

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 625 Property Insurance Coverage
SPONSOR(S): Insurance & Banking Subcommittee, Buchanan
TIED BILLS: IDEN./SIM. BILLS:

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Insurance & Banking Subcommittee	16 Y, 0 N, As CS	Fortenberry	Lloyd
2) Commerce Committee			

SUMMARY ANALYSIS

Citizens Property Insurance Corporation (Citizens): Citizens is Florida's property insurer of last resort. Citizens currently writes multiperil and wind-only policies within its three accounts, subject to applicants meeting eligibility criteria. However, Citizens is prohibited from issuing wind-only policies to commercial lines residential condominiums when 50 percent or more of the units in the condominium are rented more than eight times per calendar year for less than 30 days in each rental period (short-term rentals).

The bill allows eligibility for condominiums that are currently ineligible for wind-only coverage due to short-term rental status. They become eligible for wind-only policies at an actuarially sound and noncompetitive rate that is not subject to the glide path generally applied to Citizens' rates.

Roof Inspections: Insurers may not refuse to issue or refuse to renew a homeowners' policy insuring a residential structure with a roof that is less than 15 years old solely because of the age of the roof. For a roof that is at least 15 years old, an insurer must allow a homeowner to have a roof inspection performed by an authorized inspector at the homeowners' expense before requiring a homeowner to replace a roof as a condition of issuing or renewing a homeowners' insurance policy. Additionally, if an inspection of the roof performed by an authorized inspector shows that the roof has at least 5 years of useful life remaining, the insurer may not refuse to issue or renew a homeowners' policy solely because of roof age. Current law does not require that authorized inspectors use a particular form to complete the roof inspection or include standards for the inspections of commercial roofs for insurance purposes.

The bill requires that authorized inspectors conducting roof inspections to determine the remaining useful life on a residential and commercial roofs use specific forms. An authorized inspector may also provide an appendix to this form which includes pictures or other documentation to demonstrate the remaining useful life of the roof.

Loss Assessment Coverage: Loss assessment coverage is insurance coverage for condominium unit owners that provides protection for situations where the owner of a condominium unit, as the owner of shared property, is held financially responsible for certain occurrences. Florida law requires that property insurance policies held by condominium unit owners include a minimum property loss assessment coverage of \$2,000 for all assessments made because of the same direct loss to the condominium property.

The bill provides that property insurance policies issued to residential condominium unit owners on or after July 1, 2024, must contain at least \$5,000 in property loss assessment coverage.

The bill has no impact on local or state government revenues or expenditures. It has an indeterminate positive and negative direct economic impact on the private sector.

The bill is effective on July 1, 2024.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Citizens Property Insurance Corporation (Citizens)

Background

Citizens Property Insurance Corporation (Citizens) is a state-created, not-for-profit, tax-exempt governmental entity whose public purpose is to provide property insurance coverage to those unable to find affordable coverage in the voluntary admitted market.¹ Citizens is not a private insurance company.² It is commonly known as Florida's insurer of last-resort since eligibility is partly determined on the risk not being able to be placed in the voluntary, admitted market at an affordable rate. Citizens offers property insurance through three different accounts: a personal lines account, a commercial lines account, and a coastal account.

The policies that Citizens writes within these three accounts include the following:

- Standard Personal Lines Policies – comprehensive multiperil policies providing full coverage of residential property equivalent to the coverage provided in the private insurance market;
- Basic Personal Lines Policies – similar to dwelling fire policies that provide coverage meeting the requirements of the secondary mortgage market, but are more limited in coverage than under a standard policy;
- Commercial Lines Residential and Nonresidential Policies – generally similar to the basic perils of full coverage obtainable for commercial residential structures and commercial nonresidential structures in the private market;
- Personal Lines and Commercial Lines Residential Property Insurance Policies – cover the peril of wind only;
- Commercial Lines Nonresidential Property Insurance Policies – cover the peril of wind only.³

Citizens' eligibility criteria sometimes allow it to issue policies that cover wind losses only (wind-only policies) when it is unable to issue a multiperil policy. However, under current law, Citizens is prohibited from issuing wind-only policies to commercial lines residential condominiums when 50 percent or more of the units in the condominium are rented more than eight times per calendar year for less than 30 days in each rental period.⁴ Condominium owners have complained that due to this prohibition they are unable to obtain coverage from any insurers other than surplus lines insurers, which is typically more expensive than coverage from admitted insurers or Citizens.⁵

Effect of the Bill

The bill eliminates the prohibition on Citizens' eligibility for condominiums that are currently ineligible for wind-only coverage due to short-term rental status. These condominiums become eligible for wind-only policies from Citizens at a rate that is actuarially sound and noncompetitive, and not subject to the glide path generally applied to Citizens' rates.⁶

¹ The term "admitted market" means insurance companies licensed to transact insurance in Florida.

² S. 627.351(6)(a)1., F.S.

³ S. 627.351(6)(c)1., F.S.

⁴ These types of rentals are commonly referred to as short-term rentals.

⁵ See s. 626.913, F.S. Surplus lines rates must be noncompetitive with those of admitted insurers. S. 626.916, F.S.

⁶ In 2010, the Legislature established a "glidepath" to impose annual rate increases up to a level that is actuarially sound. Under the original established glidepath, Citizens had to implement an annual rate increase which, except for sinkhole coverage, does not exceed 10 percent above the previous year for any individual policyholder, adjusted for coverage changes and surcharges. In 2021, the Legislature revised this glidepath to increase it one percent per year to 15 percent, as follows: 11 percent for 2022; 12 percent for 2023; 13 percent for 2024; 14 percent for 2025; 15 percent for 2026 and all subsequent years. S. 627.351(6)n5., F.S.

Roof Inspections

Background

Homeowners increasingly complained about insurers' refusal to write or renew their policies based upon the age of the roofs on their homes, even when inspections showed that the roofs had useful life remaining.⁷ Homeowners also indicated that insurers refused to issue or renew policies unless they replaced roofs that are more than a certain number of years old. As a result, the Legislature implemented statutory prohibitions on property insurers canceling or nonrenewing policies solely based upon the age and condition of roofs.⁸

Insurers may not refuse to issue or refuse to renew a homeowners' policy insuring a residential structure with a roof that is less than 15 years old solely because of the age of the roof.⁹ For a roof that is at least 15 years old, an insurer must allow a homeowner to have a roof inspection performed by an authorized inspector at the homeowners' expense before requiring a homeowner to replace a roof as a condition of issuing or renewing a homeowners' insurance policy.¹⁰ Additionally, if an inspection of the roof performed by an authorized inspector shows that the roof has at least 5 years of useful life remaining, the insurer may not refuse to issue or renew a homeowners' policy solely because of roof age.¹¹ The age of the roof is determined using either:

- The last date for which 100 percent of the roof's surface was built or replaced in compliance with the building code in effect at the time, or
- The initial date of a partial roof replacement when subsequent partial builds or replacements were completed that resulted in 100 percent of the roof's surface being built or replaced.¹²

At present, the law does not require that authorized inspectors use a particular form to complete the roof inspection. Additionally, the Florida Insurance Code does not contain any standards regarding the inspection of the roof of a commercial structure.

Effect of the Bill

The bill requires that authorized inspectors conducting roof inspections to determine the remaining useful life on roofs must use the following forms issued by Citizens and approved by OIR:

- Personal Roof Condition Inspection Form for the inspection of residential roofs.
- Commercial Roof Condition Inspection Form for the inspection of commercial roofs.

The bill also allows an authorized inspector to provide an appendix, which includes pictures or other documentation to demonstrate the remaining useful life of the roof.

⁷ See e.g., Lawrence Mower, *Progressive Stops Renewing Some Home Policies in Florida as Lawmakers Target Roof Claims*, Tampa Bay Times (Feb. 8, 2022), <https://www.tampabay.com/news/florida-politics/2022/02/08/progressive-stops-renewing-some-home-policies-in-florida-as-lawmakers-target-roof-claims/> (last visited Jan. 13, 2024).

⁸ Ch. 2022-268, Laws of Fla.

⁹ S. 627.7011(5), F.S.

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

Loss Assessment Coverage

Background

Loss assessment coverage is insurance coverage for condominium unit owners that provides protection for situations where the owner of a condominium unit, as the owner of shared property, is held financially responsible for:

- Deductibles owed when a claim is made under a condominium association's property insurance policy;
- Damage that occurs to the condominium building or the common areas of a condominium property; or
- Injuries that occur in the common areas of a condominium property.¹³

Florida law requires that property insurance policies held by condominium unit owners include a minimum property loss assessment coverage of \$2,000 for all assessments made because of the same direct loss to the condominium property.¹⁴ The law further establishes that the maximum amount of any unit owner's coverage that can be assessed for any loss is an amount equal to the unit owner's loss assessment coverage limit in effect one day before the date of an occurrence that gave rise to the loss.¹⁵ This coverage is applicable to any loss assessment regardless of the date of assessment by a condominium association.¹⁶

Effect of the Bill

The bill provides that property insurance policies issued to residential condominium unit owners on or after July 1, 2024, must contain at least \$5,000 in property loss assessment coverage.

B. SECTION DIRECTORY:

Section 1. Amends s. 627.351, F.S., relating to insurance risk apportionment plans.

Section 2. Amends s. 627.7011, F.S., relating to homeowners' policies; offer of replacement cost coverage and law and ordinance coverage.

Section 3. Creates s. 627.70143, F.S., relating to commercial roof inspections.

Section 4. Amends s. 627.714, F.S., relating to residential condominium unit owner coverage; loss assessment coverage required.

Section 5. Provides an effective date of July 1, 2024.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

¹³ The Balance, *Loss Assessment Explained for Condo Insurance*, <https://www.thebalance.com/loss-assessment-explained-for-condo-insurance-4060435> (last visited Jan. 13, 2024).

¹⁴ S. 627.714(1), F.S.

¹⁵ S. 627.714(2), F.S.

¹⁶ *Id.*

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill will have a positive direct economic impact on condominium owners. Current owners of condominiums that are ineligible for coverage from Citizens because of short-term rentals, and are likely obtaining more expensive insurance from the surplus lines market, will be able to obtain coverage from Citizens. Additionally, condominium owners will receive the benefit of an increase in the loss assessment coverage provided by their property insurance policies if their policies do not already contain \$5,000 in loss assessment coverage. However, this increase in coverage may result in an indeterminate increase in premiums.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not Applicable. The bill does not appear to affect county or municipal governments.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill neither authorizes nor requires administrative rulemaking.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

On January 18, 2024, the Insurance & Banking Subcommittee considered the bill, adopted one amendment, and reported the bill favorably as a committee substitute. The amendment made the following changes to the bill:

- Established that rates charged by Citizens Property Insurance Corporation (Citizens) for wind-only policies issued to condominiums that are primarily used as short-term rentals are not subject to the rate glide path generally applied to Citizens' policies.

- Required the use of specified roof condition inspection forms issued by Citizens and approved by the Office of Insurance Regulation.

The analysis is drafted to the committee substitute as passed by the Insurance & Banking Subcommittee.