



**INFORMATIONAL MEMORANDUM**  
**OIR – 03-012M**  
**ISSUED**  
**July 31, 2003**  
Office of Insurance Regulation  
**Kevin M. McCarty**  
Director

## **Life and Health Insurers and Health Maintenance Organizations**

### **Notice of New Legislation**

*This notice presents a summary of certain legislative changes enacted in the 2003 Regular Session of the Florida Legislature. This notice is not intended to be a comprehensive analysis of all bills that may be of interest or importance to your company. Some legislation may require action on the part of companies or licensees to ensure compliance. You are encouraged to review specific bills, found by legislative bill number, at <http://www.leg.state.fl.us>.*

#### **SB 2264** **Relating to Health Insurance** **Effective Date: July 1, 2003**

The bill provides a number of new consumer protections by:

1. Amending the unfair trade practices statute (s 626.9541 F.S.) to specifically prohibit the practice of "tier rating" or re-underwriting a policy and changing the risk class at renewal and
2. Amending the out-of-state groups statute (s 627.6515 F.S.) to:
  - a. Clarify that out-of-state group insurance is exempted from Florida consumer protections except as otherwise specified, such as for small group coverage.
  - b. Require that, except in the case of supplemental coverages and certain bona-fide associations or employer groups, applications for an out-of-state certificate disclose on the application, that the premium rates are not regulated in Florida and that, therefore, Florida's consumer protections are not applicable. The disclosure also directs an applicant to contact their agent or the Department of Financial Services to find a regulated policy.
  - c. Clarify that individuals that terminate their affiliation with an association become eligible for a group conversion policy.
  - d. Specify that the segmentation of risks by an out-of-state group carrier to separate healthy from unhealthy lives, thereby resulting in a "death spiral," is unfair discrimination and therefore an unfair trade practice.
  - e. Provide rulemaking authority to the Financial Services Commission to define other unfair discrimination or predatory pricing practices.

The bill also eliminates regulatory uncertainty for carriers by amending the grounds for disapproval statute (s 627.411 F.S.) to:

1. Reduce regulatory discretion by deleting the prohibition against a rate increase that is not “viable in the marketplace”;
2. Provide, in statute, a clear and unambiguous loss ratio standard for major medical type health insurance of 65%; and
3. Eliminate the requirement for an HMO to obtain prior approval of its rates for large groups.

Finally, the bill provides HMOs with flexibility in benefit plan design by amending the health maintenance contracts statute (s 641.31 F.S.) to exempt them from any laws restricting cost sharing policy features.

If you have any questions regarding this bulletin, please contact Rich Robleto, Chief, Bureau of Life and Health Forms and Rates, Florida Office of Insurance Regulation at [robletor@dfs.state.fl.us](mailto:robletor@dfs.state.fl.us) or (850) 413-5110.