

By the Committee on Banking and Insurance; and Senator Geller

311-2243-04

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; amending s. 627.4133, F.S.;
 15 requiring property insurers to reinstate a
 16 canceled policy as required by s. 501.137,
 17 F.S.; providing an effective date.

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

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

23 501.137 Mortgage lenders; tax and insurance payments
 24 from escrow accounts; duties.--

25 (1) Every lender of money, whether a natural person or
 26 an artificial entity, whose loans are secured by a mortgage on
 27 real estate located within the state and who receives funds
 28 incidental thereto or in connection therewith for the payment
 29 of property taxes or hazard insurance premiums when ~~the such~~
 30 funds are held in escrow by or on behalf of the lender, shall
 31 promptly pay ~~the such~~ taxes or insurance premiums when the

1 ~~such~~ taxes or premiums become due and adequate escrow funds
2 are deposited, so that the maximum tax discount available may
3 be obtained with regard to the taxable property and so that
4 insurance coverage on the property does not lapse.

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

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

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

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

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1 (4) At the expiration of the annual accounting period,
2 the lender shall issue to the property owner an annual
3 statement of the escrow account.

4 Section 2. Subsection (4) is added to section
5 627.4133, Florida Statutes, to read:

6 627.4133 Notice of cancellation, nonrenewal, or
7 renewal premium.--

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

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

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14 STATEMENT OF SUBSTANTIAL CHANGES CONTAINED IN
15 COMMITTEE SUBSTITUTE FOR
16 Senate Bill 2196

17 Amends s. 627.4133, F.S., to require an insurer that cancels a
18 property insurance policy on property secured by a mortgage
19 due to the failure of the lender to timely pay the premium,
20 shall reinstate the policy as required by s. 501.137, F.S.
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