

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: SB 594

SPONSOR: Senator Fasano

SUBJECT: Motor Vehicle Insurance

DATE: March 20, 2003 REVISED: 3/25/2003 _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Vickers</u>	<u>Krasovsky</u>	<u>MS</u>	<u>Fav/1 amendment</u>
2.	<u>Knudson</u>	<u>Deffenbaugh</u>	<u>BI</u>	<u>Fav/1 amendment</u>
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill requires that, if an active or reserve member of the United States Armed Forces cancels his or her motor vehicle insurance due to being called to active duty or transferred to a location where the insurance is not required, the insurer must refund 100 percent of the unearned premium. This changes the requirement that a motor vehicle insurer must refund at least 90 percent of the unearned premium upon the cancellation of insurance by any policyholder.

This bill substantially amends section 627.7283 of the Florida Statutes.

II. Present Situation:

Section 627.7283, F.S., contains the requirements for canceling motor vehicle insurance policies and the refund of unearned premiums. This section provides that if the policyholder cancels a policy, the insurer must refund at least 90 percent of the unearned premium; if the insurer cancels the policy then a 100 percent refund must be made. (s. 327.7283(4), F.S.). The insurer must mail the unearned portion of any premium paid, within 30 days after the effective date of the policy cancellation, receipt of notice, or request for cancellation, whichever is later. (s. 627.7283(1), F.S.). If the insurer cancels a policy, the unearned portion of any premium must be returned to the individual within 15 days after the effective date of the policy cancellation. (s. 627.7283(2), F.S.). Unearned premiums are calculated at a pro rata basis, and cancellation is without prejudice to claims originating prior to the effective date of the cancellation. (s. 627.7283(4), F.S.). Currently, the largest provider of auto insurance coverage for members of the United States Armed Forces reports that it provides 100 percent refund of unearned premiums to military personnel who cancel their coverage due to overseas deployment.

Section 627.733(5), F.S., provides that members of the United States Armed Forces who are on active duty outside the United States in an emergency situation are not required to maintain Florida motor vehicle insurance. This exception applies for the duration of time the serviceperson is on active duty outside the United States. Upon receipt of a written request by an insured who qualifies for the exception, the insurer shall cancel the coverage and return any unearned premium or suspend coverage.

III. Effect of Proposed Changes:

The bill amends s. 627.7283, F.S., and requires an insurer to refund 100 percent of the unearned premium if the insured who cancels his or her policy is an active or reserve member of the United States Armed Services who cancels because he or she has been called to active duty or transferred by the armed services to a location where the insurance is not required. The bill effectively increases the amount of the unearned premium that must be refunded from a 90 percent minimum refund to a 100 percent refund. Unearned premiums will continue to be calculated at a pro-rata basis.

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 will have a have a positive financial impact on qualified U.S. Armed Forces personnel, as they will be able to recover 100 percent of the unearned premium after cancellation of auto insurance. There will be a negative financial impact on those auto insurance carriers who are currently less than 100 percent of unearned premiums to such personnel.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None

VII. Related Issues:

The bill as written is applicable to “an active or reserve member, who cancels because he or she is called to active duty “or” is transferred to a location where the insurance is not required. Thus, the bill applies to two classes of armed forces personnel: 1) those who are called to active duty, or 2) those who are transferred by the United States Armed Forces to a location where the insurance is not required. The statute is properly drafted if the legislative intent is to apply the statute to all persons who fall under either of these categories. Further credence to this reading could be implied from the fact that when reservists are called to active duty, it is usually for the purpose of mobilization and deployment overseas.¹

VIII. Amendments:

Amendment #1 by Military and Veteran’s Affairs, Base Protection, and Spaceport Committee: Creates a new subsection (5) in s. 627.7283, F.S., to address the cancellation of motor vehicle insurance by certain military personnel. The amendment contains a provision not in the original bill. The provision allows insurers to require a member of the U.S. Armed Forces to submit either a copy of the official military orders or a written verification signed by the member’s commanding officer in order to show proof that the member is entitled to the refund authorized.

Amendment #1 by Banking and Insurance Committee: Specifies that the provisions of the bill also apply to a member of the Florida National Guard who cancels his or her auto insurance premium because he or she is called to active duty or transferred to a location where motor vehicle insurance is not required.

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

¹ Information taken from the United States Army Reserve website (www.army.mil/usar/). The “About Us” link on the website states that, “ The Army Reserve consists of highly trained and ready-to-go combat support and combat service support forces that can move on short notice to give the active Army the resources it needs to deploy overseas and to sustain combat troops during wartime, contingencies or other operations.”