

Hurricane Insurance Statement

Existing Florida law required that for residential property insurance policies issued or renewed on or after May 1, 2005, any hurricane deductible must be applied on an annual basis to all hurricanes that occur during the calendar year, rather than to each hurricane. This requirement applies to both personal lines residential policies (homeowners, mobile homeowners, etc.) and commercial residential policies (condominium associations, apartment buildings, etc.). Although the premium impact on homeowners and other personal lines policies is expected to be small (about 1 to 3 percent), it is likely to be much greater for condominium association policies.

Florida Chapter 111 of 2005 provides that any annual hurricane deductible requirement would be limited to personal lines residential policies and would not apply to commercial residential policies. However, for commercial residential policies issued or renewed on or after January 1, 2006, the insurer would be required to offer the policyholder the option of: 1) a hurricane deductible that applies on an annual basis (as required for personal lines policies), and 2) a hurricane deductible that applies to each hurricane.

This Act requires insurance companies to clearly state the deductible amount for hurricane damages and allows people choose their deductible percentage. The Act prohibits insurers from dropping customers for at least 90 days after a hurricane. It also requires that the claims process begin within 14 days after the insurer is notified. The bill makes it easier for insurance companies to tap into the state's backup fund to pay claims if the companies are hit with a third storm in the same season. The bill reverses a recent court decision that said insurers had to pay the full policy amount to repair a house, even if some of the damage was caused by something such as wind that was not covered in the policy.

Specifically, this Act:

- Revises the retention of losses for which an insurer is not entitled to reimbursement from the state Hurricane Catastrophe Fund;
- Revises the allocation of funds appropriated to the state department of community affairs from the state Hurricane Catastrophe Fund for the Hurricane Loss Mitigation Program;
- Requires the department establish a low-interest loan program and pilot project for hurricane loss mitigation; authorizing contractual agreements between the department and financial institutions;
- Requires the state office of insurance regulation to submit a proposed plan to the Legislature establishing uniform rating territories to be used by insurers for residential property insurance rate filings;
- Requires further action of the Legislature to implement the plan;
- Limits the recoupment by an insurer in its rates of the reimbursement premium it pays to the state Hurricane Catastrophe Fund;
- Redefines language restricting the admissibility and relevance in rate proceedings of findings of the state Commission on Hurricane Loss Projection Methodology;
- Lowers the percentage amount of a rate filing based on a computer model which requires a public hearing;
- Requires residential property insurers and rating and advisory organizations to report hurricane loss data for development of a public hurricane model for hurricane loss projections;
- Authorizes a Citizens Property Insurance Corporation to issue bonds and incur indebtedness for certain purposes;
- Creates a Market Accountability Advisory Committee to assist the corporation for certain purposes;

- Establishes a pilot program specifying nonapplication of certain policy requirements in a county lacking reasonable degrees of competition for certain policies under certain circumstances; requiring the commission to adopt rules;
- Prohibits insurers from canceling or nonrenewing residential property insurance policies under certain emergency circumstances; providing exceptions; providing notice requirements;
- Requires insurers to provide personal lines property insurance policyholders with a checklist of items contained in policies;
- Authorizes the Financial Services Commission to adopt rules; prescribing elements to be contained in the checklist;
- Requires the checklist and outline of insurance coverage to be sent with each renewal; clarifying that homeowners' insurance includes mobile homeowners', dwelling, and condominium unit owners' insurance for purposes of the outline of coverage;
- Increases the maximum allowable hurricane deductible for personal lines and certain commercial lines residential policies; requiring insurers to offer specified hurricane deductibles for such policies;
- Requires insurers to provide written notice explaining hurricane deductible options for such policies;
- Provides for computation and display of the dollar value of hurricane deductibles;
- Requires insurers to compute and display actual dollar values of certain riders for certain policies;
- Provides that the requirement for a hurricane deductible to apply on an annual basis applies to personal lines residential property insurance policies;
- Requires insurers that provide commercial residential property insurance to offer alternative hurricane deductibles that apply on an annual basis or to each hurricane;
- Requires insurers to offer coverage for additional costs of repair due to laws and ordinances; Requires insurers to pay the replacement cost for a loss insured on that basis, whether or not the insured replaces or repairs the dwelling or property;
- Requires certain homeowner's insurance policies to contain a specified statement; providing intent; and
- Limits an insurer's liability to certain loss covered by a covered peril.

Submitted as:

Florida

CS for SB1486 (Enrolled version)/Chapter 2005 - 111

Status: Enacted into law in 2005.