

1                                   A bill to be entitled  
2           An act relating to insurance; amending s.  
3           626.321, F.S.; providing requirements for  
4           limited licenses for credit life or disability  
5           insurance and credit insurance; amending s.  
6           626.989, F.S.; defining the terms "insurer" and  
7           "insurance policy" for purposes of determining  
8           insurance fraud; creating s. 626.9892, F.S.;  
9           establishing the Anti-Fraud Reward Program in  
10          the department; providing for rewards under  
11          certain circumstances; requiring the department  
12          to adopt rules to implement the program;  
13          exempting review of department decisions  
14          relating to rewards; creating s. 641.3915,  
15          F.S.; requiring certain health maintenance  
16          organizations to comply with insurer anti-fraud  
17          requirements; providing construction; amending  
18          s. 775.15, F.S.; extending the statute of  
19          limitations for certain insurance fraud  
20          violations; amending s. 817.234, F.S.;  
21          specifying a schedule of criminal penalties for  
22          committing insurance fraud; providing  
23          definitions; providing application to health  
24          maintenance organizations and contracts;  
25          amending s. 817.505, F.S.; revising a penalty  
26          for patient brokering; reenacting s.  
27          455.657(3), F.S., relating to kickbacks, to  
28          incorporate changes; providing an  
29          appropriation; creating s. 624.6085, Florida  
30          Statutes; defining the term "collateral  
31          protection insurance"; amending s. 626.321,

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

1 converted contract; providing an effective  
2 date.

3  
4 Be It Enacted by the Legislature of the State of Florida:

5  
6 Section 1. Paragraphs (e) and (f) of subsection (1) of  
7 section 626.321, Florida Statutes, 1998 Supplement, are  
8 amended to read:

9 626.321 Limited licenses.--

10 (1) The department shall issue to a qualified  
11 individual, or a qualified individual or entity under  
12 paragraphs (c), (d), and (e), a license as agent authorized to  
13 transact a limited class of business in any of the following  
14 categories:

15 (e) Credit life or disability insurance.--License  
16 covering only credit life or disability insurance. The  
17 license may be issued only to an individual employed by a life  
18 or health insurer as an officer or other salaried or  
19 commissioned representative, or to an individual employed by  
20 or associated with a lending or financing institution or  
21 creditor, and may authorize the sale of such insurance only  
22 with respect to borrowers or debtors of such lending or  
23 financing institution or creditor. However, only the  
24 individual or entity whose tax identification number is used  
25 in receiving or is credited with receiving the commission from  
26 the sale of such insurance shall be the licensed agent of the  
27 insurer. No individual while so licensed shall hold a license  
28 as an agent or solicitor as to any other or additional kind or  
29 class of life or health insurance coverage. An entity other  
30 than a lending or financial institution defined in s. 626.988  
31 holding a limited license under this paragraph shall also be

1 authorized to sell credit property insurance. An entity  
2 applying for a license under this section:

3 1. Is required to submit only one application for a  
4 license under s. 626.171.

5 2. Is required to obtain a license for each office,  
6 branch office, or place of business making use of the entity's  
7 business name by applying to the department for the license on  
8 a simplified form developed by rule of the department for this  
9 purpose.

10 3. Is not required to pay any additional application  
11 fees for a license issued to the offices or places of business  
12 referenced in subsection (2), but is required to pay the  
13 license fee as prescribed in s. 624.501, be appointed under s.  
14 626.112, and pay the prescribed appointment fee under s.  
15 624.501. The license obtained under this paragraph shall be  
16 posted at the business location for which it was issued so as  
17 to be readily visible to prospective purchasers of such  
18 coverage.

19 (f) Credit insurance.--License covering only credit  
20 insurance, as such insurance is defined in s. 624.605(1)(i),  
21 and no individual or entity so licensed shall, during the same  
22 period, hold a license as an agent or solicitor as to any  
23 other or additional kind of life or health insurance with the  
24 exception of credit life or disability insurance as defined in  
25 paragraph (e). The same licensing provisions as outlined in  
26 paragraph (e) apply to entities licensed as credit insurance  
27 agents under this paragraph.

28 Section 2. Subsection (1) of section 626.989, Florida  
29 Statutes, 1998 Supplement, is amended to read:

30 626.989 Division of Insurance Fraud; definition;  
31 investigative, subpoena powers; protection from civil

1 liability; reports to division; division investigator's power  
2 to execute warrants and make arrests.--

3 (1) For the purposes of this section, a person commits  
4 a "fraudulent insurance act" if the person knowingly and with  
5 intent to defraud presents, causes to be presented, or  
6 prepares with knowledge or belief that it will be presented,  
7 to or by an insurer, self-insurer, self-insurance fund,  
8 servicing corporation, purported insurer, broker, or any agent  
9 thereof, any written statement as part of, or in support of,  
10 an application for the issuance of, or the rating of, any  
11 insurance policy, or a claim for payment or other benefit  
12 pursuant to any insurance policy, which the person knows to  
13 contain materially false information concerning any fact  
14 material thereto or if the person conceals, for the purpose of  
15 misleading another, information concerning any fact material  
16 thereto. For the purposes of this section, the term "insurer"  
17 also includes any health maintenance organization and the term  
18 "insurance policy" also includes a health maintenance  
19 organization subscriber contract.

20 Section 3. Section 626.9892, Florida Statutes, is  
21 created to read:

22 626.9892 Anti-Fraud Reward Program; reporting of  
23 insurance fraud.--

24 (1) The Anti-Fraud Reward Program is hereby  
25 established within the department, to be funded from the  
26 Insurance Commissioner's Regulatory Trust Fund.

27 (2) The department may pay rewards of up to \$25,000 to  
28 persons providing information leading to the arrest and  
29 conviction of persons committing complex or organized crimes  
30 investigated by the Division of Insurance Fraud arising from  
31

1 violations of s. 440.105, s. 624.15, s. 626.9541, s. 626.989,  
2 or s. 817.234.

3 (3) Only a single reward amount may be paid by the  
4 department for claims arising out of the same transaction or  
5 occurrence, regardless of the number of persons arrested and  
6 convicted and the number of persons submitting claims for the  
7 reward. The reward may be disbursed among more than one  
8 person in amounts determined by the department.

9 (4) The department shall adopt rules which set forth  
10 the application and approval process, including the criteria  
11 against which claims shall be evaluated, the basis for  
12 determining specific reward amounts, and the manner in which  
13 rewards shall be disbursed. Applications for rewards  
14 authorized by this section must be made pursuant to rules  
15 established by the department.

16 (5) Determinations by the department to grant or deny  
17 a reward under this section shall not be considered agency  
18 action subject to review under s. 120.569 or s. 120.57.

19 Section 4. Section 641.3915, Florida Statutes, is  
20 created to read:

21 641.3915 Health maintenance organization anti-fraud  
22 plans and investigative units.--Each authorized health  
23 maintenance organization and applicant for a certificate of  
24 authority shall comply with the provisions of ss. 626.989 and  
25 626.9891 as though such organization or applicant were an  
26 authorized insurer. For purposes of this section, the  
27 reference to the year 1996 in s. 626.9891 means the year 2000  
28 and the reference to the year 1995 means the year 1999.

29 Section 5. Paragraph (h) of subsection (2) of section  
30 775.15, Florida Statutes, 1998 Supplement, is amended to read:

31 775.15 Time limitations.--

1           (2) Except as otherwise provided in this section,  
2 prosecutions for other offenses are subject to the following  
3 periods of limitation:

4           (h) A prosecution for a felony violation of s. 440.105  
5 and s. 817.234 must be commenced within 5 years after the  
6 violation is committed.

7           Section 6. Subsections (1), (2), (3), (4), and (10) of  
8 section 817.234, Florida Statutes, 1998 Supplement, are  
9 amended, and subsections (11) and (12) are added to said  
10 section, to read:

11           817.234 False and fraudulent insurance claims.--

12           (1)(a) A person commits insurance fraud punishable as  
13 provided in subsection (11) if that ~~Any~~ person ~~who~~, with the  
14 intent to injure, defraud, or deceive any insurer:

15           1. Presents or causes to be presented any written or  
16 oral statement as part of, or in support of, a claim for  
17 payment or other benefit pursuant to an insurance policy or a  
18 health maintenance organization subscriber or provider  
19 contract, knowing that such statement contains any false,  
20 incomplete, or misleading information concerning any fact or  
21 thing material to such claim;

22           2. Prepares or makes any written or oral statement  
23 that is intended to be presented to any insurer in connection  
24 with, or in support of, any claim for payment or other benefit  
25 pursuant to an insurance policy or a health maintenance  
26 organization subscriber or provider contract, knowing that  
27 such statement contains any false, incomplete, or misleading  
28 information concerning any fact or thing material to such  
29 claim; or

30           3.a. Knowingly presents, causes to be presented, or  
31 prepares or makes with knowledge or belief that it will be

1 presented to any insurer, purported insurer, servicing  
2 corporation, insurance broker, or insurance agent, or any  
3 employee or agent thereof, any false, incomplete, or  
4 misleading information or written or oral statement as part  
5 of, or in support of, an application for the issuance of, or  
6 the rating of, any insurance policy, or a health maintenance  
7 organization subscriber or provider contract;or

8       b. Who knowingly conceals information concerning any  
9 fact material to such application;

10  
11 ~~commits a felony of the third degree, punishable as provided~~  
12 ~~in s. 775.082, s. 775.083, or s. 775.084.~~

13       (b) All claims and application forms shall contain a  
14 statement that is approved by the Department of Insurance that  
15 clearly states in substance the following: "Any person who  
16 knowingly and with intent to injure, defraud, or deceive any  
17 insurer files a statement of claim or an application  
18 containing any false, incomplete, or misleading information is  
19 guilty of a felony of the third degree." This paragraph shall  
20 not apply to reinsurance contracts, reinsurance agreements, or  
21 reinsurance claims transactions.~~The changes in this paragraph~~  
22 ~~relating to applications shall take effect on March 1, 1996.~~

23       (2) Any physician licensed under chapter 458,  
24 osteopathic physician licensed under chapter 459, chiropractic  
25 physician licensed under chapter 460, or other practitioner  
26 licensed under the laws of this state who knowingly and  
27 willfully assists, conspires with, or urges any insured party  
28 to fraudulently violate any of the provisions of this section  
29 or part XI of chapter 627, or any person who, due to such  
30 assistance, conspiracy, or urging by said physician,  
31 osteopathic physician, chiropractic physician, or



1 practitioner, knowingly and willfully benefits from the  
2 proceeds derived from the use of such fraud, commits insurance  
3 fraud ~~is guilty of a felony of the third degree~~, punishable as  
4 provided in subsection (11)~~s. 775.082, s. 775.083, or s.~~  
5 ~~775.084~~. In the event that a physician, osteopathic physician,  
6 chiropractic physician, or practitioner is adjudicated guilty  
7 of a violation of this section, the Board of Medicine as set  
8 forth in chapter 458, the Board of Osteopathic Medicine as set  
9 forth in chapter 459, the Board of Chiropractic Medicine as  
10 set forth in chapter 460, or other appropriate licensing  
11 authority shall hold an administrative hearing to consider the  
12 imposition of administrative sanctions as provided by law  
13 against said physician, osteopathic physician, chiropractic  
14 physician, or practitioner.

15 (3) Any attorney who knowingly and willfully assists,  
16 conspires with, or urges any claimant to fraudulently violate  
17 any of the provisions of this section or part XI of chapter  
18 627, or any person who, due to such assistance, conspiracy, or  
19 urging on such attorney's part, knowingly and willfully  
20 benefits from the proceeds derived from the use of such fraud,  
21 commits insurance fraud ~~a felony of the third degree~~,  
22 punishable as provided in subsection (11)~~s. 775.082, s.~~  
23 ~~775.083, or s. 775.084~~.

24 (4) Any ~~No~~ person or governmental unit licensed under  
25 chapter 395 to maintain or operate a hospital, and any ~~no~~  
26 administrator or employee of any such hospital, who shall  
27 knowingly and willfully allows ~~allow~~ the use of the facilities  
28 of said hospital by an insured party in a scheme or conspiracy  
29 to fraudulently violate any of the provisions of this section  
30 or part XI of chapter 627. ~~Any hospital administrator or~~  
31 ~~employee who violates this subsection~~ commits insurance fraud

1 ~~a felony of the third degree~~, punishable as provided in  
2 subsection (11)~~s. 775.082, s. 775.083, or s. 775.084~~. Any  
3 adjudication of guilt for a violation of this subsection, or  
4 the use of business practices demonstrating a pattern  
5 indicating that the spirit of the law set forth in this  
6 section or part XI of chapter 627 is not being followed, shall  
7 be grounds for suspension or revocation of the license to  
8 operate the hospital or the imposition of an administrative  
9 penalty of up to \$5,000 by the licensing agency, as set forth  
10 in chapter 395.

11 (10) As used in this section, the term "insurer" means  
12 any insurer, health maintenance organization, self-insurer,  
13 self-insurance fund, or other similar entity or person  
14 regulated under chapter 440 or chapter 641 or by the  
15 Department of Insurance under the Florida Insurance Code.

16 (11) If the value of any property involved in a  
17 violation of this section:

18 (a) Is less than \$20,000, the offender commits a  
19 felony of the third degree, punishable as provided in s.  
20 775.082, s. 775.083, or s. 775.084.

21 (b) Is \$20,000 or more, but less than \$100,000, the  
22 offender commits a felony of the second degree, punishable as  
23 provided in s. 775.082, s. 775.083, or s. 775.084.

24 (c) Is \$100,000 or more, the offender commits a felony  
25 of the first degree, punishable as provided in s. 775.082, s.  
26 775.083, or s. 775.084.

27 (12) As used in this section:

28 (a) "Property" means property as defined in s.  
29 812.012.

30 (b) "Value" means value as defined in s. 812.012.  
31

1           Section 7. Subsection (4) of section 817.505, Florida  
2 Statutes, 1998 Supplement, is amended to read:

3           817.505 Patient brokering prohibited; exceptions;  
4 penalties.--

5           (4) Any person, including an officer, partner, agent,  
6 attorney, or other representative of a firm, joint venture,  
7 partnership, business trust, syndicate, corporation, or other  
8 business entity, who violates any provision of this section  
9 commits+

10           ~~(a) A misdemeanor of the first degree for a first~~  
11 ~~violation, punishable as provided in s. 775.082 or by a fine~~  
12 ~~not to exceed \$5,000, or both.~~

13           ~~(b) a felony of the third degree for a second or~~  
14 ~~subsequent violation, punishable as provided in s. 775.082, s.~~  
15 ~~775.083, or s. 775.084 or by a fine not to exceed \$10,000, or~~  
16 ~~both.~~

17           Section 8. For the purpose of incorporating the  
18 amendment to subsection (4) of section 817.505, Florida  
19 Statutes, 1998 Supplement, in a reference thereto, subsection  
20 (3) of section 455.657, Florida Statutes, is reenacted to  
21 read:

22           455.657 Kickbacks prohibited.--

23           (3) Violations of this section shall be considered  
24 patient brokering and shall be punishable as provided in s.  
25 817.505.

26           Section 9. The sum of \$250,000 is hereby appropriated  
27 from the Insurance Commissioner's Regulatory Trust Fund in a  
28 nonoperating category for state fiscal year 1999-2000 for the  
29 purpose of implementing the reward program under s. 626.9892,  
30 Florida Statutes, as created by this act.

31

1           Section 10. Section 624.6085, Florida Statutes, is  
2 created to read:

3           624.6085 "Collateral protection insurance"  
4 defined.--For purposes of ss. 215.555, 627.311, and 627.351,  
5 "collateral protection insurance" means commercial property  
6 insurance under which a creditor is the primary beneficiary  
7 and policyholder and which protects or covers an interest of  
8 the creditor arising out of a credit transaction secured by  
9 real or personal property. Initiation of such coverage is  
10 triggered by the mortgagor's failure to maintain insurance  
11 coverage as required by the mortgage or other lending  
12 document. Collateral protection insurance is not residential  
13 coverage.

14           Section 11. Paragraphs (e) and (f) of subsection (1)  
15 of section 626.321, Florida Statutes, 1998 Supplement are  
16 amended to read:

17           626.321 Limited licenses.--

18           (1) The department shall issue to a qualified  
19 individual, or a qualified individual or entity under  
20 paragraphs (c), (d), and (e), a license as agent authorized to  
21 transact a limited class of business in any of the following  
22 categories:

23           (e) Credit life or disability insurance.--License  
24 covering only credit life or disability insurance. The  
25 license may be issued only to an individual employed by a life  
26 or health insurer as an officer or other salaried or  
27 commissioned representative, or to an individual employed by  
28 or associated with a lending or financing institution or  
29 creditor, and may authorize the sale of such insurance only  
30 with respect to borrowers or debtors of such lending or  
31 financing institution or creditor. However, only the

1 individual or entity whose tax identification number is used  
2 in receiving or is credited with receiving the commission from  
3 the sale of such insurance shall be the licensed agent of the  
4 insurer. No individual while so licensed shall hold a license  
5 as an agent or solicitor as to any other or additional kind or  
6 class of life or health insurance coverage. An entity other  
7 than a lending or financial institution defined in s. 626.988  
8 holding a limited license under this paragraph shall also be  
9 authorized to sell credit property insurance. An entity  
10 applying for a license under this section:

11 1. Is required to submit only one application for a  
12 license under s. 626.171.

13 2. Is required to obtain a license for each office,  
14 branch office, or place of business making use of the entity's  
15 business name by applying to the department for the license on  
16 a simplified form developed by rule of the department for this  
17 purpose.

18 3. Is not required to pay any additional application  
19 fees for a license issued to the offices or places of business  
20 referenced in subsection (2), but is required to pay the  
21 license fee as prescribed in s. 624.501, be appointed under s.  
22 626.112, and pay the prescribed appointment fee under s.  
23 624.501. The license obtained under this paragraph shall be  
24 posted at the business location for which it was issued so as  
25 to be readily visible to prospective purchasers of such  
26 coverage.

27 (f) Credit insurance.--License covering only credit  
28 insurance, as such insurance is defined in s. 624.605(1)(i),  
29 and no individual or entity so licensed shall, during the same  
30 period, hold a license as an agent or solicitor as to any  
31 other or additional kind of life or health insurance with the

1 exception of credit life or disability insurance as defined in  
2 paragraph (e). The same licensing provisions as outlined in  
3 paragraph (e) apply to entities licensed as credit insurance  
4 agents under this paragraph.

5 Section 12. Subsection (1) of section 627.6645,  
6 Florida Statutes, is amended and subsection (5) is added to  
7 that section to read:

8 627.6645 Notification of cancellation, expiration,  
9 nonrenewal, or change in rates.--

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

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

31

1           Section 13. Section 627.6675, Florida Statutes, 1998  
2 Supplement, is amended to read:

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

29           (1) TIME LIMIT.--Written application for the converted  
30 policy shall be made and the first premium must be paid to the  
31 insurer, not later than 63 days after termination of the group

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

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

21 (3) CONVERSION PREMIUM; EFFECT ON PREMIUM RATES FOR  
22 GROUP COVERAGE.--

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

30 (b) Actual or expected experience under converted  
31 policies may be combined with such experience under group



1 policies for the purposes of determining premium and loss  
2 experience and establishing premium rate levels for group  
3 coverage.

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

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

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

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

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

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

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

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

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  
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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  
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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 14. 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 15. Subsection (1) of section 641.3922,  
17 Florida 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 16. This act shall take effect October 1,  
12 1999, and shall apply to policies and contracts issued or  
13 renewed on or after that date.

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