

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 4011 Motor Vehicle Insurance
SPONSOR(S): Insurance & Banking Subcommittee; Goodson
TIED BILLS: **IDEN./SIM. BILLS:** CS/CS/SB 234

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Insurance & Banking Subcommittee	12 Y, 0 N, As CS	Lloyd	Cooper
2) Regulatory Affairs Committee	16 Y, 0 N	Lloyd	Hamon

SUMMARY ANALYSIS

Private passenger motor vehicle insurance is written to individuals, and family members in the same household, for coverage of automobiles that are not used for commercial purposes. Current law limits private passenger motor vehicle policies to no more than four vehicles per policy. If there are more than four such vehicles in the household, the consumer must purchase and the insurer must underwrite multiple policies. An estimated 51,408 households in the state have five or more vehicles available.

The bill removes the four vehicle maximum from the definition of "motor vehicle insurance" in s. 627.041(8), F.S., and the definition of "policy" in s. 627.728(1)(a), F.S., to allow vehicle owners to purchase, and insurers to issue, single policies that cover any number of private passenger motor vehicles, rather than just four or less vehicles per policy.

The bill has no fiscal impact on state or local government expenditures. The bill should have a positive impact on the private sector.

The bill becomes effective July 1, 2015.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Private passenger motor vehicle insurance is casualty coverage¹ within the personal lines² segment of insurance business. It is issued to individuals, or related individuals in the same household, and covers private passenger automobiles that are not used as public conveyances, for rental to others, or in the occupation, profession, or business of the insured (excluding farm business use).³ Commercial motor vehicles are those that are not private passenger motor vehicles.⁴

Currently, there is a limitation on the number of motor vehicles that may be insured on a single private passenger motor vehicle insurance policy. Among other things, s. 627.041(8), F.S., provides that a "motor vehicle insurance" policy is one that does not insure more than four automobiles. The four vehicle maximum is also present in s. 627.728(1)(a), F.S., regarding the cancellation or nonrenewal of private passenger motor vehicle insurance policies.

The limitation of such policies to no more than four automobiles results in consumers purchasing, and insurers underwriting, multiple policies whenever the consumer seeks to insure more than four private passenger automobiles. The prevalence of this occurrence is unknown and some insurers may choose to issue multiple policies even when the total number of vehicles insured falls below the statutory limit. The United States Census Bureau estimates there are 51,408 households in the state with five or more vehicles available.⁵

The bill removes the four vehicle limitation from the definition of "motor vehicle insurance" in s. 627.041(8), F.S., and the definition of "policy" in s. 627.728(1)(a), F.S. This allows vehicle owners to purchase, and insurers to issue, single policies that cover any number of private passenger motor vehicles.

B. SECTION DIRECTORY:

Section 1: Amends s. 627.041(8), F.S., relating to the definition of "motor vehicle insurance".

Section 2: Amends s. 627.728(1)(a), F.S.; relating to the definition of "policy".

Section 3: Provides an effective date of July 1, 2015.

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 Section 627.021(3), F.S.

² Personal lines insurance is property and casualty insurance sold to individuals and families for non-commercial purposes. S. 626.015(15), F.S.

³ Sections 627.041(8) and 627.728(1)(a), F.S.

⁴ Section 627.732(3)(a), F.S.

⁵ Table ID B25044, Tenure by Vehicles Available, U.S. Census Bureau, 2009-2013 5-Year American Community Survey.

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Consumers and insurers should benefit from the efficiency created by procuring, underwriting, and issuing a single motor vehicle insurance policy, rather than multiple insurance policies, whenever the consumer seeks to insure more than four vehicles. Insurers may still utilize a business practice that limits the number of vehicles per policy, which would limit the impact. The extent of this benefit has not been calculated. However, any savings realized by insurers should be passed through to policyholders.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. This bill does not appear to: require counties or municipalities to spend funds or take an action requiring the expenditure of funds; reduce the authority that counties or municipalities have to raise revenues in the aggregate; or reduce the percentage of a state tax shared with counties or municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On February 4, 2015, the Insurance & Banking Subcommittee considered the bill, adopted an amendment and reported the bill favorably with a committee substitute. To avoid a conflict in statute, the amendment adds s. 627.728(1)(a), F.S., to the bill for the purpose of repealing the four vehicle limitation from the definition of the term "policy".

The staff analysis has been updated to reflect the committee substitute.