

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 945                      Personal Injury Protection Insurance  
**SPONSOR(S):** Simmons  
**TIED BILLS:** None                      **IDEN./SIM. BILLS:** None

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REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Insurance Regulation (sub)	9 Y, 3 N	Cheek	Cooper
2) Insurance			
3)			
4)			
5)			

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**SUMMARY ANALYSIS**

The Legislature enacted Florida's "no-fault" insurance provisions in 1971. Under the Florida Motor Vehicle No-Fault law, every owner of a four-wheeled motor vehicle registered in Florida is required to maintain \$10,000 of no-fault personal injury protection (PIP) insurance and \$10,000 in property damage (PD) insurance.

The Florida proof of financial responsibility law (chapter 324, F.S.), requires drivers to demonstrate their ability to respond to damages for bodily injury caused in an accident. The minimum amounts of liability coverage required are \$10,000 in the event of bodily injury to, or death of, one person, \$20,000 in the event of injury to two or more persons, and \$10,000 in the event of injury to property of others, or \$30,000 combined single limit.

The bill expands the minimum no-fault law and the proof of financial responsibility law to include \$30,000 of total benefits for emergency services and care provided in or by a hospital, in addition to the minimum requirement stated above.

The fiscal impact to motor vehicle rates is indeterminate. It is likely that expanding coverage to \$30,000 for emergency services may increase premiums. However, claimant behavior is unknown as to whether there would be more claims. Therefore, total losses cannot be determined.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

**STORAGE NAME:** h0945a.in.doc  
**DATE:** March 30, 2004

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. DOES THE BILL:

- |                                      |                              |                             |   |
|--------------------------------------|------------------------------|-----------------------------|---|
| 1. Reduce government?                | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. Lower taxes?                      | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. Expand individual freedom?        | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families?                 | 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. EFFECT OF PROPOSED CHANGES:

##### BACKGROUND

###### Personal Injury Protection

The Legislature enacted Florida’s “no-fault” insurance provisions in 1971. Under the Florida Motor Vehicle No-Fault law, every owner of a four-wheeled motor vehicle registered in Florida is required to maintain \$10,000 of no-fault personal injury protection (PIP) insurance and \$10,000 in property damage (PD) insurance.

Subject to co-payments and other restrictions, PIP insurance provides compensation for bodily injuries to the insured driver and passengers *regardless of who is at fault in an accident*. This coverage also provides the policyholder with immunity from liability for economic damages up to the policy limits and for non-economic damages (pain and suffering) for most injuries. However, the immunity does not extend to injuries consisting of: (1) significant and permanent loss of an important bodily function; (2) permanent injury within a reasonable degree of medical probability (other than scarring or disfigurement); (3) significant and permanent scarring or disfigurement; or (4) death. This is known as the “verbal threshold.” In summary, a plaintiff must suffer a permanent injury in order to seek pain and suffering damages against a motorist with PIP coverage.

Persons required to have PIP must also obtain property damage liability coverage. Property damage liability insurance must provide minimum per-crash coverage of \$10,000 for property damage, or \$30,000 for combined property damage and bodily injury liability. Property damage to a vehicle is not covered under the no-fault law; that is, the person who negligently causes the property damage is liable, which is covered by PD liability.

###### Benefits Available

Personal injury protection covers the named insured, relatives residing in the same household, passengers, persons driving the vehicle with the insured’s permission, and persons struck by the motor vehicle while not an occupant of a self-propelled vehicle. With respect to injuries sustained in a motor vehicle accident, regardless of who is at fault, a vehicle owner’s PIP coverage will pay 80 percent of medical costs, 60 percent of lost income, and a \$5,000 per-person death benefit, up to a limit of \$10,000.

###### Financial Responsibility Law

The Florida proof of financial responsibility law (chapter 324, F.S.) requires drivers to demonstrate their ability to respond to damages for bodily injury caused in an accident. This law requires a minimum level of bodily injury (BI) liability insurance, or other allowable form of security, but only *after* a driver has been involved in an accident or convicted of certain serious traffic offenses. Such proof of BI coverage is *not* required as a condition of registering a vehicle, as required for PIP and PD, unless the

financial responsibility law has been triggered by a prior accident or conviction. The minimum amounts of liability coverage required are \$10,000 in the event of bodily injury to, or death of, one person, \$20,000 in the event of injury to two or more persons, and \$10,000 in the event of injury to property of others, or \$30,000 combined single limit. If the owner or operator of the vehicle was not financially responsible at the time of the accident, his driver's license is suspended as well as the registration of the owner of the vehicle. An individual can comply with the financial responsibility law in several ways: liability insurance, surety bond, deposit of cash or securities, or self-insurance.

## **MAJOR CHANGES TO CURRENT LAW**

The bill amends the proof of financial responsibility law to provide \$30,000 of total benefits for emergency services and care provided in or by a hospital.

Emergency services and care means medical screening, examination, and evaluation by a physician, or to the extent permitted by applicable law, by other appropriate personnel under the supervision of a physician, to determine if an emergency medical condition exists and, if it does, the care, treatment, or surgery by a physician necessary to relieve or eliminate the emergency medical condition, within the serve capability of the facility (395.002(10), F.S.).

Hospital means any establishment that:

- Offers services more intensive than those required for room, board, personal services, and general nursing care, and offers facilities and beds for use beyond 24 hours by individuals requiring diagnosis, treatment, or care for illness, injury, deformity, infirmity, abnormality, disease, or pregnancy; and
- Regularly makes available at least clinical laboratory services, diagnostic X-ray services, and treatment facilities for surgery or obstetrical care, or other definitive medical treatment of similar extent.

### **C. SECTION DIRECTORY:**

Section 1: Amends s. 324.021, F.S. - Definitions; minimum insurance required (Financial Responsibility).

Section 2: Amends s. 627.7295, F.S. - Motor vehicle insurance contracts (Motor Vehicles and Casualty Insurance Contracts).

Section 3: Amends s. 627.736, F.S. - Required personal injury protection benefits; exclusions; priority; claims (Personal Injury Protection).

Section 4: Amends s. 627.749, F.S., Personal injury protection; optional limitations; deductibles (PIP Optional Limitations, deductibles).

Section 5: Provides an effective date of upon becoming law.

## **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. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Some services currently not covered under PIP would now be covered. Further, it is likely that expanding coverage to \$30,000 for emergency services may increase premiums. However, claimant behavior is unknown as to whether there would be more claims. Therefore, total losses cannot be determined.

D. FISCAL COMMENTS:

According to the Office of Insurance Regulation (OIR), the office cannot accurately assess the potential increase in motor vehicle rates that may arise from increased loss costs in claims associated with a \$30,000 policy limit for emergency room medical payments. Increases in costs would be passed through to policyholders in the form of premium increases. The OIR estimates the average additional annual cost of providing \$30,000 in emergency services coverage could range from \$100 to \$300 per insured vehicle, per year.

### III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

None.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

### IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

None.