

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

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

Prepared By: The Professional Staff of the Banking and Insurance Committee

BILL: CS/SB 1620

INTRODUCER: Banking and Insurance Committee and Senator Richter

SUBJECT: Insurance

DATE: February 2, 2012      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Burgess	Burgess	BI	Fav/CS
2.			BC	
3.				
4.				
5.				
6.				

**Please see Section VIII. for Additional Information:**

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|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes        |
| B. AMENDMENTS.....           | <input type="checkbox"/>            | Technical amendments were recommended   |
|                              | <input type="checkbox"/>            | Amendments were recommended             |
|                              | <input type="checkbox"/>            | Significant amendments were recommended |

**I. Summary:**

The bill changes a number of provisions relating to the regulation of insurance companies, insurance agents, insurance adjusters, and insurance coverage, including:

- Specifies that a salvage motor vehicle dealer is not required to carry the \$25,000 combined single-limit liability coverage for bodily injury and property damage, or the \$10,000 PIP coverage, for vehicles that have been issued a certificate of destruction and cannot be operated legally on state roads.
- Clarifies that a current exemption from filing specified reinsurance information applies to any insurer with less than \$500,000 in direct written premiums in Florida in the preceding calendar year, as long as that insurer did not write more than \$250,000 of premium during the preceding calendar quarter, or any insurer with less than 1,000 policyholders at the end of the preceding calendar year.
- Allows the DFS to provide licensing examinations in Spanish at the expense of the applicant.
- Expands the list of entities to whom a limited license for travel insurance may be issued.
- Prohibits a patronage dividend or other payment from being paid to a production credit association or a federal land bank association, if the payment is directly or indirectly based on the premium charged to that member for crop hail or multi-peril crop insurance.

- Allows a licensed independent adjuster or a licensed agent to supervise up to 25 individuals who are not required to obtain a license to perform functions in connection with entering data into an automated claims adjudication system for portable electronics insurance claims.
- Provides that a resident of Canada cannot obtain a license as a nonresident independent adjuster for the purpose of adjusting portable electronics insurance claims, unless the individual obtains an adjuster license in another U.S. state.
- Provides that an insurer with surplus as to policyholders of \$25 million or less can qualify as an LAC for all statutory purposes.
- Provides that mandated health benefits are intended to apply only to the types of health benefit plans defined in s. 627.6699(3), F.S., unless specifically designated otherwise.
- Specifies that the alternative dispute resolution procedure for personal and commercial residential property insurance claims can be requested only by the policyholder, as a first-party claimant, or by the insurer.
- Provides that when the notice of loss is reported more than 36 months after a declaration of a state of emergency by the Governor in response to a hurricane, the alternative claim dispute resolution process is not available.
- Allows the cancellation of a private passenger motor vehicle insurance policy, regardless of whether the first 2 months of premiums need to be paid up front, within the first 60 days for non-payment of premium when the check or other method of payment presented is subsequently dishonored.
- Clarifies that when an insurer fails to meet the statutory requirements for timely payment of PIP benefits, the obligation will accrue interest at the rate established in the contract or the statutory interest rate that applies to judgments and decrees, whichever is greater, that is in effect on the date the payment became overdue.

The bill provides an effective date of July 1, 2012.

This bill substantially amends the following sections of the Florida Statutes: 320.27, 624.501, 624.610, 626.261, 626.321, 626.753, 627.351, 627.7015, 627.7295, and 627.736.

This bill substantially creates the following sections of the Florida Statutes: 626.8675 and 627.6011.

## **II. Present Situation:**

### **Motor Vehicle Dealers**

Section 320.27(3), F.S., requires motor vehicle dealers licensed in Florida to be insured under a garage liability insurance policy or a general liability policy and a business automobile policy which must include a minimum of \$25,000 combined single-limit liability coverage for bodily injury and property damage, and \$10,000 of personal injury protection (PIP). Section 320.27(1)(a), F.S., defines a “motor vehicle dealer” as any person engaged in the business of buying, selling or dealing in motor vehicles for sale at wholesale or retail, or who may service and repair motor vehicles. The definition specifies five separate classifications of motor vehicle dealers, one of which is a salvage motor vehicle dealer, which purchases salvaged or wrecked motor vehicles for the purpose of reselling the vehicle or its parts.

### **Reinsurance Filing Requirements**

Section 624.610(11), F.S., establishes specified information that must be filed by domestic or commercially domiciled insurers that cede directly written risks of loss. Section 624.619(11)(c), F.S., specifies certain exemptions from the filing requirements, including any insurer with more than \$100 million in surplus as to policyholders, less than \$500,000 in direct written premiums in Florida in the preceding calendar year, or less than 1,000 policyholders at the end of the preceding calendar year. The statute then provides that any ceding insurer “otherwise subject to this section with more than \$250,000 in direct written premiums written in this state during the preceding calendar quarter is not exempt from the requirements of this subsection.” The placement of this last provision creates some ambiguity as to its application.

### **Agent License Examinations**

The Department of Financial Services (DFS) is responsible for licensing insurance agents, service representatives and adjusters, under Part I of ch. 626, F.S., titled the “Licensing Procedures Law.” Section 626.261, F.S., establishes requirements for conducting examinations for licensee candidates.

### **Limited Licenses**

Section 626.321, F.S., establishes categories for which the DFS will issue a license that authorizes an agent to transact a limited class of business. The following enumerated categories qualify for limited license:

- Motor vehicle physical damage and mechanical breakdown insurance;
- Industrial fire or burglary insurance;
- Travel insurance;
- Motor vehicle rental insurance;
- Credit life or disability insurance;
- Credit insurance;
- Credit property insurance;
- Crop hail and multi-peril crop insurance;
- In-transit and storage personal property insurance; and
- Communications equipment property insurance, communications equipment inland marine insurance, and communications equipment service warranty insurance.

Under a limited license for travel insurance, the policy or certificate of travel insurance can cover risks incidental to travel, planned travel, or accommodations while traveling, including:

- Accidental death and dismemberment;
- Trip cancellation, interruption or delay;
- Loss or damage to personal effects or travel documents;
- Baggage delay;
- Emergency medical travel or evacuation;
- Medical, surgical, or hospital expenses arising from an illness or emergency.

The travel insurance must be limited to travel or accommodations of no more than 60 days, but the policy or certificate can be issued for a term that exceeds 60 days. A limited license for travel insurance may be issued only to:

- A full-time salaried employee of a common carrier or a transportation ticket agency in connection with the sale of transportation tickets;
- An entity or individual that is a developer of a timeshare plan of an approved public offering statement;
- An entity or individual that is an exchange company operating an approved exchange program;
- An entity or individual that is a managing entity operating a timeshare plan;
- An entity or individual that is a seller of travel; or
- An entity or individual that is an affiliate of any of the listed entities.

### **Agents Sharing Commissions**

Section 626.753, F.S., provides that an agent may divide or share commissions only with other agents appointed and licensed to write the same kinds of insurance. An agent cannot share a commission with any corporation unless that corporation is an insurance agency.

Section 626.753(3), F.S., provides that a general lines agent may share commissions from the sale of crop hail or multi-peril crop insurance with a production credit association or a federal land bank association, if the association has approved the insurance activity by its employees.

### **Insurance Adjusters**

Insurance adjusters are regulated by the DFS under part VI of ch. 626, F.S., entitled the “Insurance Adjusters Law.”<sup>1</sup> Section 626.852, F.S., explicitly provides that the Insurance Adjusters Law does not apply to:

- Life insurance or annuity contracts;
- Third party administrators with a certificate of authority, or individuals employed by third party administrators;
- Any employee or agent of a state university board of trustees providing services for a self-insurance program; or
- Any person who adjusts only multi-peril crop insurance or crop hail insurance.

Section 626.862, F.S., provides that a licensed and appointed insurance agent is authorized to adjust claims for the insurers for which the agent is appointed, without obtaining a license as an adjuster.

The Insurance Adjusters Law provides separate definitions and separate requirements for public adjusters,<sup>2</sup> independent adjusters,<sup>3</sup> company employee adjusters,<sup>4</sup> nonresident company

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<sup>1</sup> Section 626.851, F.S.

<sup>2</sup> Section 626.854, F.S.

<sup>3</sup> Section 626.855, F.S.

<sup>4</sup> Section 626.856, F.S.

employee adjusters,<sup>5</sup> nonresident public adjusters,<sup>6</sup> and nonresident independent adjusters.<sup>7</sup> A nonresident independent adjuster is defined as a person who:

- Is a resident of Florida;
- Is a licensed independent adjuster in the state of residence, or if the state of residence does not license independent adjusters, the nonresident must have passed the relevant Florida examination for licensure; and
- Is a self-employed independent adjuster or is associated with or employed by an independent adjuster firm or other independent adjuster.

Additional requirements for nonresident independent adjusters are contained in s. 626.8734, F.S.

### **Limited Apportionment Companies**

A limited apportionment company (LAC) is a company with surplus as to policyholders below a certain prescribed level. Four separate sections in current law have established apparently conflicting requirements necessary to qualify as an LAC. Section 627.351(2)(b)3., F.S., provides a threshold of \$20 million or less of surplus as to policyholders to qualify as an LAC. Section 627.351(6)(c)13., F.S., provides a threshold of \$25 million or less of surplus as to policyholders to qualify as an LAC. Further, s. 215.555(4)(e)3., F.S., specifically references the \$20 million definition of LAC under s. 627.351(2)(b)3., F.S.; however, s. 215.555(4)(b)4., F.S., specifically references the \$25 million definition of LAC under s. 627.351(6)(c), F.S.

Section 627.351(2)(b)3., F.S., established the Windstorm Insurance Risk Apportionment plan, and authorized the OIR to adopt a plan for the equitable apportionment of windstorm coverage among insurers authorized to transact property insurance on a direct basis in Florida.<sup>8</sup> Section 627.351(2)(b)3., F.S., requires that the plan provide that any member insurer with \$20 million or less of surplus as to policyholders can apply with OIR to qualify as an LAC. The section specifies that the apportionment of windstorm loss to an LAC cannot exceed that LAC's gross participation, and the LAC cannot be required to participate in marketwide aggregate windstorm losses exceeding \$50 million. Further, if the OIR determines that any regular assessment will result in the impairment of surplus of an LAC, the OIR must direct that LAC's share of the assessment to be deferred.

Because all residual market windstorm risk is now covered by Citizens Property Insurance Corporation (Citizens) under s. 627.351(6), F.S., the Windstorm Insurance Risk Apportionment plan created by s. 627.351(2), F.S., is no longer active. Nevertheless, the \$20 million threshold that it establishes to qualify as an LAC is still in effect through a cross-reference from legislation regulating the Florida Hurricane Catastrophe Fund (FCHF) under ch. 215, F.S.

Section 215.555(4)(e)3., F.S., specifically references the definition of limited apportionment companies under s. 627.351(2)(b)3., F.S., for the purpose of allowing the FCHF to advance the amount of estimated reimbursement payable to an LAC under the FCHF contract. Accordingly,

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<sup>5</sup> Section 262.858, F.S.

<sup>6</sup> Section 626.8582, F.S.

<sup>7</sup> Section 626.8584, F.S.

<sup>8</sup> Section 627.351(2)(b), F.S.

only those companies with surplus at or below \$20 million could qualify to receive the advance from the FHCF.

Section 627.351(6), F.S., establishes Citizens Property Insurance Corporation, and s. 627.351(6)(c)13., F.S., specifies that the Citizens' plan of operation must provide that any assessable insurer with surplus as to policyholders of \$25 million or less may petition the OIR to qualify as an LAC, for the purpose of allowing the LAC to pay any regular assessment on a monthly basis as the assessments are collected by the LAC from its policyholders. Further, if the OIR determines that any regular assessment will result in the impairment of surplus of an LAC, the OIR must direct that LAC's share of the assessment be deferred.

The \$25 million threshold for LACs also has a statutory cross-reference tying it into the statutes regulating the FHCF. Section 215.555(4)(b)4., F.S., specifically references the definition of limited apportionment companies under s. 627.351(6)(c), F.S., for the purpose of allowing the LACs to participate in an additional layer of FHCF coverage not otherwise available. Accordingly, those companies with surplus up to \$25 million could qualify as LACs for participating in the additional layer of FHCF coverage.

### **Mandated Health Benefit Coverages**

Sections 627.6401, F.S., through 627.64193, F.S., there are 17 different statutory sections that impose various forms of mandatory health benefits that must be included in every health insurance policy, unless an exception is designated within the statutory section that describes the specific mandate being imposed. Many of the mandates provide for exceptions within the specific section that imposes the mandate, as follows:

- Section 627.6406, F.S., Maternity care, explicitly exempts health insurance coverage that does not provide for hospitalization in connection with childbirth.
- Section 627.6408, F.S., Osteoporosis screening, does not apply to “specific-accident, specific-disease, hospital indemnity, Medicare supplement, or long-term care health insurance, or the state employee health insurance program.”
- Section 627.641, F.S., Newborn children, does not apply to disability income or hospital indemnity policies, or to normal maternity policy provisions.
- Section 627.6416, F.S., Child health supervision services, does not apply to “disability income, specified disease, Medicare supplement, or hospital indemnity policies.”
- Section 627.6417, F.S., Surgical procedures and devices incident to mastectomy, does not apply to “disability income, specified disease other than cancer, or hospital indemnity policies.”
- Section 627.64171, F.S., Outpatient postsurgical care, does not apply to “disability income, specified diseases other than cancer, or hospital indemnity policies.”
- Section 627.6418, F.S., Mammograms, does not apply to “disability income, specified disease, or hospital indemnity policies.”
- Section 627.64193, F.S., Cleft lip and cleft palate, does not apply to “specified-accident, specified-disease, hospital indemnity, limited benefit disability income, or long-term care insurance policies.”

### **Alternative Procedure for Claim Dispute Resolution**

Section 627.7015, F. S., establishes procedures for a mediated claim resolution process for all claimants and insureds under personal lines and commercial residential policies. The process is available prior to the commencing of the appraisal process or commencing litigation. If requested by the insured, legal counsel is permitted. The process explicitly excludes commercial coverages, motor vehicle coverages, or liability disputes on a property insurance policy. When a first party claim is filed for the mediation process, the insurer is obligated to notify all first-party claimants of their right to participate in the mediation program. If the insurer fails to comply with its obligations, the insured is relieved from any contractual obligation to participate in the loss appraisal process as a precondition to legal action. For purposes of the alternative dispute resolution procedure, the term “claim” means any dispute between an insurer and an insured over a material issue of fact, with four exceptions, specified as follows:

- When the insurer has a reasonable basis to suspect fraud;
- When, based on agreed-upon facts as to the cause of the loss, there is no coverage under the policy;
- When the insurer has a reasonable basis to believe the claimant has intentionally made a material misrepresentation relevant to the claim, and the entire claim is denied based on the misrepresentation;
- When the controversy is less than \$500, unless the parties agree to mediate the dispute.

### **Cancellation of Motor Vehicle Insurance Policies**

Prior to the effective date of a private passenger motor vehicle insurance policy or a binder for such a policy, the insurer or agent must collect from the insured an amount equal to 2 months premium. This is not applicable if:

- The 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.
- The insurer issues private passenger motor vehicle coverage primarily to active duty or former military personnel or their dependents.
- All policy payments are paid through a payroll deduction plan or an automatic electronic funds transfer payment plan from the policyholder.<sup>9</sup>

For policies under which the first 2 months of premium are not required to be paid up front, the insurer may not cancel the new policy or binder during the first 60 days immediately following the effective date of the policy or binder except for nonpayment of premium.

### **Overdue Payments of Personal Injury Protection (PIP) Benefits**

Section 627.736(4)(d), F.S., provides that when an insurer fails to meet the statutory requirements for timely payment of PIP benefits, the obligation will accrue interest at the rate established in the contract or the statutory interest rate established to apply to judgments and decrees,<sup>10</sup> whichever is greater. The interest rate for judgments is established by the Chief

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<sup>9</sup> Section 627.7295(7), F.S.

<sup>10</sup> Section 55.03, F.S.

Financial Officer (CFO) four times<sup>11</sup> a year to apply to each calendar quarter in the year.<sup>12</sup> The CFO is to average the discount rate of the Federal Reserve Bank of New York for the preceding 12 months, then add 400 basis points. The statute states that the interest is to be applied “for the year in which the payment became overdue.”<sup>13</sup>

### III. Effect of Proposed Changes:

**Section 1** amends s. 320.27, F.S., relating to requirements imposed on licensed Florida motor vehicle dealers. The bill specifies that a salvage motor vehicle dealer, as defined in s. 320.27(1)(c)5., F.S., is not required to carry the \$25,000 combined single-limit liability coverage for bodily injury and property damage, or the \$10,000 PIP coverage, for vehicles that have been issued a certificate of destruction and cannot be operated legally on state roads. The liability and PIP coverage requirements cover risk that arises only when a motor vehicle is being driven; this provision of the bill removes the requirement of coverage for vehicles that cannot be driven.

**Section 2** amends s. 624.501(9), F.S., relating to the fees applicable for the original appointment and biennial renewal fee for limited appointments as agents. Current law provides a fee of \$60 (including tax) for the original appointment fee and the biennial renewal fee for an appointment for each agent, with an exception that is applicable only to agents selling or soliciting motor vehicle rental insurance. For those limited agents, the original appointment fee and the biennial renewal fee is also \$60, but the fee is not required to be paid for each individual that sells the product, but rather the fee must be paid only for each office, branch office, or place of business covered by the license.

The bill adds travel insurance to the exception that is currently applicable only to motor vehicle rental insurance. As a result, for the sale of travel insurance, an insurer would be required to pay the \$60 original appointment fee and the \$60 biennial renewal fee only for each office, branch office, or place of business covered by the license.

**Section 3** amends s. 624.610(11)(c), F.S., by clarifying that the exemption from filing specified reinsurance information applies to any insurer with less than \$500,000 in direct written premiums in Florida in the preceding calendar year, as long as that insurer did not write more than \$250,000 of premium during the preceding calendar quarter, or to any insurer with less than 1,000 policyholders at the end of the preceding calendar year, or to any insurer with more than \$100 million in surplus as to policyholders.

**Section 4** creates s. 626.261(5), which allows the DFS to provide licensing examinations in Spanish. Applicants seeking to be given an examination in Spanish must bear the full cost incurred by the DFS in developing, administering, grading and evaluating the examination. In determining whether to allow the examination to be translated and administered in Spanish, the DFS must consider the percentage of population who speak Spanish.

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<sup>11</sup> The CFO is to establish the interest rate on December 1, March 1, June 1, and September 1.

<sup>12</sup> The quarters are specified as beginning January 1, April 1, July 1, and October 1.

<sup>13</sup> Section 627.736(4)(d), F.S.

**Section 5** amends s. 626.321, F.S., relating to limited agent licenses. The bill removes a current reference to the OIR's review of travel insurance under s. 624.605(1)(q), F.S., which refers to a miscellaneous subcomponent of the definition of casualty insurance. The bill adds event cancellation and damage to travel accommodations as permissible perils for inclusion under travel insurance. The bill increases the maximum allowable duration of travel or accommodations which a travel insurance policy or certificate may cover from the current 60 days limit to 90 days. The bill expands the list of individuals or entities to whom a limited license for travel insurance may be issued to include full-time salaried employees of a licensed general lines agent and business entities that offer travel planning services when the insurance activities are in connection with travel, providing:

- The license issued to a business entity offering travel planning services encompasses each office, branch office, or place of business using the entity's business name to sell insurance;
- The application for licensure must list the name, address, and phone number for each place of business covered under the license, and the licensee is obligated to provide updated information to the DFS for every place of business that is added to or deleted from the license within 30 days of the change.
- The licensed entity is directly responsible for the acts of those acting under the license.

**Section 6** amends s. 626.753, F.S., relating to the sharing of agents' commissions. The bill prohibits a patronage dividend or other payment from being paid to a production credit association or a federal land bank association, if the payment is directly or indirectly based on the premium charged to that member for crop hail or multi-peril crop insurance. The bill specifies that any such payment is an unlawful rebate in violation of ss. 626.573, F.S., and 626.9541(1)(h), F.S. The bill further provides that an agent engaging in commission sharing with a production credit association or a federal land bank association, who has knowledge that the association is providing patronage dividends or other payments is in violation of the unlawful rebate provisions.

**Section 7** creates s. 626.8675, F.S., providing an exemption from part VI of ch. 626, F.S., for portable electronics insurance claims employees. The bill allows a licensed independent adjuster or a licensed agent to supervise up to 25 individuals who are not required to obtain a license to perform functions in connection with entering data into an automated claims adjudication system. "Automated claims adjudication system" is defined as a preprogrammed computer system for the resolution of portable electronics insurance claims, as long as the system:

- Is used only by a licensed independent adjuster, a licensed agent, or an individual supervised under this provision;
- Complies with all claims payment requirements of the Florida Insurance Code; and
- Is certified as compliant by a licensed independent adjuster who is an officer of a business entity licensed under ch. 626, F.S.

The bill provides that a resident of Canada cannot obtain a license as a nonresident independent adjuster for the purposes of adjusting portable electronics insurance claims, unless the individual obtains an adjuster license in another U.S. state.

**Section 8** amends s. 627.351.(2)(b)3., F.S. The bill changes the threshold level of surplus to qualify as an LAC under this section from the current \$20 million to \$25 million. As a result, the statutory definitions and cross-references for LACs will be consistent. An insurer with surplus as

to policyholders of \$25 million or less can qualify as an LAC for all statutory purposes, including being qualified to receive advances from the FHCF under s. 215.555(4)(e)3., F.S.

**Section 9** creates s. 627.6011, F.S., relating to mandated health insurance coverages. The bill provides that, rather than the current practice of designating all exemptions within each statutory section that describes the specific mandate being imposed, every “mandatory health benefit” applies only to the type of health benefit plan defined in s. 627.6699(3), F.S.,<sup>14</sup> unless the mandate specifically designates otherwise. The bill defines “mandatory health benefits” to mean those set forth in s. 627.6401, F.S., through s. 627.64193, F.S., along with any cross-references, and all mandatory treatment or health coverages or benefits that are enacted after the effective date of the bill.

**Section 10** amends s. 627.7015, F.S., relating to alternative procedures for claim dispute resolution for personal lines and commercial residential property insurance. The bill specifies that the alternative dispute resolution procedure can be requested only by the policyholder, as a first-party claimant, or by the insurer. For all purposes within the alternative dispute resolution procedure, every current reference to either “insured” or “first-party claimant” is replaced in the bill with the term “policyholder.” The bill adds an exception to the circumstances under which a claim would qualify for the alternative procedure for claim dispute resolution. Under current law, for purposes of the alternative dispute resolution procedure, the term “claim” means any dispute between an insurer and an insured over a material issue of fact, with four specified exceptions. The bill adds a fifth specific exception, namely that when the notice of loss is reported more than 36 months after a declaration of a state of emergency by the Governor in response to a hurricane, the alternative claim dispute resolution process is not available.

**Section 11** amends s. 627.7295, F.S., relating to motor vehicle insurance contracts. The bill allows the cancellation of a private passenger motor vehicle insurance policy, regardless of whether the first 2 months of premiums need to be paid up front, within the first 60 days for nonpayment of premium when the check or other method of payment presented is subsequently dishonored. The bill also removes current language that limits the cancellation of policies within the first 60 days only for the reason of nonpayment of premium. This section is effective upon the act becoming a law.

**Section 12** amends s. 627.736, F.S., by clarifying that when an insurer fails to meet the statutory requirements for timely payment of PIP benefits, the obligation will accrue interest at the rate established in the contract or the statutory interest rate that applies to judgments and decrees, whichever is greater, that is in effect on the date the payment became overdue. This provision specifies a more precise date than the current statutory language which states that the interest is to be applied “for the year in which the payment became overdue.” This section is effective upon the act becoming a law.

**Section 13** provides an effective date of July 1, 2012, except for sections 11 and 12, which are effective upon the act becoming a law.

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<sup>14</sup> Section 627.6699(3)(b), F.S., defines the “basic health benefit plan” and the “standard health benefit plan,” with a cross reference s. 627.6699(12), F.S. Section 627.6699(3)(k), F.S., defines “health benefit plan.” Section 627.6699(3)(m), F.S., defines “limited benefit policy or contract,” to provide specified-disease or specified-accident coverage, or one that fulfills an experimental or reasonable need.

**Other Potential Implications:****IV. Constitutional Issues:****A. Municipality/County Mandates Restrictions:**

None.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

**V. Fiscal Impact Statement:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

Salvage motor vehicle dealers will save the cost of the premiums for the purchase of the \$25,000 combined single-limit liability coverage for bodily injury and property damage, and the \$10,000 PIP coverage, for vehicles that have been issued a certificate of destruction and cannot be operated legally on state roads.

A residential property insurer with surplus as to policyholders of greater than \$20 million, but not more than \$25 million can now qualify as an LAC for the purpose of receiving advances from the FHCF under s. 215.555(4)(e)3.

**C. Government Sector Impact:**

The bill allows the DFS to administer licensing examinations in Spanish, depending on the percentage of the population who speak Spanish. If the DFS determines that it will provide examinations in Spanish, it will incur incremental costs to develop, administer, and grade the Spanish examinations. The DFS estimates that the development of new examination would be \$45,000. These incremental costs are to be borne by the applicants who elect to take the examinations in Spanish. Based on data obtained from Texas, which administers a Spanish translation examination, the DFS estimates that a candidate taking the Spanish translation examination would pay \$341 for the examination, rather than the current cost of \$43 to take the examination in English.

The DFS reports that in order to comply with the bill's procedure for travel insurance agents, it will need to make changes to its computer system, which it estimates will cost approximately \$5,000.

Provisions in the bill will require policy contract changes for travel insurance, motor vehicle insurance, health insurance and residential property insurance contracts and rates. The OIR anticipates that its product review units will have significant workload increases. The amount of this impact is indeterminate at this point.

#### **VI. Technical Deficiencies:**

Section 9 of the bill specifies that mandatory health benefits are to be applied only to the types of health benefit plan that is defined in s. 627.6699(3), F.S., unless specifically designated otherwise. However, s. 627.6699(3)(m), F.S., defines “limited benefit policy or contract,” as providing specified-disease or specified-accident coverage. These are two of the most prevalent exemptions from mandated coverages under current law.

#### **VII. Related Issues:**

Section 6 of the bill defines an “automated claims adjudication system” as a preprogrammed computer system used to resolve portable electronics insurance claims. The term portable electronics insurance is not currently defined in the insurance code nor in the bill.

#### **VIII. Additional Information:**

- A. **Committee Substitute – Statement of Substantial Changes:**  
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

##### **CS by Banking and Insurance on February 2, 2012:**

The CS prohibits a patronage dividend or other payment from being be paid to a production credit association or a federal land bank association, if the payment is directly or indirectly based on the premium charged to that member for crop hail or multi-peril crop insurance, and specifies that any such payment is an unlawful rebate in violation of ss. 626.573, F.S., and 626.9541(1)(h), F.S.

The CS removes provisions in the original bill that would have established 120 days as the notice requirement for cancelling or nonrenewing residential property insurance policies in most circumstances.

The CS provides that if requested by the policyholder, any person having relevant information would be allowed to attend a session of the mediated claim resolution process for personal lines and commercial residential policies.

The CS provides that sections 11 and 12 of the bill are to be effective upon the act becoming a law.

- B. **Amendments:**

None.

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

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