

**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 Banking and Insurance

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BILL: SB 1282

INTRODUCER: Senator Taddeo

SUBJECT: Residential Property Insurance

DATE: January 29, 2018

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

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Matiyow	Knudson	BI	<b>Pre-meeting</b>
2.	_____	_____	CA	_____
3.	_____	_____	RC	_____

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**I. Summary:**

SB 1282 expands the required notice in homeowner’s property insurance policies that encourages policyholders to consider purchasing law-and-ordinance coverage and flood insurance coverage, to include a notice that the purchase of hurricane insurance does not include flood insurance. The bill also requires the policyholder to initial the notice acknowledging that they understand hurricane insurance does not include flood insurance.

The new requirements will apply to policies issued or renewed on or after the effective date of the bill which is July 1, 2018.

**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).

Section 627.7011(4), F.S., requires that homeowner’s property insurance policies must 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**

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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.

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 \$3.45 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 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.

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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 Jan. 24, 2018).

<sup>4</sup> FEMA, *Total Coverage by Calendar Year*, <http://www.fema.gov/statistics-calendar-year> (last visited Jan. 24, 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.

<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.

**III. Effect of Proposed Changes:**

The bill expands the required notice applicable to homeowner's property insurance policies to include notice that the purchase of hurricane insurance does not include flood insurance. It also requires the policyholder to initial the notice acknowledging that they understand the policy does not include flood insurance.

If passed the notice would read:

“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. HURRICANE INSURANCE DOES NOT INCLUDE FLOOD INSURANCE. WITHOUT THIS COVERAGE, YOU MAY HAVE UNCOVERED LOSSES. PLEASE DISCUSS THESE COVERAGES WITH YOUR INSURANCE AGENT.

...(insert initials)...I UNDERSTAND THAT IF I PURCHASE HURRICANE INSURANCE, IT DOES NOT INCLUDE FLOOD INSURANCE.”

The new notice requirements will apply to policies issued or renewed on or after the effective date of the bill which is July 1, 2018.

**IV. Constitutional Issues:**

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

**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.

C. Government Sector Impact:

None.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

The notice encourages policyholders to purchase flood insurance through the National Flood Insurance Program, however, the Legislature has approved private admitted insurance carriers to offer private flood insurance separate but similar to what is offered through the NFIP.

**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.)

None.

B. Amendments:

None.