

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 941 Commercial Lines Insurance Policies

SPONSOR(S): Holder

TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Insurance & Banking Subcommittee		Callaway	Cooper
2) Economic Affairs Committee			

SUMMARY ANALYSIS

Commercial lines insurance (commercial insurance) is insurance designed for and bought by a business to cover losses sustained by the business. Some commercial insurance, such as workers' compensation, is required to be purchased by businesses; however, most commercial insurance is purchased by businesses on a voluntary basis. The commercial insurance a business purchases also depends, in part, on the business type and industry.

The bill allows insurance companies writing commercial lines insurance policies to transfer these insurance policies to a different Florida licensed insurance company that is directly or indirectly owned, managed, or controlled by the first insurer. The policy transfer is a renewal of the policy, rather than a cancellation or nonrenewal of the policy. Allowing policies to be transferred between affiliated insurers, rather than requiring policies to be nonrenewed by the original insurer and reissued by an affiliated insurer, allows insurers to more easily manage their book of business and eliminates confusion among policyholders associated with policy nonrenewal and subsequent reissuance.

The bill is very similar to s. 627.728(4)(d), F.S., which allows an insurance company to transfer automobile insurance policies to a new insurer under the same ownership or management of first insurer instead of canceling and nonrenewing the policies at the end of the policy term.

The bill has no fiscal impact.

The bill is effective July 1, 2012.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Commercial lines insurance (commercial insurance) is insurance designed for and bought by a business to cover losses sustained by the business.¹ Major types of commercial insurance are: boiler and machinery, business income, commercial auto, comprehensive general liability, directors and officers liability, medical malpractice liability, product liability, professional liability, and workers' compensation.

Some commercial insurance, such as workers' compensation, is required to be purchased by businesses;² however, most commercial insurance is purchased by businesses on a voluntary basis. The commercial insurance a business purchases also depends, in part, on the business type and industry.

The bill allows insurance companies writing commercial lines insurance policies to transfer these insurance policies to a different Florida licensed insurance company that is directly or indirectly owned, managed, or controlled by the first insurer. The policy transfer is a renewal of the policy, rather than a cancellation or nonrenewal of the policy. Thus, insurers will not have to provide 100 days' notice³ of nonrenewal, or notice by June 1st, whichever is earlier, because the policy will be transferred, rather than nonrenewed. However, insurers transferring policies must still comply with current law relating to renewal notices which generally requires insurers to give policyholders 45 days advance written notice of the renewal premium for workers' compensation, employer's liability, property, and casualty insurance.⁴ Allowing policies to be transferred between affiliated insurers, rather than requiring policies to be nonrenewed by the original insurer and reissued by an affiliated insurer, allows insurers to more easily manage their book of business and eliminates confusion among policyholders associated with policy nonrenewal and subsequent reissuance.

The bill is very similar to s. 627.728(4)(d), F.S., which allows an insurance company to transfer automobile insurance policies to a new insurer under the same ownership or management of first insurer instead of canceling and nonrenewing the policies at the end of the policy term. Insurers wanting to transfer automobile policies to an associated insurer must give 45-days notice to the policyholder and must notify the policyholder of the policy premium and any reasons for an increase in premium. The 45-day transfer notice requirement for automobile policy transfers is consistent with the notice requirement in current law for cancellation or nonrenewal of automobile policies.

B. SECTION DIRECTORY:

Section 1: Amends s. 627.4133, F.S., relating to notice of cancellation, nonrenewal, or renewal premium.

Section 2: Provides an effective date of July 1, 2012.

¹ <http://www2.iii.org/glossary/> (defining commercial lines) (last viewed December 11, 2011).

² Generally, non-construction businesses employing four or more employees have to buy workers' compensation insurance. Construction businesses must buy workers' compensation insurance if the business has one or more employees.

³ Under current law, policyholders whose residential structure has been insured by the same insurer for at least the five years before the date of nonrenewal receive 120 days' notice of nonrenewal, rather than 100 days.

⁴ See s. 627.4133(1), F.S. Personal lines or commercial residential property insurance policies that are renewed also have a 45-day renewal notice under s. 627.4133(2), F.S. Mortgage guaranty, surety, and marine insurance are exempt from the 45 day notice of renewal premium provision in current law (s. 627.4133(1), F.S.). Automobile insurance renewal provisions are found in s. 627.728, F.S. and are not governed by the 45-day notice provision in s. 627.4133(1), F.S.

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.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. This bill does not appear to: require counties or municipalities to spend funds or take an action requiring the expenditure of funds; reduce the authority that counties or municipalities have to raise revenues in the aggregate; or reduce the percentage of a state tax shared with counties or municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None provided in the bill.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES