

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.)

Prepared By: The Professional Staff of the Committee on Judiciary

BILL: CS/SB 468

INTRODUCER: Banking and Insurance Committee; and Senators Perry and Broxson

SUBJECT: Insurance

DATE: January 7, 2022

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Arnold</u>	<u>Knudson</u>	<u>BI</u>	<u>Fav/CS</u>
2.	<u>Ravelo</u>	<u>Cibula</u>	<u>JU</u>	<u>Pre-Meeting</u>
3.	_____	_____	<u>AP</u>	_____

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/SB 468 amends several insurance-related statutes. Specifically, the bill:

- Directs the Florida Hurricane Catastrophe Fund to provide reimbursement for a loss under collateral protection insurance (also known as lender-placed or force-placed insurance) when the coverage amount differs from the coverage amount under the lapsed policy if the homeowner received notice of the collateral protection insurance coverage amount, or the homeowner requested a different coverage amount from the collateral protection insurer.
- Provides that current requirements under the Workers' Compensation Law for annual, physical onsite payroll audits of employers in the construction class will only apply when the estimated annual premium is \$10,000 or more.
- Provides that service of process is valid and binding on an insurer upon delivery of the process documents to the insurer or upon the insurer receiving notice that the information is available on a secured network.
- Authorizes associations, trusts, and pools formed to provide self-insurance for public entities to establish a quorum and conduct public business through communications media technology.
- Provides that an all-lines adjuster who is appointed and employed by an insurer's affiliate may serve as a company employee adjuster for the purpose of adjusting claims.
- Allows a residential property insurer's rate filing to estimate projected hurricane losses by using a weighted or straight average of two or more models approved by the Florida Commission on Hurricane Loss Projection Methodology.

- Authorizes an insurer to file a personal lines residential property insurance rating plan that provides premium discounts, credits, and other rate differentials based on windstorm construction standards developed by an independent, not-for-profit, scientific research organization.
- Limits the requirement that an insurer provide a policyholder who has an automatic bank withdrawal agreement with the insurer with 15 days advance written notice of any increase in policy premiums. Instead, notice will only be required for premium increases that will result in an increase in the automatic withdrawal of more than \$10 from the previous withdrawal amount.
- Provides Citizens Property Insurance Corporation with discretion to offer wind-only policies to condominium associations when 50 percent or more of their units are rented more than eight times per year for a period of less than 30 days.
- Eliminates a requirement that an insurer that provides electronic delivery of the insurance policy to a policyholder (or the person entitled to delivery) to also provide within the electronic transmission notice of the policyholder's right to receive the policy via United States mail. The bill also eliminates a requirement that the insurer provide a paper copy of the policy to the insured upon his or her request.
- Allows a policyholder to select a hurricane deductible greater than 10 percent, reject windstorm coverage, or reject contents coverage under a residential property insurance policy by typing the existing exclusionary statement language, instead of handwriting it.
- Provides that s. 627.7152, F.S., governing assignment agreements, applies to instruments that assign or transfer post-loss benefits to a service provider that provides scopes of service or provides inspection services.
- Provides that the term "assignment agreement" does not include an instrument by which a licensed public adjuster is compensated for public adjuster services.
- Requires that an assignee provide the notice of intent to initiate litigation to the name and mailing address designated by the insurer in the policy forms if notice is sent by certified mail, return receipt requested, or to the e-mail address designated by the insurer in the policy forms if notice is sent by electronic delivery.
- Requires that an automobile policy that does not provide coverage for bodily injury liability and property damage liability include notice accompanying the declarations page that the policy does not provide such coverages and does not comply with any financial responsibility laws. Such policies generally cover antique motor vehicles.
- Exempts licensed personal lines and general lines agents from salesperson licensing requirements otherwise required to solicit, negotiate, advertise, or sell motor vehicle service agreements, home warranty contracts, and service agreement contracts.

The bill takes effect July 1, 2022, except as otherwise provided.

II. Present Situation:

The Florida Hurricane Catastrophe Fund (FHCF)

The FHCF is a tax-exempt¹ fund created in 1993² after Hurricane Andrew³ as a form of mandatory reinsurance for residential property insurers. The FHCF is administered by the State Board of Administration (SBA)⁴ and is a tax-exempt source of reimbursement to property insurers for a selected percentage (45, 75, or 90 percent)⁵ of hurricane losses above the insurer's retention (deductible). The FHCF provides insurers an additional source of reinsurance that is less expensive than what is available in the private market, enabling insurers to generally write more residential property insurance in the state than would otherwise be written. Because of the low cost of coverage from the FHCF, the fund acts to lower residential property insurance premiums for consumers.

All insurers admitted to do business in this state writing residential property insurance that includes wind coverage must buy reimbursement coverage (reinsurance) on their residential property exposure through the FHCF.⁶ The FHCF is authorized by statute to sell \$17 billion of mandatory layer coverage.⁷ Each insurer that purchases coverage may receive up to its proportional share of the \$17 billion mandatory layer of coverage based upon the insurer's share of the actual premium paid for the contract year, multiplied by the claims paying capacity of the fund. Each insurer may select a reimbursement contract wherein the FHCF promises to reimburse the insurer for 45 percent, 75 percent, or 90 percent of covered losses, plus 10 percent⁸ of the reimbursed losses for loss adjustment expenses.⁹

The FHCF must charge insurers the actuarially indicated premium¹⁰ for the coverage provided, based on hurricane loss projection models found acceptable by the Florida Commission on Hurricane Loss Projection Methodology.¹¹ The actuarially indicated premium is an amount determined by the principles of actuarial science to be adequate to pay current and future obligations and expenses of the fund.¹² In practice, each insurer pays the FHCF annual reimbursement premiums that are proportionate to each insurer's share of the FHCF's risk exposure. Historically, FHCF coverage generally costs less than private reinsurance because the fund is a tax-exempt non-profit corporation and does not charge a risk load as it relates to overhead and operating expenses incurred by other private insurers.¹³

¹ Section 215.555(1)(f), F.S.

² Chapter 93-409, Laws of Fla.

³ Ed Rappaport, *Preliminary Report, Hurricane Andrew* (updated Dec. 10, 1993; addendum Feb. 7, 2005), <https://www.nhc.noaa.gov/1992andrew.html>.

⁴ State Board of Administration of Florida, *About the SBA*, <https://www.sbafla.com/fsb/> (last visited Mar. 23, 2021).

⁵ Section 215.555(2)(e), F.S.

⁶ *See* s. 215.555(4)(a), F.S.

⁷ Section 215.555(4)(c)1., F.S.

⁸ Section 215.555(4)(b)1., F.S.

⁹ Loss adjustment expenses are costs incurred by insurers when investigating, adjusting, and processing a claim.

¹⁰ Section 215.555(5)(a), F.S.

¹¹ *See, Florida Commission on Hurricane Loss Methodology*, <https://www.sbafla.com/method/> (last visited Mar. 23, 2021).

¹² Section 215.555(2)(a), F.S.

¹³ State Board of Administration of Florida, Florida Hurricane Catastrophe Fund, *2016 Annual Report*, https://www.sbafla.com/fhcf/Portals/FHCF/Content/Reports/Annual/20170606_FHCF_2016_AnnualReport_A.pdf?ver=2017-07-06-085215-943 (last visited Mar. 8, 2021).

When the moneys in the FHCF are or will be insufficient to cover losses, the law¹⁴ authorizes the FHCF to issue revenue bonds funded by emergency assessments on all lines of insurance except medical malpractice and workers compensation.¹⁵ Emergency assessments may be levied up to 6 percent of premium for losses attributable to any one contract year, and up to 10 percent of premium for aggregate losses from multiple years. The FHCF's broad-based assessment authority is one of the reasons the FHCF was able to obtain an exemption from federal taxation from the Internal Revenue Service as an integral part of state government.¹⁶

Reimbursement of Collateral Protection Insurance

Collateral protection insurance, sometimes referred to as “lender-placed” or “force-placed” insurance, is insurance that is placed by a lender, at the expense of the borrower, to protect the lender's security interest in property pursuant to a loan, such as a home mortgage. Collateral protection insurance is placed by the lender when it deems the homeowners' insurance insufficient, usually because the borrower's insurance policy is lapsed or cancelled. The FHCF covers policies of collateral protection insurance if the collateral protection insurance covers a personal residence and protects both the borrower's and the lender's financial interests in an amount at least equal to the coverage for the dwelling in place under the lapsed homeowners policy.¹⁷

Payroll Audits for Construction Classification of Employers

Florida law currently requires biennial payroll audits for employers in all classes other than construction, with factors for more frequent audits, and annual, physical onsite payroll audits for employers in the construction class, to ensure that the appropriate premium is charged for workers' compensation coverage.¹⁸ Section 440.381, F.S., does not provide a minimum premium threshold for compliance purposes.

An employer that fails to provide reasonable access to payroll records for an audit must pay the insurer a premium not to exceed three times the most recent estimated annual premium.¹⁹ An employer that understates or conceals payroll, misrepresents or conceals employee duties so as to avoid proper classification for premium calculations, or misrepresents or conceals information pertinent to the computation and application of an experience rating modification factor, must pay the insurer a penalty equal to 10 times the amount of the difference in premium paid and the amount the employer should have paid, plus reasonable attorney's fees.²⁰

¹⁴ Section 215.555(6), F.S.

¹⁵ Section 215.555(6)(b), F.S.

¹⁶ The U.S. Internal Revenue Service has, by a Private Letter Ruling, authorized the FHCF to issue tax-exempt bonds. The initial ruling was granted on March 27, 1998, for 5 years until June 30, 2003. On May 28, 2008, the Internal Revenue Service issued a private letter ruling holding that the prior exemption, which was to expire on June 30, 2008, could continue to be relied upon on a permanent basis. See Florida Hurricane Catastrophe Fund, *Fiscal Year 2009-2010 Annual Report*, 14, https://www.sbafla.com/fhcf/Portals/FHCF/Content/Reports/Annual/SBA_CATF_Annual_ReportFHCF_Final.pdf?ver=2016-06-08-121900-647 (last visited March 23, 2021).

¹⁷ Section 215.555(2)(c), F.S.

¹⁸ Section 440.381(3), F.S.

¹⁹ Section 440.381(8), F.S.

²⁰ Section 440.381(6)(a), F.S.

The Chief Financial Officer as Agent for Service of Process on Insurers

Florida's Chief Financial Officer²¹ (CFO) is the agent for service of process on all insurers applying for authority to transact insurance in this state, all licensed nonresident insurance agents, all nonresident disability insurance agents licensed pursuant to s. 626.835, F.S., any unauthorized insurer under s. 626.906, F.S. or s. 626.937, F.S., domestic reciprocal insurers, fraternal benefit societies under ch. 632, F.S., warranty associations under ch. 634, F.S., prepaid limited health service organizations under ch. 636, F.S., and persons required to file statements under s. 628.461, F.S.²²

Service of process on the CFO is made by mail, personal service, or internet-based transmission system created by the Department of Financial Services (DFS).²³ Upon receiving service of process, the CFO retains a record copy in paper or electronic form and promptly forwards one copy of the process documents to the insurer's designated process agent by registered or certified mail.²⁴ The CFO may also make the process documents available from a secure website created by DFS and provide notice of availability and retrieval instructions to the insurer's designated process agent under s. 624.307(9), F.S.

Under current law, service of process is considered valid and binding service on the insurer at such time as the process documents are served on the CFO and sent or made available to the insurer pursuant to s. 624.307(9), F.S., rather than at such time the process documents are received by the insurer.²⁵ The CFO has advised the Office of State Courts Administrator as much in communication advising of its role as the statutorily-designated process agent for insurers.²⁶

Recent court cases have addressed similar questions related to whether service of process on an insurer is perfected at the time served on the CFO or at the time received by the insurer. For example, in *Markovits*,²⁷ an uninsured motorist lawsuit that also involved an award of attorney fees for a rejected proposal for settlement, the court was asked to determine whether a proposal for settlement served on the insurer 91 days after service of the complaint on the CFO but 88 days after the complaint was forwarded by the CFO to the insurer, constituted valid service within a 90-day deadline for proposals for settlement on the insurer. In addition to finding statutory authority under s. 624.423(3), F.S., the court ultimately based its decision on s. 48.151(1), F.S., relating to service on statutory agents for certain persons, citing in part "[w]hen any law designates a public officer, board, agency, or commission as agent for service of process" and the person or entity so designated is served with process, then "service is valid service for all purposes," and holding that service of process is considered valid and binding on the insurer when served on the CFO.²⁸

²¹ The CFO's assistant, deputy, or another person in charge of the office may also serve as the agent for service of process.

²² Section 48.151(3), F.S.

²³ *Id.*

²⁴ Section 624.423(1), F.S.

²⁵ Section 624.423(3), F.S.

²⁶ Letter to office of State Courts Administrator from John MacIver, General Counsel for DFS (June 22, 2020) (on file with the Senate Committee on Banking and Insurance).

²⁷ *Markovits v. Stater Farm Mutual Automobile Insurance*, 235 So. 3d 1018 (Fla. 1st DCA 2018).

²⁸ *Markovitz* at 1020.

Electronic Meetings for Public Self-Insurers

Florida law authorizes two or more local governmental entities to enter into an interlocal agreement (fund) for the purpose of securing workers' compensation payments, or insuring or self-insuring real or personal property of every kind and every interest in such property against loss or damage from any hazard or cause and against any loss consequential to such loss or damage.²⁹

For any fund created after October 1, 2004, the fund is subject to the requirements of group self-insurance funds for the first 5 years of its existence,³⁰ including participation in the Florida Self-Insurance Guaranty Association.³¹ The Florida Self-Insurers Guaranty Association is exempt from certain public record requirements under s. 119.07(1), F.S., related to claims and minutes meetings, and certain public meeting requirements under s. 286.011, F.S.,³² related to discussion to claims and other confidential information. Section 286.011, F.S., declares all meetings of any board or commission of any state agency or authority or of any agency or authority of any county, municipal corporation, or political subdivision, except as otherwise provided in the Constitution, including meetings with or attended by any person elected to such board or commission, but who has not yet taken office, at which official acts are to be taken to be public meetings open to the public at all times. Any resolution, rule, or formal action taken in contravention of this provision is not considered binding.³³

Insurance Adjusters

Florida law requires all insurance adjusters to be licensed by DFS and appointed by the appropriate entity or person³⁴ in order to adjust claims. General requirements for licensure include submitting an application; paying required fees; satisfying pre-licensing examination requirements, when applicable; complying with requirements as to knowledge, experience, or instruction; and submitting fingerprints.³⁵

Under s. 626.864, F.S., there are both public adjusters and all-lines adjuster license types, with all-lines appointments further divided into independent adjusters,³⁶ company employee adjusters,³⁷ and public adjuster apprentices.³⁸ The same adjuster may not be concurrently licensed as a public adjuster and an all-lines adjuster.³⁹ In the case of an all-lines adjuster, the adjuster may be appointed as an independent adjuster, company employee adjuster, or public adjuster apprentice, but not more than one concurrently.⁴⁰

²⁹ Section 624.4622(1), F.S.

³⁰ Section 624.4622(3), F.S.

³¹ Section 624.4621(9).

³² Section 440.3851, F.S.

³³ Section 286.011, F.S.

³⁴ See s. 626.015(4), F.S., defining "appointment" as the authority given by an insurer or employer to a licensee to adjust claims on behalf of an insurer or employer.

³⁵ Section 626.171, F.S.

³⁶ Section 626.855, F.S.

³⁷ Section 626.856, F.S.

³⁸ Section 626.8561, F.S.

³⁹ Section 626.864(2), F.S.

⁴⁰ Section 626.864(3), F.S.

A public adjuster is any person, other than a licensed attorney, who, for compensation, prepares, completes, or files an insurance claim form for an insured or third-party claimant in negotiating or settling an insurance claim on behalf of an insured or third party.⁴¹ Public adjusters operate independently and are not affiliated with any insurer.

An all-lines adjuster is any person who, for compensation, ascertains and determines the amount of any claim, loss, or damage payable under an insurance contract or settles such claim, loss, or damage on behalf of a public adjuster or insurer.⁴²

An independent adjuster is any person who is self-employed or employed by an independent adjusting firm and who works for an insurer to ascertain and determine the amount of an insurance claim, loss, or damage, or to settle an insurance claim under an insurance contract.⁴³

A company employee adjuster is any person employed in-house by an insurer, or a wholly owned subsidiary of the insurer, who ascertains and determines the amount of an insurance claim, loss, or damage, or settles such claim, loss or damage.⁴⁴

Regulation of Property Insurance Rates

Part I of ch. 627, F.S., is the Rating Law⁴⁵ governing property, casualty, and surety insurance which covers subjects of insurance resident, located, or to be performed in this state.⁴⁶ The Rating Law provides that the rates for all classes of insurance it governs may not be excessive, inadequate, or unfairly discriminatory.⁴⁷ Though the terms “rate” and “premium” are often used interchangeably, the rating law specifies that “rate” is the unit charge that is multiplied by the measure of exposure or amount of insurance specified in the policy to determine the premium, which is the consideration paid by the consumer.⁴⁸

All insurers or rating organizations must file rates with the Office of Insurance Regulation (OIR) either 90 days before the proposed effective date of a new rate, which is considered a “file and use” rate filing, or 30 days after the effective date of a new rate, which is considered a “use and file” rate filing.

Upon receiving a rate filing, the OIR reviews the filing to determine if the rate is excessive, inadequate, or unfairly discriminatory. The office makes that determination in accordance with generally acceptable actuarial techniques and, in a property insurance rate filing, considers the following:

- Past and prospective loss experience.
- Past and prospective expenses.

⁴¹ Section 626.854(1), F.S.

⁴² Section 626.8548, F.S.

⁴³ Section 626.855, F.S.

⁴⁴ Section 626.856, F.S.

⁴⁵ Section 627.011, F.S.

⁴⁶ Section 627.021, F.S.

⁴⁷ Section 627.062(1), F.S.

⁴⁸ Section 627.041, F.S.

- The degree of competition among insurers for the risk insured.
- Investment income reasonably expected by the insurer.
- The reasonableness of the judgment reflected in the rate filing.
- Dividends, savings, or unabsorbed premium deposits returned to policyholders.
- The adequacy of loss reserves.
- The cost of reinsurance.
- Trend factors, including trends in actual losses per insured unit for the insurer.
- Conflagration and catastrophe hazards.
- Projected hurricane losses.
- Projected flood losses, if the policy covers the risk of flood.
- A reasonable margin for underwriting profit and contingencies.
- Other relevant factors that affect the frequency or severity of claims or expenses.

Florida Commission on Hurricane Loss Projection Methodology

Projected hurricane losses in a rate filing must be estimated using a model or method found to be acceptable or reliable by the Florida Commission on Hurricane Loss Projection Methodology.⁴⁹ The commission consists of 12 members with expertise in the elements that are used to develop computer models to estimate hurricane and flood loss. Members of the commission include State University System faculty experts in insurance finance, statistics, computer system design, meteorology, and structural engineering; three actuaries; the insurance consumer advocate; the director of the FHCF; the Executive Director of Citizens Property Insurance Corporation; and the Director of the Division of Emergency Management.⁵⁰

Residential Property Insurance Mitigation Credits, Discounts, or Other Rate Differentials

Residential property insurance rate filings must account for mitigation measures undertaken by policyholders to reduce hurricane losses.⁵¹ Specifically, the rate filings must include actuarially reasonable discounts, credits, or other rate differentials or appropriate reductions in deductibles to consumers who implement windstorm damage mitigation techniques to their properties.⁵² Upon their filing by an insurer or rating organization, OIR determines the discounts, credits, other rate differentials and appropriate reductions in deductibles that reflect the full actuarial value of such revaluation,⁵³ which in turn may be used in rate filings under the Rating Law. Windstorm mitigation measures that must be evaluated for purposes of mitigation discounts include fixtures or construction techniques that enhance roof strength; roof covering performance, roof-to-wall strength; wall-to-floor foundation strength; opening protections; and window, door, and skylight strength.⁵⁴

⁴⁹ Section 627.062(2)(b)11., F.S.

⁵⁰ Section 627.0628(2)(b), F.S.

⁵¹ Section 627.062(2)(j), F.S.

⁵² Section 627.0629(1), F.S.

⁵³ *Id.*

⁵⁴ *Id.*

Automatic Bank Withdrawal Agreements in the Insurance Context

Florida law allows insurers and policyholders to enter into automatic bank withdrawal agreements for the purpose of paying insurance premiums.⁵⁵ Policyholders generally have the option of selecting between payment plans that divide the premium into two or four separate payments or in monthly installments. Under current law, insurers must provide the policyholder with 15 days advance written notice prior to any automatic bank withdrawal if the premium payment increases from the previous withdrawal period by any amount.

By contrast, federal law requires financial institutions to provide 10 days advance written notice prior to any automatic bank withdrawal either when the amount varies from the previous withdrawal amount, when the amount varies outside a specified range of amounts, or when the amount varies from the previous withdrawal amount by an agreed-upon amount.⁵⁶

Citizens Property Insurance Corporation (Citizens)

Citizens is a state-created, not-for-profit, tax-exempt governmental entity whose public purpose is to provide affordable property insurance coverage to those unable to find coverage in the voluntary admitted market.⁵⁷ Citizens is not a private insurance company.⁵⁸ Citizens was statutorily created in 2002 when the Legislature combined the state's two insurers of last resort, the Florida Residential Property and Casualty Joint Underwriting Association (RPCJUA) and the Florida Windstorm Underwriting Association (FWUA). Citizens operates in accordance with the provisions in s. 627.351(6), F.S., and is governed by a nine-member Board of Governors⁵⁹ that administers its Plan of Operations. The Plan of Operations is reviewed and approved by the Financial Services Commission. The President of the Senate, Speaker of the House of Representatives, and Chief Financial Officer each appoints two members to the board. The Governor appoints three members to the board, one of whom serves solely to advocate for consumers. Citizens is subject to regulation by the OIR.

Citizens offers property insurance in three separate accounts. Each account is a separate statutory account with separate calculations of surplus and deficits.⁶⁰ Assets may not be commingled or used to fund losses in another account.⁶¹

The Personal Lines Account (PLA) offers personal lines residential policies that provide comprehensive, multiperil coverage statewide, except for those areas contained in the Coastal Account. The PLA also writes policies that exclude coverage for wind in areas contained within the Coastal Account. Personal lines residential coverage consists of the types of coverage provided to homeowners, mobile homeowners, dwellings, tenants, and condominium unit owner's policies.

⁵⁵ Section 627.0665, F.S.

⁵⁶ 12 CFR 1005.10(d).

⁵⁷ Admitted market means insurance companies licensed to transact insurance in Florida.

⁵⁸ Section 627.351(6)(a)1., F.S. Citizens is also subject to regulation by the OIR.

⁵⁹ The Governor, the Chief Financial Officer, the President of the Senate, and the Speaker of the House of Representatives each appoint two members.

⁶⁰ The Personal Lines Account and the Commercial Lines Account are combined for credit and Florida Hurricane Catastrophe Fund coverage.

⁶¹ Section 627.351(6)(b)2b., F.S.

The Commercial Lines Account (CLA) offers commercial lines residential and nonresidential policies that provide basic perils coverage statewide, except for those areas contained in the Coastal Account. The CLA also writes policies that exclude coverage for wind in areas contained within the Coastal Account. Commercial lines coverage includes commercial residential policies covering condominium associations, homeowners' associations, and apartment buildings. The coverage also includes commercial nonresidential policies covering business properties.

The Coastal Account offers personal residential, commercial residential, and commercial non-residential policies in coastal areas of the state. Citizens must offer policies that solely cover the peril of wind (wind only policies) and may offer multiperil policies.⁶²

Citizens Eligibility for Commercial Residential Wind-Only Coverage

In 2014,⁶³ the Legislature enacted changes to the statutes governing Citizens that prohibited residential condominium associations from obtaining commercial residential property insurance policies from Citizens which cover damage only from wind if 50 percent or more of the condominiums in the association are rented more than eight times a year for less than 30 days. These changes were intended to provide clarity to the classification of transient occupancy risks and remove inconsistencies between commercial residential and commercial non-residential properties.⁶⁴ Condominiums are presently able to obtain Citizens policies that cover damage from multiple perils, including wind.

Delivery of Insurance Policies and Claims Communications

Under s. 627.421, F.S., Florida law currently requires most insurers⁶⁵ to deliver, mail, or electronically transmit the insurance policy to the policyholder within 60 days of such coverage taking effect. Policyholders of personal lines policies may elect electronic transmission of policy documents; however, for commercial lines policies, policy documents are sent via electronic transmission unless the policyholder declines electronic transmission by written or electronic communication to the insurer. The policyholder is further entitled to a paper copy of the policy upon request.⁶⁶ An insurer that electronically transmits policy documents must include notice of the right to receive a paper copy of the policy via United States Mail.⁶⁷

Florida law varies with respect to electronic and nonelectronic transmission of claims communications. In some cases, e.g. written proof of loss, claims communications must be nonelectronic,⁶⁸ while on others, e.g. payment of health insurance claims, claims communication may be electronic or nonelectronic.⁶⁹

⁶² In August of 2007, Citizens began offering personal and commercial residential multiperil policies in this limited eligibility area. Additionally, near the end of 2008, Citizens began offering commercial non-residential multiperil policies in this account.

⁶³ Chapter 2015-140, Laws of Fla.

⁶⁴ House Regulatory Affairs Committee, *House Bill 1089 Analysis* (June 16, 2014)

<https://www.flsenate.gov/Session/Bill/2014/1089/Analyses/h1089z1.IBS.PDF> (last visited Feb. 8, 2021).

⁶⁵ Part II of ch. 627, F.S., exempts reinsurers, wet marine and transportation, title, and credit life of credit disability insurers from the delivery provisions of s. 627.421, F.S.

⁶⁶ Section 627.421(1), F.S.

⁶⁷ *See Id.*

⁶⁸ Section 627.425, F.S.

⁶⁹ Section 627.6131, F.S.

Affirmative Exclusions of Property Insurance Deductibles and Coverages

A hurricane deductible is the amount paid by the policyholder before the insurer issues any payment for damaged caused by a hurricane.⁷⁰ Under Florida law, the hurricane deductible is capped at 10 percent of the policy dwelling limits for a covered risk valued at less than \$500,000, unless the policyholder affirmatively rejects the statutory hurricane deductible limit.⁷¹ In order to do so, the policyholder must personally write and provide the insurer the following statement in his or her own handwriting: “I do not want the insurance on my home to pay for the first (specify dollar value) of damage from hurricanes. I will pay those costs. My insurance will not.” Furthermore, the policyholder and each named insured on the policy must sign and date the statement.⁷²

Florida law also requires a residential property insurance policy to include windstorm coverage⁷³, unless the policyholder affirmatively rejects the coverage.⁷⁴ If the policyholder is a natural person, the policyholder must personally write and provide the insurer the following statement in his or her own handwriting: “I do not want the insurance on my home (home/mobile home/condominium unit) to pay for damage from windstorms. I will pay those costs. My insurance will not.” Furthermore, the policyholder and each named insured on the policy must sign and date the statement.⁷⁵

A similar provision exists in statute for exclusion of contents coverage under a residential property insurance policy, except for a condominium unit owner policy or a tenant policy. Under s. 627.712(3), F.S., the policyholder must personally write and provide the insurer the following statement in his or her own handwriting: “I do not want the insurance on my home (home/mobile) to pay for costs to repair or replace any contents that are damaged. I will pay those costs. My insurance will not.” Furthermore, the policyholder and each named insured on the policy must sign and date the statement.

Assignment of Post-Loss Benefits Under a Property Insurance Policy

An assignment is the voluntary transfer of the rights of one party under a contract to another party. Current law generally allows an insurance policyholder to assign the benefits of the policy, such as the right to be paid, to another party. This assignment is often called an “assignment of benefits” or “AOB.” Once an assignment is made, the assignee can take action to enforce the

⁷⁰ Department of Financial Services, *Florida’s Hurricane Deductible*

<https://www.myfloridacfo.com/division/consumers/floridashurricanedeductible.htm> (last visited Nov. 23, 2021).

⁷¹ Section 627.701(4)(d), F.S.

⁷² *See Id.*

⁷³ This requirement does not apply to a risk that is eligible for wind-only coverage from Citizens Property Insurance Corporation. Nor does the requirement apply to a risk that is ineligible for Citizens coverage because the risk: (1) is a structure that has a dwelling replacement cost of \$700,000; (2) is a single condominium unit with a combined dwelling and contents replacement cost of \$700,000 or more; or (3) is located in the “wind-borne” debris region as defined in s. 1609.2 of the International Building Code (2006) and has an insured value on the structure of \$750,000 or more.

⁷⁴ Section 627.712, F.S.

⁷⁵ Section 627.712(2)(a)1, F.S.

contract. Accordingly, if the benefits are assigned and the insurer refuses to pay, the assignee may file a lawsuit against the insurer to recover the insurance benefits.⁷⁶

The 2019, the Legislature enacted s. 627.7152, F.S., which governs the execution of assignment of post-loss benefits under a property insurance policy, provides duties that assignees must meet when filing a claim under a property insurance policy, provides requirements pursuant to litigation brought by assignees under property insurance policies, and revises the standards for awarding attorney fees in such litigation. An assignment agreement is any instrument that effectuates the assignment, transfer, or acquisition of post-loss benefits to or from a person providing services to protect, repair, restore, or replace property, or to mitigate against further damage to the property.

Prior to litigation, under s. 627.7152(9), F.S., an assignee must provide the named insured and the assignor a written notice of intent to initiate litigation, delivered at least 10 business days before filing suit, but not before the insurer has made a determination of coverage. The notice must also include a detailed written invoice or estimate of services that includes itemized information and proof work was performed in accordance with accepted industry standards. In a claim arising under an assignment agreement, the assignee has the burden under s. 627.7152(3)(b), F.S., to demonstrate that the insurer is not prejudiced by the assignee's failure to cooperate with the insurer in the claim investigation.

Notice of Limited Coverage for Antique Vehicles

Some insurers⁷⁷ offer motor vehicle insurance coverage for antique vehicles⁷⁸ which does not include mandatory personal injury protection⁷⁹ and property damage liability⁸⁰ coverages. In those cases, Florida law requires the automobile policy to provide notice to the policyholder of the limited coverage and its noncompliance with any financial responsibility law.⁸¹ This coverage is generally appropriate for antique vehicles that are stored in a private collection or as part of a public display and are not driven on the roadways of this state. The notice must be stamped or printed in contrasting color from the color used on the policy and placed on the policy declaration page and on the back of the policy.⁸²

Agent Licensing

General Lines Agent

A general lines agent⁸³ is one who sells the following lines of insurance: property,⁸⁴ casualty,⁸⁵ including commercial liability insurance underwritten by a risk retention group, a commercial

⁷⁶ *Nationwide Mutual Insurance Company v. Pinnacle Medical, Inc.* 753 So. 2d 55, 57 (Fla. 2000) (“The right of assignee to sue for breach of contract to enforce assigned rights predates the Florida Constitution”).

⁷⁷ <https://www.statefarm.com/insurance/auto/antique-classic-cars> (last visited Nov. 29, 2021).

⁷⁸ See section 320.086, F.S.

⁷⁹ Section 627.733, F.S.

⁸⁰ Section 324.022, F.S.

⁸¹ Section 627.7276(1), F.S.

⁸² Section 627.7276(2), F.S.

⁸³ Section 626.015(7), F.S.

⁸⁴ Section 624.604, F.S.

⁸⁵ Section 624.605, F.S.

self-insurance fund,⁸⁶ or a workers' compensation self-insurance fund,⁸⁷ surety;⁸⁸ health;⁸⁹ and marine.⁹⁰ The general lines agent may only transact health insurance for an insurer that the general lines agent also represents for property and casualty insurance.⁹¹ If the general lines agent wishes to represent health insurers that are not also property and casualty insurers, they must be licensed as a health insurance agent.⁹²

Personal Lines Agent

A personal lines agent is a general lines agent who is limited to transacting business related to property and casualty insurance sold to individuals and families for noncommercial purposes.⁹³

Motor Vehicle Servicing Agreements

Motor vehicle service agreements provide vehicle owners with protection when the manufacturer's warranty expires. A motor vehicle service agreement indemnifies the vehicle owner (or holder of the agreement) against loss caused by failure of any mechanical or other component part, or any mechanical or other component part that does not function as it was originally intended.⁹⁴ Motor vehicle service agreements can only be sold by a licensed and appointed salesperson.⁹⁵ Salespersons are licensed in the same manner as insurance representatives under ch. 626, F.S., with some exceptions to the requirements applied to insurance representatives.⁹⁶

Home Warranty Contracts

A home warranty is any contract or agreement whereby a person undertakes to indemnify the warranty holder against the cost of repair or replacement, or actually furnishes repair or replacement, of any structural component or appliance of a home, necessitated by wear and tear or an inherent defect of any such structural component or appliance or necessitated by the failure of an inspection to detect the likelihood of any such loss.⁹⁷ No person shall solicit, negotiate, or effectuate home warranty contracts for remuneration in this state unless such person is licensed and appointed as a sales representative.⁹⁸

⁸⁶ As defined in s. 624.462, F.S.

⁸⁷ Pursuant to s. 624.4621, F.S.

⁸⁸ Section 626.606, F.S.

⁸⁹ Section 624.603, F.S.

⁹⁰ Section 624.607, F.S.

⁹¹ Section 626.827, F.S.

⁹² Section 626.829, F.S.

⁹³ Section 626.015(17), F.S.

⁹⁴ Section 634.011(8), F.S.

⁹⁵ Section 634.031, F.S.

⁹⁶ Section 634.171, F.S.

⁹⁷ Section 634.301, F.S.

⁹⁸ Section 634.317, F.S. "sales representative" is any person with whom an insurer or home inspection or warranty association has a contract and who is utilized by such insurer or association for the purpose of selling or issuing home warranties. The term includes all employees of an insurer or association engaged directly in the sale or issuance of home warranties. Section 634.301(12), F.S.

Service Warranty Contracts

A service warranty is an agreement or maintenance service contract equal to or greater than 1 year in length to repair, replace, or maintain a consumer product, or for indemnification for repair, replacement, or maintenance, for operational or structural failure due to a defect in materials or workmanship, normal wear and tear, power surge, or accidental damage from handling in return for the payment of a segregated charge by the consumer.⁹⁹ A person or entity may not solicit, negotiate, advertise, or effectuate service warranty contracts in this state unless the person or entity is licensed and appointed as a sales representative.¹⁰⁰

III. Effect of Proposed Changes:

Collateral Protection Insurance

Section 1 amends s. 215.555, F.S., to require that the FHCF provide reimbursement for a loss under collateral protection insurance (also known as lender-placed or force-placed insurance) when the coverage amount differs from the coverage amount under the lapsed policy if the homeowner received notice of the collateral protection insurance coverage amount, or the homeowner requested a different coverage amount from the collateral protection insurer.

This section is effective June 1, 2023.

Payroll Audits for Construction Classification of Employers

Section 2 amends s. 440.381, F.S., governing payroll audits, provide that current requirements under the Workers' Compensation Law for annual, physical onsite payroll audits of employers in the construction class will only apply when the estimated annual premium is \$10,000 or more

Service of Process

Section 3 amends s. 624.423, F.S., to provide that service of process is considered valid and binding on the insurer at the time the process documents are received by, rather than sent to, the insurer. Additionally, the section incorporates the secured network process provided for under s. 624.307(9), F.S., by providing that process is valid and binding upon being made available on the system.

This section is effective upon becoming law.

Electronic Meetings of Self-Insured Public Entities

Section 4 creates s. 624.46227, F.S., to authorize associations, trusts, and pools formed to provide self-insurance for public entities to establish a quorum and conduct public business through communications media technology.

⁹⁹ Section 634.401(13), F.S.

¹⁰⁰ Section 634.419, F.S. A "sales representative" is any person, retail store, corporation, partnership, or sole proprietorship utilized by an insurer or service warranty association for the purpose of selling or issuing service warranties. However, in the case of service warranty associations selling service warranties from one or more business locations, the person in charge of each location may be considered the sales representative. Section 634.401(12), F.S.

Company Employee Adjusters

Section 5 amends s. 626.856, F.S., revising the definition of a “company employee adjuster” in the Insurance Adjusters Law, to provide that an all-lines adjuster who is appointed and employed by an insurer’s affiliate may serve as a company employee adjuster for the purpose of ascertaining and determining the amount of an insurance claim, loss, or damage, or settling such claim, loss or damage.

Florida’s Rating Law

Hurricane Model Averaging and Weighting

Section 6 amends s. 627.062, F.S., to provide that a residential property insurer’s rate filing may estimate projected hurricane losses by using a weighted or straight average of two or more methods or models approved by the Commission on Hurricane Loss Projection Methodology.

Residential Property Insurance Mitigation Credits, Discounts, or Other Rate Differentials

Section 7 amends s. 627.0629, F.S., to provide that an insurer may file with the Office of Insurance Regulation a personal lines residential rating plan that provides premium discounts, credits, and other rate differentials based on windstorm construction standards developed by an independent, not-for-profit, scientific research organization, if such standards meet statutory requirements.

Required Notifications of Automatic Bank Withdrawals

Section 8 amends s. 627.0065, F.S., governing automatic bank withdrawals agreements between insurers and policyholders, to limit the requirement that an insurer provide a policyholder 15 days advance written notice of any increase in policy premiums. Instead, notice will only be required for premium increases that will result in an increase of the automatic withdrawal of more than \$10 from the previous withdrawal amount.

Citizens Eligibility for Commercial Residential Wind-Only Coverage

Section 9 amends s. 627.351, F.S., governing Citizens, to provide that condominium associations where 50 percent or more of the condominium units are rented more than eight times per year for a period of less than 30 days may be eligible for wind-only Citizens policies.

Delivery of Policies and Claims Communications

Section 10 amends s. 627.421, F.S., to eliminate a requirement that an insurer that provides electronic delivery of the insurance policy to a policyholder (or the person entitled to delivery) must also provide within the electronic transmission notice of the policyholder’s right to receive the policy via United States Mail. The section also deletes a requirement that the insurer provide a paper copy of the policy to the insured upon his or her request. For personal lines policies, an insurer may offer electronic delivery to the policyholder, but electronic delivery may only be used if the policyholder elects to receive electronic delivery of the policy. For commercial lines,

the insurer may use electronic delivery without the consent of the policyholder unless the policyholder communicates to the insurer that he or she does not agree to electronic delivery.

Affirmative Exclusions of Property Insurance Deductibles and Coverages

Section 11 amends s. 627.701, F.S., governing hurricane deductibles in residential property insurance policies, to allow a policyholder to type the required statement¹⁰¹ which the policyholder must complete and sign in order to select a hurricane deductible greater than 10 percent of the policy dwelling limits on a risk valued at less than \$500,000.

Section 12 amends s. 627.712, F.S., governing windstorm and contents coverage exclusions, to allow a policyholder to affirmatively reject windstorm coverage under a residential property insurance policy by typing the required statement¹⁰² which excludes coverage.

The bill also allows a policyholder, except for a condominium unit owner policy or tenant policy, to affirmatively reject contents coverage under a residential property insurance policy by typing the required statement¹⁰³ which excludes coverage.

The bill retains current law in both of these statutory sections that allows the policyholder to write out the required statements required in these sections.

Notice of Claims Under Assignment Agreements

Section 13 amends s. 627.7152, F.S., governing residential property insurance and commercial property insurance assignment agreements. The bill adds the services of inspection and providing a scope of service to the list of services contemplated by the definition of “assignment agreement.”

The bill also specifies that the notice of intent to initiate litigation that must be sent by an assignee to an insurer must be sent to the name and mailing address designated by the insurer in the policy forms if notice is sent by certified mail, return receipt requested, or to the email address designated by the insurer in the policy forms if notice is sent by electronic delivery.

This section is effective upon becoming law.

Notice of Limited Coverage for Antique Vehicles

Section 14 amends s. 627.7276, F.S., to require that an automobile policy that does not provide coverage for bodily injury liability and property damage liability include notice accompanying the declarations page that the policy does not provide such coverages and does not comply with any financial responsibility laws. Such policies generally cover antique motor vehicles.

¹⁰¹ “I do not want the insurance on my home to pay for the first (specify dollar value) of damage from hurricanes. I will pay those costs. My insurance will not.”

¹⁰² “I do not want the insurance on my (home/mobile home/condominium unit) to pay for damage from windstorms. I will pay those costs. My insurance will not.”

¹⁰³ “I do not want the insurance on my (home/mobile home) to pay for the costs to repair or replace any contents that are damaged. I will pay those costs. My insurance will not.”

Agent Licensing

Motor Vehicle Service Agreements

Section 15 amends s. 634.171, F.S., to provide that a licensed personal lines or general lines agent is exempt from salesperson licensing requirements to solicit, negotiate, advertise, or sell motor vehicle service agreements.

Home Warranty Contracts

Section 16 amends s. 634.317, F.S., to provide that a licensed personal lines or general lines agent is exempt from salesperson licensing requirements to solicit, negotiate, advertise, or sell home warranty contracts.

Service Warranty Contracts

Section 17 amends s. 634.419, F.S., to provide that a licensed personal lines or general lines agent is exempt from salesperson licensing requirements to solicit, negotiate, advertise, or sell service warranty contracts.

Reenactments

Section 18 reenacts s. 624.424(10), F.S., related to insurer's annual statements, to incorporate amendments made to s. 215.555, F.S., which address collateral protection insurance coverage amounts.

This section is effective June 1, 2023.

Section 19 reenacts s. 627.351(6)(v), F.S., related to Citizens Property Insurance Corporation, to incorporate amendments made to s. 215.555, F.S., which address collateral protection insurance coverage amounts.

This section is effective June 1, 2023.

Section 20 reenacts s. 626.865(1)(e), F.S., related to company employee adjusters, to incorporate amendments made to s. 626.865, F.S., which address insurer affiliates.

Section 21 reenacts paragraph (1)(d) and subsection (2) of section 627.7153, F.S., which addresses policies restricting assignments of post-loss benefits under a property insurance policy, to incorporate amendments made to s. 627.7152, F.S., which address assignment agreements.

This section is effective upon becoming law.

Effective Date

Section 22 provides that except as otherwise expressly provided in this act, and except for this section, which takes effect upon this act become law, this act is effective July 1, 2022.

IV. Constitutional Issues:**A. Municipality/County Mandates Restrictions:**

This bill does not require counties or municipalities to spend funds or limit their authority to raise revenue or receive state-shared revenues as specified in article VII, section 10 of the State Constitution.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None identified.

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

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 215.555, 440.381, 624.423, 626.856, 627.062, 627.0629, 627.0665, 627.351, 627.421, 627.701, 627.712, 627.7152, 627.7276, 634.171, 634.317, 634.419, 624.424, 626.865, and 627.7153.

This bill creates section 624.46227 of the Florida Statutes.

IX. Additional Information:

- A. **Committee Substitute – Statement of Substantial Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Banking and Insurance on December 1, 2021:

The committee substitute:

- Excludes any instrument by which a licensed public adjust receives any compensation, payment, commission, fee, or other thing of value for providing public adjuster services from the definition of “assignment agreement.”

- B. **Amendments:**

None.