Deadline For Filing No-Fault Auto Insurance Rates In Florida Marks First Step In Reform Process; Major Reform Starts In January

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TAMPA, Florida, September 28, 2012 â€" The process of combating the effects of many years of fraud and abuse of no-fault auto insurance coverage in Florida with meaningful legislative reforms begins on October 1, says the Insurance Information Institute (I.I.I.).
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Although the launch of major fraud-fighting reforms to the stateâ€™s No-Fault Law, also known as Personal Injury Protection (PIP), does not begin for three months, Floridaâ€™s auto insurers have an October 1 deadline to submit a rate filing to state regulators showing at least a 10 percent reduction in auto insurance ratesâ€"or document why they cannot.
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The rate filing process represents a small first step in the implementation of the substantive PIP reform measures that will take effect on January 1. It will be even longer before insurers can accurately measure the impact of reforms on actual claims costs.
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Insurance companies already file rates annually, making rate filings a matter of routine. The I.I.I. notes that insurance rates are based on the claims costs experienced by individual companies. Clearly, auto insurance claims costs have not yet been affected because no significant PIP reform measures are yet in place. Before a rate filing brings rate changes, insurance regulators must approve the new rates, a process that can take up to 60 days. Then, policyholders see the new rates when their insurance policy renews.
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Auto insurance rates in Florida have been trending upward for several years, and reversing course involves a number of steps. Initial changes with no-fault reform started with two provisions that became effective in July, neither of which directly contributes to the price drivers pay for auto insurance coverage. One provision involved health clinic licensing; the other requires law enforcement to use the long version of a crash report whenever injuries occur in a car accident.
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Provisions expected to have the most impact on rates become effective in January 1, 2013, such as limiting the cost of non-emergency treatment and excluding massage therapy and acupuncture as PIP treatment options. These changes also include providing the full $10,000 PIP medical benefit for medical emergencies only and establishes where treatment can be administered and by whom. Those needing non-emergency treatment will have a medical benefit limit of $2,500.

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No-fault auto insurance compensates people injured in car accidents regardless of fault. Escalating fraud associated with staged crashes, along with faked or exaggerated injuries, illegal or improper medical billing and the increasing frequency of lawsuits, has caused auto insurance rates to rise.
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The Florida Office of Insurance Regulationâ€™s PIP data call discovered that the number of auto insurance claims rose by 66 percent between 2006 and 2010, during a time marked by a decline in the number of auto crashes. An I.I.I. analysis also showed a dramatic rise in the cost of each claimâ€”from an average of $5,812 in 2008 to a peak of $8,796 by the end of 2010. â€œThis trend in rising costs did not happen overnight, and turning the tide in the right direction will also take some time,â€• said Lynne McChristian, Florida representative for the I.I.I. â€œThere is real optimism that the reforms will take hold quickly, and the expectation is that weâ€™ll see the proof around this time next year.â€• Â
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