

STORAGE NAME: h1513.sa.doc
DATE: April 2, 2001

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
STATE ADMINISTRATION
ANALYSIS**

BILL #: HB 1513
RELATING TO: State Group Insurance Program
SPONSOR(S): Representative(s) Simmons
TIED BILL(S): None

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

- (1) STATE ADMINISTRATION
 - (2) FISCAL RESPONSIBILITY COUNCIL
 - (3) COUNCIL FOR SMARTER GOVERNMENT
 - (4)
 - (5)
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I. SUMMARY:

Current law provides for the State Group Insurance Program under the Department of Management Services (DMS). The state group insurance program is defined as “the package of insurance plans offered to state officers and employees, retired state officers and employees, and surviving spouses of deceased state officers and employees pursuant to this section, including the state group health insurance plan, health maintenance organization plans, and other plans required or authorized by this section.”

Current law also requires DMS to purchase insurance for all of the agencies of the state, except for title insurance and certain emergency insurance.

Neither of these statutes authorizes DMS or the State Group Insurance Program to prohibit or limit any private entity from competing for any insurance product or plan on the basis of the compensation arrangement used by the insurer or organization for its agents.

This bill amends current law to prohibit DMS or the Division on State Group Insurance from prohibiting or limiting any properly licensed insurer, health maintenance organization, prepaid limited health services organization, or insurance agent from competing for any insurance product or plan purchased, provided, or endorsed by DMS or the Division on the basis of the compensation arrangement used by the insurer or organization for its agents.

The Florida Association of Life Underwriters asserts that this bill will prevent the exclusion of independent licensed agents from receiving commissions or soliciting the sale of State of Florida employee life insurance and supplementary dental/vision coverages. This bill will encourage competition from companies that use agents exclusively to solicit insurance products.

This bill does not appear to have a fiscal impact on state or local governments.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Section 110.123, F.S. provides for the State Group Insurance Program under the Department of Management Services (DMS). Section 110.123(2)(k), F.S., defines the state group insurance program as "the package of insurance plans offered to state officers and employees, retired state officers and employees, and surviving spouses of deceased state officers and employees pursuant to this section, including the state group health insurance plan, health maintenance organization plans, and other plans required or authorized by this section."

Section 287.022, F.S., provides that DMS must purchase insurance for all of the agencies of the state, except for title insurance and certain emergency insurance.

Neither of these statutes authorizes DMS or the State Group Insurance Program to prohibit or limit any private entity from competing for any insurance product or plan on the basis of the compensation arrangement used by the insurer or organization for its agents.

However, the Florida Association of Life Underwriters has asserted that the Division of State Group Insurance, under the direction of the former director, Charles Slavin, has engaged in an effort to exclude independent licensed agents from receiving commissions or soliciting the sale of State of Florida employee life insurance and supplementary dental/vision coverages in the past.¹

C. EFFECT OF PROPOSED CHANGES:

This bill amends ss. 110.123, and . 287.022, F.S., to prohibit DMS or the Division on State Group Insurance from prohibiting or limiting any properly licensed insurer, health maintenance organization, prepaid limited health services organization, or insurance agent from competing for any insurance product or plan purchased, provided, or endorsed by DMS or the Division on the basis of the compensation arrangement used by the insurer or organization for its agents.

The Florida Association of Life Underwriters asserts that this bill will prevent the exclusion of independent licensed agents from receiving commissions or soliciting the sale of State of Florida

¹ Letter from Herbert F. Morgan, Executive Vice President of the Florida Association of Life Underwriters, to Governor Jeb Bush, September 22, 1999.

employee life insurance and supplementary dental/vision coverages. This bill will encourage competition from companies that use agents exclusively to solicit insurance products.²

D. SECTION-BY-SECTION ANALYSIS:

See "Effect of Proposed Changes."

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

The bill does not reduce the authority that counties or municipalities have to raise revenues in the aggregate.

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

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

² Meeting with Herb Morgan, April 2, 2001.

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V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

The Department of Management Services has been contacted regarding the impact of this bill on its functions, however, due to extreme time constraints, that information is not in our possession.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON STATE ADMINISTRATION:

Prepared by:

Staff Director:

Jennifer D. Krell, J.D.

J. Marleen Ahearn, Ph.D., J.D.