

The Florida Senate
PROFESSIONAL STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

Prepared By: Transportation Committee

BILL: CS/SB 846

INTRODUCER: Transportation Committee and Senator Jones

SUBJECT: Motor Veh. Financial Responsibility

DATE: March 27, 2007

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Davis	Meyer	TR	Fav/CS
2.			BI	
3.				
4.				
5.				
6.				

I. Summary:

Under Florida law, motorists are required to purchase personal injury protection (PIP) and property damage (PD) liability coverages. The no-fault coverage, referred to as PIP, provides \$10,000 of coverage. Current law also requires vehicle owners to obtain \$10,000 in PD liability coverage which pays for the physical damage expenses caused by the insured to third parties in the accident. Additionally, under Florida's Financial Responsibility law, motorists must provide proof of ability to pay monetary damages for bodily injury (BI) and PD liability after motor vehicle accidents or serious traffic violations.

SB 846 creates s. 324.023, F.S., to increase the limits of BI and PD insurance and require purchase of BI insurance for anyone who has been convicted of s. 316.193, F.S., which address driving under the influence (DUI), in the amount of \$100,000/\$300,000/\$50,000 and provides the option of posting a bond or furnishing a certificate of deposit in an amount no less than \$350,000. This provision applies to convictions of s. 316.193, F.S., after October 1, 2007.

The bill requires those directed to maintain the higher insurance limits to keep proper proof of the insurance in his or her possession at all times. Violation of this provision is a nonmoving traffic violation. If the violator provides the necessary proof before the court date the fine and court appearance may be waived. Failure to furnish proof results in suspension of the registration and driver's license of the person.

The bill requires tax collector employees to verify that BI insurance has been purchased by a person required to do so under s. 324.023, F.S., at the time the person applies for a vehicle registration or registration renewal.

The bill increases the reinstatement fee of a driver's license from \$15 to the limits under the no-fault law, which are \$150 for a first reinstatement, \$250 for a second reinstatement, or \$500 for each subsequent reinstatement during the three years following the first reinstatement.

The Department of Highway Safety and Motor Vehicles' (DHSMV) estimates an impact of \$128,450 on their expenditures for the first year and an impact of \$18,450 for all subsequent years. The DHSMV also estimates an increase of \$2.2 million on their revenues for the first year with recurring revenues of \$3 million for all subsequent years. There may be additional fines for state and local governments based on additional citations issued for failure to provide adequate proof of insurance.

The bill is effective upon becoming law.

This bill substantially amends ss. 316.646, 320.02 and 627.733, and creates s. 324.023 of the Florida Statutes.

II. Present Situation:

Under current law, motorists are required to purchase PIP and PD liability coverages.¹ The no-fault coverage, referred to as PIP, provides \$10,000 of coverage for the following: payment of 80 percent of reasonable medical expenses, 60 percent of loss of income, plus a \$5,000 death benefit, for bodily injury sustained in a motor vehicle accident, without regard to fault. Personal injury protection covers the named insured, relatives residing in the same household, persons operating the insured motor vehicle, passengers in the insured motor vehicle, and persons struck by the insured motor vehicle. This coverage also provides the policyholder with immunity from liability for economic damages (medical expenses) up to the \$10,000 policy limits and for non-economic damages (pain and suffering) for most injuries.

Current law also requires vehicle owners to obtain \$10,000 in PD liability coverage, which pays for the physical damage expenses caused by the insured to third parties in the accident. In addition, under Florida's Financial Responsibility law (ch. 324, F.S.), motorists must provide proof of ability to pay monetary damages for BI liability and PD liability after motor vehicle accidents or serious traffic violations. The minimum amounts of liability coverage are \$10,000 in the event of injury to one person, \$20,000 for injury to two or more persons, and \$10,000 property damage, or \$30,000 combined single limits. An individual can comply with the Financial Responsibility law in several ways: liability insurance, surety bond, deposit of cash or securities, or self-insurance; however, evidence of such coverage is required in a form prescribed by DHSMV and the coverage must be maintained for three years. The form used by DHSMV is called the SR-22 and is provided by the insurance carriers with a requirement for the carrier to notify DHSMV immediately upon cancellation.

Many drivers purchase "optional" coverages in addition to mandatory insurance including bodily injury liability (which may be required by the Financial Responsibility Law), uninsured motorist, collision, comprehensive, medical payments, towing, rental reimbursement, and accidental death

¹ Sections 627.730-627.7405, F.S. In 2003, the Legislature repealed the Florida Motor Vehicle No-Fault law. Section 19, 2003-411, L.O.F., states the repeal will take effect October 1, 2007.

and dismemberment. Insurers may not require motorists to purchase any of these optional coverages.

According to s. 324.021(9)(b)1., F.S., a person who leases a motor vehicle for one year or longer, is required to obtain insurance containing limits not less than \$100,000/\$300,000 BI liability and \$50,000 PD liability.

The current financial responsibility reinstatement fee per s. 324.071, F.S., is \$15 which is deposited into the Highway Safety Operating Trust Fund.

Section 320.02, F.S., requires tax collectors to verify PIP and BI liability insurance has been purchased when required under ss. 627.733, 324.022, and 627.7415, F.S., at the time the person applies for a vehicle registration or registration renewal.

III. Effect of Proposed Changes:

This bill creates s. 324.023, F.S., and requires two separate limits of liability insurance, depending on the type of offense. The current law with limits of \$10,000/\$20,000/\$10,000 will continue to apply to motorists who are involved in serious traffic violations. The bill will increase the limits to \$100,000/\$300,000/\$50,000 whenever a person has been found guilty of a violation of s. 316.193, F.S., which addresses DUI, after October 1, 2007.

The bill indicates the revised higher rates apply to any owner or operator “who has been found guilty of a charge of DUI pursuant to s. 316.193, F.S., after October 1, 2007.” The DHSMV estimates there are 45,000 new DUI convictions each year.

The bill amends s. 316.646, F.S., to require law enforcement officers to verify proof of insurance and to verify the driver carries the right type of coverage based on the violations the person may have committed. Violation of this provision is a nonmoving traffic violation. If the violator provides the necessary proof before the court date, the fine and court appearance may be waived. Failure to furnish proof results in suspension of the registration and driver’s license of the person. Currently, the details required to enforce this provision are not available to the officer at road side, according to the DHSMV. It will require programming changes to DHSMV’s computer system to make the information available.

The bill amends s. 320.02, F.S., to require tax collector employees to verify that BI insurance has been purchased by a person required to do so under s. 324.023, F.S., at the time the person applies for a vehicle registration or registration renewal.

The bill amends s. 627.733, F.S., to increase the driver’s license reinstatement fee for violation of s. 324.023, F.S., to the limits found under the no-fault law, which are \$150 for a first reinstatement of a driver’s license, \$250 for a second reinstatement, or \$500 for each subsequent reinstatement during the three years following the first reinstatement.

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 applies to any owner or operator who has been found guilty of a DUI offense. This provision applies to convictions of s. 316.193, F.S., after October 1, 2007. This population will be required to carry motor vehicle insurance at the increased rate of \$100,000/\$200,000/\$50,000. According to DHSMV, there are an estimated 45,000 new DUI cases each year and those operators would be affected by this proposal and be required to carry higher limits. The DHSMV provided sample quotes for motor vehicle operators of different genders and age who could be affected by the bill. These quotes are *estimates* and are based on one or two DUIs for each. No discounts other than a SRS Airbag are provided. No multi-car or home-owner's discounts are provided. All quotes are for a 6-month period and are based on a 1997 Ford Taurus vehicle.

Gender	Age	County	Quote w/ one DUI	Quote w/ two DUIs
Male	21	Miami-Dade	\$1,639.23	\$1,895.71
Female	35	Lake	\$870.62	\$1,020.04
Male	70	Escambia	\$888.76	\$1,054.44

C. Government Sector Impact:

Revenues:

Amt. Year 1 **Amt. Year 2** **Amt. Year 3**
FY 2007-08 **FY 2008-09** **FY 2009-10**

Highway Safety Operating TF

Financial Responsibility Reinstatement Fee:	<u>\$2,278,200</u>	<u>\$3,037,500</u>	<u>\$3,037,500</u>
TOTAL:	\$2,278,200	\$3,037,500	\$3,037,500

Expenditures:

General Revenue Fund			
Contracted Programming(DDL):	\$90,000	\$0	\$0
Contracted Programming(DMV):	\$20,000	\$0	\$0
Postage:	<u>\$18,450</u>	<u>\$18,450</u>	<u>\$18,450</u>
TOTAL:	\$128,450	\$18,450	\$18,450

According to DHSMV, implementation of the bill will require 900 hours of contracted programming modifications to the Driver License Software Information systems at a cost of \$100 per hour. In addition, 200 hours of DMV programming will be required to the Florida Real Time Vehicle Information System to determine if increased coverage is required and if the required coverage has been provided to the Financial Responsibility section of the Division of Drivers License. Approximately 45,000 notices will need to be mailed to customers to notify them of the financial responsibility requirements, at a cost of \$0.41 per piece of mail.

According to DHSMV, the bill may increase financial responsibility reinstatement revenues which are deposited into the Highway Safety Operating Trust Fund. In the first year, the DHSMV predicted 45% of the 45,000 noticed customers will be non-compliant with the new insurance requirements, resulting in 20,250 reinstatements. The first year impact assumes 15,188 cases will occur on or after the October 1, 2007 implementation date. At a reinstatement fee of \$150 each, there will be an estimated increase in revenue of \$2,278,200. For subsequent years, since there are approximately 45,000 new DUI cases per year, the DHSMV assumed 45% of them will be non-compliant with the new insurance requirements, resulting in 20,250 additional suspensions per year. At a reinstatement fee of \$150 each, there will be an estimated increase in revenue of \$3,037,500 for each subsequent year.

The bill may also generate additional fines for state and local governments based on additional citations issued for failure to provide adequate proof of insurance. The amount of which is indeterminate.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Summary of Amendments:

None.

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