By Senator Bennett

21-570-06

1	A bill to be entitled
2	An act relating to construction contracts;
3	creating s. 627.442, F.S.; providing for the
4	rejection of construction contracts when
5	certain subcontractors, sub-subcontractors, or
6	materialmen do not provide required insurance
7	coverage; prohibiting a general contractor or
8	subcontractor from rejecting work completed,
9	rejecting material supplied, or withholding
10	payment due to lack of conforming insurance
11	following acceptance of a policy or certificate
12	of insurance; providing certain exceptions;
13	authorizing a general contractor or
14	subcontractor to reject a policy or certificate
15	in writing as nonconforming and withhold
16	payment for work performed or materials
17	supplied; 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 627.442, Florida Statutes, is
22	created to read:
23	627.442 Construction contract insurance provisions;
24	acceptance, rejection, application
25	(1) If a written construction contract requires a
26	subcontractor, sub-subcontractor, or materialman to provide a
27	policy or certificate of insurance to the general contractor
28	or another subcontractor for work performed or material
29	provided which extends coverage rights to an additional
30	insured, the general contractor or subcontractor may accept
31	the policy or certificate or may reject it as being

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nonconforming before the date the subcontractor or 2 sub-subcontractor commences work or the materialman delivers material. 3 4 (2)(a) If the general contractor or subcontractor does not reject the policy or certificate in writing and state the 5 6 specific reasons for the rejection within 3 business days after receiving the policy or certificate, the general 8 contractor or subcontractor shall be deemed to have accepted the policy or certificate for work performed or materials 9 10 supplied until such time as the policy or certificate is specifically rejected in writing. However, the general 11 12 contractor or subcontractor may not be deemed to have accepted 13 a policy or certificate that does not comply with the insurance coverage limits specified in the construction 14 contract, that was knowingly and fraudulently altered, or that 15 16 reflects coverages or conditions that are not contained in the underlying policy. 18 (b) After accepting a policy or certificate, a general contractor or subcontractor may not use the lack of conforming 19 2.0 insurance as a reason to reject work previously completed by a 21 subcontractor or sub-subcontractor, to reject materials 2.2 previously supplied by a materialman, or to withhold payment 23 for work previously completed or for material previously supplied. However, the general contractor or subcontractor may 2.4 reject work previously completed or material previously 2.5 supplied or may withhold payment for such work or materials if 26 2.7 the policy or certificate provided by the subcontractor, 2.8 sub-subcontractor, or materialman: 29 Does not comply with the insurance coverage limits 30 specified in the construction contract;

1	2. Was knowingly and fraudulently altered or reflects
2	coverages or conditions that are not contained in the
3	underlying policy; or
4	3. Is canceled, nonrenewed, or materially and
5	adversely altered during the term of the construction
6	contract.
7	(3) If the general contractor or subcontractor rejects
8	a policy or certificate as nonconforming in writing and states
9	the specific reasons for rejection, any provision of the
10	contract requiring such insurance is unenforceable, and
11	payment may be withheld for work performed or materials
12	supplied after the date of the rejection of the policy or
13	certificate.
14	Section 2. This act shall take effect July 1, 2006.
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17	SENATE SUMMARY
18	Creates a right for certain contractors or subcontractors
19	to reject construction contracts because a subcontractor, sub-subcontractor, or materialman does not provide
20	certain insurance coverage required by the contract. Establishes specific grounds and procedures for such
21	rejection.
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