

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 507 Windstorm Premium Discounts
SPONSOR(S): Insurance & Banking Subcommittee and Passidomo
TIED BILLS: **IDEN./SIM. BILLS:** SB 1130

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Insurance & Banking Subcommittee	13 Y, 0 N, As CS	Peterson	Cooper
2) Regulatory Affairs Committee			

SUMMARY ANALYSIS

Florida law requires insurers to give policyholders premium discounts or credits for fixtures installed or construction techniques used on residential property which reduce the risk of loss due to a windstorm. Insurers must notify an applicant for or policyholder of any personal lines residential property insurance of the availability of the discounts. Any mitigation discounts a policyholder receives reduce only the portion of the premium attributable to windstorm coverage. Creditable fixtures or construction techniques are those that improve roof strength and performance; the strength of connections between the roof, walls, floor, and foundation; opening protection; and window, door, and skylight strength. Discounts are applied for homes built under the 2001 Florida Building Code or later edition (also including the 1994 South Florida Building Code for homes in Miami-Dade and Broward Counties), or older homes retrofitted to meet specified requirements.

A policyholder substantiates to the insurer that the insured property has mitigation features by submitting a completed uniform mitigation verification inspection form. An insurer must accept a form completed by a home inspector, building code inspector, contractor, engineer or architect licensed in Florida, and may accept a form prepared by a person determined qualified by the insurer. An insurer may require, at its expense, that a completed form be independently verified. The law prohibits an authorized inspector from committing misconduct in completing the inspection or the form, which essentially means submitting false or erroneous information, and authorizes the relevant licensing board to impose penalties for violations. A person who knowingly submits a form containing false information with the intent of obtaining a discount commits a misdemeanor of the first degree.

The form, itself, is developed and adopted by the Financial Services Commission, which is required to provide guidance regarding the length of time inspection results on a completed form are valid. The form states: "This verification form is valid for up to five (5) years provided no material changes have been made to the structure or inaccuracies found on the form." The 2012 form replaced the version that took effect April 21, 2010.

The bill allows an insurer issuing a policy to a new policyholder to accept only the current uniform mitigation verification inspection form or an earlier form if completed within 5 years preceding the effective date of the policy.

The bill has no fiscal impact on state or local government.

The bill is effective July 1, 2015.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Florida law requires insurers to give policyholders premium discounts or credits for fixtures installed or construction techniques used on residential property which reduce the risk of loss due to a windstorm.¹ Insurers must notify an applicant for or policyholder of any personal lines² residential property insurance of the availability of the discounts.³ Any mitigation discounts a policyholder receives reduce only the portion of the premium attributable to windstorm coverage.⁴ Creditable fixtures or construction techniques are those that improve roof strength and performance; the strength of connections between the roof, walls, floor, and foundation; opening protection; and window, door, and skylight strength. Discounts are applied for homes that were built in compliance with the Florida Building Code or retrofitted to meet specified standards.⁵

A policyholder substantiates to the insurer that the insured property has mitigation features by submitting a completed uniform mitigation verification inspection form. An insurer must accept a form completed by a home inspector, building code inspector, contractor, engineer or architect licensed in Florida, and may accept a form prepared by a person determined qualified by the insurer.⁶ An insurer may require, at its expense, that a completed form be independently verified.⁷ The law prohibits an authorized inspector from committing misconduct in completing the inspection or the form, which essentially means submitting false or erroneous information, and authorizes the relevant licensing board to impose penalties for violations.⁸ A person who knowingly submits a form containing false information with the intent of obtaining a discount commits a misdemeanor of the first degree.⁹

The form, itself, is developed and adopted by the Financial Services Commission, which is required to provide guidance regarding the length of time inspection results on a completed form are valid.¹⁰ The most recent version of the form took effect February 1, 2012¹¹ and recognizes the Florida Building Code adopted in 2001¹² or later edition, and the South Florida Building Code adopted in 1994.¹³ The form states: "This verification form is valid for up to five (5) years provided no material changes have been made to the structure or inaccuracies found on the form."¹⁴ The 2012 form replaced the version that took effect April 21, 2010. The 2012 revision conformed the form to a change in law which

¹ s. 627.0629(1), F.S.

² "Personal lines" refers to property/casualty insurance products that are designed for and bought by individuals, including homeowners and automobile policies. INSURANCE INFORMATION INSTITUTE, *Glossary*, <http://www.iii.org/services/glossary/p?> (last visited Feb. 25, 2015).

³ Notification must be on a form approved by the Financial Services Commission. s. 627.711(1). *see also* OIR-B1-1655, *available at* http://www.floir.com/sections/pandc/productreview/forms_list.aspx (last visited Feb. 26, 2015).

⁴ s. 627.711(1), F.S.

⁵ *see* s. 627.0629(1), F.S.;

⁶ s. 627.711(2), F.S.

⁷ s. 627.711(8), F.S.

⁸ s. 627.711(4), F.S.

⁹ A first degree misdemeanor is punishable by up to one year in prison, or a fine of up to \$1,000.

¹⁰ s. 627.711(2), F.S.

¹¹ FLORIDA OFFICE OF INSURANCE REGULATION, *Uniform Mitigation Form OIR-B1-1802*, <http://www.floir.com/sections/pandc/productreview/uniformmitigationform.aspx> (last visited Feb. 26, 2015).

¹² Building permit application date of 3/1/2002, or later.

¹³ The South Florida Building Code was first adopted by Miami-Dade County on December 31, 1957. In 1976, Broward County adopted a local referendum making the South Florida Building Code, Broward County Edition, a countywide standard and incorporated the Code into the county charter. (<http://www.broward.org/CODEAPPEALS/Pages/HistorySouthFloridaBuildingCode.aspx>) (last visited Feb. 26, 2015). The 1994 South Florida Building Code applies to building permit application dates starting 9/1/94 in Miami-Dade and Broward Counties. The South Florida Building Code, however, was superseded by the 2001 Florida Building Code. Currently local governments can adopt amendments to the technical provisions in the statewide code to apply solely to the local jurisdiction as long as the amendments are more stringent than the code. s. 553.73(4)(b), F.S.

¹⁴ *supra* at note 11.

increased the standards for inspectors who are authorized to sign a form.¹⁵ It also clarified, without changing, the definition of what qualifies as a hip roof.¹⁶

The bill allows an insurer issuing a policy to a new policyholder to accept only the current uniform mitigation verification inspection form or an earlier form if completed within 5 years preceding the effective date of the policy.

B. SECTION DIRECTORY:

Section 1: Amends s. 627.711, F.S., relating to notice of premium discounts for hurricane loss mitigation; uniform mitigation verification inspection form.

Section 2: Provides an effective date of July 1, 2015.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. This bill does not appear to: require counties or municipalities to spend funds or take an action requiring the expenditure of funds; reduce the authority that counties or municipalities have to raise revenues in the aggregate; or reduce the percentage of a state tax shared with counties or municipalities.

¹⁵ see Chapter 2010-176, s. 45, Laws of Fla.

¹⁶ Hip roof with no other roof shapes greater than 10% of the total roof system perimeter. The 2012 form added: "Total length of non-hip features: _____ feet; Total roof system perimeter: _____ feet"

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None provided by the bill.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On March 3, 2015, the Insurance & Banking Subcommittee adopted a strike-all amendment and reported the bill favorably as a committee substitute. The amendment allowed an insurer issuing a policy to a new policyholder to accept only the current uniform mitigation verification inspection form or an earlier form if completed within 5 years preceding the effective date of the policy.

The staff analysis is drafted to reflect the committee substitute as passed by the Insurance & Banking Subcommittee.