

By Senator Geller

31-619A-04

1 A bill to be entitled
2 An act relating to insurance payments from
3 escrow accounts; amending s. 501.137, F.S.;
4 requiring an insurer to reinstate, under
5 certain circumstances, an insurance policy that
6 is cancelled due to failure of the lender to
7 pay a premium for which sufficient escrow funds
8 are on deposit; requiring that the lender
9 reimburse the property owner for any penalties
10 or fees paid for purposes of reinstating the
11 policy; requiring the lender to pay the
12 increased cost of insurance premiums for a
13 specified period of time under certain
14 conditions; providing an effective date.

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

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18 Section 1. Section 501.137, Florida Statutes, is
19 amended to read:

20 501.137 Mortgage lenders; tax and insurance payments
21 from escrow accounts; duties.--

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

3 (2) If an escrow account for the ~~such~~ taxes or
4 insurance premiums is deficient, the lender shall notify the
5 property owner within 15 days after the lender receives the
6 notification of taxes due from the county tax collector or
7 receives the notification from the insurer that a premium is
8 due.

9 (3)(a) If the lender, as a result of neglect, fails to
10 pay any tax or insurance premium when the tax or premium is
11 due and there are sufficient escrow funds on deposit to pay
12 the tax or premium, and if the property owner suffers a loss
13 as a result of this ~~such~~ failure, then the lender is ~~will be~~
14 liable for the ~~such~~ loss; except, however, ~~that~~ with respect
15 to any loss that ~~which~~ would otherwise have been insured, the
16 extent of the ~~such~~ liability shall not exceed the cover age
17 limits of any insurance policy that ~~which~~ has lapsed.

18 (b) If the premium payment is not more that 90 days
19 overdue, the insurer shall reinstate the insurance policy,
20 retroactive to the date of cancellation, and the lender shall
21 reimburse the property owner for any penalty or fees imposed
22 by the insurer and paid by the property owner for purposes of
23 reinstating the policy.

24 (c) If the premium payment is more that 90 days
25 overdue or if the insurer refuses to reinstate the insurance
26 policy, the lender shall pay, for a period of 2 years, the
27 difference between the cost of the previous insurance policy
28 and a new, comparable insurance policy.

29 (4) At the expiration of the annual accounting period,
30 the lender shall issue to the property owner an annual
31 statement of the escrow account.

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Section 2. This act shall take effect July 1, 2004.

SENATE SUMMARY

Requires an insurer to reinstate an insurance policy, retroactive to the date of cancellation, if the policy was canceled due to the lender's failure to pay a premium and there are sufficient funds in an escrow account. Provides that the premium may not be more than 90 days overdue. Requires the lender to reimburse the property owner if the owner has paid any penalties or fees for the purpose of reinstating the policy. Requires the lender to pay the increased cost of insurance premiums for a specified period of time under certain conditions.