

**Department of Financial Services – HB 1393 by Rep. Chuck Clemons (R-Jonesville).**

- The Senate removed late in the 2019 session a section extending the exemption from the diligent effort requirements for exporting a flood policy to surplus lines for an additional 6 years to 2025. The change in law went into effect on July 1, 2019.
- The reasoning seemed to be that there is now a robust admitted flood market in Florida, which is presumed to be “safer” so the state no longer needed to attract carriers (such as Neptune) via the surplus lines market.

**Issues with this analysis and implementation include:**

1. Admitted is not “safer” because all standard flood policies, to be accepted by banks, must meet NFIP criteria under federal law. Furthermore, most if not all, admitted flood carriers in Florida do not have high AM Best ratings while private surplus lines carriers such as Neptune are backed by AM Best rated global reinsurers, such as Lloyd’s of London and AXA XL.
2. Only 1.8M of 6.3M households in Florida are covered by a flood policy. FEMA has urged ALL Floridians to buy flood insurance, and the State of Florida should equally allow both admitted and surplus lines carriers to fill the current insurance gap.
3. As currently implemented, Floridians have limited options for additional coverages not provided by the NFIP or Admitted carriers, such as dwelling coverage over \$250k, mildew or mold, loss of use, pool or fence repair, external structures, and temporary living expense if forced to leave their home by flooding.<sup>1</sup>
4. As of April 2018, surplus lines carriers have nearly 18% flood policies in force, which shows a strong commitment to the Florida insurance market.<sup>2</sup>
5. The inaction of passing the original and complete version HB1393, directly contradicts the passage of SB 542 in 2014 which aimed to stimulate growth of the state’s private residential flood insurance market.
6. Additionally, on September 17, 2019 Governor DeSantis announced plans for financial technology (FinTech) priority initiatives including creating a regulatory sandbox for FinTech companies in Florida. Neptune Flood is likely one of the most successful Florida based FinTech companies, yet the July 1 law change directly contradicts this FinTech initiative. In reality, the enacted law change actually removed the only true option Floridians had to actually buy flood insurance online.

**Goal:** advocate for the appropriate changes to be made to HB 1393 in the upcoming Legislative session that will allow Floridians to buy private flood insurance online. This will also enable homegrown Fintech Flood Insurance companies in Florida the ability to grow and thus improve the insured base in our State.

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<sup>1</sup> [https://www.fema.gov/media-library-data/20130726-1620-20490-4648/f\\_679\\_summaryofcoverage\\_11\\_2012.pdf](https://www.fema.gov/media-library-data/20130726-1620-20490-4648/f_679_summaryofcoverage_11_2012.pdf)

<sup>2</sup> <https://riskcenter.wharton.upenn.edu/wp-content/uploads/2018/09/Florida-Private-Flood-Issue-Brief.pdf>