

**STORAGE NAME:** h0413.in

**DATE:** February 11, 2000

**HOUSE OF REPRESENTATIVES  
COMMITTEE ON  
INSURANCE  
ANALYSIS**

**BILL #:** HB 413

**RELATING TO:** Insurance / Countersignature Law

**SPONSOR(S):** Representative Dockery

**TIED BILL(S):**

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

(1) INSURANCE

(2)

(3)

(4)

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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.

HB 413 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.

This bill would not affect nonresident or independent agents.

HB 413 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"/> |

B. PRESENT SITUATION:

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.

C. EFFECT OF PROPOSED CHANGES:

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.

**D. SECTION-BY-SECTION ANALYSIS:**

N/A

**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:**

HB 413 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:

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