

By the Committee on Health Care Services and
Representative Peadar

1 A bill to be entitled
2 An act relating to health insurance; amending
3 ss. 627.6645 and 641.3108, F.S.; revising
4 notice requirements for cancellation or
5 nonrenewal of a group health insurance policy
6 or a health maintenance organization contract;
7 specifying conditions for retroactive
8 cancellation of coverage due to nonpayment of
9 premium; amending s. 627.6675, F.S.; revising
10 time limits for application for an individual
11 converted policy under certain circumstances;
12 revising premium requirements for converted
13 policies; authorizing a group insurer to
14 contract with another insurer to issue an
15 individual converted policy under certain
16 conditions; amending s. 641.3922, F.S.;
17 revising time limits for application for a
18 converted contract from a health maintenance
19 organization under certain circumstances;
20 revising premium requirements for converted
21 contracts; providing application; providing an
22 effective date.

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24 Be It Enacted by the Legislature of the State of Florida:

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26 Section 1. Subsection (1) of section 627.6645, Florida
27 Statutes, is amended, and subsection (5) is added to said
28 section, to read:

29 627.6645 Notification of cancellation, expiration,
30 nonrenewal, or change in rates.--

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1 (1) Every insurer delivering or issuing for delivery a
2 group health insurance policy under the provisions of this
3 part shall give the policyholder at least 45 days' advance
4 notice of cancellation, expiration, nonrenewal, or a change in
5 rates. Such notice shall be mailed to the policyholder's last
6 address as shown by the records of the insurer. However, if
7 cancellation is for nonpayment of premium, only the
8 requirements of subsection (5)~~this section~~ shall ~~not~~ apply.
9 Upon receipt of such notice, the policyholder shall forward,
10 as soon as practicable, the notice of expiration,
11 cancellation, or nonrenewal to each certificateholder covered
12 under the policy.

13 (5) If cancellation is due to nonpayment of premium,
14 the insurer may not cancel the policy retroactively to a date
15 prior to the date that notice of cancellation was provided to
16 the policyholder unless the insurer mails notice of
17 cancellation to the policyholder within 45 days after the date
18 the premium was due. Such notice shall be mailed to the
19 policyholder's last address as shown by the records of the
20 insurer.

21 Section 2. The introductory paragraph and subsection
22 (1) of section 627.6675, Florida Statutes, 1998 Supplement,
23 are amended to read:

24 627.6675 Conversion on termination of
25 eligibility.--Subject to all of the provisions of this
26 section, a group policy delivered or issued for delivery in
27 this state by an insurer or nonprofit health care services
28 plan that provides, on an expense-incurred basis, hospital,
29 surgical, or major medical expense insurance, or any
30 combination of these coverages, shall provide that an employee
31 or member whose insurance under the group policy has been

1 terminated for any reason, including discontinuance of the
2 group policy in its entirety or with respect to an insured
3 class, and who has been continuously insured under the group
4 policy, and under any group policy providing similar benefits
5 that the terminated group policy replaced, for at least 3
6 months immediately prior to termination, shall be entitled to
7 have issued to him or her by the insurer a policy or
8 certificate of health insurance, referred to in this section
9 as a "converted policy." A group insurer may meet the
10 requirements of this section by contracting with another
11 insurer, authorized in this state, to issue an individual
12 converted policy, which policy has been approved by the
13 department under s. 627.410. An employee or member shall not
14 be entitled to a converted policy if termination of his or her
15 insurance under the group policy occurred because he or she
16 failed to pay any required contribution, or because any
17 discontinued group coverage was replaced by similar group
18 coverage within 31 days after discontinuance.

19 (1) TIME LIMIT.--Written application for the converted
20 policy shall be made and the first premium must be paid to the
21 insurer, not later than 63 days after termination of the group
22 policy. However, if termination was the result of failure to
23 pay any required premium or contribution and such nonpayment
24 of premium was due to acts of an employer or policyholder
25 other than the employee or certificateholder and written
26 notice of cancellation was not provided to the employee or
27 certificateholder by the employer or policyholder, written
28 application for the converted policy must be made and the
29 first premium must be paid to the insurer not later than 63
30 days after notice of termination is mailed by the insurer to
31 the employee's or certificateholder's last address as shown by

1 the records of the insurer. In such case of termination due to
2 nonpayment of premium by the employer or policyholder, the
3 premium for the converted policy may not exceed the rate for
4 the prior group coverage for the period of coverage under the
5 converted policy prior to the date notice of termination is
6 mailed by the insurer to the employee or certificateholder.
7 For the period of coverage after such date, the premium for
8 the converted policy is subject to the requirements of
9 subsection (3).

10 (3) CONVERSION PREMIUM; EFFECT ON PREMIUM RATES FOR
11 GROUP COVERAGE.--

12 (a) The premium for the converted policy shall be
13 determined in accordance with premium rates applicable to the
14 age and class of risk of each person to be covered under the
15 converted policy and to the type and amount of insurance
16 provided. However, the premium for the converted policy may
17 not exceed 200 percent of the standard risk rate as
18 established by the department, pursuant to this subsection.

19 (b) Actual or expected experience under converted
20 policies may be combined with such experience under group
21 policies for the purposes of determining premium and loss
22 experience and establishing premium rate levels for group
23 coverage.

24 (c) The department shall annually determine standard
25 risk rates, using reasonable actuarial techniques and
26 standards adopted by the department by rule. The standard risk
27 rates must be determined as follows:

28 1. Standard risk rates for individual coverage must be
29 determined separately for indemnity policies, preferred
30 provider/exclusive provider policies, and health maintenance
31 organization contracts.

1 2. The department shall survey insurers and health
2 maintenance organizations representing at least an 80 percent
3 market share, based on premiums earned in the state for the
4 most recent calendar year, for each of the categories
5 specified in subparagraph 1.

6 3. Standard risk rate schedules must be determined,
7 computed as the average rates charged by the carriers
8 surveyed, giving appropriate weight to each carrier's
9 statewide market share of earned premiums.

10 4. The rate schedule shall be determined from analysis
11 of the one county with the largest market share in the state
12 of all such carriers.

13 5. The rate for other counties must be determined by
14 using the weighted average of each carrier's county factor
15 relationship to the county determined in subparagraph 4.

16 6. The rate schedule must be determined for different
17 age brackets and family size brackets.

18 Section 3. Section 641.3108, Florida Statutes, is
19 amended to read:

20 641.3108 Notice of cancellation of contract.--

21 (1) Except for nonpayment of premium or termination of
22 eligibility, no health maintenance organization may cancel or
23 otherwise terminate or fail to renew a health maintenance
24 contract without giving the subscriber at least 45 days'
25 notice in writing of the cancellation, termination, or
26 nonrenewal of the contract. The written notice shall state the
27 reason or reasons for the cancellation, termination, or
28 nonrenewal. All health maintenance contracts shall contain a
29 clause which requires that this notice be given.

30 (2) If cancellation is due to nonpayment of premium,
31 the health maintenance organization may not cancel the

1 contract retroactively to a date prior to the date that notice
2 of cancellation was provided to the subscriber unless the
3 organization mails notice of cancellation to the subscriber
4 within 45 days after the date the premium was due. Such notice
5 shall be mailed to the subscriber's last address as shown by
6 the records of the organization.

7 (3) In the case of a health maintenance contract
8 issued to an employer or person holding the contract on behalf
9 of the subscriber group, the health maintenance organization
10 may make the notification through the employer or group
11 contract holder, and, if the health maintenance organization
12 elects to take this action through the employer or group
13 contract holder, the organization shall be deemed to have
14 complied with the provisions of this section upon notifying
15 the employer or group contract holder of the requirements of
16 this section and requesting the employer or group contract
17 holder to forward to all subscribers the notice required
18 herein.

19 Section 4. Subsection (1) of section 641.3922, Florida
20 Statutes, 1998 Supplement, is amended to read:

21 641.3922 Conversion contracts; conditions.--Issuance
22 of a converted contract shall be subject to the following
23 conditions:

24 (1) TIME LIMIT.--Written application for the converted
25 contract shall be made and the first premium paid to the
26 health maintenance organization not later than 63 days after
27 such termination. However, if termination was the result of
28 failure to pay any required premium or contribution and such
29 nonpayment of premium was due to acts of an employer or group
30 contract holder other than the employee or individual
31 subscriber and written notice of cancellation was not provided

1 to the employee or individual by the employer or group
2 contract holder, written application for the contract must be
3 made and the first premium paid not later than 63 days after
4 notice of termination is mailed by the organization to the
5 employee's or individual's last address as shown by the
6 records of the health maintenance organization. In such case
7 of termination due to nonpayment of premium by the employer or
8 group contract holder, the premium for the converted contract
9 shall not exceed the rate for the prior group coverage for the
10 period of coverage under the converted contract prior to the
11 date notice of termination is mailed by the health maintenance
12 organization to the employee or individual subscriber. For the
13 period of coverage after such date, the premium for the
14 converted contract is subject to the requirements of
15 subsection (3).

16 (3) CONVERSION PREMIUM.--The premium for the converted
17 contract shall be determined in accordance with premium rates
18 applicable to the age and class of risk of each person to be
19 covered under the converted contract and to the type and
20 amount of coverage provided. However, the premium for the
21 converted contract may not exceed 200 percent of the standard
22 risk rate, as established by the department under s.
23 627.6675(3). The mode of payment for the converted contract
24 shall be quarterly or more frequently at the option of the
25 organization, unless otherwise mutually agreed upon between
26 the subscriber and the organization.

27 Section 5. This act shall take effect October 1, 1999,
28 and shall apply to health insurance policies and health
29 maintenance organization contracts issued or renewed on or
30 after such date.

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HOUSE SUMMARY

Revises notice requirements for cancellation or nonrenewal of group health insurance policies or health maintenance organization contracts and specifies conditions for retroactive cancellation of coverage due to nonpayment of premium. Revises time limits for application for individual converted policies and converted contracts from a health maintenance organization and revises premium requirements for converted policies and converted contracts. Authorizes a group insurer to contract with another insurer to issue individual converted policies. See bill for details.