



# Advisor Newsletter

*(Monthly Newsletter of the Florida Association of Insurance and Financial Advisors)*

**JANUARY 2006**

## **LEGISLATIVE AND REGULATORY REPORT**

by Timothy J. Meenan, FAIFA Lobbyist

### **LEGISLATURE APPROVES LAUNCH OF MEDICAID REFORM**

Governor Jeb Bush called the Florida Legislature into Special Session in early December to adopt Medicaid Reform implementing legislation. The Legislature gave the Governor and the Agency for Health Care Administration most of what they wanted in terms of authority to proceed with reforming Florida's Medicaid program, as approved by the federal Centers for Medicare and Medicaid Services on October 19, 2005.

The Reform plan is a pilot project designed to demonstrate that Medicaid can be a "bridge" from a state-funded health care system for Florida's low-income residents that delivers care through the public-sector-operated health care system to a system funded with public dollars but operated by private-sector health care providers who assume risk. It is for this reason—the plan to move the approximately \$17 Billion health care system into the private-sector—that this is an important issue for FAIFA members to stay informed on related developments and remain aware of whether this "experiment" appears likely to succeed. While the pilot project aims to transition Medicaid recipients out of the currently prevailing fee-for-service reimbursement model into a model that is mostly managed care, if successful in increasing private-sector operations there may come a time that Medicaid may evolve into a program that may allow for broader private-sector involvement featuring products and markets that FAIFA members may find appealing for business development planning.

The Legislature authorized Medicaid Reform to launch on July 1, 2006, in Broward and Duval Counties only. If successful, it will expand statewide in three phases through June 30, 2011. The federal Centers for Medicare and Medicaid require the state to continuously monitor, evaluate, and report on project developments throughout the phase-in period. If problems develop during phase-in period, that sufficiently raise concerns at the state or federal level, the project state or federal government may halt the Medicaid Reform pilot project and revert back to the current system.

**OFFICE OF INSURANCE REGULATION MOVES TO PROHIBIT INSURERS FROM DENYING OR PRICING LIFE INSURANCE, AND OTHER LINES OF INSURANCE, BASED ON AN INSURED'S TRAVEL PLANS**

The Florida Office of Insurance Regulation is moving to prohibit insurers from utilizing travel of a prospective insured as a basis for underwriting or for denying coverage. Commissioner Kevin McCarty scheduled a hearing for December 16, 2005, to receive public comment on Draft Rule 69O-125.003, currently under development. Additionally, in a letter dated December 9, 2005, to Congresswoman Debbie Wasserman Schultz, Commissioner McCarty states,

“I have also directed insurers whose applications include questions about past or intended travel to withdraw those forms. In order for an insurer to ask travel related questions, the insurer must provide this Office with actuarial justification for their use. In addition, I have drafted legislation that would prohibit the use of travel considerations in underwriting, regardless of the actuarial justification.”

Draft Rule 69O-125.003 prohibits insurers *and persons authorized to engage in the business of insurance in the State of Florida* (which could include agents) from refusing to issue and from determining rates charged for any policy, contract or certificate of life insurance; annuity contract; accident, disability, or health insurance, solely because of the intent of the applicant to engage in future lawful foreign travel or based on past lawful foreign travel. Of particular concern to OIR is the practice of singling out travel to countries such as Israel or Columbia and designating such travel as high risk. Refusal to issue or pricing of rates based on past or future travel plans is permissible under the rule when the insurer can demonstrate that insureds who have traveled or intend to travel are a separate actuarially supportable class whose risk of loss is different from those insureds who have not traveled and do not intend to travel. Non-compliance might make it difficult for insurers, ultimately, to obtain approval of actuarial filings based upon what I am hearing as of today. The rule designates the prohibitions unfair discrimination under the Unfair Trade Practices Act. Additionally, both federal and state legislation prohibiting these practices are likely to be heard in 2006.

#### **DFS EXTENDS AGENT CONTINUING EDUCATION COMPLIANCE PERIOD**

The Department of Financial Services makes the following announcement on its website (<http://www.fldfs.com/Agents/>):

The State extended the continuing education compliance period to July 31, 2006, for all Company, Independent, and Public Adjusters with all-lines, motor vehicle physical damage and mechanical breakdown, or property and casualty licenses, whose compliance periods end at any time from January 31, 2006 to June 30, 2006. The DFS website gives the reason for the extension as “due to the impact of the 2005 hurricane season.”

#### **FLORIDA TO HOST 2006 NAIC FINANCIAL SUMMIT**

The second NAIC Financial Summit, February 13-15, 2006, will be at Disney's Contemporary Resort in Orlando, Florida. Discussion topics include, but are not limited to: company licensing, the NAIC Model Audit Rule, finite reinsurance, risk assessment initiatives, accreditation, financial reporting and analysis. The Summit is open to state regulators, the insurance industry, and all other interested parties. The Summit website address is: [http://www.naic.org/frs/calendar/2006\\_financial\\_summit.htm](http://www.naic.org/frs/calendar/2006_financial_summit.htm).

#### **FLORIDA OFFICE OF INSURANCE REGULATION HOSTING 2006 FILING AND COMPLIANCE SYMPOSIUM**

This symposium addresses issues of importance to insurance company compliance professionals who work with property and casualty and life and health policy forms and rates. It will be held at the Rosen Centre Hotel in Orlando

on February 23 and 24, 2006. It will provide updates on administrative rules, statutes, and provide detailed instruction on how to make new program filings. The symposium website is:  
[http://www.flor.com/compliance\\_symposium/06%20Announcement.pdf](http://www.flor.com/compliance_symposium/06%20Announcement.pdf).