

By Representative Rayson

1                                   A bill to be entitled  
2           An act relating to insurance; amending s.  
3           627.0629, F.S.; requiring insurers to provide  
4           certain discounts, credits, or other rate  
5           differentials in their rating manuals under  
6           certain circumstances; clarifying the  
7           application of certain discounts for mobile  
8           home owner's insurance rate filings; requiring  
9           insurers to implement certain discounts or rate  
10          differentials for mobile home insurance  
11          premiums; providing criteria; amending s.  
12          627.4091, F.S.; prohibiting insurers from  
13          canceling or nonrenewing residential policies  
14          without notice; providing requirements for such  
15          notice; amending s. 627.4133, F.S.; requiring  
16          insurers to offer coverage for certain  
17          replacement property under certain  
18          circumstances; creating s. 627.4138, F.S.;  
19          providing restrictions on cancellation or  
20          nonrenewal of residential coverage; amending s.  
21          627.701, F.S.; increasing the value of a risk  
22          at which certain hurricane or wind loss  
23          deductible provisions apply; providing  
24          definitions governing the applicability of  
25          hurricane and wind loss deductible provisions;  
26          repealing s. 627.3511(5)(b), F.S., relating  
27          conditions under which an insurer or agent may  
28          qualify for a bonus or exception from  
29          assessment with respect to the Residential  
30          Property and Casualty Joint Underwriting  
31          Association; providing an effective date.

1 Be It Enacted by the Legislature of the State of Florida:

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3 Section 1. Subsections (1), (3), and (8) of section  
4 627.0629, Florida Statutes, are amended to read:

5 627.0629 Residential property insurance; rate  
6 filings.--

7 (1) Effective July 1, ~~1994~~, a rating manual rate  
8 filing for residential property insurance must include  
9 appropriate discounts, credits, or other rate differentials,  
10 or appropriate reductions in deductibles, for properties on  
11 which fixtures or construction techniques actuarially  
12 demonstrated to reduce the amount of loss in a windstorm have  
13 been installed or implemented. The fixtures or construction  
14 techniques shall include, but not be limited to, fixtures or  
15 techniques which enhance roof strength, roof to wall strength,  
16 wall to floor to foundation strength, and window, door, and  
17 skylight strength.

18 (3) A rate filing ~~made on or after July 1, 1995,~~for  
19 mobile home owner's insurance must include appropriate  
20 discounts, credits, or other rate differentials for mobile  
21 homes constructed to comply with American Society of Civil  
22 Engineers Standard ANSI/ASCE 7-88, adopted by the United  
23 States Department of Housing and Urban Development on July 13,  
24 1994, provided the policyholder has, with respect to the  
25 mobile home which is the subject to the discount, complied and  
26 that also comply with all applicable tie-down requirements  
27 provided by state law. The discount authorized under this  
28 subsection shall be in addition to any other discounts,  
29 credits, or rate differentials authorized under this code,  
30 including those authorized under subsection (8).

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1           (8) An insurer shall ~~may~~ implement appropriate  
2 discounts or other rate differentials of up to 10 percent of  
3 the annual premium to mobile home owners who provide to the  
4 insurer evidence of a current inspection of tie-downs for the  
5 mobile home, certifying that the tie-downs have been properly  
6 installed and are in good condition. Any discount or other  
7 rate differential implemented under this subsection shall be  
8 in addition to any discount, credit, or rate differential  
9 authorized under any other provision of this code including  
10 those authorized under subsection (3). The insurer shall not  
11 raise its base rate in order to offset the amount of the  
12 discount.

13           Section 2. Subsection (2) of section 627.4091, Florida  
14 Statutes, is amended to read:

15           627.4091 Specific reasons for denial, cancellation, or  
16 nonrenewal.--

17           (2)(a) Each notice of nonrenewal or cancellation must  
18 be accompanied by the specific reasons for nonrenewal or  
19 cancellation, including the specific underwriting reasons, if  
20 applicable.

21           (b) An insurer may not cancel or nonrenew a policy  
22 providing residential coverage as described in s. 627.4025(1)  
23 for an underwriting reason unless the insurer provides the  
24 policyholder, in writing, with the underwriting reason for the  
25 cancellation or nonrenewal. The reason stated shall be based  
26 upon a specific underwriting rule on file with the department  
27 or contained in an approved rating manual of a licensed rating  
28 organization of which the insurer is a subscriber or member,  
29 cite to the specific underwriting rule being invoked as a  
30 basis for the cancellation or nonrenewal, and state or  
31 paraphrase such underwriting rule.

1           Section 3. Subsection (4) is added to section  
2 627.4133, Florida Statutes, to read:

3           627.4133 Notice of cancellation, nonrenewal, or  
4 renewal premium.--

5           (4) With respect to any personal lines residential  
6 property insurance policy, if the insured property is sold,  
7 and a replacement property is purchased by the named insured  
8 within 6 months after the closing of the sale of the insured  
9 property, the insurer providing the property insurance  
10 coverage on the insured property sold shall offer  
11 substantially similar coverage for such replacement property  
12 if the replacement property is of a type for which the insurer  
13 has approved rates and forms, is insurable pursuant to the  
14 insurer's written underwriting rules filed with the  
15 department, and, unless the insured property sold was also  
16 located in a Florida Windstorm Underwriting Association  
17 eligible area, is not located in an area which is eligible for  
18 coverage with the Florida Windstorm Underwriting Association  
19 created under s. 627.351(2).

20           Section 4. Section 627.4138, Florida Statutes, is  
21 created to read:

22           627.4138 Residential coverage; restrictions on  
23 cancellation or nonrenewal.--

24           (1) For purposes of this section, the term  
25 "residential coverage" shall have the same meaning as provided  
26 in s. 627.4025.

27           (2) An insurer may not cancel or nonrenew a policy of  
28 residential coverage because of a property damage claim that  
29 arose due to causes which were not within the control of the  
30 policyholder and does not exceed 25 percent of the insured  
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1 value of the dwelling, unless there has been a similar claim  
2 by the policyholder within the previous 5-year period.

3 (3) An insurer may not use as grounds for cancellation  
4 or nonrenewal of a policy of residential coverage notice to  
5 the insurer of damage to an insured property if a claim is not  
6 filed.

7 (4) The provisions of this section shall supplement  
8 and shall not restrict or replace any other provision of the  
9 Florida Insurance Code relating to the cancellation or  
10 nonrenewal of a policy of residential coverage.

11 Section 5. Subsection (3) of section 627.701, Florida  
12 Statutes, is amended, and subsection (9) is added to said  
13 section, to read:

14 627.701 Liability of insureds; coinsurance;  
15 deductibles.--

16 (3)(a) A policy of residential property insurance  
17 shall include a deductible amount applicable to hurricane or  
18 wind losses no lower than \$500 and no higher than 2 percent of  
19 the policy dwelling limits with respect to personal lines  
20 residential risks, and no higher than 3 percent of the policy  
21 limits with respect to commercial lines residential risks;  
22 however, if a risk was covered on August 24, 1992, under a  
23 policy having a higher deductible than the deductibles allowed  
24 by this paragraph, a policy covering such risk may include a  
25 deductible no higher than the deductible in effect on August  
26 24, 1992. Notwithstanding the other provisions of this  
27 paragraph, a personal lines residential policy covering a risk  
28 valued at \$50,000 or less may include a deductible amount  
29 attributable to hurricane or wind losses no lower than \$250,  
30 and a personal lines residential policy covering a risk valued  
31 at \$150,000~~\$100,000~~ or more may include a deductible amount

1 attributable to hurricane or wind losses no higher than 5  
2 percent of the policy limits unless subject to a higher  
3 deductible on August 24, 1992; however, no maximum deductible  
4 is required with respect to a personal lines residential  
5 policy covering a risk valued at more than \$500,000. An  
6 insurer may require a higher deductible, provided such  
7 deductible is the same as or similar to a deductible program  
8 lawfully in effect on June 14, 1995. In addition to the  
9 deductible amounts authorized by this paragraph, an insurer  
10 may also offer policies with a copayment provision under  
11 which, after exhaustion of the deductible, the policyholder is  
12 responsible for 10 percent of the next \$10,000 of insured  
13 hurricane or wind losses.

14 (b)1. Except as otherwise provided in this paragraph,  
15 prior to issuing a personal lines residential property  
16 insurance policy on or after April 1, 1996, or prior to the  
17 first renewal of a residential property insurance policy on or  
18 after April 1, 1996, the insurer must offer alternative  
19 deductible amounts applicable to hurricane or wind losses  
20 equal to \$500 and 2 percent of the policy dwelling limits,  
21 unless the 2 percent deductible is less than \$500. The written  
22 notice of the offer shall specify the hurricane or wind  
23 deductible to be applied in the event that the applicant or  
24 policyholder fails to affirmatively choose a hurricane  
25 deductible. The insurer must provide such policyholder with  
26 notice of the availability of the deductible amounts specified  
27 in this paragraph in a form specified by the department in  
28 conjunction with each renewal of the policy. The failure to  
29 provide such notice constitutes a violation of this code but  
30 does not affect the coverage provided under the policy.

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1           2. This paragraph does not apply with respect to a  
2 deductible program lawfully in effect on June 14, 1995, or to  
3 any similar deductible program, if the deductible program  
4 requires a minimum deductible amount of no less than 2 percent  
5 of the policy limits.

6           3. With respect to a policy covering a risk with  
7 dwelling limits of at least \$150,000~~\$100,000~~, but less than  
8 \$250,000, the insurer may, in lieu of offering a policy with a  
9 \$500 hurricane or wind deductible as required by subparagraph  
10 1., offer a policy that the insurer guarantees it will not  
11 nonrenew for reasons of reducing hurricane loss for one  
12 renewal period and that contains up to a 2 percent hurricane  
13 or wind deductible as required by subparagraph 1.

14           4. With respect to a policy covering a risk with  
15 dwelling limits of \$250,000 or more, the insurer need not  
16 offer the \$500 hurricane or wind deductible as required by  
17 subparagraph 1., but must, except as otherwise provided in  
18 this subsection, offer the 2 percent hurricane or wind  
19 deductible as required by subparagraph 1.

20           (c) In order to provide for the transition from wind  
21 deductibles to hurricane deductibles as required by this  
22 subsection, an insurer is required to provide wind deductibles  
23 meeting the requirements of this subsection until the  
24 effective date of the insurer's first rate filing made after  
25 January 1, 1997, and is thereafter required to provide  
26 hurricane deductibles meeting the requirements of this  
27 subsection.

28           (9) For purposes of this section, the term:

29           (a) "Hurricane or wind losses" means loss or damage  
30 caused by the peril of windstorm during a hurricane, if such  
31 loss or damage occurs in a county of this state in which the

1 county was in a hurricane warning area declared by the  
2 National Hurricane Center of the National Weather Service, or  
3 in which the National Hurricane Center determines that an area  
4 of the county sustained hurricane force winds. The term  
5 includes ensuing damage to the interior of a building, or to  
6 property inside a building, caused by rain, snow, sleet, hail,  
7 sand, or dust if the direct force of the windstorm first  
8 damages the building, causing an opening through which rain,  
9 snow, sleet, hail, sand, or dust enters and causes damage.

10 (b) "Windstorm" for purposes of paragraph (a) means  
11 wind, wind gusts, hail, rain, tornadoes, or cyclones caused by  
12 or resulting from a hurricane which results in direct physical  
13 loss or damage to property.

14 (c) "Hurricane" for purposes of paragraphs (a) and (b)  
15 means a storm system that has been declared to be a hurricane  
16 by the National Hurricane Center. The duration of the  
17 hurricane includes the time period, in this state, beginning  
18 at the time a hurricane watch or hurricane warning is issued  
19 for any part of this state by the National Hurricane Center,  
20 continuing for the time period during which the hurricane  
21 conditions exist anywhere in this state, and ending 72 hours  
22 following the termination of the last hurricane watch or  
23 hurricane warning issued for any part of Florida by the  
24 National Hurricane Center of the National Weather Service.

25 Section 6. Paragraph (b) of subsection (5) of section  
26 627.3511, Florida Statutes, is repealed.

27 Section 7. This act shall take effect July 1, 1999.  
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HOUSE SUMMARY

Requires insurers to provide discounts, credits, or other rate differentials in their rating manuals. Clarifies the application of discounts for mobile home owner's insurance rate filings. Requires insurers to implement discounts or rate differentials for mobile home insurance premiums. Revises the conditions under which an insurer or agent may qualify for a bonus or exception from assessment with respect to the Residential Property and Casualty Joint Underwriting Association. Prohibits insurers from canceling or nonrenewing residential policies without notice. Provides additional requirements relating to notice of cancellation or nonrenewal. Requires insurers to offer coverage for replacement property. Provides restrictions on cancellation or nonrenewal of residential coverage. Increases the value of a risk at which hurricane or wind loss deductible provisions apply and provides definitions governing the applicability of hurricane and wind loss deductible provisions.