as local governmental self-insurance funds and private college and university funds, could do. Many of these not-for-profit organizations operate on very restricted and limited budgets. Organizations such as Florida Council on Aging, the Association of Retarded Citizens, and the Florida Council of Community Mental Health were not allowed to pool their resources in an effort to reduce their property and casualty insurance costs. As a result, many of these organizations had to seek workers' compensation coverage through the Joint Underwriting Association. Those rates were well above the market rates and at prices which adversely impacted the budgets of these nonprofit organizations preventing many of these organizations from maximizing the services they provided to their most needy clients.

In the 2006 Legislative session, House Bill 517 was filed which set forth certain criteria allowing nonprofit entities to self-insure for property, casualty and workers' compensation insurance. The self-insurance fund had to have in excess of five million dollars from premium, at least receive 75% of their funding from local, state or federal governments, and have actuarial soundness in their rates. The Fund would be self-assessable.

The bill passed unanimously in the Florida House of Representatives in 2006. Unfortunately, in the Florida Senate the bill became bogged down and died on the calendar. It appeared all was lost until certain Legislators placed the identical language of House Bill 517 in the Property Insurance Reform Bill which was passed in the special session of January 2007.

Effective March 1, 2007, that Bill became law and allowed for the first time ever, the creation of not-for-profit insurance funds. Now not-for-profit organizations can minimize the costs of insurance, better manage their risks, adjust their claims and devote more of their financial resources to their most needy clients. In an age where property insurance rates are soaring and workers' compensation insurance for such specialty organizations is becoming difficult to find, the passage of this law comes as a most needed relief to non-profit entities throughout the State.