

STORAGE NAME: h4047s1.fs

DATE: April 6, 1998

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
FINANCIAL SERVICES
BILL RESEARCH & ECONOMIC IMPACT STATEMENT**

BILL #: CS/HB 4047

RELATING TO: International health insurance policies sold at airports

SPONSOR(S): Committee on Financial Services and Representative Ziebarth

COMPANION BILL(S): SB 1416 (s)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

(1) FINANCIAL SERVICES YEAS 9 NAYS 0

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I. SUMMARY:

Currently, the Department of Insurance regulates the rates and terms of health insurance policies delivered or issued for delivery in Florida and several specific coverages are statutorily required to be included in all health insurance policies.

Under this bill, "international health insurance policies" could be delivered or issued for delivery in Florida to residents of foreign countries without being subject to rate or form regulation or to any coverage mandates. An international health insurance policy could be sold only at an international airport and only by an agent who was licensed by the Department of Insurance and appointed by the insurer.

The bill has no fiscal impact.

II. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

The forms (contract terms) and rates for health insurance policies delivered or issued for delivery in Florida are regulated by the Department of Insurance under ss. 627.410 and 627.411, F.S. Section 627.410, F.S., generally requires that forms be filed with and approved by the department before they are used, and s. 627.411, F.S. sets out the grounds for disapproval. The department is required to disapprove a form for health insurance if the benefits provided by the policy are unreasonable in relation to the premium charged.¹

When a form is used by a domestic (i.e., Florida-domiciled) insurer for delivery outside of Florida, the form is subject to regulation under ss. 627.410 and 627.411, F.S., if the insurance regulator of the jurisdiction in which the form is delivered notifies the Florida Department of Insurance that the form is not subject to approval or disapproval in that jurisdiction.²

Parts VI and VII of Chapter 627, F.S., set out the language of several mandatory policy provisions for individual and group health insurance policies,³ and require health insurance policies to contain certain mandatory benefits.⁴

B. EFFECT OF PROPOSED CHANGES:

Health insurance policies delivered or issued for delivery in Florida to residents of foreign countries would not be subject to rate or form regulation under s. 627.410, F.S. or to any coverage mandates. The policy could be sold only at an international airport and only by an agent who was licensed by the Department of Insurance and appointed by the insurer.

An "international health insurance policy" is defined as an individual health insurance policy that covers only residents of foreign countries and is sold on an annual basis. A "resident of a foreign country" does not include any person who is a U.S. citizen, maintains a residence in the U.S., or stays in Florida for more than 120 consecutive days. The sale of international health insurance policies to residents of foreign countries could occur only in an airport that enplanes more than 1 million persons a year and is served by U.S. Customs (Miami, Orlando, Tampa, Ft. Lauderdale, Palm Beach, Ft. Myers, and Jacksonville).

¹ Paragraph 627.411(1)(e), F.S.

² Subsection 627.410(5), F.S.

³ See, e.g., s. 627.607, F.S., relating to time limits on certain defenses, s. 627.608, F.S., relating to grace periods, or s. 627.610, F.S., relating to notice of claims.

⁴ See, e.g., s. 627.6056, F.S., relating to coverage for ambulatory surgical center services, s. 627.6408, F.S., relating to diabetes treatment services, s. 627.6409, F.S., relating to osteoporosis, or s. 627.6418, F.S., relating to mammograms.

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Each international policy would carry a disclaimer stating that the policy may not be sold to a U.S. resident; does not comply with coverage, underwriting, and other provisions of the Florida Insurance Code; and must comply with insurance regulatory provisions of the insured's country of residence.

The policy would not be subject to any form approval, rate approval, underwriting restrictions, guaranteed availability, or coverage mandates of the Insurance Code. The policy would be exempt from all provisions of the Insurance Code, except for the following provisions:

Section 624.316, F.S. (Examination of insurers).

Section 624.3161, F.S. (Market conduct examinations).

Sections 626.951-626.9601, F.S. (Unfair insurance trade practices).

Section 627.413, F.S. (Content of policies: forms must specify names of parties, the subject of the insurance, perils, term, premium, etc.).

Section 627.4145, F.S. (Readable language).

Section 627.6043, F.S. (Notice of cancellation, nonrenewal, or rate change).

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

Yes. The Department of Insurance would no longer regulate the forms or rates of certain health insurance policies delivered or issued for delivery in Florida to residents of foreign countries.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

No.

c. Does the bill reduce total taxes, both rates and revenues?

No.

d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No.

- b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

N/A

4. Individual Freedom:

- a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

Yes. The bill provides circumstances under which an insurer may deliver or issue for delivery in Florida an unregulated health insurance policy covering a resident of a foreign country.

- b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

No.

5. Family Empowerment:

- a. If the bill purports to provide services to families or children:

- (1) Who evaluates the family's needs?

N/A

- (2) Who makes the decisions?

N/A

- (3) Are private alternatives permitted?

N/A

- (4) Are families required to participate in a program?

N/A

- (5) Are families penalized for not participating in a program?

N/A

- b. Does the bill directly affect the legal rights and obligations between family members?

N/A

- c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

- (1) parents and guardians?

N/A

- (2) service providers?

N/A

- (3) government employees/agencies?

N/A

D. STATUTE(S) AFFECTED:

Section 624.123, F.S. (created)

E. SECTION-BY-SECTION RESEARCH:

Section 1 creates s. 624.123, F.S., relating to international health insurance policies, as described in "Effects of Proposed Changes," above.

Section 2 provides that the bill will take effect upon becoming a law.

III. FISCAL RESEARCH & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

- 1. Non-recurring Effects:

N/A

- 2. Recurring Effects:

N/A

3. Long Run Effects Other Than Normal Growth:

N/A

4. Total Revenues and Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

N/A

2. Recurring Effects:

N/A

3. Long Run Effects Other Than Normal Growth:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

Persons who are technically residents of another country but who spend substantial amounts of time in Florida could be put at a disadvantage relative to Florida residents by the provision authorizing the sale in Florida of unregulated health insurance policies to foreign residents, in that they could be charged more than would otherwise be allowed for a policy providing less coverage than would otherwise be allowed.

2. Direct Private Sector Benefits:

A Florida-domiciled health insurer would have additional opportunities to market products to foreign residents. Currently, a Florida-domiciled health insurer may sell an unregulated policy to a foreign resident only if the policy is delivered or issued for delivery outside of Florida; the bill would allow the insurer to deliver such a policy to a foreign resident at any of seven Florida airports.

3. Effects on Competition, Private Enterprise and Employment Markets:

See above.

D. FISCAL COMMENTS:

N/A

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

N/A

B. REDUCTION OF REVENUE RAISING AUTHORITY:

N/A

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

N/A

V. COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

Committee Substitute for HB 4047 differs from HB 4047 as filed in the following respects:

As filed, HB 4047 exempted health insurance policies sold to residents of foreign countries from rate and form regulation by the Department of Insurance under ss. 627.410 and 627.411, F.S., but the bill did not include a broad exemption from the Insurance Code. The original bill did not limit the locations from which international insurance policies could be sold. The Committee Substitute broadly exempts these policies from regulation, but specifies the circumstances under which they can be sold and the provisions of the Insurance Code that apply.

The original bill also broadened the scope of liability insurance that could be sold by a motor vehicle rental company under a limited agents' license. These issues are not addressed by the Committee Substitute.

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VII. SIGNATURES:

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