

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 Committee on Banking and Insurance

BILL: SB 490

INTRODUCER: Senator Garcia

SUBJECT: Motor Vehicle Liability Policy Requirements

DATE: February 5, 2014

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Knudson</u>	<u>Knudson</u>	<u>BI</u>	Favorable
2.	<u>Everette</u>	<u>Eichin</u>	<u>TR</u>	Favorable
3.	_____	_____	<u>AP</u>	_____

I. Summary:

SB 490 extends the underwriting period from 30 to 60 days for non-cancellable coverage required to reinstate driving privileges revoked or suspended for failure to maintain required security or driving under the influence (DUI). During the underwriting period the policy is effective but the insurer may cancel the policy. The bill also allows the insured to change the coverage amounts under such policies without requiring the policy to be cancelled, so long as at least the minimum required coverage amounts are maintained.

II. Present Situation:

Motor Vehicle Financial Responsibility Requirements – Motor Vehicle Insurance

Every owner or registrant of a motor vehicle¹ required to be registered and licensed in this state must maintain financial security continuously throughout the registration or licensing period.² Most owners or registrants of a motor vehicle maintain financial security through a motor insurance policy. Under Florida law, each motor vehicle insurance policy must provide Personal Injury Protection (PIP) benefits of \$10,000 and Property Damage (PD) liability coverage of \$10,000/\$20,000.³

Each insurer must report the cancellation or nonrenewal of a motor vehicle insurance policy to the Department of Highway Safety and Motor Vehicles (DHSMV) within 10 days after the processing date or effective date of each cancellation or nonrenewal.⁴ The insurer must also

¹ Other than a motor vehicle used as a school bus defined in s. 1006.25, F.S., or limousine.

² S. 627.733(1), F.S.

³ S. 627.736(1), F.S., and s. 324.022, F.S.

⁴ S. 324.0221(1), F.S.

report to the DHSMV the issuance of a motor vehicle insurance policy to a named insured not previously insured by the insurer during that calendar year within 10 days.⁵

Noncancelable Motor Vehicle Insurance

The DHSMV must suspend, after notice and an opportunity to be heard, the registration and driver's license of any owner or registrant of a motor vehicle for failure to maintain a motor vehicle insurance policy providing the minimum required PIP and PD coverage.⁶ A suspended driver's license or registration may be reinstated by obtaining the minimum required motor vehicle insurance and upon payment to the DHSMV of a nonrefundable reinstatement fee of \$150 for the first reinstatement, \$250 for the second reinstatement, and \$500 for each subsequent reinstatement during the 3 years following the first reinstatement. A person reinstating her or his insurance must secure noncancelable coverage as described in ss. 324.021(8), 324.023, and 627.7275(2), F.S. and present proof that the coverage is in force and maintain proof of coverage for 2 years.

Every owner or operator who, regardless of adjudication of guilt, has been found guilty of or entered a plea of guilty or nolo contendere to a charge of driving under the influence (DUI) under s. 316.193, F.S., must maintain a motor vehicle insurance policy⁷ that provides Bodily Injury (BI) liability coverage of \$100,000/\$300,000 and PD coverage of \$50,000.⁸ These higher limits must be carried for a minimum of 3 years. If the owner or operator has not been convicted of driving under the influence or a felony traffic offense for a period of 3 years from the date of reinstatement of driving privileges for a violation of s. 316.193, F.S., the owner or operator is not subject to this requirement.

A noncancelable insurance policy must be issued for at least 6 months and, as to the minimum coverage requirements, is not cancelable by the insured for any reason or by the insurer after a period not to exceed 30 days during which the insurer must complete underwriting of the policy.⁹ After the insurer has completed underwriting the policy within the 30-day period, the insurer must notify the DHSMV that the policy is in full force and effect and the policy is not cancelable for the remainder of the policy period.¹⁰ Coverage is in effect while the insurer is completing the underwriting of the policy.¹¹

III. Effect of Proposed Changes:

Section 1 amends s. 627.7275, F.S., extending the underwriting period from 30 to 60 days for non-cancellable coverage required to reinstate driving privileges revoked or suspended for failure to maintain required security or committing a DUI offense. This will allow insurers additional time to properly complete underwriting, during which the insurer may cancel the

⁵ See *Id.*

⁶ S. 324.0221(2), F.S.

⁷ The owner or operator may, as an alternative to obtaining insurance, furnishing a certificate of self-insurance showing a deposit of at least \$350,000 cash in accordance with s. 324.161, F.S.

⁸ S. 324.023

⁹ S. 627.7275(2), F.S.

¹⁰ S. 627.7275(2)(b), F.S.

¹¹ See *id.*

policy. The longer underwriting period will also extend from 30 to 60 days the period of time that lapses before an insurer reports to the DHSMV that noncancelable coverage is in full force and effect and cannot be cancelled.

The bill also allows the insured to change the coverage amounts under such policies without requiring the policy to be cancelled, so long as at least the minimum required coverage amounts are maintained.

Section 2 provides an effective date of July 1, 2014.

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:

None.

C. Government Sector Impact:

The DHSMV estimates that approximately 370 hours of computer programming at a total cost of \$20,800.00, will be needed to implement the changes required by this bill, as follows:

- ISA: 270 hours at \$40.00 per hour for a subtotal of \$10,800.00.
- Contractors: 100 hours at \$100 per hour for a subtotal of \$10,000.00.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends section 627.7275 of the Florida Statutes.

IX. Additional Information:

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
