

CHAMBER ACTION

1 The Committee on Insurance recommends the following:

2
3 **Committee Substitute**

4 Remove the entire bill and insert:

5 A bill to be entitled

6 An act relating to insurance payments from escrow
7 accounts; amending s. 501.137, F.S.; requiring an insurer
8 to reinstate, under certain circumstances, an insurance
9 policy that is cancelled due to failure of the lender to
10 pay a premium for which sufficient escrow funds are on
11 deposit; requiring that the lender reimburse the property
12 owner for any penalties or fees paid for purposes of
13 reinstating the policy; requiring a lender to pay certain
14 policy cost differentials under certain circumstances;
15 amending s. 627.4133, F.S.; requiring property insurers to
16 reinstate pursuant to law a canceled property insurance
17 policy secured by a mortgage for failure by a lender to
18 timely pay premium; providing an effective date.

19
20 Be It Enacted by the Legislature of the State of Florida:

21
22 Section 1. Section 501.137, Florida Statutes, is amended
23 to read:

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24 501.137 Mortgage lenders; tax and insurance payments from
25 escrow accounts; duties.--

26 (1) Every lender of money, whether a natural person or an
27 artificial entity, whose loans are secured by a mortgage on real
28 estate located within the state and who receives funds
29 incidental thereto or in connection therewith for the payment of
30 property taxes or hazard insurance premiums when the ~~such~~ funds
31 are held in escrow by or on behalf of the lender, shall promptly
32 pay the ~~such~~ taxes or insurance premiums when the ~~such~~ taxes or
33 premiums become due and adequate escrow funds are deposited, so
34 that the maximum tax discount available may be obtained with
35 regard to the taxable property and so that insurance coverage on
36 the property does not lapse.

37 (2) If an escrow account for the ~~such~~ taxes or insurance
38 premiums is deficient, the lender shall notify the property
39 owner within 15 days after the lender receives the notification
40 of taxes due from the county tax collector or receives the
41 notification from the insurer that a premium is due.

42 (3)(a) If the lender, as a result of neglect, fails to pay
43 any tax or insurance premium when the tax or premium is due and
44 there are sufficient escrow funds on deposit to pay the tax or
45 premium, and if the property owner suffers a loss as a result of
46 this ~~such~~ failure, then the lender is ~~will be~~ liable for the
47 ~~such~~ loss; except, however, ~~that~~ with respect to any loss that
48 ~~which~~ would otherwise have been insured, the extent of the ~~such~~
49 liability shall not exceed the coverage limits of any insurance
50 policy that ~~which~~ has lapsed.

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51 (b) If the premium payment is not more than 90 days
52 overdue, the insurer shall reinstate the insurance policy,
53 retroactive to the date of cancellation, and the lender shall
54 reimburse the property owner for any penalty or fees imposed by
55 the insurer and paid by the property owner for purposes of
56 reinstating the policy.

57 (c) If the premium payment is more than 90 days overdue or
58 if the insurer refuses to reinstate the insurance policy, the
59 lender shall pay the difference between the cost of the previous
60 insurance policy and a new, comparable insurance policy for a
61 period of 2 years.

62 (4) At the expiration of the annual accounting period, the
63 lender shall issue to the property owner an annual statement of
64 the escrow account.

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

67 627.4133 Notice of cancellation, nonrenewal, or renewal
68 premium.--

69 (4) An insurer that cancels a property insurance policy on
70 property secured by a mortgage due to the failure of the lender
71 to timely pay the premium when due shall reinstate the policy as
72 required by s. 501.137.

73 Section 3. This act shall take effect July 1, 2004.