

By the Committee on Banking and Insurance; and Senators Gruters and Broxson

597-02277-20

2020898c1

1 A bill to be entitled
2 An act relating to insurance guaranty associations;
3 amending s. 631.57, F.S.; increasing the obligation of
4 the Florida Insurance Guaranty Association,
5 Incorporated, for certain claims under policies
6 covering certain condominium associations and
7 homeowners' associations; increasing the percentage
8 limit of certain insurer net written premiums up to
9 which the Office of Insurance Regulation may levy
10 certain emergency assessments upon insurers; providing
11 an effective date.

12
13 Be It Enacted by the Legislature of the State of Florida:

14
15 Section 1. Paragraph (a) of subsection (1) and paragraph
16 (e) of subsection (3) of section 631.57, Florida Statutes, are
17 amended to read:

18 631.57 Powers and duties of the association.—

19 (1) The association shall:

20 (a)1. Be obligated to the extent of the covered claims
21 existing:

22 a. Prior to adjudication of insolvency and arising within
23 30 days after the determination of insolvency;

24 b. Before the policy expiration date if less than 30 days
25 after the determination; or

26 c. Before the insured replaces the policy or causes its
27 cancellation, if she or he does so within 30 days of the
28 determination.

29 2. The obligation under subparagraph 1. includes only the

597-02277-20

2020898c1

30 amount of each covered claim which is in excess of \$100 and is
31 less than \$300,000, except that policies providing coverage for
32 homeowner's insurance shall provide for an additional \$200,000
33 for the portion of a covered claim which relates only to the
34 damage to the structure and contents.

35 3.a. Notwithstanding subparagraph 2., the obligation under
36 subparagraph 1. for policies covering condominium associations
37 or homeowners' associations, which associations have a
38 responsibility to provide insurance coverage on residential
39 units within the association, shall include that amount of each
40 covered property insurance claim which is less than \$200,000
41 ~~\$100,000~~ multiplied by the number of condominium units or other
42 residential units; however, as to homeowners' associations, this
43 sub-subparagraph applies only to claims for damage or loss to
44 residential units and structures attached to residential units.

45 b. Notwithstanding sub-subparagraph a., the association has
46 no obligation to pay covered claims that are to be paid from the
47 proceeds of bonds issued under s. 631.695. However, the
48 association shall assign and pledge the first available moneys
49 from all or part of the assessments to be made under paragraph
50 (3)(a) to or on behalf of the issuer of such bonds for the
51 benefit of the holders of such bonds. The association shall
52 administer any such covered claims and present valid covered
53 claims for payment in accordance with the provisions of the
54 assistance program in connection with which such bonds have been
55 issued.

56 4. In no event shall the association be obligated to a
57 policyholder or claimant in an amount in excess of the
58 obligation of the insolvent insurer under the policy from which

597-02277-20

2020898c1

59 the claim arises.

60 (3)

61 (e)1. In addition to assessments authorized in paragraph
62 (a), and to the extent necessary to secure the funds for the
63 account specified in s. 631.55(2)(b) for the direct payment of
64 covered claims of insurers rendered insolvent by the effects of
65 a hurricane and to pay the reasonable costs to administer such
66 claims, or to retire indebtedness, including, without
67 limitation, the principal, redemption premium, if any, and
68 interest on, and related costs of issuance of, bonds issued
69 under s. 631.695 and the funding of any reserves and other
70 payments required under the bond resolution or trust indenture
71 pursuant to which such bonds have been issued, the office, upon
72 certification of the board of directors, shall levy emergency
73 assessments upon insurers holding a certificate of authority.
74 The emergency assessments levied against any insurer may not
75 exceed in any one calendar year more than 4 ~~2~~ percent of that
76 insurer's net written premiums in this state for the kinds of
77 insurance within the account specified in s. 631.55(2)(b).

78 2. Emergency assessments authorized under this paragraph
79 shall be levied by the office upon insurers in accordance with
80 paragraph (f), upon certification as to the need for such
81 assessments by the board of directors. If the board participates
82 in the issuance of bonds in accordance with s. 631.695,
83 emergency assessments shall be levied in each year that bonds
84 issued under s. 631.695 and secured by such emergency
85 assessments are outstanding in amounts up to such 4-percent ~~2-~~
86 ~~percent~~ limit as required in order to provide for the full and
87 timely payment of the principal of, redemption premium, if any,

597-02277-20

2020898c1

88 and interest on, and related costs of issuance of, such bonds.
89 The emergency assessments are assigned and pledged to the
90 municipality, county, or legal entity issuing bonds under s.
91 631.695 for the benefit of the holders of such bonds in order to
92 provide for the payment of the principal of, redemption premium,
93 if any, and interest on such bonds, the cost of issuance of such
94 bonds, and the funding of any reserves and other payments
95 required under the bond resolution or trust indenture pursuant
96 to which such bonds have been issued, without further action by
97 the association, the office, or any other party. If bonds are
98 issued under s. 631.695 and the association determines to secure
99 such bonds by a pledge of revenues received from the emergency
100 assessments, such bonds, upon such pledge of revenues, shall be
101 secured by and payable from the proceeds of such emergency
102 assessments, and the proceeds of emergency assessments levied
103 under this paragraph shall be remitted directly to and
104 administered by the trustee or custodian appointed for such
105 bonds.

106 3. Emergency assessments used to defease bonds issued under
107 this part may be payable in a single payment or, at the option
108 of the association, may be payable in 12 monthly installments
109 with the first installment being due and payable at the end of
110 the month after an emergency assessment is levied and subsequent
111 installments being due by the end of each succeeding month.

112 4. If emergency assessments are imposed, the report
113 required by s. 631.695(7) must include an analysis of the
114 revenues generated from the emergency assessments imposed under
115 this paragraph.

116 5. If emergency assessments are imposed, the references in

597-02277-20

2020898c1

117 sub-subparagraph (1)(a)3.b. and s. 631.695(2) and (7) to
118 assessments levied under paragraph (a) must include emergency
119 assessments imposed under this paragraph.

120 6. If the board of directors participates in the issuance
121 of bonds in accordance with s. 631.695, an annual assessment
122 under this paragraph shall continue while the bonds issued with
123 respect to which the assessment was imposed are outstanding,
124 including any bonds the proceeds of which were used to refund
125 bonds issued pursuant to s. 631.695, unless adequate provision
126 has been made for the payment of the bonds in the documents
127 authorizing the issuance of such bonds.

128 Section 2. This act shall take effect July 1, 2020.