

The Florida Senate
HOUSE MESSAGE SUMMARY

Prepared By: The Professional Staff of the Committee on Banking and Insurance

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BILL: CS/CS/CS/SB 542, 1st. Eng.

INTRODUCER: Banking and Insurance Committee; Appropriations Committee; Banking and Insurance Committee; and Senator Brandes and others

SUBJECT: Flood Insurance

DATE: April 28, 2014

I. Amendments Contained in Message:

House Amendment 1 – 256221 (body with title)

II. Summary of Amendments Contained in Message:

House Amendment 1 creates s. 627.715, F.S., governing the sale of personal lines, residential flood insurance. Authorized insurers may sell four different types of flood insurance products:

- Standard coverage, which covers only losses from the peril of flood as defined in the bill, which is the definition used by the National Flood Insurance Program (NFIP). The policy must be the same as coverage offered from the NFIP regarding the definition of flood, coverage, deductibles, and loss adjustment.
- Preferred coverage, which includes the same coverage as standard flood insurance and also must cover flood losses caused by water intrusion from outside the structure that are not otherwise covered under the definition of flood in the bill.
- Customized coverage, which is coverage that is broader than standard flood coverage.
- Supplemental coverage, which supplements an NFIP flood policy or a standard or preferred policy from a private market insurer. Supplemental coverage may provide coverage for jewelry, art, deductibles, and additional living expenses. It does not include excess flood coverage over other flood policies.

The House amendment requires prominent notice on the policy declarations or face page of deductibles and any other limitations on flood coverage or policy limits.

The amendment allows flood rates filed before October 1, 2019, to be established through a rate filing with the Office of Insurance Regulation (OIR) that is not required to be reviewed by the OIR before implementation of the rate (“file and use” review) or shortly after implementation of the rate (“use and file” review). Specifically, the flood rate is exempt from the “file and use” and “use and file” requirements of s. 627.062(2)(a), F.S., and the OIR’s authority to require the insurer to provide information necessary to evaluate the company and the reasonableness of the rate. The OIR is able to, however, examine a rate filing at its discretion. To assist the office in conducting such examinations, the insurer must maintain actuarial data related to flood coverage for 2 years after the effective date of the rate change. Upon examination, the OIR will use

actuarial techniques and the standards of the rating law to determine if the rate is excessive, inadequate or unfairly discriminatory.

Sections 627.062, F.S., and 627.0628, F.S., are amended to allow projected flood losses for personal residential property insurance to be a rating factor. Flood losses may be estimated using a model or straight average of models found reliable by the Florida Commission on Hurricane Loss Projection Methodology.

The amendment allows surplus lines agents to export flood insurance without making a diligent effort to seek coverage from three or more authorized insurers. Expires July 1, 2017.

Insurers that write flood coverage must notify the OIR at least 30 days before doing so in this state and file a plan of operation, financial projections, and any such revisions with the OIR.

Citizens Property Insurance Corporation is prohibited from providing flood insurance.

The Florida Hurricane Catastrophe Fund is prohibited reimbursing flood losses.

Requires insurance agents that receive a flood insurance application to obtain a signed acknowledgement from the applicant stating that the full risk rate for flood insurance may apply to the property if flood insurance is later obtained under the NFIP.

Specifies that the OIR Commissioner may provide a certification required by federal law or rule as a condition of qualifying for private flood insurance or disaster assistance. The certification is not subject to review under ch. 120, F.S.