

STORAGE NAME: h0295a.in

DATE: March 4, 1999

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
INSURANCE
ANALYSIS**

BILL #: HB 295

RELATING TO: Personal injury protection

SPONSOR(S): Representative Villalobos

COMPANION BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) INSURANCE YEAS 9 NAYS 0
 - (2) JUDICIARY
 - (3)
 - (4)
 - (5)
-

I. SUMMARY:

HB 295 would allow insureds to elect a deductible amount in combination with the exclusion of wage loss benefits under personal injury protection coverage that is required by Florida law for motor vehicle owners. Insureds would also receive a premium reduction that would be associated with that election of coverage.

Amendment:

There is one amendment adopted by the Committee on Insurance traveling with the bill. The amendment would require that an insurer provide to the insured offers of modification of coverage in a clear and unambiguous written form. (See Section VI. of the Analysis).

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Section 627.736, F.S., requires motor vehicle owners to carry a minimum of \$10,000 of "personal injury protection," commonly referred to as PIP. Personal injury protection is "no-fault" automobile insurance (i.e., benefits from PIP are payable without regard to fault). Personal injury protection insurance reimburses 80 percent of all medical expenses, 60 percent of any loss of income, and funeral expenses up to \$5,000. Personal injury protection benefits cover the named insurer, any relatives that live with the insured, and occupants of a vehicle that do not have their own PIP insurance. A pedestrian that is struck by a vehicle is covered under the driver's PIP insurance.

Section 627.739, F.S., requires that insurers offer the following coverage options for PIP insurance:

- ◆ deductibles in the amounts of \$250, \$500, \$1,000 and \$2,000;
- ◆ coordination of PIP benefits with military benefits; and
- ◆ exclusion of benefits for loss of income and earning capacity.

An insured is not required select a deductible under PIP insurance. Insureds who elect to coordinate PIP benefits with military benefits will have military benefits deducted from PIP benefits otherwise available.

Under current law, an insured has the option of selecting either a deductible or excluding wage loss benefits, but not both. For example, insureds who elect a deductible of \$250 could not opt out of the wage loss provision, even if those insureds are not employed.

According to the Department of Insurance, insureds that have no deductible, but then change to a deductible of \$2,000, could receive a discount of approximately 40 percent off their PIP premium. According to the department, Insurance Services Office (ISO), a national organization that supplies advisory services to insurers, recommends a seven percent premium discount for the named insured, or an 11 percent premium discount for exclusion of wage loss benefits for the named insured and any dependent relatives. According to the department, an average of approximately \$18.85 is paid for wage loss coverage per policy per year.

B. EFFECT OF PROPOSED CHANGES:

Insureds would be able to choose a deductible in combination with the exclusion of wage loss benefits.

Insureds who choose modification of coverage would receive a discount for selecting those options.

In order to comply with the law, some insurers might have to amend their rate filings to accommodate the various combinations of discounts that an insurer could be required to give.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

- a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

N/A

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

Some insurers may have to amend their rate filings to accommodate the various combinations of discounts that an insurer would be required to give.

(3) any entitlement to a government service or benefit?

N/A

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

N/A

b. Does the bill require or authorize an increase in any fees?

N/A

c. Does the bill reduce total taxes, both rates and revenues?

N/A

d. Does the bill reduce total fees, both rates and revenues?

N/A

e. Does the bill authorize any fee or tax increase by any local government?

N/A

3. Personal Responsibility:

- a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

N/A

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

This legislation would allow an insured to select a deductible in combination with the exclusion of wage loss benefits under PIP. Insurance companies would be required to reduce the amount of premium owed by the combination selected. In order to save money on insurance premiums, some insureds may raise their deductibles and opt out of the wage loss benefits to lower their premium.

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

- (1) Who evaluates the family's needs?

N/A

- (2) Who makes the decisions?

N/A

- (3) Are private alternatives permitted?

N/A

- (4) Are families required to participate in a program?

N/A

- (5) Are families penalized for not participating in a program?

N/A

- b. Does the bill directly affect the legal rights and obligations between family members?

N/A

- c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

Section 627.739, F.S.

E. SECTION-BY-SECTION ANALYSIS:

N/A

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

N/A

3. Long Run Effects Other Than Normal Growth:

N/A

4. Total Revenues and Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

N/A

3. Long Run Effects Other Than Normal Growth:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

Some insurers would have to amend their rate filings to accommodate the various combinations of discounts that insurers would be required to give.

2. Direct Private Sector Benefits:

Insureds who elect a combination of a deductible and the exclusion of wage loss would have lower PIP premiums.

3. Effects on Competition, Private Enterprise and Employment Markets:

N/A

D. FISCAL COMMENTS:

N/A

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

N/A

B. REDUCTION OF REVENUE RAISING AUTHORITY:

N/A

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

N/A

V. COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On March 3, 1999, the Committee on Insurance adopted the following amendment:

Amendment #1 (offered in Committee by Rep. Villalobos): On page 2, line 19, this amendment would require that an insurer provide to the insured offers of modification of coverage in a clear and unambiguous written form.

VII. SIGNATURES:

COMMITTEE ON INSURANCE:
Prepared by:

Staff Director:

Meredith Woodrum Snowden

Stephen Hogge

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