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FISCAL IMPACT REPORT

SPONSOR: Foley DATE TYPED: 2/21/03 HB 697

SHORT TITLE: Uninsured Motorist Punitive Damages SB _____

ANALYST: Wilson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			NFI		

SOURCES OF INFORMATION

Responses Received From

Administrative Office of the Courts (AOC)
Public Regulation Commission (PRC)

SUMMARY

Synopsis of Bill

House Bill 697 allows uninsured motorist coverage to exclude coverage for any punitive damages that the policyholder would be entitled to receive if the at-fault motorist had been insured.

Significant Issues

The PRC states punitive damages are above and beyond the actual damages incurred by the policyholder and exist, by definition, to punish the at-fault driver for gross driving misconduct. Since these are paid by the policyholder's insurance company through uninsured motorist coverage and not by the at-fault driver, they do not achieve their intended purpose.

HB 697 will leave the policyholder who is harmed by another driver without insurance with no possibility of receiving punitive damages unless the at-fault driver has some assets.

Uninsured motorist premiums will go down if punitive damages are excluded from the coverage, but the PRC estimates that the decrease will be very small.

ADMINISTRATIVE IMPLICATIONS

The Insurance Division of the PRC will have to review several hundred amended rate and form filings.

TECHNICAL ISSUES

HB 697 makes it optional to exclude punitive damage, but the bill does not state who gets to choose the option – the insurance company or the policyholder.

DW/njw/l