

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Banking and Insurance Committee

BILL: CS/SB 2338

INTRODUCER: Banking and Insurance Committee and Senator Aronberg

SUBJECT: Insurance Renewal Premiums

DATE: April 8, 2008

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Emrich	Deffenbaugh	BI	Fav/CS
2.			CM	
3.				
4.				
5.				
6.				

Please see Section VIII. for Additional Information:

- | | | |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes |
| B. AMENDMENTS..... | <input type="checkbox"/> | Technical amendments were recommended |
| | <input type="checkbox"/> | Amendments were recommended |
| | <input type="checkbox"/> | Significant amendments were recommended |

I. Summary:

Committee Substitute for Senate Bill 2338 increases the time period that insurers have to notify policyholders of their premium renewal. Specifically, motor vehicle insurers are required to provide their policyholders with 45 days advance written notice, instead of the current 30 days, of their renewal premium under their policy. If the insurer fails to provide the 45 day advance notice of a renewal premium that results in a premium increase, the coverage under the policy remains in effect at the existing rates until 45 days after the notice is given or until the effective date of replacement coverage obtained by the insured, whichever occurs first.

This bill substantially amends the following section of the Florida Statutes: 627.7277, F.S.

II. Present Situation:

Motor Vehicle Insurance

Under the state's no-fault law, owners or registrants of motor vehicles are required to purchase \$10,000 of personal injury protection (PIP) insurance which compensates persons injured in

accidents regardless of fault.¹ Policyholders are indemnified by their own insurer with the intent being to provide such persons with prompt medical treatment. This coverage also provides policyholders with immunity from liability for economic damages up to the policy limits and prohibits tort suits for non-economic damages (pain and suffering) below a specified injury threshold. Florida drivers are also required to purchase \$10,000 in property damage liability coverage.

Under s. 627.7277, F.S., an insurer is required to provide at least 30 days advance written notice to its policyholders of the renewal premium under a motor vehicle insurance policy. However, if the insurer fails to provide the 30 days renewal notice that results in a premium increase, the coverage under the policy remains in effect at the existing rates until 30 days after the notice is given or until the effective date of replacement coverage obtained by the insured, whichever occurs first.

Section 627.728, F.S., provides procedures for cancellation or nonrenewal of motor vehicle insurance policies.² Insurers must provide 45 days written notice to the named insured and to the named insured's agent prior to the effective date of cancellation of a motor vehicle policy, except when the cancellation is for nonpayment of premium. If an insured does not pay his or her auto premium, the insurer must provide 10 days written notice of cancellation. Insurers must furnish the reason or reasons for cancellation in their notice. Cancellation notices are not effective unless based on one or more of the following grounds: 1) nonpayment of premium; 2) material misrepresentation or fraud; or 3) the driver's license is suspended or revoked during the policy period or the 180 days immediately preceding its effective date or, if the policy is a renewal, during its policy period. The section sets forth what constitutes sufficient proof of notice.

An insurer that intends not to renew a motor vehicle insurance policy at the end of its normal expiration date must provide the named insured and the named insured's agent with at least 45 days advance written notice of its intention to nonrenew and the reasons for the nonrenewal. Under Florida case law, a material change in coverage in a property insurance policy was considered a "nonrenewal" that triggered the notice requirements of s. 627.4133, F.S.³

III. Effect of Proposed Changes:

Section 1. Amends 627.7277, F.S., which applies to motor vehicle insurance renewal notifications. The bill increases the time period, from 30 to 45 days that insurers have to provide advanced written notice of renewal premium, by mail or delivery, to policyholders under their motor vehicle insurance policies. If the insurer fails to provide the 45 day notice of a renewal premium that results in a premium increase, the coverage under the policy remains in effect at the existing rates until 45 days after the notice is given or until the effective date of replacement coverage obtained by the insured, whichever occurs first.

¹ Part XI of ch. 627, F.S., is cited as the Motor Vehicle and Casualty Insurance Contracts law.

² A policy means the bodily injury, property damage liability, personal injury protection, medical payments, comprehensive, collision, and uninsured motorist coverage portions of a policy of motor vehicle insurance.

³ *U.S. Fire Insurance Co., v. Southern Security Life Insurance Co.*, 710 So.2d 130 (Fla. 5th DCA 1998). Policy change by endorsement excluding liability coverage for personal injury was "nonrenewal" within meaning of s. 627.4133(1), F.S., requiring at least 45 days advance written notice of nonrenewal.

Section 2. Provides an effective date of July 1, 2008.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Auto insurance policyholders will benefit by receiving 45 days notice, rather than 30 days notice, of renewal of their motor vehicle insurance policy.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

A. **Committee Substitute – Statement of Substantial Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Banking and Insurance on April 8, 2008:

- Increases the time period from 30 to 45 days that insurers have to notify policyholders of their renewal premium under their motor vehicle insurance policy.

- If the insurer fails to provide the 45 day advance written notice of a renewal premium that results in a premium increase, the policy remains in effect at the existing rates until 45 days after the notice is given or until the effective date of replacement coverage obtained by the insured, whichever occurs first.
- Removes the provision requiring motor vehicle insurers, who condition the renewal of a policy on a change of limits, elimination of coverage, or an increase in premium, to provide the insured with written notice at least 45 days prior to the renewal date.

B. Amendments:

None.