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**DATE:** March 4, 2002

**HOUSE OF REPRESENTATIVES  
COUNCIL FOR SMARTER GOVERNMENT  
ANALYSIS**

**BILL #:** CS/HB 393  
**RELATING TO:** Motor Vehicle Financial Responsibility  
**SPONSOR(S):** Committee on Insurance and Representative Simmons  
**TIED BILL(S):** None

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

- (1) JUDICIAL OVERSIGHT YEAS 5 NAYS 3
  - (2) INSURANCE YEAS 11 NAYS 1
  - (3) COUNCIL FOR SMARTER GOVERNMENT YEAS 12 NAYS 0
  - (4)
  - (5)
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**I. SUMMARY:**

Under the Financial Responsibility Law, motor vehicle owners and operators involved in an accident causing injuries or exhibiting a pattern of behavior likely to lead to an accident causing personal injuries must demonstrate their ability to respond to damages in an accident. They may prove responsibility by maintaining, for each vehicle, a motor vehicle liability insurance policy meeting minimum limits of \$10,000 bodily injury for one person in one crash, \$20,000 bodily injury to two or more persons in one crash, and \$10,000 property damage in any one crash (i.e., \$10,000/\$20,000/\$10,000); or by posting a surety bond, furnishing a deposit of cash or securities, or self-insuring.

Under current law, an owner or lessee of at least 300 taxicabs, limousines, jitneys, or any other for-hire passenger transportation vehicles may prove financial responsibility by securing a motor vehicle liability policy meeting minimum insurance liability requirements or by self-insuring. Under this bill, those choosing to satisfy the financial responsibility requirements by self-insuring would be permitted to self-insure up to a maximum of \$300,000 on a per-occurrence basis, rather than the current maximum of \$100,000 on a per-occurrence basis.

For any person (other than a natural person), choosing to prove financial responsibility by posting a surety bond or furnishing a cash or security deposit, this bill increases minimum motor vehicle liability insurance limits from \$10,000/\$20,000/\$10,000 or \$30,000 combined single limits, to \$25,000/\$50,000/\$10,000 or \$60,000 combined single limits and this bill increases minimum limits for required excess insurance from \$50,000/\$100,000/\$50,000 or \$150,000 combined single limits to \$125,000/\$250,000/\$50,000 or \$300,000 combined single limits.

This bill does not appear to have a fiscal impact on state or local governments.

This bill may have an indeterminate fiscal impact on the private sector. Please see SECTION III.C., DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- |                                   |   |  |   |
|-----------------------------------|---|--|---|
| 1. <u>Less Government</u>         | Yes <input type="checkbox"/>            | No <input checked="" type="checkbox"/> | N/A <input type="checkbox"/>            |
| 2. <u>Lower Taxes</u>             | Yes <input type="checkbox"/>            | No <input type="checkbox"/>            | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u>      | Yes <input type="checkbox"/>            | No <input checked="" type="checkbox"/> | N/A <input type="checkbox"/>            |
| 4. <u>Personal Responsibility</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/>            | N/A <input type="checkbox"/>            |
| 5. <u>Family Empowerment</u>      | Yes <input type="checkbox"/>            | No <input type="checkbox"/>            | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain: This bill increases required minimum amounts of insurance coverage for some vehicle owners and operators.

B. PRESENT SITUATION:

Proof of a motor vehicle liability insurance policy covering bodily injury is not required as a condition of registering a vehicle unless the motor vehicle owner or operator is subject to the Financial Responsibility Law.<sup>1</sup>

Under the Financial responsibility Law, motor vehicle owners and operators involved in an accident causing injuries or exhibiting a pattern of behavior likely to lead to an accident causing personal injuries must demonstrate their ability to respond to damages in an accident.<sup>2</sup> They may prove responsibility by maintaining, for each vehicle, a motor vehicle liability insurance policy meeting certain minimum limits or by posting a surety bond, furnishing a deposit of cash or securities, or self-insuring. The required amounts may vary depending on whether the person is a private individual or a business. And the requirements may vary further depending on the type of business.

Except for owners or operators of certain commercial vehicles,<sup>3</sup> those choosing to prove financial responsibility by securing a motor vehicle liability insurance policy for each motor vehicle must maintain a policy meeting the minimum limits of \$10,000 bodily injury for one person in one crash, \$20,000 bodily injury to two or more persons in one crash, and \$10,000 because of damage to property in any one crash.<sup>4</sup>

An owner or lessee of at least 300 taxicabs, limousines, jitneys, or any other for-hire passenger transportation vehicles may prove financial responsibility by securing, for each vehicle, a motor vehicle liability insurance policy meeting the minimum limits (i.e., \$10,000/\$20,000/\$10,000) or by self-insuring.<sup>5</sup> Those choosing to self-insure may self-insure up to a maximum of \$100,000 on a per-occurrence basis and must maintain an adequate amount of excess insurance coverage approved by the Department of Insurance.

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<sup>1</sup> Chapter 324, F.S.

<sup>2</sup> Commercial motor vehicles over 26,000 pounds are subject to the law without regard to prior accidents or offenses involving the owner or operator.

<sup>3</sup> Commercial motor vehicles over 26,000 pounds must have minimum liability coverage depending upon the gross vehicle weight, ranging from \$50,000 per occurrence to \$300,000 per occurrence, covering both bodily injury and property damage. Also, nonpublic-sector buses must have liability coverage in amounts of \$100,000 for bodily injury to one person, \$300,000 for bodily injury to two or more persons in any one accident, and \$50,000 property damage liability.

<sup>4</sup> Section 324.021(8), F.S., references the minimum limits set forth in section 324.021(7), F.S.

<sup>5</sup> Section 324.032, F.S.

For any person (other than a natural person), choosing to satisfy the financial responsibility requirements by posting a surety bond or furnishing a cash or security deposit, the minimum insurance liability requirements are \$10,000/\$20,000/\$10,000 or \$30,000 combined limits and the minimum limits for required excess insurance are \$50,000/\$100,000/\$50,000 or \$150,000 combined single limits.

**C. EFFECT OF PROPOSED CHANGES:**

Under this bill, an owner or lessee of at least 300 taxicabs, limousines, jitneys, or any other for-hire passenger transportation vehicles choosing to satisfy the financial responsibility requirements by self-insuring would be permitted to self-insure up to a maximum of \$300,000 on a per-occurrence basis, rather than the current maximum of \$100,000 on a per-occurrence basis.

For any person (other than a natural person), choosing to satisfy the financial responsibility requirements by posting a surety bond or furnishing a cash or security deposit, the minimum insurance liability requirements would increase from \$10,000/\$20,000/\$10,000 or \$30,000 combined limits to \$25,000/\$50,000/\$10,000 or \$60,000 combined single limits and the minimum limits for required excess insurance would increase from \$50,000/\$100,000/\$50,000 or \$150,000 combined single limits to \$125,000/\$250,000/\$50,000 or \$300,000 combined single limits.

**D. SECTION-BY-SECTION ANALYSIS:**

None.

**III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:**

**A. FISCAL IMPACT ON STATE GOVERNMENT:**

1. Revenues:

None.

2. Expenditures:

None.

**B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

1. Revenues:

None.

2. Expenditures:

None.

**C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:**

There would be an indeterminate cost incurred by a firm, partnership, association, corporation, or other person (other than a natural person) choosing to comply with the financial responsibility requirements by posting a surety bond or making a deposit of cash or securities, to the extent they

do not now meet the minimum limits for motor vehicle liability insurance coverage proposed in the bill.

D. FISCAL COMMENTS:

None.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or take an action requiring expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority of counties or municipalities to raise revenues in the aggregate.

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

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On February 25, 2002, the Committee on Insurance approved one amendment and reported the bill favorably as a committee substitute. The committee substitute differs from the original bill in that the committee substitute:

- removes a requirement that every owner and operator of a motor vehicle to maintain and prove at least \$25,000/50,000 in bodily injury liability insurance coverage rather than the current \$10,000/\$20,000 minimum limits;
- removes a "financial hardship" affidavit exemption from the above requirement;
- removes a provision that would increase the surety bond or cash deposit requirements;
- removes a provision that would increase the minimum unencumbered net worth to qualify as a self-insurer;

- increases the maximum amount an owner or lessee of certain for-hire passenger vehicles would be permitted to self-insure under the Financial Responsibility Law from \$100,000 on a per-occurrence basis to \$300,000 on a per-occurrence basis; and,
- retains an increase in minimum insurance limits for persons electing to prove financial responsibility by posting a surety bond or furnishing a cash or security deposit. Specifically, excess insurance requirements would increase from \$10,000/\$20,000/\$10,000 or \$30,000 combined limits and a minimum of \$50,000/\$100,000/\$50,000 or \$150,000 combined single limits to \$25,000/\$50,000/\$10,000 or \$60,000 combined single limits, and a minimum of \$125,000/\$250,000/\$50,000 or \$300,000 combined single limits.

On March 1, 2002, the Council for Smarter Government reported this bill favorably as a council substitute.

VII. SIGNATURES:

COMMITTEE ON JUDICIAL OVERSIGHT:

Prepared by:

David L. Jaroslav, J.D.

Staff Director:

Nathan L. Bond, J.D.

AS REVISED BY THE COMMITTEE ON INSURANCE:

Prepared by:

Monique Cheek

Staff Director:

Stephen T. Hogge

AS FURTHER REVISED BY THE COUNCIL FOR SMARTER GOVERNMENT:

Prepared by:

David L. Jaroslav, J.D.

Council Director:

Don Rubottom