

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: CS/SB 2342

SPONSOR: Banking and Insurance Committee and Senator Rossin

SUBJECT: Motor Vehicle Insurance Policies

DATE: April 19, 1999 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Woodham</u>	<u>Deffenbaugh</u>	<u>BI</u>	<u>Favorable/CS</u>
2.	_____	_____	_____	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

The Committee Substitute for Senate Bill 2342 adds conditions to a current exception, and adds a new exception, to the general requirement that a down payment of at least two months' premium be paid before a motor vehicle insurance policy may be issued.

Currently, an exception is provided to the minimum 2-month down payment requirement if the policy is paid pursuant to a payroll deduction plan or an automatic electronic funds transfer payment plan. The bill requires that for such automatic transfer payment *from the policyholder*, all policy payments must be made in this manner in order for the exception to apply.

The bill provides a new exception to both the minimum down payment requirements and the requirement that a motor vehicle insurance policy be non-cancelable by the insurer during the first 60 days. The bill provides an exception if *all* policy payments are paid by payroll deduction or electronic funds transfer from *an agent or managing agent*, and if the policy includes, at a minimum, personal injury protection, property damage and bodily injury liability coverage, of at least \$10,000 per person and \$20,000 per accident.

This bill amends section 627.7295 of the Florida Statutes.

II. Present Situation:

Minimum Down Payment; Non-Cancellation Period

Section 627.7295, F.S., provides that a motor vehicle insurance policy may not be issued for a term of less than 6 months unless issued to achieve common expiration dates or issued to complete the unexpired portion of a previous policy period.

An *insured* (policyholder) may not cancel a policy or binder during the first 2 months immediately following the effective date of the policy except: (1) upon total destruction of the insured motor vehicle; (2) upon transfer of ownership of the insured motor vehicle; or (3) after purchase of

another policy or binder covering the motor vehicle that was covered under the policy being canceled. (s. 627.7295(3), F.S.)

An *insurer* may not cancel a new policy or binder during the first 60 days immediately following the effective date of the policy or binder for nonpayment of premium unless the reason for cancellation is the issuance of a check for the premium that is dishonored for any reason. (s. 627.7295(4), F.S.) An insurer may cancel a new policy if the motor vehicle owner's driver's license, license plate and registration have previously been suspended.

Section 627.7295(7), F.S., provides that a policy of or binder for a private passenger motor vehicle insurance may be issued only if the insurer or agent has collected a down payment equal to 2 months' premium. There are several exceptions to this requirement. This subsection does not apply if:

- ▶ An insured or member of the insured's family is renewing or replacing a policy or a binder for such policy written by the same insurer or a member of the same insurer group.
- ▶ An insurer issues private passenger motor vehicle coverage primarily to active duty or former military personnel or their dependents.
- ▶ The policy is paid pursuant to a payroll deduction plan or an automatic electronic funds transfer payment plan.
- ▶ An insured has had a policy in effect for at least 6 months, the insured's agent is terminated by the insurer that issued the policy, and the insured obtains coverage on the policy's renewal date with a new company through the terminated agent.

The rationale behind the 2 months' premium down payment is to prevent a motor vehicle owner from procuring a policy or binder in order to show proof of insurance, as required by s. 627.733, F.S., to obtain a license plate, then immediately canceling the policy.

III. Effect of Proposed Changes:

Section 1. Amends s. 627.7295(7), F.S., relating to private passenger motor vehicle insurance contracts. Generally, an insurer must collect 2 months' premium from the insured prior to initial issuance of a policy. There are several exemptions from the premium down payment requirement, including an exception for policy payments paid pursuant to a payroll deduction or automatic electronic funds transfer payment plan. The bill adds conditions to this exception, by providing that *all* policy payments must be paid pursuant to a payroll deduction or automatic electronic funds transfer payment plan *from the policyholder*.

In addition to modifying a current exception to the premium down payment requirement, the bill adds an exception to both the minimum down payment requirement of subsection (7) and the provisions of subsection (4) of s. 627.7295, F.S., which require that policies be non-cancelable by the insurer during the first 60 days, subject to certain exceptions. Subsections (4) and (7) of s. 627.7295, F.S., would not apply if *all* policy payments to an insurer are paid pursuant by an electronic funds transfer payment plan *from an agent or a managing general agent*, provided the policy includes, at a minimum, personal injury protection, motor vehicle property damage and bodily injury liability coverages of at least \$10,000 per person and \$20,000 per accident.

Section 2. Provides an effective date of July 1, 1999.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

The bill provides a limited exception from the current requirement that policies be non-cancelable during the first 60 days. The exception, along with the exception from the 2 months' premium down payment, applies only when *all* policy payments to an insurer are made pursuant to an electronic funds transfer payment plan *from an agent or managing general agent*. These policies must contain not only personal injury protection and motor vehicle property damage liability coverage, but also bodily injury coverage, of at least \$10,000 per person and \$20,000 per accident. This extra coverage requirement will likely lower the number of motor vehicle owners who obtain the minimum coverage, strictly to obtain a license plate, then cancel the policy. Generally, motor vehicle owners who also purchase bodily injury liability coverage are more likely to stay insured, and are not strictly purchasing insurance temporarily to obtain a vehicle tag.

The exemption from the 2 months' premium deposit may encourage more insureds to pay by electronic funds transfer or payroll deductions in order to bypass the down payment requirement.

C. Government Sector Impact:

The Department of Highway Safety and Motor Vehicles and the Department of Insurance have estimated no fiscal impact from the bill.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
