

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 625 w/CS Personal Accident Insurance Agent Limited Licenses
SPONSOR(S): Ritter
TIED BILLS: **IDEN./SIM. BILLS:** SB 1702

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Insurance Regulation (Sub)	8 Y, 0 N	Cheek	Schulte
2) Insurance	18 Y, 0 N w/CS	Cheek	Schulte
3) Commerce&Local Affairs Appr (sub)			
4) Appropriations			
5)			

SUMMARY ANALYSIS

Under current law, if a large car rental or leasing company has several branch offices in Florida, each business office or person must be licensed as an agent of an insurer to transact personal accident insurance and baggage and motor vehicle excess liability insurance.

The bill provides for the issuance of a limited license to the business "entity", rather than the individual branch offices, to transact personal accident insurance and baggage and motor vehicle excess liability insurance. The bill requires the licensed business "entity" applying for the limited license to submit one application for a license; obtain a license for each individual branch office (short-form license); and pay applicable fees.

According to the Department of Financial Services, the bill will have an indeterminate negative fiscal impact.

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

STORAGE NAME: h0625b.in.doc
DATE: April 17, 2003

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|---|-----------------------------|---|
| 1. Reduce government? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input 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:

Background

Classification of Agents: General Lines and Limited Lines

Insurance agents may be classified according to the number of products they may sell, the type of products they sell, and their place of residency. A “general lines agent” is authorized under state law to transact any or all of the following lines of insurance: property, casualty, surety, health, and marine insurance. “Limited lines agents” are individuals or entities licensed as agents, but limited to selling one or more of the following forms of insurance (each requiring a separate license): motor vehicle physical damage and mechanical breakdown, industrial fire or burglary, personal accident, baggage and motor vehicle excess liability, credit, credit life or disability, credit property, crop hail and multiple peril crop insurance, or in-transit and storage personal property. General lines agents also may transact limited lines of insurance other than personal accident and crop insurance products.

Licensing of Agents

Insurance representatives are required by Florida law to be licensed by the Department of Financial Services prior to transacting business in the state. The department issues approximately 70 different types of insurance licenses. An applicant for a general lines license, among other conditions for licensure and with certain exceptions, must satisfy pre-licensing education, experience, or instruction requirements and pass an examination. Applicants for a limited license generally do not have to satisfy any pre-licensing education or examination requirements to be licensed.

Travel Related Insurance

Under current law, if a large car rental or leasing company has several branch offices in Florida, each business office or person must be licensed as an agent of an insurer to transact personal accident insurance and baggage and motor vehicle excess liability insurance.

- Supplemental Liability Protection typically provides the renter up to \$1 million of coverage from claims by third parties who may be injured by the renter operating a rental vehicle.
- Personal Accident Insurance typically provides coverage when the renter and/or other occupants of the rental vehicle are injured in an automobile accident involving the rental car.

- Personal Effects Coverage typically provides coverage for the renter in instances when the renter's property is stolen from the vehicle.

Changes to Current Law

The bill provides for the issuance of a limited license to the business "entity", rather than the individual branch offices, to transact personal accident insurance and baggage and motor vehicle excess liability insurance. The bill requires the licensed business "entity" applying for the limited license to submit one application for a license; obtain a license for each individual branch office (short-form license); and pay applicable fees.

C. SECTION DIRECTORY:

Section 1: Amends section 626.321, F.S. – *Limited Licenses*.

Section 2: Provides that the bill takes effect on July 1, 2003.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

According to the Department of Financial Services, the bill will result in issuance of fewer licenses and, therefore, will reduce license fee revenues. The department has not calculated the amount of the reduction.

2. Expenditures:

There may be a slight decrease in expenditures due to the Department of Financial Services being required only to license the business entity and not being required to license the individual branch offices.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Car rental companies' cost of providing insurance to their customers will be reduced.

D. FISCAL COMMENTS:

As of February 28, 2003, there were 2,892 persons (individuals and entities) licensed as personal accident insurance agents (Type & Class: 2-41) holding 2,246 appointments; and 2,784 persons (individuals and entities) licensed as baggage and motor vehicle excess liability insurance agents (Type & Class: 2-23) and holding 3,023 appointments. We cannot ascertain how many of these licensees are individuals vs. firms; consequently, there is no way of knowing the potential shortfall in revenues from licensing and appointment fees.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The bill does not require cities or counties to expend funds.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

The committee substitute differs from the original bill such that it requires the licensed business "entity" applying for the limited license to do the following:

- Submit one application for a license;
- Obtain a license for each individual branch office (short-form license); and
- Pay applicable fees.

The committee substitute also restores existing language that:

- Provides for personal accident insurance or excess coverage for not more than 30 days, rather than 90 days; and
- Provides the lessee is given written notice that his personal insurance policy may provide coverage with or without a deductible.