

STORAGE NAME: s0106s1z.in
DATE: June 13, 2000

****AS PASSED BY THE LEGISLATURE****
CHAPTER #: 2000-192, Laws of Florida

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
INSURANCE
FINAL ANALYSIS**

BILL #: CS/SB 106, 1st engrossed

RELATING TO: Insurance/Countersignature Law

SPONSOR(S): Committee on Banking and Insurance; Senator Mitchell

TIED BILL(S):

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

- (1) BANKING AND INSURANCE YEAS 10 NAYS 0
 - (2)
 - (3)
 - (4)
 - (5)
-

I. SUMMARY:

Property, casualty, or surety insurance contracts covering a subject of insurance located in this state are required to be signed by a resident agent who is appointed by the issuing insurance company. Nonresident agents are required to have a resident agent countersign policies.

CS/SB 106, 1st engrossed, would exempt from the countersignature requirement policies issued by insurers whose agents represent only one company or group of companies under common ownership (commonly know as exclusive agents) and for which a Florida resident agent is the agent of record and the application has been lawfully submitted to the insurer.

Additionally, under the provisions of CS/SB 106, 1st engrossed, an insurer or agent arranging for the sale of property and casualty insurance to current or prospective credit card holders would no longer be required to obtain the signed authorization of the credit card holder if the transaction is otherwise authorized by the insured.

This bill also would exempt an insured or family member of an insured who is purchasing additional coverage to be written by the same insurer or a member of the same insurer group for an additional vehicle from the requirement of making a down payment equal to 2 months premium.

This bill would not have a fiscal impact on state or local government.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | 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. PRESENT SITUATION:

Countersignature Law

Pursuant to s. 624.425, F.S., a property, casualty, or surety insurance policy may not be issued in Florida unless the policy is issued through or by a resident agent and unless the policy is signed by a resident agent who is appointed by the issuing insurer. This means that an agent appointed by the insurer issuing the policy must sign the policy before it is issued. An agent is prohibited from signing or countersigning a blank policy to be issued outside that agent's office. An agent may give power of attorney to the issuing insurance company to allow the company to countersign documents by imprinting that agent's name on a completed policy.

Pursuant to s. 624.426, F.S., the only policies that are exempt from the countersignature requirement are reinsurance contracts; policies covering rolling stock of railroad companies doing general freight and passenger business; U.S. Customs surety bonds issued by a corporate surety, approved by the U.S. Department of Treasury with the United States as beneficiary; and policies issued by an insurer whose agents represent only that insurer and other members of an insurer group under common ownership, if the insurer is transferring a policy from one member of the insurer group to another member of the insurer group.

All insurance agents in Florida are licensed under Chapter 626, Florida Statutes. Specifically, nonresident agents are licensed pursuant to s. 626.741, F.S., which requires nonresident agents to have resident agents countersign policies written by them. According to the Department of Insurance, as of November 1999, there were 30,968 resident property and casualty agents licensed in the state, and 14,263 nonresident property and casualty agents licensed in the state.

According to the American Insurance Association as of December 1999, only seven states, including Florida, currently require a countersignature. In May of 1998, the Alliance of American Insurers reported that 10 states required countersignature.

Credit Card Transactions

Pursuant to s. 626.9541(1)(q)3., F.S., licensed insurance agents may accept payment for insurance if the policy is noncancellable by any person other than the named insured, the policyholder, or the insurer; any refund of unearned premium is made directly to the credit card holder; and the transaction is authorized by the signature of the credit card holder.

These conditions do not apply to health insurance, credit life, credit disability, or credit property insurance.

Two Months Premium Requirement

A private passenger motor vehicle insurance policy may not be initially issued in the state unless the insurer collects two months premium from the insured.¹ Exceptions to this include:

- ◆ if an insured or member of the insured's family is renewing or replacing a policy written by the same insurer or member of the same insurer group;
- ◆ if the coverage is issued to military personnel on active duty;
- ◆ if payments are paid pursuant to a payroll deduction plan or an automatic electronic funds transfer payment plan; or
- ◆ if the policy has been in effect for at least 6 months, the insured's agent has been terminated by the insurer, and the insured obtains coverage with a new insurer through that terminated agent.

C. EFFECT OF PROPOSED CHANGES:

Countersignature Law

Policies issued by insurers who appoint "exclusive" agents (those agents who represent only one company or group of companies under common ownership) would be exempt from the countersignature requirement of s. 624.425, F.S., as long as a Florida resident agent is the agent of record and the application has been lawfully submitted to the insurer. In the case of an insurance policy with a Florida resident agent as the agent of record, an insurer that appoints exclusive agents could issue a policy to the insured without first returning the policy to the agent for his or her signature or without the agent having to give power of attorney to the appointing insurer.

According to the Department of Insurance, there are three insurers in Florida with exclusive agents: State Farm, Nationwide, and Reliance Standard.

This exemption would not apply to policies of insurance sold by insurers that use independent agents.

Nonresident agents would continue to be required to have a resident agent countersign policies.

Credit Card Transactions

Section 626.9541, Florida Statutes, would be amended to provide an exemption from the requirement of a signature for credit card sales of insurance. An insurer or agent arranging for the sale of property and casualty insurance to current or prospective credit card holders would no longer be required to obtain the signed authorization of the credit card holder if the transaction is otherwise authorized by the insured.

Two Months Premium Requirement

¹ Section 627.7295, Florida Statutes

Section 627.7295, Florida Statutes, would be amended to exempt an insured or family member of an insured purchasing or adding coverage for an additional motor vehicle to be written by the same insurer or a member of the same insurer group from having to make a down payment equal to 2 months premium.

D. SECTION-BY-SECTION ANALYSIS:

This section need be completed only in the discretion of the Committee.

III. 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:

CS/SB 106, 1st engrossed, could reduce the administrative costs of exclusive agents, as well as reduce the amount of time needed to forward a policy to the insured. Neither Florida independent insurance agents nor nonresident agents would be affected by this change.

D. FISCAL COMMENTS:

None

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

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

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

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None

B. RULE-MAKING AUTHORITY:

None

C. OTHER COMMENTS:

None

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON INSURANCE:

Prepared by:

Staff Director:

Meredith Woodrum Snowden

Stephen Hogge

FINAL ANALYSIS PREPARED BY THE COMMITTEE ON INSURANCE:

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