

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Banking and Insurance Committee

BILL: SB 1252

INTRODUCER: Senator Smith

SUBJECT: Persons Designated to Receive Insurer Notifications

DATE: March 11, 2011

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Johnson	Burgess	BI	Favorable
2.			BC	
3.				
4.				
5.				
6.				

I. Summary:

The bill revises the policyholder notification requirements for an insurer in transactions involving the nonrenewal, renewal, or cancellation of workers compensation, employer liability, commercial liability, motor vehicle, or other property and casualty insurance coverage. Specifically, the bill changes the designated person or persons an insurer is required to notify from the “named insured” to the “first-named insured” in transactions involving the nonrenewal, renewal, or cancellation of such personal and commercial property and casualty insurance (i.e., workers’ compensation, employer liability, motor vehicle, or specified property and casualty insurance coverage).

This bill substantially amends following sections of the Florida Statutes: 627.4133, 627.7277, 627.728, and 627.7281.

II. Present Situation:

Generally, the “named insured” is the person or persons listed by name on the policy's declaration page. Although the named insured is commonly one person, for a partnership, corporation, or other entity with insurable interests, multiple named insureds may be included. In regards to personal property or motor vehicle coverage, the named insured is commonly one or more individuals (husband and wife, parent and child, etc).

The “first-named insured” is the first named insured listed on the policy declarations. This insured acts as the legal agent for all named insureds in initiating cancellation, requesting policy changes, reporting notices of loss, accepting any return premiums, or other administrative functions. The first-named insured may also be responsible for payment of the premiums.

For purposes of commercial coverage, generally all named insureds on a policy are related by common ownership or a common business venture. Therefore, multiple named insureds may exist and would be included on the policy. Often, the named insureds are located at the same address, resulting in the insurer mailing multiple copies of the same notice to the same address.

Usually, lenders are added as loss payees with the attached endorsement rather than as named insureds. Status as a loss payee under the attached endorsement entitles the lender to receive notice from the insurer as a loss payee.

The insurance code contains specific policyholder notification requirements for cancellations, renewals, and nonrenewals. These provisions require notification to the named insured or the policyholder. According to the insurance industry, until recently, the OIR had interpreted the “named insured” to be “first-named insured” for purpose of notice requirements for most lines of commercial insurance. Because of this change of notification to the named insured, the OIR approved revisions to standard forms used in the commercial market related to notification requirements. Therefore, all named insureds of personal and commercial policies will receive cancellation and nonrenewal notices.

III. Effect of Proposed Changes:

Section 1 amends s. 627.4133, F.S., relating to workers’ compensation and employer’s liability insurance, property, casualty, except for mortgage guaranty, surety, marine insurance, and motor vehicle, to require the “first-named insured” rather than the “named insured” to receive notice of nonrenewal or renewal premium, as well as cancellation or termination of coverage.

The bill also requires an insurer to provide notice to the “first-named insured” rather than the “named insured” with respect to the nonrenewal or renewal, as well as cancellation or termination of any personal lines or commercial property insurance policy.

Sections 2-4 amends ss. 627.7277, 627.728, and 627.7281, F.S., relating to motor vehicle insurance coverage, to require an insurer to provide notice of the nonrenewal, renewal, and cancellation to the “first-named insured” instead of the “named insured” or policyholder.

Section 5 provides that this act will take effect July 1, 2011.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

The provisions of this bill have no impact on municipalities and the counties under the requirements of Article VII, Section 18 of the Florida Constitution.

B. Public Records/Open Meetings Issues:

The provisions of this bill have no impact on public records or open meetings issues under the requirements of Article I, Section 24(a) and (b) of the Florida Constitution.

C. Trust Funds Restrictions:

The provisions of this bill have no impact on the trust fund restrictions under the requirements of Article III, Subsection 19(f) of the Florida Constitution.

V. **Fiscal Impact Statement:**

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

According to advocates of the bill, the intent of the bill is to reduce administrative costs associated with notifications by providing notice only to the “first-named insured” rather than all “named insureds.” This change will reduce administrative costs associated with mailing multiple notices to all named insureds of a policy.

C. Government Sector Impact:

The Office of Insurance Regulation would be required to approve any revised forms or notices needed to implement the bill.

VI. **Technical Deficiencies:**

None.

VII. **Related Issues:**

Advocates of the bill indicated that the purpose of the bill is to amend the commercial insurance provisions to clarify that the first named insured would be the only party to receive notices. However, the bill appears to also impact personal property and motor vehicle insurance provisions.

VIII. **Additional Information:**

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.