



THE FLORIDA SENATE
COMMITTEE ON BANKING AND INSURANCE

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Memorandum

To: All Senators
From: Jim Boyd, Chair
Subject: Property Insurance Legislation for Special Session 2022 D
Date: May 20, 2022

As we look ahead to next week's special session, I know we all share a goal to ensure that Floridians have access to property insurance that is both reliable and affordable. Unfortunately, right now we have a situation where property owners are paying more for their insurance, increasing costs for homeowners and tenants alike, yet insurance companies are suffering massive losses, leading in some cases to insolvency.

The more insurers that go out of business, the more policies are transferred to Citizens Property Insurance, which increases risks for taxpayers, while eliminating choice for homeowners. Over the past few years, the Legislature has taken several significant steps to reform the property insurance market. Gaining consensus on meaningful reform has been difficult, and in certain instances hampered by ongoing litigation brought forward by those who benefit from the status quo.

In my view, the upcoming special session provides a fresh opportunity to review many of the issues the Senate has vetted over the last few years in a more focused manner. I believe the legislation I will file for your consideration during the special session will address the many issues leading to the instability of the current property insurance market in our state. The proposal balances fair costs and protections for consumers while adding reasonable guardrails for insurance companies against the frivolous litigation and fraudulent claims that drive up rates for everyone.

Having spent my career working in the field of insurance, my goal has always been to both help Floridians secure property insurance that meets their needs and help them successfully navigate the claims process when disaster strikes. It has been an honor to work with many of you on these important issues over the years, and I am confident that next week we can produce a product we will be proud to take back to our communities. I have included some information on specific proposals below and look forward to discussing them with you in more detail next week.

Clarifying Options for Roof Repair and Replacement

Unfortunately, Florida has become a beacon for companies who canvass neighborhoods, creating roofing claims that would not otherwise be filed. Insurance companies have consistently identified roofing claims as a cost driver for increased premiums, and prior attempts to address these predatory practices have been tied up in the court system.

The fact is, while they are expensive and inconvenient to replace, a roof does not last forever. While insurance is intended to address significant, unanticipated losses, it cannot and should not replace the routine maintenance obligations of the homeowner.

The legislation I am sponsoring ensures there is a clear understanding between homeowners and their insurance companies about when a roof replacement will be covered in full, and when a homeowner will be responsible for paying a certain portion of the repair or replacement cost through their deductible. The legislation allows property insurers to offer homeowner's policies that include a roof deductible with an actuarially sound premium or credit and policyholders will have the option to choose the homeowner insurance policy that best suits their needs. The bill also strengthens existing efforts to crack down on contractors who are bad actors by establishing clearer guidelines for the way in which they advertise. Most importantly, the bill includes specific consumer protections that prohibit insurers from refusing to write policies on homes with roofs less than 15 years old. Further, insurers would be prohibited from non-renewing a policy on the basis of roof age if an inspection shows the roof has at least 5 years of useful life.

Additional legislation will update the Florida Building Code to allow for more repairs to a roof that doesn't need a full replacement, in certain circumstances. Namely, if the roof was built, or previously replaced, in keeping with standards established in the 2007 Florida Building Code, in many cases it can be repaired, rather than fully replaced.

Funding Matching Grants for Home Hardening

There are many steps homeowners can take to harden their homes against storm damage. These updates not only make homes safer for the families who live there, but insurance companies provide significant premium discounts for properties with these enhancements. Earlier this year, we passed legislation, which the Governor signed into law, to create a two-year sales tax exemption on impact-resistant windows, doors, and garage doors. Building on this tax break, we can expand the My Safe Florida Home Program to include hurricane mitigation inspections and matching grants for retrofitting on homesteaded single family homes with a value of \$500,000 or less, with the goal of making these upgrades financially attainable for more homeowners across our state.

Requiring Increased Transparency from Insurance Companies

Insurers are required to submit data for the number of statewide policies they issue, the amount of premium they charge, the number of policies they cancel, and other aggregate information to the Office of Insurance Regulation. While this information is supposed to be posted online and

accessible by the public, many insurers have asserted that this information is a trade secret, thus shielding their statewide information from public review. I am proposing that we clarify that such aggregate information is not a trade secret.

The process of filing an insurance claim can be overwhelming, and I believe policyholders would benefit from the receipt of additional information. I am proposing that we require insurers to notify policyholders of their right to receive any detailed report estimating the amount of their loss, a reasonable explanation of the claim decision, and to explain if there is a discrepancy between the estimated amount of the loss and the amount of the claim actually paid to the homeowner. Providing this additional information should assist in the resolution of claims.

Enhancing Insurer Access to the Florida Hurricane Catastrophe Fund

Florida's Hurricane Catastrophe Fund exists as a backstop for property insurance companies who exhaust their ability to pay claims following serious storms. Companies are required to purchase reinsurance, which acts as insurance for the insurance company, in the event they cannot pay all claims due to a catastrophic storm. Costs of reinsurance have increased drastically in recent years, and that cost is passed along to the consumer via insurance premiums.

Currently, insurers can only access the CAT Fund if they have to pay claims in excess of their share of an \$8.5 billion industry retention. I propose that we authorize \$2 billion dollars in an additional coverage program. This coverage allows private insurers to begin receiving reimbursement earlier, which will help lower the cost of reinsurance, and requires insurers participating in the program to reduce their rates. For the benefit of all policyholders, those companies who already have sufficient reinsurance this year will defer participation to next year. All undispersed funds revert back to general revenue. Hopefully, we never have to use it, but this additional funding provides certainty that will help stabilize the market.

Reducing Frivolous Litigation

We know that litigation plays a significant role in rising premiums and the cost of unnecessary litigation is ultimately passed onto policyholders. Some of these costs result from inflated settlements due to the threat of a risk multiplier being applied unnecessarily if a claim is litigated. The threat of a claim of bad faith, and the large amount of frivolous claims arising after an assignment of benefits also contributes to rising premiums. I am proposing that we codify that attorney fee multipliers only be awarded in rare and exceptional circumstances, clarify when a bad faith suit may arise, and prohibit the ability to transfer the right to receive attorney fees in a property insurance litigation.

Again, I look forward to discussing these issues with you in more detail next week.