

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 513 Insurance Claims and Premium Payments
SPONSOR(S): Benson, Kendrick, and others
TIED BILLS: **IDEN./SIM. BILLS:** SB 2428

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Insurance Regulation (Sub)		Cheek	Schulte
2) Insurance			
3)			
4)			
5)			

SUMMARY ANALYSIS

Payment of Premiums: Florida Law provides for premiums of insurance contracts issued in the state or covering risk located in the state to be paid in cash, consisting of coins, currency, checks, or money orders.

The bill extends payment of premiums to include debit cards, credit cards, automatic electronic funds transfer, or payroll deduction.

Disputed Property Claims: Currently, Rule 4-166.031 of the Department of Financial Service excludes from the definition of claims subject to mediation those claims including fraud, no policy coverage, and claims involving an amount less than \$500.

The bill defines the term "claim" and adds to the excluded claims, those claims where a material misrepresentation of facts is relevant to the claim and those claims where the insurer denies the entire claim.

Premium Financing by an Agent: The bill provides that a general lines agent or insurer may provide a periodic payment plan to policy holders that provides administrative charges, providing the following:

- The charges for such plan are clearly disclosed to the policyholder;
- There is no debtor-creditor relationship between the insurer or the agent and the policyholder;
- There is no coercion by the agent or insurer to use the periodic payment plan as a method of payment for premiums; and
- Participation in the periodic payment plan is optional and is not a precondition to the insurer's acceptance for the risk.

The bill does not appear to have a substantial fiscal impact on state or local government.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

STORAGE NAME: h0513.in.doc
DATE: April 2, 2003

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|------------------------------|-----------------------------|---|
| 1. Reduce government? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. Lower taxes? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. Expand individual freedom? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families? | 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. EFFECT OF PROPOSED CHANGES:

Payment of Premiums

Florida Law provides for premiums of insurance contracts issued in the state or covering risk located in the state to be paid in cash, consisting of coins, currency, checks, or money orders.

The bill extends payment of claims to include debit cards, credit cards, automatic electronic funds transfer, or payroll deduction.

Disputed Property Claims

Currently, Rule 4-166.031 of the Department of Financial Service excludes from the definition of claims subject to mediation those claims including fraud, no policy coverage, and claims involving an amount less than \$500.

The bill defines the term "claim" and adds to the excluded claims, those claims where a material misrepresentation of facts is relevant to the claim and those claims where the insurer denies the entire claim.

Premium Financing by an Agent

Currently, a general lines agent may make reasonable service charges for financing insurance premiums on policies issued or business produced by such an agent or agency. The service charge cannot exceed \$1 per installment, or a \$6 total service charge per year, for any premium balance of \$120 or less. For any premium balance greater than \$120, but not more than \$220, the service charge cannot exceed \$9 per year. The maximum service charge for any premium balance greater than \$220 cannot exceed \$12 per year. Finally, in lieu of such charges, the insurance agent or agency may charge a rate of interest not to exceed 18 percent simple interest per year on:

- The unpaid balance; or
- The average unpaid balance as billed over the term of the policy and subject to endorsement changes.

The bill provides that a general lines agent or insurers may provide a periodic payment plan to policy holders that provides administrative charges, providing the following:

- The charges for such plan are clearly disclosed to the policyholder;

- There is no debtor-creditor relationship between the insurer or the agent and the policyholder;
- There is no coercion by the agent or insurer to use the periodic payment plan as a method of payment for premiums; and
- Participation in the periodic payment plan is optional and is not a precondition to the insurer's acceptance for the risk.

C. SECTION DIRECTORY:

Section 1: Amends s. 627.4035, F.S. – Cash payment of premiums; claims.

Section 2: Amends s. 627.7015, F.S. – Alternative procedure for resolution of disputed property insurance claims.

Section 3: Amends s. 627.901, F.S. – Premium financing by an insurance agent or agency.

Section 4: Provides that the act takes effect upon becoming a law.

II. 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:

Provides alternative payment arrangements for consumers paying their premium payments by offering periodic payment plans. The bill does not provide a cap on the administrative charge.

D. FISCAL COMMENTS:

Agents and agencies will be able offer an alternative payment plan for premiums and charge an administrative fee for such plans. The exact fiscal impact is not known.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

None.