

1                                   A bill to be entitled  
2           An act relating to health insurance; amending  
3           s. 627.6645, F.S.; revising the notice  
4           requirements for cancellation or nonrenewal of  
5           a group health insurance policy; specifying  
6           conditions under which the insurer may  
7           retroactively cancel coverage due to nonpayment  
8           of premium; amending s. 627.6675, F.S.;  
9           revising the time limits for an employee or  
10          group member to apply for an individual  
11          converted policy when termination of group  
12          coverage is due to failure of the employer to  
13          pay the premium; revising the requirements for  
14          the premium for the converted policy; allowing  
15          a group insurer to contract with another  
16          insurer to issue an individual converted policy  
17          under certain conditions; amending s. 641.3108,  
18          F.S.; revising the notice requirements for  
19          cancellation or nonrenewal of a health  
20          maintenance organization contract; specifying  
21          conditions under which the organization may  
22          retroactively cancel coverage due to nonpayment  
23          of premium; amending s. 641.3922, F.S.;  
24          revising the time limits for an employee or  
25          group member to apply for a converted contract  
26          from a health maintenance organization when  
27          termination of group coverage is due to failure  
28          of the employer to pay the premium; revising  
29          the requirements for the premium for the  
30          converted contract; providing an effective  
31          date.

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

2

3 Section 1. Subsection (1) of section 627.6645, Florida  
4 Statutes, is amended and subsection (5) is added to that  
5 section to read:

6 627.6645 Notification of cancellation, expiration,  
7 nonrenewal, or change in rates.--

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

20 (5) If cancellation is due to nonpayment of premium,  
21 the insurer may not retroactively cancel the policy to a date  
22 prior to the date that notice of cancellation was provided to  
23 the policyholder unless the insurer mails notice of  
24 cancellation to the policyholder prior to 45 days after the  
25 date the premium was due. Such notice must be mailed to the  
26 policyholder's last address as shown by the records of the  
27 insurer and may provide for a retroactive date of cancellation  
28 no earlier than midnight of the date that the premium was due.

29 Section 2. Section 627.6675, Florida Statutes, 1998  
30 Supplement, is amended to read:

31

1           627.6675 Conversion on termination of  
2 eligibility.--Subject to all of the provisions of this  
3 section, a group policy delivered or issued for delivery in  
4 this state by an insurer or nonprofit health care services  
5 plan that provides, on an expense-incurred basis, hospital,  
6 surgical, or major medical expense insurance, or any  
7 combination of these coverages, shall provide that an employee  
8 or member whose insurance under the group policy has been  
9 terminated for any reason, including discontinuance of the  
10 group policy in its entirety or with respect to an insured  
11 class, and who has been continuously insured under the group  
12 policy, and under any group policy providing similar benefits  
13 that the terminated group policy replaced, for at least 3  
14 months immediately prior to termination, shall be entitled to  
15 have issued to him or her by the insurer a policy or  
16 certificate of health insurance, referred to in this section  
17 as a "converted policy." A group insurer may meet the  
18 requirements of this section by contracting with another  
19 insurer, authorized in this state, to issue an individual  
20 converted policy, which policy has been approved by the  
21 department under s. 627.410. An employee or member shall not  
22 be entitled to a converted policy if termination of his or her  
23 insurance under the group policy occurred because he or she  
24 failed to pay any required contribution, or because any  
25 discontinued group coverage was replaced by similar group  
26 coverage within 31 days after discontinuance.

27           (1) TIME LIMIT.--Written application for the converted  
28 policy shall be made and the first premium must be paid to the  
29 insurer, not later than 63 days after termination of the group  
30 policy. However, if termination was the result of failure to  
31 pay any required premium or contribution and such nonpayment

1 of premium was due to acts of an employer or policyholder  
2 other than the employee or certificateholder, written  
3 application for the converted policy must be made and the  
4 first premium must be paid to the insurer not later than 63  
5 days after notice of termination is mailed by the insurer or  
6 the employer, whichever is earlier, to the employee's or  
7 certificateholder's last address as shown by the record of the  
8 insurer or the employer, whichever is applicable. In such case  
9 of termination due to nonpayment of premium by the employer or  
10 policyholder, the premium for the converted policy may not  
11 exceed the rate for the prior group coverage for the period of  
12 coverage under the converted policy prior to the date notice  
13 of termination is mailed to the employee or certificateholder.  
14 For the period of coverage after such date, the premium for  
15 the converted policy is subject to the requirements of  
16 subsection (3).

17 (2) EVIDENCE OF INSURABILITY.--The converted policy  
18 shall be issued without evidence of insurability.

19 (3) CONVERSION PREMIUM; EFFECT ON PREMIUM RATES FOR  
20 GROUP COVERAGE.--

21 (a) The premium for the converted policy shall be  
22 determined in accordance with premium rates applicable to the  
23 age and class of risk of each person to be covered under the  
24 converted policy and to the type and amount of insurance  
25 provided. However, the premium for the converted policy may  
26 not exceed 200 percent of the standard risk rate as  
27 established by the department, pursuant to this subsection.

28 (b) Actual or expected experience under converted  
29 policies may be combined with such experience under group  
30 policies for the purposes of determining premium and loss  
31

1 experience and establishing premium rate levels for group  
2 coverage.

3 (c) The department shall annually determine standard  
4 risk rates, using reasonable actuarial techniques and  
5 standards adopted by the department by rule. The standard risk  
6 rates must be determined as follows:

7 1. Standard risk rates for individual coverage must be  
8 determined separately for indemnity policies, preferred  
9 provider/exclusive provider policies, and health maintenance  
10 organization contracts.

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

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

20 4. The rate schedule shall be determined from analysis  
21 of the one county with the largest market share in the state  
22 of all such carriers.

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

26 6. The rate schedule must be determined for different  
27 age brackets and family size brackets.

28 (4) EFFECTIVE DATE OF COVERAGE.--The effective date of  
29 the converted policy shall be the day following the  
30 termination of insurance under the group policy.

31

1           (5) SCOPE OF COVERAGE.--The converted policy shall  
2 cover the employee or member and his or her dependents who  
3 were covered by the group policy on the date of termination of  
4 insurance. At the option of the insurer, a separate converted  
5 policy may be issued to cover any dependent.

6           (6) OPTIONAL COVERAGE.--The insurer shall not be  
7 required to issue a converted policy covering any person who  
8 is or could be covered by Medicare. The insurer shall not be  
9 required to issue a converted policy covering a person if  
10 paragraphs (a) and (b) apply to the person:

11           (a) If any of the following apply to the person:

12           1. The person is covered for similar benefits by  
13 another hospital, surgical, medical, or major medical expense  
14 insurance policy or hospital or medical service subscriber  
15 contract or medical practice or other prepayment plan, or by  
16 any other plan or program.

17           2. The person is eligible for similar benefits,  
18 whether or not actually provided coverage, under any  
19 arrangement of coverage for individuals in a group, whether on  
20 an insured or uninsured basis.

21           3. Similar benefits are provided for or are available  
22 to the person under any state or federal law.

23           (b) If the benefits provided under the sources  
24 referred to in subparagraph (a)1. or the benefits provided or  
25 available under the sources referred to in subparagraphs (a)2.  
26 and 3., together with the benefits provided by the converted  
27 policy, would result in overinsurance according to the  
28 insurer's standards. The insurer's standards must bear some  
29 reasonable relationship to actual health care costs in the  
30 area in which the insured lives at the time of conversion and  
31

1 must be filed with the department prior to their use in  
2 denying coverage.

3 (7) INFORMATION REQUESTED BY INSURER.--

4 (a) A converted policy may include a provision under  
5 which the insurer may request information, in advance of any  
6 premium due date, of any person covered thereunder as to  
7 whether:

8 1. The person is covered for similar benefits by  
9 another hospital, surgical, medical, or major medical expense  
10 insurance policy or hospital or medical service subscriber  
11 contract or medical practice or other prepayment plan or by  
12 any other plan or program.

13 2. The person is covered for similar benefits under  
14 any arrangement of coverage for individuals in a group,  
15 whether on an insured or uninsured basis.

16 3. Similar benefits are provided for or are available  
17 to the person under any state or federal law.

18 (b) The converted policy may provide that the insurer  
19 may refuse to renew the policy or the coverage of any person  
20 only for one or more of the following reasons:

21 1. Either the benefits provided under the sources  
22 referred to in subparagraphs (a)1. and 2. for the person or  
23 the benefits provided or available under the sources referred  
24 to in subparagraph (a)3. for the person, together with the  
25 benefits provided by the converted policy, would result in  
26 overinsurance according to the insurer's standards on file  
27 with the department.

28 2. The converted policyholder fails to provide the  
29 information requested pursuant to paragraph (a).

30 3. Fraud or intentional misrepresentation in applying  
31 for any benefits under the converted policy.

1           4. Other reasons approved by the department.

2           (8) BENEFITS OFFERED.--

3           (a) An insurer shall not be required to issue a  
4 converted policy that provides benefits in excess of those  
5 provided under the group policy from which conversion is made.

6           (b) An insurer shall offer the benefits specified in  
7 s. 627.668 and the benefits specified in s. 627.669 if those  
8 benefits were provided in the group plan.

9           (c) An insurer shall offer maternity benefits and  
10 dental benefits if those benefits were provided in the group  
11 plan.

12           (9) PREEXISTING CONDITION PROVISION.--The converted  
13 policy shall not exclude a preexisting condition not excluded  
14 by the group policy. However, the converted policy may provide  
15 that any hospital, surgical, or medical benefits payable under  
16 the converted policy may be reduced by the amount of any such  
17 benefits payable under the group policy after the termination  
18 of covered under the group policy. The converted policy may  
19 also provide that during the first policy year the benefits  
20 payable under the converted policy, together with the benefits  
21 payable under the group policy, shall not exceed those that  
22 would have been payable had the individual's insurance under  
23 the group policy remained in force.

24           (10) REQUIRED OPTION FOR MAJOR MEDICAL  
25 COVERAGE.--Subject to the provisions and conditions of this  
26 part, the employee or member shall be entitled to obtain a  
27 converted policy providing major medical coverage under a plan  
28 meeting the following requirements:

29           (a) A maximum benefit equal to the lesser of the  
30 policy limit of the group policy from which the individual  
31 converted or \$500,000 per covered person for all covered



1 medical expenses incurred during the covered person's  
2 lifetime.

3 (b) Payment of benefits at the rate of 80 percent of  
4 covered medical expenses which are in excess of the  
5 deductible, until 20 percent of such expenses in a benefit  
6 period reaches \$2,000, after which benefits will be paid at  
7 the rate of 90 percent during the remainder of the contract  
8 year unless the insured is in the insurer's case management  
9 program, in which case benefits shall be paid at the rate of  
10 100 percent during the remainder of the contract year. For  
11 the purposes of this paragraph, "case management program"  
12 means the specific supervision and management of the medical  
13 care provided or prescribed for a specific individual, which  
14 may include the use of health care providers designated by the  
15 insurer. Payment of benefits for outpatient treatment of  
16 mental illness, if provided in the converted policy, may be at  
17 a lesser rate but not less than 50 percent.

18 (c) A deductible for each calendar year that must be  
19 \$500, \$1,000, or \$2,000, at the option of the policyholder.

20 (d) The term "covered medical expenses," as used in  
21 this subsection, shall be consistent with those customarily  
22 offered by the insurer under group or individual health  
23 insurance policies but is not required to be identical to the  
24 covered medical expenses provided in the group policy from  
25 which the individual converted.

26 (11) ALTERNATIVE PLANS.--The insurer shall, in  
27 addition to the option required by subsection (10), offer the  
28 standard health benefit plan, as established pursuant to s.  
29 627.6699(12). The insurer may, at its option, also offer  
30 alternative plans for group health conversion in addition to  
31 the plans required by this section.

1           (12) RETIREMENT COVERAGE.--If coverage would be  
2 continued under the group policy on an employee following the  
3 employee's retirement prior to the time he or she is or could  
4 be covered by Medicare, the employee may elect, instead of  
5 such continuation of group insurance, to have the same  
6 conversion rights as would apply had his or her insurance  
7 terminated at retirement by reason or termination of  
8 employment or membership.

9           (13) REDUCTION OF COVERAGE DUE TO MEDICARE.--The  
10 converted policy may provide for reduction of coverage on any  
11 person upon his or her eligibility for coverage under Medicare  
12 or under any other state or federal law providing for benefits  
13 similar to those provided by the converted policy.

14           (14) CONVERSION PRIVILEGE ALLOWED.--The conversion  
15 privilege shall also be available to any of the following:

16           (a) The surviving spouse, if any, at the death of the  
17 employee or member, with respect to the spouse and the  
18 children whose coverages under the group policy terminate by  
19 reason of the death, otherwise to each surviving child whose  
20 coverage under the group policy terminates by reason of such  
21 death, or, if the group policy provides for continuation of  
22 dependents' coverages following the employee's or member's  
23 death, at the end of such continuation.

24           (b) The former spouse whose coverage would otherwise  
25 terminate because of annulment or dissolution of marriage, if  
26 the former spouse is dependent for financial support.

27           (c) The spouse of the employee or member upon  
28 termination of coverage of the spouse, while the employee or  
29 member remains insured under the group policy, by reason of  
30 ceasing to be a qualified family member under the group  
31

1 policy, with respect to the spouse and the children whose  
2 coverages under the group policy terminate at the same time.

3 (d) A child solely with respect to himself or herself  
4 upon termination of his or her coverage by reason of ceasing  
5 to be a qualified family member under the group policy, if a  
6 conversion privilege is not otherwise provided in this  
7 subsection with respect to such termination.

8 (15) BENEFIT LEVELS.--If the benefit levels required  
9 in subsection (10) exceed the benefit levels provided under  
10 the group policy, the conversion policy may offer benefits  
11 which are substantially similar to those provided under the  
12 group policy in lieu of those required in subsection (10).

13 (16) GROUP COVERAGE INSTEAD OF INDIVIDUAL  
14 COVERAGE.--The insurer may elect to provide group insurance  
15 coverage instead of issuing a converted individual policy.

16 (17) NOTIFICATION.--A notification of the conversion  
17 privilege shall be included in each certificate of coverage.  
18 The insurer shall mail an election and premium notice form,  
19 including an outline of coverage, on a form approved by the  
20 department, within 14 days after an individual who is eligible  
21 for a converted policy gives notice to the insurer that the  
22 individual is considering applying for the converted policy or  
23 otherwise requests such information. The outline of coverage  
24 must contain a description of the principal benefits and  
25 coverage provided by the policy and its principal exclusions  
26 and limitations, including, but not limited to, deductibles  
27 and coinsurance.

28 (18) OUTSIDE CONVERSIONS.--A converted policy that is  
29 delivered outside of this state must be on a form that could  
30 be delivered in the other jurisdiction as a converted policy  
31 had the group policy been issued in that jurisdiction.

1           (19) APPLICABILITY.--This section does not require  
2 conversion on termination of eligibility for a policy or  
3 contract that provides benefits for specified diseases, or for  
4 accidental injuries only, disability income, Medicare  
5 supplement, hospital indemnity, limited benefit,  
6 nonconventional, or excess policies.

7           (20) Nothing in this section or in the incorporation  
8 of it into insurance policies shall be construed to require  
9 insurers to provide benefits equal to those provided in the  
10 group policy from which the individual converted, provided,  
11 however, that comprehensive benefits are offered which shall  
12 be subject to approval by the Insurance Commissioner.

13           Section 3. Section 641.3108, Florida Statutes, is  
14 amended to read:

15           641.3108 Notice of cancellation of contract.--

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

25           (2) If cancellation is due to nonpayment of premium,  
26 the health maintenance organization may not retroactively  
27 cancel the contract to a date prior to the date that notice of  
28 cancellation was provided to the subscriber unless the  
29 organization mails notice of cancellation to the subscriber  
30 prior to 45 days after the date the premium was due. Such  
31 notice must be mailed to the subscriber's last address as

1 shown by the records of the organization and may provide for a  
2 retroactive date of cancellation no earlier than midnight of  
3 the date that the premium was due.

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

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

18       641.3922 Conversion contracts; conditions.--Issuance  
19 of a converted contract shall be subject to the following  
20 conditions:

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

1 individual's last address as shown by the record of the  
2 organization or the employer, whichever is applicable. In such  
3 case of termination due to non-payment of premium by the  
4 employer or group contract holder, the premium for the  
5 converted contract may not exceed the rate for the prior group  
6 coverage for the period of coverage under the converted  
7 contract prior to the date notice of termination is mailed to  
8 the employee or individual subscriber. For the period of  
9 coverage after such date, the premium for the converted  
10 contract is subject to the requirements of subsection (3).

11           Section 5. This act shall take effect October 1, 1999,  
12 and shall apply to policies and contracts issued or renewed on  
13 or after that date.

14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31