

Office of the Internal Auditor

Advisory Memorandum

January 2022

2021 Legislative Session
Advisory Memorandum
SB1598 Implementation





Advisory Memorandum

Background

During the 2021 legislative session the Florida legislature passed several bills with a direct effect on the insurance industry and impacting business processes and systems across Citizens. One of the legislative bills was SB1598, a consumer protection and licensee oversight legislation that amended existing Florida Statutes and created new statutes establishing or requiring the following that potentially have a direct/indirect impact on Citizens:

- Requiring insurers to provide documents in response to requests from DFS or OIR concerning consumer complaints, which are not subject to attorney-client or work product privilege
- Eliminating certain fees related to adjusting firms original or renewal licenses.
- Prohibiting adjusting firms from certain activities related to business name unless the firm complies with F.S. §626.8696 (application for license) and imposing fines for violations
- Allowing DFS to refuse, suspend or revoke a license or appointment if an applicant, licensee, or appointee
 - Takes action that allows personal, financial or medical information of a consumer or customer to be made available to the general public
 - Initiates in-person or telephone solicitation after 9:00 p.m. or before 8:00 a.m.
- Amending the definitions of “Industrial Class Insurer” and “Ordinary-Combination Class Insurer”
- Extending the amount of time an insured or claimant has to rescind a contract with a public adjuster without a penalty or obligation, from three (3) days to ten (10) days
- Requiring public adjuster contracts to contain standard disclosure language and notifying of the right to cancel
- Requiring that public adjusters completed a detailed estimate with an itemized cost of the repairs within sixty (60) days of signing a contract with an insured
- Prohibiting a licensed construction contractor or its sub-contractor from advertising, soliciting, offering to handle, handling or performing public adjuster services unless licensed and compliant as a public adjuster
- Allowing DFS to take administrative action and impose fines against any persons performing claims adjusting, soliciting, or any other services without the appropriate license
- Prohibiting public adjusters, public adjuster apprentices, or public adjusting firms from receiving payment or charging and insured or claimant for any type of service related to the insured’s or claimant’s claim if a contract is not entered into
- Revising disclosure requirements before a policy can be placed with a surplus lines carrier



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- Amending the definition of “Sliding”
- Requiring insurers to inform applicants or insureds as part of the credit report or score disclosure that DFS offers free financial literacy programs related to credit and credit scores
- Changes the term “Agent” to “Representative” for F.S. §627.70131, which requires insurers to acknowledge receipt of a communication with respect to a claim within fourteen (14) calendar days
- Extending the time for the insurer to begin the investigation after receiving a proof of loss from ten (10) days to fourteen (14) days, unless failure is caused by factors beyond the insurer’s control
- Requiring the licensed adjuster assigned by the insurer to physically inspect the property as part of an investigation to provide the policyholder with a printed or electronic document containing the adjusters name and state adjuster license number
- Requiring the name and license number of the adjuster to be included in any subsequent communication with the policyholder regarding the claim
- Requiring the insurer to maintain a record or log of each adjuster who communicates with the policyholder
- Requiring an insurer to include prescribed statements when providing a preliminary or partial estimate of damage regarding a claim or when issuing any payment that is not a full and final payment for the claim
- Amending the language of the Homeowner Claims Bill of Rights and removing the exemption from mailing the Bill of Rights to a policyholder when a declaration of a state of emergency has been issued by the Governor
- Making changes to how claims are paid by the Florida Insurance Guaranty Association

While most of the sections became effective upon the bill becoming law, some sections became effective January 1, 2022. Although SB1598 impacts a wide-range of consumer-related and licensee activities as detailed above, Citizens’ Claims operation was directly impacted from changes made by the legislation regarding to the following areas or processes:

- Partial Claims payments
- Estimates of Damages wording
- Statement of Loss wording
- Adjuster name and license number requirements in communications
- Homeowner Claims Bill of Rights



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Objectives and Scope

Internal Audit served in an advisory capacity in support of the implementation of initiatives to comply with requirements of SB1598, providing consultative advice upon request.

Results

A Legislative Reform Implementation Project was developed after the conclusion of the 2021 legislative session to address the requirements of the different legislative bills impacting Citizens. The purpose of the project was to analyze, develop and implement the required business and technical changes to meet compliance. The Project was led by a Steering Committee and a Project Manager.

Internal Audit observed thorough efforts between the workgroups to discuss the impact in operations and processes, and the development of action items to address these. The workgroups held regular meetings to analyze potential risks, development and release of system improvements and necessary changes.

The implementation of improvements and changes has been completed. The following list encompasses the improvements and changes made to comply with SB1598:

- Review and analysis of SB1598 by the Legal Department
- Changes to the Statement of Loss to add required statutory language
- Changes to the Estimate of Damages to add required statutory language
- Changes to claim-related communications templates and signature blocks to auto populate assigned adjuster license number
- Changes in requirements for adjuster-generated communications to include adjuster license number
- Updates to the Homeowner Claims Bill of Rights
- Development of training materials regarding SB1598 available in Citizens Learning Center
- Modifications to the Claims Management Platform (ClaimsCenter) to allow capturing data as required by OIR or DFS

On December 8, 2021, after evaluating the progress of the project, the Legislative Reform Implementation Steering Committee determined that the project was ready for the January 1, 2022 deadline.

We would like to thank management and staff for their cooperation and for utilizing IA advisory services.



Distribution

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The External Auditor

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