

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 4011 Motor Vehicle Insurance
SPONSOR(S): Goodson
TIED BILLS: **IDEN./SIM. BILLS:** SB 234

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

SUMMARY ANALYSIS

Private passenger motor vehicle insurance is written to individuals, and family members in the same household, for coverage of automobiles that are not used for commercial purposes. Statute limits private passenger motor vehicles policies to no more than four vehicles per policy. If there are more than four such vehicles in the household, the consumer must purchase and the insurer must underwrite multiple policies. An estimated 144,865 households in the state have five or more vehicles.

The bill removes the four vehicle maximum from the definition of “motor vehicle insurance” in s. 627.041(8), F.S., to allow vehicle owners to purchase and insurers to issue single policies that cover any number of private passenger motor vehicles, rather than just four or less vehicles per policy.

The bill has no fiscal impact on state or local government expenditures. The bill should have a positive impact on the private sector. The bill would become effective July 1, 2015.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Private passenger motor vehicle insurance is casualty coverage¹ within the personal lines² segment of insurance business. It is issued to individuals, or related individuals in the same household, and covers private passenger automobiles that are not used as public conveyances, for rental to others, or in the occupation, profession, or business of the insured (excluding farm business use).³ Commercial motor vehicles are those that are not private passenger motor vehicles.⁴

Currently, there is a limitation on the number of motor vehicles that may be insured on a single private passenger motor vehicle insurance policy. Among other things, s. 627.041(8), F.S., provides that a “motor vehicle insurance” policy is one that does not insure more than four automobiles.⁵ This results in consumers having to purchase and insurers to underwrite multiple policies whenever the consumer seeks to insure more than four private passenger automobiles. The prevalence of this occurrence is unknown and some insurers may choose to issue multiple policies even when the total number of vehicles insured falls below the statutory limit. The United States Census Bureau estimates that as of 2013 there are 144,865 households in the state with five or more vehicles.⁶

The bill removes the four vehicle limitation from the definition of “motor vehicle insurance” in s. 627.041(8), F.S. This allows vehicle owners to purchase and insurers to issue single policies that cover any number of private passenger motor vehicles, rather than just four or less vehicles per policy.

B. SECTION DIRECTORY:

Section 1: Amends s. 627.041(8), F.S., relating to the definition of “motor vehicle insurance”.

Section 2: Provides an effective date of July 1, 2015.

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:

¹ Section 627.021(3), F.S.

² Personal lines insurance is property and casualty insurance sold to individuals and families for non-commercial purposes. S. 626.015(15), F.S.

³ Sections 627.041(8) and 627.728(1)(a), F.S.

⁴ Section 627.732(3)(a), F.S.

⁵ The four vehicle maximum is also present in s. 627.728(1)(a), F.S., regarding the cancellation or nonrenewal of motor vehicle private passenger motor vehicle insurance policies.

⁶ U.S. Census Bureau, 2009-2013 5-Year American Community Survey. <http://factfinder.census.gov>

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Consumers and insurers should benefit from the efficiency created by procuring, underwriting, and issuing a single motor vehicle insurance policy, rather than multiple insurance policies, whenever the consumer seeks to insure more than four vehicles. Insurers may still utilize a business practice that limits the number of vehicles per policy, which would limit the impact. The extent of this benefit has not been calculated. However, any savings realized by insurers should be passed through to policyholders.

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.

C. DRAFTING ISSUES OR OTHER COMMENTS:

The limitation on the number of vehicles insurable on a single private passenger motor vehicle policy occurs in two places in Chapter 627, F.S. Only the first occurrence is addressed by the bill. To avoid conflict and assure that the proposed revision is understood and fully effective, s. 627.728(1)(a), F.S., also needs to be revised. That statute defines the term "policy" for the purposes of motor vehicle insurance cancellation or nonrenewal. It limits the number of automobiles to four or less per policy. Conforming that term to the changes proposed in this bill will remove a possible conflict.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES