



News

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Insurers Implementing Reenactment of PIP, Adjusting During PIP Hiatus

(TALLAHASSEE, Fla.) – Auto insurers in Florida are sending out notices to policyholders informing them of legislative changes regarding personal injury protection (PIP) auto insurance. The November notices were mandated by the Florida Legislature as part of the bill revising and reenacting PIP/no-fault effective January 1, 2008.

The previous PIP/no-fault law was allowed to expire, or “sunset,” on October 1. Lawmakers met in special session days later, however, to enact reforms to the expired decades-old law and establish a new timeline for all drivers to once again carry personal injury protection insurance. PIP is a \$10,000 benefit to cover injuries to the driver and passengers in the vehicle, regardless of who was at fault in the accident.

A major reason behind the reformation and continuation of PIP was concern that the elimination of the \$10,000 mandated benefit would turn Florida’s health care delivery and financing systems topsy-turvy. House Speaker Marco Rubio said the reason he ultimately supported reinstating PIP was his concern that without PIP, more uninsured citizens would be showing up at hospitals “costing taxpayer dollars.”

For many in Florida, PIP is the only financial security for health care costs. The percent of uninsured citizens in Florida already is one of the highest in the nation, with the United States Census Bureau reporting in August that 20.3% of all Floridians (more than 3.8 million) under the age of 65 were without insurance between 2004 and 2006.

Floridians with health insurance - there were 4.5 million with commercial insurance in 2006, an October 2007 analysis indicates - could have seen their health insurance premiums increase in the absence of PIP.

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Most Floridians Apparently Kept PIP Despite the Sunset

Throughout late summer and early fall, insurance companies received mixed signals from regulators and policymakers regarding the status of PIP. At times it appeared the Legislature would convene a special session prior to the October 1 sunset to reform the law and never allow it to expire. Then insurers were told that a special session before the October 1 sunset appeared unlikely.

Working under other state regulations that require policy change notices to be delivered at least 45 days prior to renewal of a policy, insurers ultimately had to make decisions during the void of direction from OIR. As a result companies handled PIP in a variety of ways. Some allowed customers whose policies were set to renew in the weeks around the planned sunset of PIP were offered pro rated rebates of PIP coverage, while other companies offered increased medical payments coverage, another form of health insurance on the auto insurance policy.

There are 12.3 million licensed private passenger vehicles in Florida and an estimated 8 million drivers. FIC has been unable to get a reliable estimate of drivers who had their PIP coverage removed, but it is believed to be a small percentage of the total, perhaps only several hundred thousand motorists.

Most policyholders were unaffected by the on again, off again changes in PIP. For those who dropped PIP coverage after the old law that required PIP coverage expired on October 1, they will have until January 1, 2008 to have PIP coverage restored.

Lawsuits Following Accidents May Increase During Hiatus

In addition to the mandate for \$10,000 in PIP, the no-fault threshold for lawsuits expired on October 1. This was a law that prohibited lawsuits from routine accidents unless certain standards were met – piercing the “verbal threshold.” This restriction on lawsuits returns for all motorists on January 1, 2008, along with the new requirement for PIP coverage.

The special session package on PIP reenacted the no-fault restrictions on lawsuits for a certain class of accidents – if all drivers in the accident continued to carry “old PIP,” PIP as it existed on September 30, 2007, prior to the sunset. If one of the parties did not have old PIP, then the no-fault restrictions on lawsuits would not apply to any party. It is anticipated that there will be more lawsuits following accidents during the hiatus between old and new PIP. PIP has not been able to obtain any numbers yet and it probably is too early for any significant data to be developed.

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Details on Consumer Notices

Meanwhile, insurance companies are required to notify policyholders of how they will be impacted by the mandatory restoration of PIP/no-fault on January 1.

- The notice must clearly inform the policyholder:
- That beginning on January 1, 2008, Florida law requires the policyholder to maintain personal injury protection ("PIP") insurance coverage and that this insurance pays covered medical expenses for injuries sustained in a motor vehicle crash by the policyholder, passengers, and relatives residing in the policyholder's household.
- That if the policyholder does not maintain personal injury protection coverage, the State of Florida may suspend the policyholder's driver's license and vehicle registration.
- That if the policyholder already has personal injury protection coverage, that coverage will be amended effective January 1, 2008, to incorporate legally required changes without any additional premium and that the policyholder is not required to take any further action.
- That, if the policyholder does not currently have personal injury protection coverage, the current motor vehicle policy will be amended to incorporate the required personal injury protection coverage effective January 1, 2008.
- The additional premium that is due, if any, and the date that it is due, which may be no earlier than January 1, 2008.
- That if the policyholder has any questions, the name and phone number of whom they should contact.

If PIP was Removed, a Motorist Probably Can Restore It Any Time

The Florida Insurance Council reminds motorists that they need not wait until January 1 to get PIP if they don't have it now. Most companies are currently allowed to issue or renew policies containing PIP coverage as it was prior to the special session reforms. Those reforms, along with the new mandate for PIP coverage begin on January 1.

Florida Insurance Council is Florida's largest not-for-profit trade association representing 64 insurers groups - consisting of 200 companies - which write over \$25 billion a year in premium volume and provide all lines of coverage.