

**HOUSE OF REPRESENTATIVES  
FINAL BILL ANALYSIS**

<b>BILL #:</b>	CS/HB 341	<b>FINAL HOUSE FLOOR ACTION:</b>	
<b>SPONSOR(S):</b>	Regulatory Affairs Committee; Ingram and others	117 Y's	0 N's
<b>COMPANION BILLS:</b>	(SB 706)	<b>GOVERNOR'S ACTION:</b>	Approved

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**SUMMARY ANALYSIS**

CS/HB 341 passed the House on April 17, 2013, and subsequently passed the Senate on April 25, 2013.

The bill returns insurance law governing Uninsured Motorist (UM) coverage to the status quo that existed before a recent judicial decision by Florida's First District Court of Appeal. UM coverage protects motorists against injuries caused by owners or operators of uninsured or underinsured motor vehicles. Such policies are available on a "stacked" or "non-stacked" basis. UM policies that are "stacked" extend to every resident and vehicle in a household and allow residents or others to recover the combined policy limits from each insured vehicle. "Non-stacked" policies limit coverage to the insured vehicle operated at the time of the accident.

Current law provides that UM policies are "stacked" by default, and "non-stacked" coverage must be affirmatively selected by the insured by signing a waiver of any rights to combine policy limits from multiple vehicles. However, a recent decision by Florida's First District Court of Appeal has created uncertainty whether a "non-stacking" policy waiver signed by a named insured will waive "stacking" benefits on behalf of all insureds. The court held that due to a discrepancy in the wording between two subsections of the statute, a resident relative who occupies an insured's vehicle during an accident may still claim "stacked" benefits despite any waiver signed by the named insured.

The bill provides that if a person buying UM coverage as a named insured signs a "non-stacked" waiver, that waiver is binding as to every family member or passenger insured under the policy. The bill therefore clarifies, for both insurers and insureds, the true extent of coverage offered by UM policies.

This bill does not appear to have a fiscal impact on state or local government.

The bill was approved by the Governor on June 14, 2013, ch. 2013-195, L.O.F., and will become effective on that date.

## I. SUBSTANTIVE INFORMATION

### A. EFFECT OF CHANGES:

#### **Background on “stacking” and “non-stacking” Uninsured Motorist Insurance**

Uninsured Motorist (UM) coverage protects motorists against injuries caused by owners or operators of uninsured or underinsured motor vehicles. Section 627.727(1), F.S., requires insurers who offer bodily injury liability coverage also to offer UM coverage in the same amount as any policy limits applying to the bodily injury liability policy. Pursuant to the Florida Supreme Court’s decision in *Mullis v. State Farm Mut. Auto. Ins. Co.*, 252 So. 2d 229 (Fla. 1971), conventional UM coverage extends not only to the named insured but also to family members, household residents, or any other lawful occupant of the insured vehicle.

Thus, conventional UM insurance “stacks.” This means that if one family member purchases one UM policy for one vehicle, that coverage extends to every resident and every vehicle in the household, whether or not those residents or vehicles were covered by their own UM policies. Moreover, if a family purchases UM coverage for multiple vehicles, any resident in the household may “stack” the UM benefits and recover the combined policy limits from each insured vehicle.

However, s. 627.727, F.S., allows that an insured individual can waive this insurance, select a lower limit, or select “non-stacking” UM coverage if the named insured signs a policy waiver form approved by the Florida Office of Insurance Regulation.

“Non-stacking” UM policies typically include two critical exclusions or limitations: (1) a limitation of UM benefits to the particular insured vehicle operated at the time of the accident and not from any other vehicles insured in the household that carry this limited form of UM coverage; and (2) an exclusion of UM benefits for the insured or their resident relatives or others who are injured while occupying any vehicle owned by them for which UM coverage was not purchased.

If insurers do properly obtain a waiver and offer “nonstacked” policy limitations or exclusions for UM coverage, s. 627.727(9), F.S., also provides that the premium charged for this limited form of UM coverage must be at least 20 percent less expensive than traditional “stacked” insurance.

#### **The First District Court of Appeal’s decision in *Traveler’s Com. Ins. Co. v. Harrington***

A recent decision by Florida’s First District Court of Appeal has created uncertainty whether a “non-stacking” policy waiver extends beyond the named insured to include resident relatives who occupy an insured’s vehicle during an accident. In *Traveler’s Com. Ins. Co. v. Harrington*, 86 So. 3d 1274 (Fla. 1st DCA 2012), a daughter was injured while riding as a passenger in a vehicle insured by her mother. The mother insured three vehicles in all, with both liability and UM policies, but the mother had expressly accepted and endorsed a “non-stacking” limitation. The *Harrington* court held that while the “non-stacking” limitation applied to the mother, it did not apply to the daughter, who had not signed the waiver and thus had not knowingly accepted the policy limitation.

In reaching that conclusion, the court focused on the construction of s. 627.727(9), F.S., as contrasted with s. 627.727(1), F.S. Under s. 627.727(1), F.S., UM coverage must be provided with a policy for liability coverage unless there is a knowing rejection of the UM coverage. Section 627.727(1), F.S., further refers to a “written rejection . . . on behalf of all insureds,” and specifies that an approved form be used when UM coverage is selected at a lower limit than the liability coverage. The subsection also provides that: “If this form is signed by a named insured, it will be conclusively presumed that there was an informed, knowing rejection of coverage or election of lower limits on behalf of all insureds.”

Section 627.727(9), F.S., likewise requires that an approved form be used when non-stacking coverage is selected. However, unlike subsection (1), which makes an election-of-coverage-limits binding on all

insureds, subsection (9) provides for non-stacking elections: “If this form is signed by a named insured, applicant, or lessee, it shall be conclusively presumed that there was an informed, knowing acceptance of such limitations.”

In light of the differing language describing the different waivers in ss. 627.727(1) and (9), F.S., the court reasoned that the subsection (9) waiver of “stackable” coverage must be personally made by the insured who claims such benefits. This is in contrast to the subsection (1) waiver of coverage (at the liability limit), which may be made “on behalf of all insureds.” The court concluded that the Legislature’s use of different language in separate parts of the statute suggests that different meanings were intended, and that when language is used in one part of a statute but omitted in another part it should not be inferred that such language was intended where it has been omitted.

For this reason, the *Harrington* court determined that the mother’s waiver of “stacked” UM coverage did not extend to her daughter. Thus, the daughter was entitled to “stack” the UM coverage limits from all three insured automobiles to pay medical bills for the bodily injuries she suffered during the accident as an occupant of an insured vehicle, notwithstanding her mother’s express rejection of such “stacking” benefits.

### **Possible effects of the *Harrington* decision**

As a result of the court’s decision in *Harrington*, policy waivers signed by a named insured selecting “non-stacked” UM coverage may be ineffective as to other vehicle occupants who have not personally signed the waiver.

The result would appear to leave few options to insurers seeking to offer “non-stacked” coverage, as attempts to get consent for a waiver from all persons who potentially could claim UM benefits would present clear administrative difficulties. Insurers generally do not know what other persons are likely to be passengers in an insured automobile, nor do they obtain signatures from such persons on the underlying insurance policy or associated waivers. If insurers were to require named insureds to obtain such consents as a condition of policy renewal, it is likely that few insureds could predict every person who would ride as a passenger in their vehicle during the policy term, let alone gain those persons’ consent for policy waivers in advance.

This uncertainty as to the extent of potential liability under “non-stacking” UM policies may present difficulties to insurers seeking to accurately assess their underwriting risk with regard to such policies. One potential result is higher premiums, as insurers seek to recover costs from payouts that previously would have been excluded or limited by “non-stacking” policy waivers.

Because such waivers may still offer insurers at least some limitations on liability, it is unclear whether the holding in *Harrington* would prevent insurers from offering “non-stacked” coverage altogether. However, s. 627.727(9), F.S., mandates that “non-stacking” policies must be offered at a premium at least 20 percent less than traditional “stacked” insurance. If insurers believe they can no longer offer such a discount for “non-stacked” policies, the market for such policies may dissolve. If that outcome were to occur, Florida consumers seeking UM coverage would be limited to more expensive “stacked” policies that provide more benefits at a higher price.

### **Effect of CS/HB 341**

CS/HB 341 amends s. 627.727(9), F.S., to clarify that if a named insured signs a “non-stacking” waiver, “it shall be conclusively presumed that there was an informed, knowing acceptance of such limitations on behalf of all insureds.” The addition of the phrase “on behalf of all insureds” mirrors the language of s. 627.727(1), F.S., thus removing the ambiguous difference in the language of ss. 627.727(1) and (9), F.S., which was cited by the *Harrington* court as the basis for its decision.

Therefore, the effect of the bill provides that if a person buying UM coverage as a named insured signs a “non-stacked” waiver, that waiver will be binding as to every family member or passenger insured under the policy. This would return Florida insurance law to the status quo that existed before the *Harrington* decision and clarify, for both insurers and insureds, the true extent of coverage offered by UM policies.

## 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:

None.