

**STORAGE NAME:** h0679s2.ccc.doc  
**DATE:** February 27, 2002

**HOUSE OF REPRESENTATIVES  
COUNCIL FOR COMPETITIVE COMMERCE  
ANALYSIS**

**BILL #:** CS/CS/HB 679

**RELATING TO:** Motor Vehicle Insurance

**SPONSOR(S):** Council for Competitive Commerce, Committee on Insurance, Rep. Brown & others

**TIED BILL(S):** None

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

- (1) INSURANCE YEAS 15 NAYS 0
  - (2) COUNCIL FOR COMPETITIVE COMMERCE YEAS 12 NAYS 0
  - (3)
  - (4)
  - (5)
- 

**I. SUMMARY:**

CS/CS/HB 679 revises exemptions from the general requirement that an applicant for a new private passenger motor vehicle insurance policy provide a down payment equal to two months' premium. The bill provides that the down payment requirement does not apply in instances when policies are issued through the transfer of an agent's book of private passenger motor vehicle insurance business from one insurer to another if the policy includes the specified minimum coverages, and broadens the current exemption for cases in which the premium payments are to be made by electronic funds transfer.

CS/CS/HB 679 also revises financial responsibility requirements applicable to owners and operators of taxicabs, limousines, jitneys, and other for-hire passenger vehicles. It raises the minimum limits required for insurance and excess insurance coverage, and also increases the maximum amount of self-insurance that the owner or operator of 300 or more such vehicles may provide.

The bill has no fiscal impact on state or local government.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- |                                   |   |                             |   |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u>         | Yes <input checked="" type="checkbox"/> | No <input 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 checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/>            |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/>            | No <input type="checkbox"/> | N/A <input checked="" 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:

B. PRESENT SITUATION:

**Advance Premium Payments**

Since 1995, an insurer has been required to collect from prospective policyholders from their own funds premium covering a two-month period before initially issuing a private passenger motor vehicle insurance policy or policy binder.<sup>1</sup> Since enacting this requirement, the Legislature has approved a number of exceptions. As a result, the advance premium requirement does not apply when:

- o An insured or member of the insured's family is renewing or replacing a policy written by the same insurer or member of the same insurer group;
- o The coverage is issued to military personnel on active duty or former military personnel or their dependents;
- o All payments are paid pursuant to a payroll deduction plan or an automatic electronic funds transfer payment plan from the policyholder, provided the first payment is made by cash or check;
- o All payments are paid pursuant to an automatic electronic funds transfer payment plan from an agent or a managing general agent and the policy includes, at a minimum, personal injury protection coverage, property damage liability coverage, and bodily injury coverage in the amount of \$10,000 for one person and \$20,000 for two or more persons;
- o The policy has been in effect for at least 6 months, the insured's agent has been terminated by the insurer, and the insured obtains coverage with a new insurer through that terminated agent; or,
- o An insured or family member is purchasing additional coverage or adding coverage for an additional vehicle from the same insurer or insurer group.

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<sup>1</sup> Section 627.7295(7), F.S.

**Financial Responsibility—For-hire passenger vehicles**

The owner or operator of a taxicab, limousine, jitney, or other for-hire passenger vehicle is currently required to maintain insurance coverage with limits of \$10,000/\$20,000/\$10,000 (that is, \$10,000 bodily injury liability for a one person, \$50,000 bodily injury liability for one accident, and \$10,000 property damage liability for one accident) or combined single limits of \$30,000 (that is, a total \$30,000 for bodily injury and property damage liability for one accident). Owners or operators of 300 or more such for-hire passenger vehicles are authorized to self-insure for up to \$100,000 stated on a per-occurrence basis and must also maintain excess insurance coverage.

C. EFFECT OF PROPOSED CHANGES:

**Advance Premium Payments**

For the purposes of the exception to the two-month advance premium payment where all premium payments are made by payroll deduction or electronic funds transfer, the bill allows the first payment to be made by cash, cashier's check, check, or money order, but eliminates this as a requirement.

The bill also provides an exemption for cases where policies issued through the transfer of an agent's book of private passenger motor vehicle business from one insurer to another if the policy includes certain minimum coverages.

**Financial Responsibility—For-Hire Passenger Vehicles**

The bill increases the minimum coverage limits for owners or operators of taxicabs, limousines, jitneys, and other for-hire passenger vehicles to \$25,000/\$50,000/\$10,000 or \$60,000 combined single limits, and increases the minimum limits for excess coverage to \$125,000/\$250,000/\$50,000 or \$300,000 combined single limits. The bill also increases the maximum permissible amount of self-insurance for owners or operators of 300 or more for-hire passenger vehicles to \$300,000.

D. SECTION-BY-SECTION ANALYSIS:

N/A

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

N/A

2. Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

N/A

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

More applicants will be exempt from minimum down payment requirements for private passenger motor vehicle policies.

Owners and operators of for-hire passenger vehicles who currently maintain only the minimum required insurance coverages will need to purchase more insurance coverage.

D. FISCAL COMMENTS:

N/A

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

A. APPLICABILITY OF THE MANDATES PROVISION:

This committee substitute does not require counties or municipalities to spend funds or to take action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This committee substitute does not reduce the authority that counties or municipalities have to raise revenues in the aggregate.

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

This committee substitute does not reduce the percentage of state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

N/A

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VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The Council Substitute removed from CS/HB 679 a provision amending s. 627.901, relating to premium financing. See CS/CS/HB 1247. The Council Substitute also added provisions relating to financial responsibility requirements of owners or operators of for-hire passenger vehicles.

VII. SIGNATURES:

COUNCIL FOR COMPETITIVE COMMERCE:

Prepared by:

Eric Lloyd

Staff Director:

Stephen Hogge

AS REVISED BY THE COUNCIL FOR COMPETITIVE COMMERCE:

Prepared by:

Leonard Schulte

Council Director:

Matthew M. Carter II