

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: The Professional Staff of the Committee on Rules

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BILL: CS/SB 1282

INTRODUCER: Banking and Insurance Committee and Senator Taddeo

SUBJECT: Residential Property Insurance

DATE: February 22, 2018

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Matiyow	Knudson	BI	<b>Fav/CS</b>
2.	Present	Yeatman	CA	<b>Favorable</b>
3.	Matiyow	Phelps	RC	<b>Favorable</b>

**Please see Section IX. for Additional Information:**

COMMITTEE SUBSTITUTE - Substantial Changes

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**I. Summary:**

CS/SB 1282 expands the required notice in a homeowner's property insurance policy to include a separate notice that the purchase of hurricane insurance does not include flood insurance.

Additionally, the insurer shall include the notice with the policy documents upon the initial issuance and at each renewal of the homeowner's insurance policy rather than within the homeowner's insurance policy itself.

The new requirements will apply to policies issued or renewed on or after July 1, 2019.

**II. Present Situation:**

**Insurance Policy Notice Requirements**

The Florida Insurance Code<sup>1</sup> requires that various insurance policies include specific notices to provide consumers with important information or ensure consistency and readability of insurance contracts from different insurers. The content of the notice depends on the type of coverage provided. Statutory provisions requiring notices often establish requirements regarding their content, print type or size, and appearance (e.g., bold type or all capitalized text).

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<sup>1</sup> Chapters 624-632, 634, 635, 636, 641, 642, 648, and 651 constitute the "Florida Insurance Code." s. 624.01, F.S.

Section 627.7011(4), F.S., requires a homeowner's property insurance policy to include the following statement in bold, 18-point type:

**“LAW AND ORDINANCE COVERAGE IS AN IMPORTANT COVERAGE THAT YOU MAY WISH TO PURCHASE. YOU MAY ALSO NEED TO CONSIDER THE PURCHASE OF FLOOD INSURANCE FROM THE NATIONAL FLOOD INSURANCE PROGRAM. WITHOUT THIS COVERAGE, YOU MAY HAVE UNCOVERED LOSSES. PLEASE DISCUSS THESE COVERAGES WITH YOUR INSURANCE AGENT.”<sup>2</sup>**

### **National Flood Insurance Program**

The National Flood Insurance Program (NFIP) was created by the passage of the National Flood Insurance Act of 1968 to offer federally subsidized flood insurance to property owners and to promote land-use controls in floodplains. The Federal Emergency Management Agency (FEMA) administers the NFIP. The federal government will make flood insurance available within a community if that community adopts and enforces a floodplain management ordinance to reduce future flood risk to new construction in floodplains.<sup>3</sup>

Nationally, the NFIP insured almost \$1.29 trillion in assets in 2014 and \$1.27 trillion in assets in 2015. Total earned premium for NFIP coverage for 2014 was \$3.56 billion and for 2015 was \$3.44 billion.<sup>4</sup>

### **Private Market Flood Insurance in Florida**

In response to changes to the NFIP, the 2014 Legislature created s. 627.715, F.S., governing the sale of personal lines residential flood insurance.<sup>5</sup> “Flood” is defined as a general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties from:

- Overflow of inland or tidal waters;
- Unusual and rapid accumulation or runoff of surface waters from any source;
- Mudflow; or
- Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined above.<sup>6</sup>

The Legislature amended the law in 2015<sup>7</sup> and 2017.<sup>8</sup> Flood insurance is a separate line of insurance from homeowner's property insurance and is not included in such a policy.<sup>9</sup> In the case of flood damage occurring during the course of a hurricane, the windstorm portion of the

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<sup>2</sup> s. 627.7011(4), F.S.

<sup>3</sup> FEMA, *National Flood Insurance Program, Program Description*, (Aug. 1, 2002), <https://www.fema.gov/media-library/assets/documents/1150?id=1480> (last visited Feb. 7, 2018).

<sup>4</sup> FEMA, *Total Coverage by Calendar Year*, <http://www.fema.gov/statistics-calendar-year> (last visited Feb. 7, 2018).

<sup>5</sup> Ch. 2014-80, Laws of Fla.

<sup>6</sup> s. 627.715(1)(b), F.S.

<sup>7</sup> Ch. 2015-69, Laws of Fla.

<sup>8</sup> Ch. 2017-142, Laws of Fla.

<sup>9</sup> part X, ch. 627, F.S.

homeowner's property insurance policy does not cover the flood damage.<sup>10</sup> If the homeowner does not separately purchase flood insurance through the National Flood Insurance Program or an admitted Florida flood insurer, such losses will be uninsured.

### III. Effect of Proposed Changes:

The bill expands the required notice in a homeowner's property insurance policy to include a separate notice that the purchase of hurricane insurance does not include flood insurance.

Additionally, the insurer shall include the notice with the policy documents upon the initial issuance and at each renewal of the homeowner's insurance policy rather than within the homeowner's insurance policy itself.

If the bill passes, the notice will read:

"LAW AND ORDINANCE: LAW AND ORDINANCE COVERAGE IS AN IMPORTANT COVERAGE THAT YOU MAY WISH TO PURCHASE. PLEASE DISCUSS WITH YOUR INSURANCE AGENT."

"FLOOD INSURANCE: YOU MAY ALSO NEED TO CONSIDER THE PURCHASE OF FLOOD INSURANCE. YOUR HOMEOWNER'S INSURANCE POLICY DOES NOT INCLUDE COVERAGE FOR DAMAGE RESULTING FROM FLOOD, EVEN IF HURRICANE WINDS AND RAIN CAUSED THE FLOOD TO OCCUR. WITHOUT SEPARATE FLOOD INSURANCE COVERAGE, YOU MAY HAVE UNCOVERED LOSSES CAUSED BY FLOOD. PLEASE DISCUSS THE NEED TO PURCHASE SEPARATE FLOOD INSURANCE COVERAGE WITH YOUR INSURANCE AGENT."

The new notice requirements will apply to policies issued or renewed on or after July 1, 2019.

The effective date of the bill is July 1, 2019.

### IV. Constitutional Issues:

#### A. Municipality/County Mandates Restrictions:

None.

#### B. Public Records/Open Meetings Issues:

None.

#### C. Trust Funds Restrictions:

None.

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<sup>10</sup> Flood insurance covers rising water that sits or flows on the ground and damages property by inundation and flow. Windstorm insurance covers water falling or driven by wind that damages property by infiltration of the structure from above or laterally while carried by the wind. In short, flood insurance covers damage related to rising water and windstorm insurance covers damage related to airborne water.

**V. Fiscal Impact Statement:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

Policyholders should become better aware of flood insurance and their potential need to purchase such coverage.

**C. Government Sector Impact:**

None.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Statutes Affected:**

This bill substantially amends section 627.7011 of the Florida Statutes.

**IX. Additional Information:****A. Committee Substitute – Statement of Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

**CS by Banking and Insurance on January 30, 2018:**

The CS:

- Removes the requirement that the notice be signed by the applicant.
- Makes technical changes to the wording of the notice.
- Changes the effective date to July 1, 2019.

**B. Amendments:**

None.