

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: The Professional Staff of the Committee on Community Affairs

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BILL: CS/SB 1130

INTRODUCER: Banking and Insurance Committee and Senator Simmons

SUBJECT: Windstorm Premium Discounts

DATE: March 20, 2015

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Matiyow</u>	<u>Knudson</u>	<u>BI</u>	<u>Fav/CS</u>
2.	<u>Stearns</u>	<u>Yeatman</u>	<u>CA</u>	<u>Pre-meeting</u>
3.	_____	_____	<u>FP</u>	_____

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**Please see Section IX. for Additional Information:**

COMMITTEE SUBSTITUTE - Substantial Changes

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**I. Summary:**

CS/SB 1130 requires insurers, when writing new policies and applying mitigation discounts, to only accept as valid the most recently approved uniform wind mitigation verification inspection form or a previously approved form completed within 5 years of the effective date of the new policy. The provisions of the bill do not apply to a new policy that was removed from Citizens Property Insurance Corporation through a take-out or assumption agreement.

**II. Present Situation:**

**Uniform Mitigation Verification Inspection Form**

Section 627.0629, F.S., requires rate filings for residential property insurance to include actuarially reasonable discounts, credits, or other rate differentials, or appropriate reductions in deductibles to consumers who implement windstorm damage mitigation techniques to their properties. The windstorm mitigation measures that must be evaluated for purposes of mitigation discounts include fixtures or construction techniques that enhance roof strength; roof covering performance; roof-to-wall strength; wall-to-floor foundation strength; opening protections; and window, door, and skylight strength.

Section 627.711, F.S., requires insurers to clearly notify an applicant or policyholder of a personal lines residential property insurance policy of the availability and range of each premium discount, credit, other rate differential, or reduction in deductibles, for wind mitigation. The

notice must be provided when the policy is issued and upon each renewal. The notification must be done on a form developed by the Office of Insurance Regulation, known as the Notice of Premium Discounts for Hurricane Loss Mitigation.

To qualify for a hurricane premium discount, consumers must submit a completed Uniform Mitigation Verification Inspection Form developed by rule by the Financial Services Commission.<sup>1</sup> Changes to the most current uniform wind mitigation verification inspection form were adopted in January of 2012.<sup>2</sup> The current uniform wind mitigation verification inspection form states that it is valid for up to 5 years provided no material changes have been made to the structure. However, an insurer issuing a policy to a new policyholder can request a new inspection be completed prior to issuing a new policy if the completed form is more than 5 years old. Furthermore, an insurer at its own expense may at any time require a uniform wind mitigation verification inspection form to be independently verified by a qualified inspector, inspection company or third party quality assurance provider.<sup>3</sup>

### **Certified Wind Mitigation Inspector**

Under current law an insurer must accept a uniform mitigation verification form signed by an authorized mitigation inspector. Those who qualify as an authorized mitigation inspector include:

- A home inspector licensed under s. 468.8314, F.S., who has completed at least 3 hours of hurricane mitigation training approved by the Construction Industry Licensing Board which includes hurricane mitigation techniques and compliance with the uniform mitigation verification form and completion of a proficiency exam;
- A building code inspector certified under s. 468.607, F.S.;
- A general, building, or residential contractor licensed under s. 489.111, F.S.;
- A professional engineer licensed under s. 471.015, F.S.;
- A professional architect licensed under s. 481.213, F.S.; or
- Any other individual or entity recognized by the insurer as possessing the necessary qualifications to properly complete a uniform mitigation verification form.

A person who is authorized to sign a mitigation verification form must personally inspect the structures referenced by the form, not through employees or other persons, and must certify or attest to personal inspection of the structures referenced by the form. However, licensed engineers under s. 471.015, F.S., and licensed contractors under s. 489.111, F.S., may authorize a direct employee, who is not an independent contractor, and who possesses the requisite skill, knowledge and experience, to conduct a mitigation verification inspection. Insurers have the right to request and obtain information regarding any authorized employee's qualifications prior to accepting a mitigation verification form.

An authorized mitigation inspector that signs a uniform mitigation form and a direct employee authorized to conduct mitigation verification inspections may not commit misconduct when performing an inspection. Misconduct occurs when an authorized mitigation inspector signs a uniform mitigation verification form that:

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<sup>1</sup> Rule 69O-170.0155, F.A.C.

<sup>2</sup> *Id.*

<sup>3</sup> Section 627.711(8), F.S.

- Falsely indicates that he or she personally inspected the structures referenced by the form;
- Falsely indicates the existence of a feature which entitles an insured to a mitigation discount which the inspector knows does not exist or did not personally inspect;
- Contains erroneous information due to the gross negligence of the inspector; or
- Contains a pattern of demonstrably false information regarding the existence of mitigation features that could give an insured a false evaluation of the ability of the structure to withstand major damage from a hurricane endangering the safety of the insured's life and property.

The licensing board of an authorized mitigation inspector may commence disciplinary proceedings and impose administrative fines and other sanctions for such misconduct violations.

### **III. Effect of Proposed Changes:**

**Section 1** amends s. 627.711, F.S., to require insurers, when writing new policies and applying mitigation discounts, to only accept as valid the most recently approved uniform wind mitigation verification inspection form or a previously approved form completed within 5 years of the effective date of the new policy. The provisions of the bill do not apply to a new policy that was removed from Citizens Property Insurance Corporation through a take-out or assumption agreement.

**Section 2** provides an effective date of July 1, 2015.

### **IV. Constitutional Issues:**

#### **A. Municipality/County Mandates Restrictions:**

None.

#### **B. Public Records/Open Meetings Issues:**

None.

#### **C. Trust Funds Restrictions:**

None.

### **V. Fiscal Impact Statement:**

#### **A. Tax/Fee Issues:**

None.

#### **B. Private Sector Impact:**

Except for a Citizens Property Insurance Corporation takeout or assumption agreement, a policyholder who switched insurers and previously had a mitigation inspection that was

completed more than 5 years ago on a previously approved form will need to pay for a new inspection in order for their new insurer to allow the mitigation credits.

C. Government Sector Impact:

None.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Statutes Affected:**

This bill substantially amends section 627.711 of the Florida Statutes.

**IX. Additional Information:**

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

**CS by Banking and Insurance on March 10, 2015:**

Exempts a new policy that was removed from Citizens Property Insurance Corporation through a take-out or assumption agreement from the provisions of the bill.

B. Amendments:

None.