

## Florida's Legislature Passes Substantial Property Insurance Reforms

*The Florida Legislature passed a bill, S.B. 2-A, which has enacted property insurance reforms aimed towards stabilizing a beleaguered insurance market. It addresses reinsurance, reforms many aspects of the claims process, including the timing for paying and adjusting claims, and further eliminates one-way attorney fee awards to policyholders, and bans assignment-of-benefits agreements.*



### The major provisions of the bill cover:

- **Abolished the “one way” attorney fee provision**
  - The insurer is no longer required to reimburse attorney’s fees to the plaintiff
- **Civil Offer of Judgement (also known as Proposals for Settlement)**
  - Either side in a dispute can make a settlement offer for a certain amount of money. If not accepted by the opposing party within 30 days, the party who rejects the offer may be ordered to pay attorney’s fees to the party who made the offer.
- **Discount of Binding Arbitration**
  - Gives option to policyholders to agree to enter into binding arbitration for a premium discount but they also give up their ability to sue the insurer.
- **No More Assignment of Benefits**
  - Vendors/Contractors can no longer coerce homeowners to sign over the benefits of their insurance policies as a condition of commencing repair work.
- **Bad Faith:**
  - Prohibits the filing of a bad faith lawsuit until a final judgement is issued against the insurance company in the original claim dispute.
- **Citizens Property Insurance Reforms:** Makes many essential improvements to current laws governing the state-backed Citizens Property Insurance Corporation, including:
  - Changing the eligibility to remain a Citizens policyholder, by requiring that private insurance company coverage has to be 20% more expensive (up from 15%, to match current rules on new policies) and likewise for commercial residential policies;
  - Ending capped rates (the so-called “glide-path”) and requiring its rates be actuarially-sound and be “non-competitive” with admitted companies’ market rates;
  - Defining and allowing higher rates for second (non-homesteaded) homes; and
  - Requiring personal lines policyholders purchase flood insurance to become or remain a Citizens policyholder.

*Disclaimer: This is intended as a summary only. Please refer to the full Bill for details and clarification.*



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➤ **Reinsurance:**

- Establishes a second optional hurricane reinsurance fund (The Florida Optional Reinsurance Assistance Program) for carriers, offering rates of 50% to 65% of the cost of on-line rates, while maintaining the Reinsurance to Assist Policyholders (RAP) program created in the May special session;

➤ **Greater OIR Regulation:**

- Allows the Florida Office of Insurance Regulation (OIR) to withdraw approval of policies with an appraisal clause for companies that routinely invoke it; allows OIR to do market conduct exams after a hurricane on those companies in the top 20% of claims filed or DFS complaints and to include an examination of their MGAs; and requires companies to begin monthly reporting of the numbers of claims opened, closed, pending, and those seeking alternative dispute resolution and of which type.

➤ **Claim Filing:**

- Further tightens deadlines for policyholders to report a claim from 2 years to 1 year for a new or reopened claim, and from 3 years to 18 months for a supplemental claim;

➤ **Rights Newly Created by the Legislation:**

- Reducing the time that an insurer has to make a determination of coverage from 90 to 60 days;
- Reducing the time for insurers to review and acknowledge a claim communication from 14 to seven days;
- Reducing the time for an insurer to begin an investigation from 14 to seven days;
- Reducing the time for an insurer to conduct a physical examination from 45 to 30 days; and,
- Requiring insurers to send any adjuster's report estimating the loss to the policyholder within seven days after it's created.

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