

STORAGE NAME: h3697.fs

DATE: March 19, 1998

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
FINANCIAL SERVICES
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: HB 3697

RELATING TO: Commercial inland marine insurance

SPONSOR(S): Representative Bainter

COMPANION BILL(S): CS/SB 1108 (s)

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

- (1) FINANCIAL SERVICES
 - (2)
 - (3)
 - (4)
 - (5)
-

I. SUMMARY:

“Commercial inland marine insurance” covers property of a business that is portable or movable in nature or an instrumentality of transportation or communication. Examples of commercial inland marine risks are cellular towers, bridges, commercial goods in transit, and tunnels.

Historically, the terms (“forms”) and costs (“premiums”) for commercial inland marine insurance have been determined on a policy-by-policy basis, not subject to approval by the Department of Insurance (DOI). This bill is intended to resolve an apparent ambiguity in current law. The exemption from the DOI review is based on a policy being “specially rated,” but that term is not defined. Since the terms and prices of all commercial inland marine policies are determined on a case-by-case basis, the bill removes the issue of the ambiguous term “specially rated” and provides a blanket exemption for all commercial inland policies.

This bill has no fiscal impact.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

Section 627.410, F.S., states that no insurance policy or annuity contract form shall be delivered for use in this state unless the insurer has filed the policy with the DOI and it has been approved. Specifically exempt from this provision are "specially rated" inland marine risks.

"Commercial inland marine insurance" covers property of a business that is portable or movable in nature or an instrumentality of transportation or communication. Examples of commercial inland marine risks are cellular towers, bridges, commercial goods in transit, and tunnels.

"Specially rated" inland marine risks are those for which the insurer has not issued an underwriting manual. Each policy is tailored to the particular property covered, and the premium is calculated based on the terms of that policy. It is not clear whether the use of underwriting considerations or guidelines which give the agent discretion to negotiate coverage and premiums would remove a policy from the "specially rated" category. If a policy written with the use of underwriting guidelines, but not an underwriting manual, is not considered "specially rated," the policy form would be subject to approval by the DOI.

Historically, all commercial inland marine rates and policies have been viewed as "specially rated" and therefore not subject to approval, according to the DOI.

B. EFFECT OF PROPOSED CHANGES:

Policy forms would not have to be filed with and approved by the DOI for an insurance policy written on any commercial inland marine risks.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

N/A

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

Yes. The DOI would not have to approve forms for any commercial inland marine insurance, rather than only "specially rated" commercial inland marine insurance.

(3) any entitlement to a government service or benefit?

N/A

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

N/A

b. Does the bill require or authorize an increase in any fees?

N/A

c. Does the bill reduce total taxes, both rates and revenues?

N/A

d. Does the bill reduce total fees, both rates and revenues?

N/A

e. Does the bill authorize any fee or tax increase by any local government?

N/A

3. Personal Responsibility:

- a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

N/A

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

N/A

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

(1) Who evaluates the family's needs?

N/A

(2) Who makes the decisions?

N/A

(3) Are private alternatives permitted?

N/A

(4) Are families required to participate in a program?

N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

Amends s. 627.410, F.S.

E. SECTION-BY-SECTION RESEARCH:

Section 1 amends s. 627.410, F.S., to exempt all commercial inland marine insurance policies from the requirement of being filed with and approved by the DOI, rather than only "specially rated" commercial inland marine policies.

Section 2 provides that this act shall take effect upon becoming law.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

N/A

3. Long Run Effects Other Than Normal Growth:

N/A

4. Total Revenues and Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

N/A

3. Long Run Effects Other Than Normal Growth:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

N/A

2. Direct Private Sector Benefits:

Insurers would not be required to absorb the costs and delays involved in seeking DOI approval of policy forms for commercial inland marine insurance when the policy is not "specially rated."

3. Effects on Competition, Private Enterprise and Employment Markets:

N/A

D. FISCAL COMMENTS:

N/A

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PAGE 7

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

A. APPLICABILITY OF THE MANDATES PROVISION:

N/A

B. REDUCTION OF REVENUE RAISING AUTHORITY:

N/A

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

N/A

V. COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON FINANCIAL SERVICES:

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