

## Special Session 2022 Property Insurance Reform

The LAAIA applauds the Florida Legislature on passing monumental insurance reforms to help stabilize the troubled Florida insurance marketplace, bring back competition providing more consumer choice and provide much needed relief for the citizens of our great state. Some highlights of the legislation:

- **One-way Attorney Fees** - eliminates one-way attorney fees in suits arising in residential or commercial property insurance.
- **Assignment of Benefits (AOB)** – eliminates a policyholder’s ability to execute an AOB for all property insurance policies.
- **Bad Faith** – requires a breach of contract before a policyholder can sue a property insurer for settlement-related bad faith.
- **Offer of Judgment** – makes attorney fees available for the prevailing party in offers of judgment (proposals for settlement).
- **Florida Optional Reinsurance Assistance Program (FORA program)** – creates a program that provides optional hurricane reinsurance that property insurers can purchase at near market rates. The FORA program is funded with \$1 billion in general revenue for the 2023 year, and is supplemented by the premium insurers pay for coverage.
- **Notice of Claim** – reduces the time limit for providing notice of a loss to a property insurer from two years to one year for initial or reopened claims and from three years to 18 months for supplemental claims.
- **Claims Investigation and Prompt Payments** – changes the prompt pay statute to encourage property insurers to settle claims in a timely manner.
- **Mandatory Binding Arbitration** – codifies that companies, for a premium discount, may issue an optional endorsement with consent from the policyholder that requires participation in binding arbitration to settle a claim.
- **Notice to Policyholders** – requires that a property insurer place the “Flood Coverage Not Included” statement on the policy declarations page rather than just “with the policy documents.”
- **Office of Insurance Regulation (OIR)** –
  - enhances OIR’s ability to do market conduct examinations of property insurers after a hurricane, including examinations of managing general agents
  - allows OIR to discipline insurers for abuse of the appraisal process
  - adds information regarding the use of appraisal to the list of information that a property insurer must include in its quarterly reports to OIR
  - allows OIR to review property insurers’ forms, withdraw approval, and suspend an insurer’s ability to invoke appraisal for up to two years
  - requires OIR to add the names of insurers who abuse the appraisal process to its Property Insurer Stability Unit biannual report and post those names to its website
  - allows additional time for agents to place policyholders during insolvencies, at OIR’s option.
- **Citizens Property Insurance Corporation (Citizens)** – for renewals and take-out offers (depopulation)
  - establishes that if a renewal or take-out offer from an authorized insurer is within 20 percent of a policyholder’s Citizens premium, including surcharges and assessments being levied, a policyholder is ineligible to remain in Citizens
  - for new policies, establishes that the risk is ineligible for Citizens coverage if the admitted-market policy is within 20 percent of a policyholder’s Citizens premium
  - requires Citizens residential lines policyholders to obtain flood insurance as a condition of having coverage from Citizens by 2027
  - provides a different glidepath for the rates that Citizens charges non-primary residents so that those policies become actuarially sound more quickly
  - authorizes Citizens to combine its three policyholder accounts into a single account upon eliminating all outstanding financing obligations to allow Citizens to use its entire surplus to pay claims.