

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.)

Prepared By: The Professional Staff of the Committee on Rules

BILL: CS/SB 342

INTRODUCER: Banking and Insurance Committee and Senator Gibson

SUBJECT: Renters Insurance

DATE: February 23, 2016

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Matiyow</u>	<u>Knudson</u>	<u>BI</u>	Fav/CS
2.	<u>McAloon</u>	<u>Cibula</u>	<u>JU</u>	Favorable
3.	<u>Matiyow</u>	<u>Phelps</u>	<u>RC</u>	Favorable

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/SB 342 requires a landlord of residential real property to provide notice in the rental agreement whether the tenant is required to obtain renters insurance, and if so, to specify the coverage required. If the rental agreement does not require renters insurance, the rental agreement must provide a statement regarding the benefit of purchasing renters insurance.

II. Present Situation:

Part II of ch. 83, F.S., titled "Florida Residential Landlord and Tenant Act," governs the relationship between landlords and tenants under a residential lease agreement. The Landlord and Tenant Act contains certain mandatory provisions and disclosures that a landlord must provide to a tenant or prospective tenant. Specifically, a landlord must disclose in writing or a lease agreement:

- Whether the tenant's security deposit will be held in an interest or non-interest-bearing account; the name of the account depository and disclose the rate and time of interest payments within 30 days after receiving the security deposit.
- The name and address of the landlord or person authorized to receive notices and demands on the landlord's behalf.¹

¹ Section 83.50, F.S.

- Notice of the potential liquidated damages, if there is a liquidated damages provision in the lease.²
- A specific notice if the landlord has no liability for storing or disposing the tenant's personal property after the tenant surrenders the dwelling.³
- A specific warning of the health risks of radon gas and which also refers the tenant to the county health department for additional information.⁴

Renters insurance, sometimes referred to as tenants insurance, includes three basic types of protection. The basic types of protection are for personal possessions, liability, and additional living expenses.⁵

Standard renters insurance policies protect personal belongings against damage from fire, smoke, lightning, vandalism, theft, explosion, windstorm, water, and other disasters listed in the policy.

With respect to personal liability, standard renters insurance policies provide liability protection against lawsuits for bodily injury or property damage that the insured or the insured's family members cause to other people. It also pays for damages caused by pets to others in the home.

Finally, standard renters insurance policies cover additional living expenses. If the tenant's home is destroyed by a disaster, which is covered by the policy, renters insurance covers the additional costs incurred for the insured to reside elsewhere. Policies will generally reimburse the difference between additional living expenses and normal living expenses. Additional living expenses cover hotel bills, temporary rentals, restaurant meals and other expenses incurred while the home is being rebuilt.

A 2015 Insurance Information Institute poll conducted by ORC International found that 95 percent of homeowners had homeowners insurance. Among renters, only 40 percent said they had renters insurance. However, this proportion has been increasing since the first time the question was asked in 2011, when 29 percent of renters said they had renters insurance.⁶

III. Effect of Proposed Changes:

The bill creates s. 83.491, F.S., to require that a landlord make one of two notices regarding renters insurance in the lease agreement:

- First, if renters insurance is required by the landlord, the rental agreement must specify the coverage amounts required and provide space for the tenant to initial.
- Second, if the landlord does not required the purchase of renters insurance, the rental agreement must include a statement in substantially the following:
 - "The tenant is not required to obtain renters insurance; however, the tenant is strongly advised to obtain renters insurance to cover damage to or loss of personal property."

² Section 83.595(4), F.S.

³ Section 83.67(5), F.S.

⁴ Section 404.056(4), F.S.

⁵ Insurance Information Institute, *Renters Insurance*, at <http://www.iii.org/article/renters-insurance> (last visited Feb. 4, 2016).

⁶ Insurance Information Institute, *Renters Insurance*, at <http://www.iii.org/fact-statistic/renters-insurance> (last visited Feb. 4, 2016).

The bill further provides that the failure to provide the notice does not create a private cause of action or nullify any part of the rental agreement.

The bill has an effective date of July 1, 2016, and applies to residential leases entered into on or after January 1, 2017.

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:

Landlords will need to provide one of two additional notices regarding renters insurance. If the landlord requires renters insurance, the notice must be signed by the tenant. This may result in increased attorney fees for the landlord because of the added documentation requirements. The landlord may see a benefit through fewer tenants attempting to recover the value of damaged or lost goods from the landlord.

Tenants may start to buy more renters insurance policies because they are required to be notified of its existence. An increase in renters insurance policies will lead to reimbursement for lost or damages goods owned by the renter.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

The Real Property and Probate Section of The Florida Bar drafts a standardized lease that includes all provision required by state statutes. The draft lease is reviewed and approved for use by the Florida Supreme Court. The changes could require that an updated standardized lease be drafted and approved.⁷

VIII. Statutes Affected:

This bill creates section 83.491 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 January 26, 2016:

- Changes “Renter” to “Renters” throughout the bill;
- Applies notice requirements to leases entered into on or after January 1, 2017; and
- Clarifies that failure to provide such notice does not create a private cause of action or nullify any part of the rental agreement.

B. Amendments:

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill’s introducer or the Florida Senate.

⁷ Conversation with Arlene Catherine Udick of the Landlord Tenant Committee for the Real Property and Probate Trust Law Section of The Florida Bar (January 22, 2016).