

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 487 Department of Financial Services

SPONSOR(S): Salzman

TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Insurance & Banking Subcommittee		Lloyd	Lloyd
2) Appropriations Committee			
3) Commerce Committee			

SUMMARY ANALYSIS

The Chief Financial Officer (CFO) is an elected member of the Cabinet, serves as the state's chief fiscal officer,¹ and is designated as the State Fire Marshal. The CFO is the head of the Department of Financial Services (DFS). Changes made by the bill include:

- Authorizing the Div. of Accounting and Auditing to issue electronic payments of salary without exception for hardship; increase medical payment timeline from 35 days to 40 days;
- Reducing the time an insurer may cancel a policy during the post-issuance underwriting period; requiring insurers to bear certain costs and make certain elections prior to mediation of claims;
- Authorizing the suspension of agent appointments by insurers for non-payment of costs;
- Increasing the value of motor vehicle claims eligible for the DFS mediation program; making certain procedural changes related to the DFS mediation program;
- Reducing certain administrative obligations of title agents and agencies; changing certain continuing education requirements; reducing barriers to licensing;
- Expanding the circumstances when DFS can suspend, revoke, or refuse to renew or continue the licenses and the types of criminal offenses that can disqualify an insurance agent licensee;
- Allowing reciprocal non-resident licenses in certain circumstances; eliminating temporary bail bond licenses and creating a means to convert to regular bail bond agent licenses; specifying the qualifications of a primary bail bond agent;
- Converting bail bond agency registration to licensure;
- Improving processing of insolvent insurer estates;
- Authorizing a State Fire Marshal direct support organization;
- Allowing any governmental employee to participate in the Deferred Compensation Plan;
- Ratifying the 2020 Workers' Compensation Health Care Provider Reimbursement Manual; eliminating the need for future Reimbursement Manual ratifications;
- Creating term limits, ethical requirements, and other improvements to specified Boards; authorizing the CFO to remove Board members in certain circumstances; allowing DFS to provide legal services to the Boards;
- Prohibiting certain practices in the issuance of collateral protection insurance;
- Increasing the reserve requirement for warranty associations;
- Requiring remission of bail bonds in certain circumstances.

The bill has an insignificant impact on state government revenues and expenditures and no impact on local government. It has indeterminate impacts on the private sector. Except as specified in the bill, it is effective upon becoming law.

¹ Art. IV, s. 4, Fla. Const.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

ORGANIZATION OF THE DEPARTMENT OF FINANCIAL SERVICES

The Chief Financial Officer (CFO) is an elected member of the Cabinet, serves as the state's chief fiscal officer,² and is designated as the State Fire Marshal. The CFO is the head of the Department of Financial Services (DFS). Effective January 2003, the Department of Insurance, Treasury, State Fire Marshal, and the Department of Banking and Finance merged to form DFS. DFS consists of 13 divisions and several specialized offices.³ DFS is composed of the following divisions and independent office:

- Accounting and Auditing;
- Consumer Services;
- Funeral, Cemetery, and Consumer Services;
- Insurance Agent and Agency Services;
- Investigative and Forensic Services;⁴
- Public Assistance Fraud;
- Rehabilitation and Liquidation;
- Risk Management;
- State Fire Marshal;
- Treasury;
- Unclaimed Property;
- Workers' Compensation;
- Administration; and the
- Office of Insurance Consumer Advocate.

Division of Accounting and Auditing

The mission of the Division of Accounting and Auditing is to safeguard public assets, settle the state's financial obligations, report financial information, and improve accountability of the state.⁵ The Division includes the Bureau of Unclaimed Property and the Office of Fiscal Integrity. It is also empowered by statute to "examine, audit, adjust, and settle the accounts of all the officers of this state, and any other person in anywise entrusted with, or who may have received any property, funds, or moneys of this state, or who may be in anywise indebted or accountable to this state for any property, funds, or moneys, and require such officer or persons to render full accounts thereof, and to yield up such property or funds according to law, or pay such moneys into the treasury of this state, or to such officer or agent of the state as may be appointed to receive the same, and on failure so to do, to cause to be instituted and prosecuted proceedings, criminal or civil, at law or in equity, against such persons, according to law."⁶ In executing this power, the Division has the authority to conduct investigations, as necessary inside and outside of the state, and refer any suspected criminal conduct to the appropriate law enforcement and prosecutorial agency.

Every state and local government entity provides its financial information to DFS annually, so DFS can prepare annual financial statements for the state of Florida and provide an online clearinghouse for the financial statements of every county, municipality, and special district in Florida. The Florida Open Financial Statement System is open to public inspection.⁷

² Art. IV, s. 4, Fla. Const.

³ S. 20.121, F.S.

⁴ This division includes the Bureau of Forensic Services; Bureau of Fire, Arson, and Explosives Investigations; Office of Fiscal Integrity; Bureau of Insurance Fraud; and Bureau of Workers' Compensation Fraud.

⁵ FLORIDA DEPARTMENT OF FINANCIAL SERVICES, *Accounting & Auditing*, <http://www.myfloridacfo.com/Division/AA/> (last visited Mar. 19, 2023).

⁶ S. 17.04, F.S.

⁷ S. 218.32(1)(h), F.S.

Effect of the Bill

The bill makes the following changes within the purview of the Division of Accounting and Auditing:

- For the purposes of direct deposit of paychecks, removes the authority for an employee to request a paper paycheck due to a hardship.
- For the purposes of a payment by a state agency or the judicial branch to a health care provider or hospital, directly or indirectly, an additional five days is added to the prompt pay period; changing it from 35 days to 40 days. This would mirror the generally applicable state prompt pay law, which provides for a 40-day period.⁸
- Adds county agencies, municipalities, and special districts⁹ to those public entities that must have adequate controls over tangible property.

Division of Consumer Services

The Division of Consumer Services deals with consumer issues and complaints related to the jurisdiction of DFS and the Office of Insurance Regulation (OIR). The Division:

- Receives inquiries and complaints from consumers;
- Prepares and disseminates information as DFS deems appropriate to inform or assist consumers;
- Provides direct assistance and advocacy for consumers; and
- Reports potential violations of law or applicable rules by a person or entity licensed by DFS or OIR to the appropriate division within DFS or OIR, as appropriate.¹⁰

FINANCIAL LITERACY FOR FOSTER YOUTH

Foster care transition plans must be developed during the year after a child reaches 16 years of age. The transition plan must be developed by the child, with assistance from the Department of Children and Families (DCF) and the community-based care provider, in collaboration with the caregiver and any other individual the child would like to include. The transition plan is in addition to standard case management requirements and must address specific options for the child to use in obtaining services, including housing, health insurance, education, a driver license, and workforce support and employment services.¹¹

The transition plan also addresses financial literacy. It requires that DCF and the community-based provider provide information for the financial literacy curriculum for foster youth offered by DFS. Additionally, the financial literacy skills training available under aftercare services shall be the curriculum offered by DFS.

Effect of the Bill

The bill:

- Removes the requirement that DCF and the community-based care lead agency provide DFS curriculum for youth in developing and updating the transition plan. DFS asserts that this is duplicative to high school graduation requirements passed in 2022.¹²
- Reduces the time period in which a property and casualty insurer may cancel or terminate a policy that has just gone into effect. It allows the insurer 60 days, rather than 90 days, to cancel or terminate a policy for reasons other than non-payment. The required 20 days' notice of such cancellation or termination remains unchanged.
- Prohibits a liability insurer from cancelling a motor vehicle property damage and bodily injury policy solely on the basis that an insured is not cooperating with the insurer in an investigation,

⁸ S. 215.422(3), F.S.

⁹ As defined in s. 189.12, F.S.

¹⁰ S. 20.121(2)(h), F.S.

¹¹ S. 39.6035(1), F.S.

¹² See 2022 HB 1115, High School Graduation Requirements in Personal Finance. Ch. 2022-17, Laws of Fla. However, this law does not affect youths not in high school, which may include certain foster children.

unless the non-cooperation results in actual prejudice to the insurer. The insurer is required to establish the prejudicial conduct of the insured by a preponderance of the evidence.

- Mandates that a property insurer either make a claim determination or elect to repair under applicable law prior to participating in mediation allowed by statute.
- Allows DFS to suspend an insurer's ability to appoint agents to represent the insurer if the insurer does not pay required mediation fees timely.
- Removes a requirement that DFS adopt rules governing qualifications, denials of application, suspension, revocation of approval, and penalties applicable to mediators related to DFS property insurance claim mediation program.
- Expands eligibility for the DFS mediation program for motor vehicle personal injury claims from those under \$10,000 in value to those under \$50,000 in value.
- Provides that mediation costs must be reasonable, that the insurer bears all such costs, but requires the policyholder must pay the costs of rescheduling mediations in certain circumstances. If an insurer representative attends a mediation, but lacks authority to settle the claim, the insurer is deemed to have not appeared, in which case the insurer must pay the insured's actual costs of attendance and the cost of rescheduling the mediation, including DFS' costs. If the per-mediation-event administrative fee is not paid timely, the mediation administrator may request that DFS suspend the insurer's ability to appoint agents to represent the insurer.
- Removes mediation-related tolling of time to file a lawsuit on the disputed claim.
- Deletes a requirement that the policy include details on requirements for filing of first-party claims mediation.
- Repeals mediation program requirements, including:
 - That the mediation must be a formal process;
 - Mediators be randomly selected, with options and process to handle rejections of the selected mediator; and,
 - Equal sharing of costs.

Division of Insurance Agent and Agency Services

The DFS Division of Insurance Agent and Agency Services is responsible for the licensing and regulation of insurance agents, adjusters, insurance agencies, as well as related personnel and business entities.¹³

No person may be, act as, or advertise, or hold himself/herself out to be an insurance agent, insurance adjuster, or customer representative unless he or she is currently licensed by DFS and appointed by an appropriate appointing entity or person.¹⁴ There are several types of insurance representatives. These include:

- General lines agents,
- Life insurance agents,
- Health insurance agents,
- Title insurance agents,
- Personal lines agents, and
- Unaffiliated insurance agents.¹⁵

General Lines Agent

A general lines agent¹⁶ is one who sells the following lines of insurance: property;¹⁷ casualty,¹⁸ including commercial liability insurance underwritten by a risk retention group, a commercial self-insurance

¹³ Ch. 626, parts I, II, III, IV, V, VI, VIII, IX, and XIII, F.S.

¹⁴ S. 626.112, F.S.

¹⁵ S. 626.015, F.S.

¹⁶ S. 626.015(5), F.S.

¹⁷ S. 624.604, F.S.

¹⁸ S. 624.605, F.S.

fund,¹⁹ or a workers' compensation self-insurance fund;²⁰ surety;²¹ health;²² and, marine.²³ The general lines agent may only transact health insurance for an insurer that the general lines agent also represents for property and casualty insurance. If the general lines agent wishes to represent health insurers that are not also property and casualty insurers, they must be licensed as a health insurance agent.²⁴

Title Agents and Agencies

Title insurance insures owners of real property (owner's policy) or others having an interest in real property, as well as lenders (mortgagee policies) against loss by encumbrance, defective title, invalidity, or adverse claim to title. It is a policy issued by a title insurer that, after evaluating a search of title, insures against a number of covered risks, including title defects or liens that are not identified as exceptions. In Florida, title insurers operate on a monoline basis, meaning that the insurer can only transact title insurance and cannot transact any other type of insurance.²⁵

Bail Bond Agents

Currently, a person may not act as a bail bond agent or temporary bail bond agent unless qualified, licensed, and appointed.²⁶ A person also may not represent himself or herself to be a bail enforcement agent, bounty hunter, or other similar title, and a person, other than a certified law enforcement officer, may not apprehend, detain, or arrest a principal on a bond unless qualified, licensed, and appointed.²⁷

Effect of the Bill

The bill makes the following changes related to agents and agencies:

Generally –

- Removes the requirement that applicants be fingerprinted at a designated examination center; but, retains the remaining fingerprinting options that include a law enforcement agency or other DFS-approved entity.
- Relieves title insurance, life insurance, and annuity insurance agents and agencies from the requirement that they notice all active policyholders of an office closure that is more than 30 days because the related policies are not continually serviced by the agent or agency.
- Clarifies that a licensee that possesses an advanced degree beyond a Bachelor's degree is eligible for a reduced continuing education requirement; six hours every two years, rather than 20 hours every two years, or other variations thereof depending on experience and credential.
- Removes a prohibition on licensees holding a limited license in motor vehicle damage and mechanical breakdown insurance, industrial fire insurance, burglary insurance, or credit insurance from holding multiple licenses.
- Expands the type of criminal background that allows DFS to suspend, revoke, or refuse to renew or continue the license or appointment of a licensee to include a misdemeanor related to the financial services business, this is in addition to any felony or crime punishable by one year or more in prison.
- Allows DFS to suspend, revoke, or refuse to renew or continue the license or appointment of a licensee who has lost their resident license in another state.
- Permits DFS to suspend, revoke, or refuse to renew or continue the license or appointment of a title agent or agency that:

¹⁹ As defined in s. 624.462, F.S.

²⁰ Pursuant to s. 624.4621, F.S.

²¹ S. 626.606, F.S.

²² Ss. 624.603 and 627.6482, F.S.

²³ S. 624.607, F.S.

²⁴ S. 626.829, F.S.

²⁵ S. 627.786, F.S.

²⁶ S. 648.30(1), F.S.

²⁷ S. 648.30(2) and (3), F.S.

- Misappropriates, converts, or unlawfully withholds funds related to an escrow agreement, real estate sales contract, or settlement of a real estate transaction; or
- Is the subject of an adverse action against a license or similar credential in another state, a court of competent jurisdiction, or federal agency, or similar.
- Reduces a reinsurance intermediary credential from a license to an appointment and removes the \$50 application and license fee for a reinsurance intermediary; such intermediaries are otherwise licensed as another type of insurance licensee.
- Allows DFS to cancel an insurer's ability to appoint agents when an insurer fails to timely pay the exchange of business fee that the insurer is beholden to pay for the agent and applicable to reported agent production activity.
- For the purposes of title agents and agencies;
 - Defines the term "closing services" which is currently used in statute, but is not defined.
 - Changes the authority to act as an escrow agent from the title agent to the title agency and removes the obligation to invest the escrow funds consistent with the requirements applicable to state investment of funds.
- Broadens the qualifying continuing education courses that public adjusters may take from those specially designed for public adjusters to any related to commercial and residential property and casualty coverage, claim adjusting, and any other adjuster courses approved by DFS.
- Allows DFS to deny the privileges of a temporary adjuster who has been lawfully appointed during a catastrophe or emergency for any violation described in Ch. 626, F.S., rather than only those in ss. 626.611 and 626.621, F.S.
- Provides for expiration of a health insurance navigator's registration if the navigator's fails to maintain a valid, active federal registration.
- Allows for reciprocal licensing of warranty salespersons on a non-resident licensing basis and for conversion of the license to a resident license in specified circumstances. Provision is also made for discipline and removal of this license consistent with the means and methods applicable to similar licenses. This applies the each of the warranty-related licenses: motor vehicle service agreement companies, home warranty associations, and service warranty associations.

Bail Bonds –

- Eliminates the "temporary bail bond agent" license type; ends issuance of such licenses as of January 1, 2024; and expires all such licenses as of June 30, 2025.
- Removes authority to grant temporary licensure to the surviving spouse of a licensee to facilitate transfer or wrap-up of the deceased's bail bond operations.
- Allows DFS to share complaint and investigatory information with other qualified law enforcement or regulatory agencies.
- Converts bail bond agency registration to licensure; requires all commensurate filings and actions consistent with such licensure and other similar types of licensure.
- Clarifies that bail bond agents and agencies must have insurer appointments to conduct business.
- Requires bail bond agencies to pay a fee; however, the referenced statute does not specify such fee, the bill does not amend that statute to create the fee, and there is no associated fee bill to create the fee.
- Allows required classroom instruction to be conducted in in-person and virtual formats consistent with the format allowed for other lines.
- Establishes qualifications for designation as the primary bail bond agent of an agency, which includes 24 months of experience as a bail bond agent immediately preceding the appointment.
- Allows permissible in-jail advertising to include and email address and web address.
- Prohibits all in-person or telephone contacts by bail bond agents or agencies between 9:00 pm and 8:00 am, rather just those related to domestic violence cases.

Division of Rehabilitation and Liquidation

Part I of ch. 631, F.S., relates to insurer insolvency and governs the receivership process for insurance companies in Florida. Federal law specifies that insurance companies cannot file for bankruptcy.²⁸ Instead, they are either "rehabilitated" or "liquidated" by the state. In Florida, the Division of Rehabilitation and Liquidation of DFS is responsible for rehabilitating or liquidating insurance companies.²⁹ This process involves the initiation of a delinquency proceeding and the placement of an insurer under the control of DFS as the Receiver. The typical causes of insurer insolvency include undercapitalization, uncollectible or inflated assets, insufficient loss reserves for risks assumed, fraudulent transactions, failure to monitor agents, and mismanagement by directors and/or officers.³⁰

Upon a determination by OIR that one or more grounds exist for the initiation of delinquency proceedings and that such proceedings must be initiated, OIR must notify DFS of such determination and must provide DFS with all necessary documentation and evidence.³¹ DFS subsequently initiates delinquency proceedings by either applying to the appropriate court for an order directing such an insurer to show cause why the proceedings should not be initiated or petitioning the court for the entry of a consent order.³²

Effect of the Bill

The bill:

- Authorizes DFS as the Receiver to transfer estate property to a solvent insurer and share records with a prospective assuming insurer to extent necessary to conduct due diligence in the possible transfer of obligations.
- Permits the Receivership Court to set a date requested by the Receiver for policy cancellation as an earlier alternative to dates currently specified in statute.

Division of State Fire Marshal

Chapter 633, F.S., Fire Prevention and Control, designates the CFO as the State Fire Marshal (SFM). The SFM, through the Division of the State Fire Marshal within DFS, is charged with enforcing the provisions of ch. 633, F.S., and all other applicable laws relating to fire safety.³³ The SFM also has the responsibility to minimize the loss of life and property due to fire.³⁴ Pursuant to this authority, the SFM regulates, trains, and certifies fire service personnel and firesafety inspectors; investigates the causes of fires; enforces arson laws; regulates the installation of fire equipment; conducts firesafety inspections of state property; and operates the Florida State Fire College.

The State Fire Marshal has two bureaus:

- The Bureau of Fire Prevention conducts safety inspections and reviews construction plans for all state-owned buildings, regulates fireworks and the fire sprinkler industry, inspects and licenses boilers, and certifies persons working in the fire suppression industry; and
- The Bureau of Firefighter Standards and Training approves curricula and training at the Florida State Fire College and certifies that fire service members meet industry standards. Persons may be certified as a volunteer firefighter, firefighter, or administrator of a fire service provider (*i.e.* fire chief, fire coordinator, fire director, or fire administrator).³⁵

²⁸ The Bankruptcy Code expressly provides that "a domestic insurance company" may not be the subject of a federal bankruptcy proceeding. 11 U.S.C. § 109(b)(2). The exclusion of insurers from the federal bankruptcy court process is consistent with federal policy generally allowing states to regulate the business of insurance. See 15 U.S.C. § 1012 (McCarran-Ferguson Act).

²⁹ Typically, insurers are put into liquidation when the company is insolvent whereas insurers are put into rehabilitation for numerous reasons, one of which is an unsound financial condition. The goal of rehabilitation is to return the insurer to a sound financial condition. The goal of liquidation, however, is to dissolve the insurer. See s. 631.051, F.S., for the grounds for rehabilitation and s. 631.061, F.S., for the grounds for liquidation.

³⁰ Department of Financial Services, Agency Analysis of 2017 House Bill 837, p.2 (Feb. 20, 2017).

³¹ S. 631.031, F.S.

³² *Id.*

³³ S. 633.104 F.S.

³⁴ *Id.*

³⁵ Department of Financial Services, Division of State Fire Marshal, *What We Do*, <https://myfloridacfo.com/Division/SFM/>

(last visited Mar. 19, 2023).

Effect of the Bill

The bill authorizes the Division of State Fire Marshal to create a direct support organization to be known as the “State Fire Marshal Safety and Training Force” to support the safety and training of firefighters and recognize exemplary service.

Division of Treasury

The division keeps a record of the warrants and other orders of the CFO.³⁶ The division also pays warrants and accounts for all state funds and securities.³⁷ Under current law, the Division of Treasury is required to turn over all warrants paid by the division which were drawn by the CFO or the Comptroller, to the Division of Accounting and Auditing.³⁸ The general records schedule for state and local government requires that warrants be maintained for a minimum of five fiscal years after the transaction is completed.³⁹

The CFO, with approval of the State Board of Administration, is required to establish a deferred compensation plan for state employees under the “Government Employees’ Deferred Compensation Act.” A deferred compensation plan is a retirement savings plan that allows eligible employees to supplement any existing retirement and pension benefits by saving and investing before-tax dollars through a tax-deferred voluntary salary contribution. The Deferred Compensation Plan is open to employees of state agencies, State University System, State Board of Administration, and other special district employers (subject to employer election). These various constituencies are delineated in statute and represented by a member of the Deferred Compensation Advisory Council. The Deferred Compensation Plan has been in operation for over 35 years and offers a reasonably priced supplemental retirement savings program.

Effect of the Bill

The bill:

- Allows a governmental employee of any governmental unit of the state to participate in the Deferred Compensation Plan.
- Expands the membership of the Deferred Compensation Advisory Council from seven members to eight members. The additional member will be an executive branch appointee made by the Chancellor of the Florida College System who must be an employee of the system.

Division of Workers’ Compensation

Florida’s Workers’ Compensation Law⁴⁰ requires employers to provide injured employees all medically necessary remedial treatment, care, and attendance for such period as the nature of the injury or the process of recovery may require.⁴¹ The Department of Financial Services, Division of Workers’ Compensation (DFS), provides regulatory oversight of Florida’s workers’ compensation system, including the workers’ compensation health care delivery system. The law specifies certain reimbursement formulas and methodologies to compensate workers’ compensation health care providers⁴² that provide medical services to injured employees. Where a reimbursement amount or methodology is not specifically included in statute, the Three-Member Panel is authorized to annually adopt statewide schedules of maximum reimbursement allowances (MRAs) to provide uniform fee

³⁶ *Id.*

³⁷ *Id.*

³⁸ S. 17.56, F.S.

³⁹ Florida Department of State, *General Records Schedule GS1-SL for State and Local Government Agencies*, (2017).

⁴⁰ Ch. 440, F.S.

⁴¹ S. 440.13(2)(a), F.S.

⁴² The term “health care provider” includes a physician or any recognized practitioner licensed to provide skilled services pursuant to a prescription or under the supervision or direction of a physician. It also includes any hospital licensed under chapter 395 and any health care institution licensed under chapter 400 or chapter 429. S. 440.13(1)(g), F.S.

schedules for the reimbursement of various medical services.⁴³ DFS incorporates the MRAs approved by the Three-Member Panel in reimbursement manuals⁴⁴ through the rulemaking process provided by the Administrative Procedures Act.⁴⁵

Medical Services

DWC is responsible for ensuring that employers provide medically necessary treatment, care, and attendance for injured workers. Healthcare providers must receive authorization from the insurer before providing treatment and submit treatment reports to the insurer. Insurers must reimburse healthcare providers based on statewide schedules of maximum reimbursement allowances developed by the DWC or an agreed-upon contract price. DWC mediates utilization and reimbursement disputes.⁴⁶

In 1980, the Legislature delegated authority over maximum reimbursement allowances to a Three-Member-Panel which consists of the Insurance Commissioner (as a representative of the Chief Financial Officer) and two others appointed by the Governor and subject to confirmation by the Senate. Section 440.13(12)(a), F.S., states: “Annually, the three-member panel shall adopt schedules of maximum reimbursement allowances for physicians, hospital inpatient care, hospital outpatient care, ambulatory surgical centers, work-hardening programs, and pain programs.”

The Medical Services Section within the DWC provides administrative support to the panel, which is statutorily charged with collecting data to evaluate the adequacy of the fee schedule, surveying healthcare providers to determine the availability and accessibility of healthcare, and surveying carriers to determine the impact of changes to the reimbursement schedule.⁴⁷ According to DWC, medical costs represent 67 percent of all workers’ compensation costs in Florida.

Maximum reimbursements approved by the Three-Member Panel must be based on the following statutory requirements:

- For inpatient treatment, hospitals must be reimbursed 75 percent of the usual and customary charges;⁴⁸
- For schedule surgeries, hospitals must be reimbursed 60 percent of the charges;⁴⁹
- For physicians, reimbursement is 110 percent of the reimbursement allowed by Medicare for an office visit and 140 percent of the reimbursement allowed by Medicare for a surgical procedure.⁵⁰
- For prescription medications, reimbursement is the wholesale price plus a \$4.18 dispensing fee; but for repackaged or relabeled prescription medications, reimbursement is 112.5 percent of the average wholesale price plus an \$8 dispensing fee.⁵¹

Healthcare providers cannot recover fees that are higher than those outlined in the schedule. This applies to treatment, care, and attendance provided by any hospital or other healthcare provider, ambulatory surgical center, work-hardening program, or pain program.⁵² Florida courts have enforced fee schedule limits against healthcare providers who sought higher fees for their services.⁵³

The law requires reimbursement to medical providers at either the agreed-upon contract price or the maximum reimbursement allowed in the appropriate schedule.

⁴³ S. 440.13(12), F.S.

⁴⁴ Ss. 440.13(12) and (13), F.S., and Ch. 69L-7, F.A.C.

⁴⁵ Ch. 120, F.S.

⁴⁶ S. 440.13, F.S.

⁴⁷ S. 440.13(12)(e), F.S.

⁴⁸ S. 440.13(12)(a), F.S.

⁴⁹ S. 440.13(12)(b), F.S.

⁵⁰ *Id.*

⁵¹ S. 440.13(12)(c), F.S.

⁵² S. 440.13(12)(d), F.S.

⁵³ [Sun Bank/South Florida, N.A. v. Baker, 632 So. 2d 669 \(Fla. 4th DCA 1994\)](#), cause dismissed, [639 So. 2d 982 \(Fla. 1994\)](#); citing, [Easter Elevator Co. v. Hedman, 290 So. 2d 56, 58 \(Fla. 1974\)](#).

The Three-Member Panel adopts the schedules as an independent entity, but DWC relies on the schedules when rendering determinations in reimbursement disputes between healthcare providers and insurance carriers,⁵⁴ and when adopting fee schedules for services rendered by medical providers.⁵⁵ As a result, DWC adopts the maximum reimbursement schedules through rulemaking, and, when the cost of a schedule exceeds \$1 million in the aggregate within a five-year period, the adopted rule is subject to legislative ratification.

The Administrative Procedures Act requires a statement of regulatory cost that includes an economic analysis showing whether the rule directly or indirectly:

1. Is likely to have an adverse impact on economic growth, private sector job creation or employment, or private sector investment in excess of \$1 million in the aggregate within 5 years after the implementation of the rule;
2. Is likely to have an adverse impact on business competitiveness, including the ability of persons doing business in the state to compete with persons doing business in other states or domestic markets, productivity, or innovation in excess of \$1 million in the aggregate within 5 years after the implementation of the rule; or
3. Is likely to increase regulatory costs, including any transactional costs, in excess of \$1 million in the aggregate within 5 years after the implementation of the rule.⁵⁶

The law provides three exemptions to the ratification requirement. Legislative ratification does not apply to triennial updates of the Florida Building Code and Florida Fire Prevention Code, which are expressly authorized by statute, or when a state agency adopts federal standards or rules that are needed to receive federal funds or other benefits under federal law.⁵⁷

The Legislature ratified the 2016 manual for healthcare providers, which increased the overall cost of the workers' compensation system by 1.8 percent, or \$64 million.⁵⁸

The Legislature declined to ratify reimbursement manuals for:

- Ambulatory surgical centers – the 2016 manual proposed an increase of 0.6 percent or \$22 million; the 2017 manual proposed an increase of 1.1 percent or \$40 million.⁵⁹
- Healthcare providers – the 2017 manual proposed an increase of 0.1 percent, or \$4 million.⁶⁰
- Hospitals – the 2016 and 2017 manuals proposed increases of 2.2 percent, or \$80 million.⁶¹

On October 22, 2020, DFS filed a rule adopting the 2020 Health Care Reimbursement Manual approved by the Three-Member Panel setting a revised uniform schedule of MRAs for physicians and other recognized practitioners.⁶² According to the National Council on Compensation Insurance, the revisions to MRAs in the 2020 Edition will result in increased costs to the overall compensation system of \$8 million over the next five years, as of November 16, 2020.⁶³

Effect of the Bill

⁵⁴ S. 440.13(7), F.S.

⁵⁵ S. 440.13(13), F.S.

⁵⁶ S. 120.541(2)(a), F.S.

⁵⁷ S. 120.541(4), F.S.

⁵⁸ Three Member Panel, 2019 Biennial Report,

https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwjgNuTnun9AhWlr4QIHYLrBecQFn0ECA8QAQ&url=https%3A%2F%2Fwww.myfloridacfo.com%2Fdocs-sf%2Fworkers-compensation-libraries%2Fworkers-comp-documents%2Freports%2Fthree-member-panel%2F2019-biennial-report.pdf%3Fsfvrsn%3D3c08839_4&usg=AOvVaw20P1pPOhVMVyoJ2TFEMvc , at 18 (last visited Mar. 19, 2023).

⁵⁹ *Id.*

⁶⁰ *Id.*

⁶¹ *Id.*

⁶² Email from Austin Stowers, Legislative Affairs Director, Department of Financial Services, RE: . Department of Financial Services Rule 69L-7.020, F.A.C. (Jan. 30, 2023).

⁶³ The National Council on Compensation Insurance, Inc., *Analysis of Florida Medial Fee Schedule Changes Proposed to be Effective July 1, 2021* (Nov. 16, 2020).

The bill:

- Ratifies Rule 69L-7.020, F.A.C., allowing the rule to go into effect. The Rule incorporates by reference the 2020 Edition of the Manual, which provides for reimbursement of health care providers under the increased MRAs approved by the Three-Member Panel. The National Council on Compensation Insurance estimates that this will produce a 0.2 percent increase in workers' compensation rates, as of November 16, 2020. This increase would likely be incorporated into the next annual rate filing for OIR approval, to become effective January 1, 2024, which could be an overall increase or decrease in total rate, after considering the entirety of the annual rate filing.
- Removes the authority of the Three-Member Panel to adopt maximum reimbursement allowances for individually licensed health care providers, work-hardening programs, pain programs, and durable medical equipment providers. Rather, it requires DFS to post the maximum reimbursement allowance for physician and non-hospital reimbursements on its website by July 1st each year, to become effective the following January 1st. This seeks to remove the health care provider reimbursements from rulemaking and the applicable legislative rule ratification requirement for rules that increase private sector costs by more than \$1 million in the aggregate over five years.⁶⁴
- Repeals the statutory incorporation of an outdated medical practice and parameters requirement.⁶⁵

Miscellaneous

Effect of the Bill

The bill also makes the following changes:

Boards within the CFO's Appointment Authority:

Florida Self-Insurers Guaranty Association, Inc. (Section 8)

Florida Insurance Guaranty Association (Section 41)

Florida Life and Health Insurance Guaranty Association (Section 42)

Florida Health Maintenance Organization Consumer Assistance Plan (Section 43)

Florida Workers' Compensation Insurance Guaranty Association (Section 44)

Medical Malpractice Risk Apportionment Plan (Section 32)

- Limits board members to eight consecutive years of service, they currently serve four-year terms without a term limitation;
- Allows the CFO to consider board appointment recommendations from persons with experience in applicable subject matter, in addition to current recommendation sources;
- Authorizes the CFO removal of board members based on misconduct, malfeasance, misfeasance, or neglect of duty;
- Subjects board members to the code of ethics under part III of ch. 112, F.S., with specifications regarding application of the code to the board members;
- Creates gift restrictions for board members;
- Provides penalties for board member ethical and gift acceptance violations;
- Creates a public records exemption for certain records;
- Establishes board meeting notice requirements; and,
- Authorizes DFS to provide legal services to any board or commission over which the CFO has appointment authority, including authorizing the outsourcing of legal services to be paid from the Insurance Regulatory Trust Fund.

DFS, Division of Investigative and Forensic Services (DIFS)

⁶⁴ It is unclear if this provision abrogates DFS' obligation under Ch. 120, F.S., the Administrative Procedures Act, to adopt policy and interpretations of statute via rulemaking.

⁶⁵ S. 440.13(14), F.S., requires workers' compensation medical practice parameters and protocols to adhere to the United States Agency for Healthcare Research and Quality practice parameters and protocols in effect on January 1, 2003.

- Allows DIFS to initiate, not just conduct, investigations and specifies that such investigations may cover any matter under the jurisdiction of the CFO, including the CFO's role as State Fire Marshal; and,
- Expands DIFS authority to refer suspected criminal violations for prosecution to include criminal violation of federal law, in addition to state law criminal violations.

Strategic Markets Research and Assessment Unit

- Repeals the unit and its required quarterly report on the state of the financial services industry in the state.⁶⁶

Board of Accountancy

- Requires the board to adopt rules for specific continuing education requirements related to insurance for certified public accountants engaged in audits of insurers.

Insurer Annual Statements

- Removes a limitation that prohibits an insurer from using the same accountant or partner of an accounting firm to prepare its annual statement that is filed with OIR for more than five consecutive years, but retains the limitation applicable to an accounting firm; and,
- Removes the five-year waiting period before an accountant or partner can again be used for this purpose.

Insurance Field Representatives (Agents)

- Corrects the name of a referenced association to reflect their current name.

Continuing Education Requirements

- Authorizes the Professional in Claims (PIC) designation from 2021 Training, LLC, to be accepted for a permitted exemption from examination.

Health Insurance Notice and Disclosure Requirements

- Limits required mental health-related notices and disclosures to those health insurers that offer behavioral health insurance coverage.

Collateral Protection Insurance Practices

- Prohibits an insurer or insurance agent from:
 - Issuing collateral protection insurance on a property:
 - They or an affiliate own;
 - They or an affiliate perform the servicing; or
 - If the servicing right is owned by them or an affiliate.
 - Compensating specified entities, including through commissions, on such a policy issued by the insurer;
 - Sharing premium or risk with such entities that obtained such insurance;
 - Offering compensation based on profitability or loss ratios with affiliates;
 - Making any payments, including expense reimbursement, to such entities for securing insurance business or related services; or,
 - Providing free or below-cost services to such entities or outsource its own services on an above-cost bases to such entities.

Service Warranty Association Solvency and Surplus

- Removes the requirement that a service warranty association's debt obligation meet a specified rating standard.
- Increases the associations required minimum net worth of \$100 million, rather than \$10 million.

Continuing Care Retirement Communities

⁶⁶ DFS asserts that this report is duplicative and out of date. Department of Financial Services, Agency Bill Analysis HB 487, p. 3 (Feb. 15, 2023).

- Repeals the Financial Services' Commission's rulemaking authority to establish alternative dispute resolution procedures.

Court Remission or Forfeiture of Bail Bonds

- Requires remission of the bail bond when the defendant dies or extradition is not pursued.

B. SECTION DIRECTORY:

- Section 1:** Amends s. 20.121, F.S., relating to Department of Financial Services.
- Section 2:** Amends s. 39.6035, F.S., relating to transition plan.
- Section 3:** Amends s. 110.113, F.S., relating to pay periods for state officers and employees; salary payments by direct deposit.
- Section 4:** Amends s. 112.215, F.S., relating to government employees; deferred compensation program.
- Section 5:** Amends s. 215.422, F.S., relating to payments, warrants, and invoices; processing time limits; dispute resolution; agency or judicial branch compliance.
- Section 6:** Amends s. 274.01, F.S., relating to definitions.
- Section 7:** Amends s. 440.13, F.S., relating to medical services and supplies; penalty for violations; limitations.
- Section 8:** Amends s. 440.385, F.S., relating to Florida Self-Insurers Guaranty Association, Incorporated.
- Section 9:** Amends s. 473.312, F.S., relating to continuing education.
- Section 10:** Amends s. 624.424, F.S., relating to annual statement and other information.
- Section 11:** Amends s. 624.501, F.S., relating to filing, license, appointment, and miscellaneous fees.
- Section 12:** Amends s. 626.015, F.S., relating to definitions.
- Section 13:** Amends s. 626.171, F.S., relating to application for license as an agent, customer representative, adjuster, service representative, or reinsurance intermediary.
- Section 14:** Amends s. 626.173, F.S., relating to insurance agency closure; cancellation of licenses.
- Section 15:** Amends s. 626.221, F.S., relating to examination requirement; exemptions.
- Section 16:** Amends s. 626.2815, F.S., relating to continuing education requirements.
- Section 17:** Amends s. 626.321, F.S., relating to limited licenses and registration.
- Section 18:** Amends s. 626.611, F.S., relating to grounds for compulsory refusal, suspension, or revocation of agent's, title agency's, adjuster's, customer representative's, service representative's, or managing general agent's license or appointment.
- Section 19:** Amends s. 626.621, F.S., relating to grounds for discretionary refusal, suspension, or revocation of agent's, adjuster's, customer representative's, service representative's, or managing general agent's license or appointment.
- Section 20:** Amends s. 626.7492, F.S., relating to reinsurance intermediaries.
- Section 21:** Amends s. 626.752, F.S., relating to exchange of business.
- Section 22:** Amends s. 626.793, F.S., relating to excess or rejected business.
- Section 23:** Amends s. 626.837, F.S., relating to excess or rejected business.
- Section 24:** Amends s. 626.841, F.S., relating to definitions.
- Section 25:** Amends s. 626.8411, F.S., relating to application of Florida Insurance Code provisions to title insurance agents or agencies.

- Section 26:** Amends s. 626.8437, F.S., relating to grounds for denial, suspension, revocation, or refusal to renew license or appointment.
- Section 27:** Amends s. 626.844, F.S., relating to grounds for discretionary refusal, suspension, or revocation of license or appointment.
- Section 28:** Amends s. 626.8473, F.S., relating to escrow; trust fund.
- Section 29:** Amends s. 626.854, F.S., relating to "public adjuster" defined; prohibitions.
- Section 30:** Amends s. 626.874, F.S., relating to catastrophe or emergency adjusters.
- Section 31:** Amends s. 626.9957, F.S., relating to conduct prohibited; denial, revocation, or suspension of registration.
- Section 32:** Amends s. 627.351, F.S., relating to insurance risk apportionment plans.
- Section 33:** Amends s. 627.4133, F.S., relating to notice of cancellation, nonrenewal, or renewal premium.
- Section 34:** Amends s. 627.4215, F.S., relating to disclosures to policyholders; coverage of behavioral health care services.
- Section 35:** Amends s. 627.426, F.S., relating to claims administration.
- Section 36:** Amends s. 627.7015, F.S., relating to alternative procedure for resolution of disputed property insurance claims.
- Section 37:** Creates s. 627.7155, F.S., relating to collateral protection property insurance; prohibited practices.
- Section 38:** Amends s. 627.745, F.S., relating to mediation of claims.
- Section 39:** Amends s. 631.141, F.S., relating to conduct of delinquency proceeding; domestic and alien insurers.
- Section 40:** Amends s. 631.252, F.S., relating to continuation of coverage.
- Section 41:** Amends s. 631.56, F.S., relating to board of directors.
- Section 42:** Amends s. 631.716, F.S., relating to board of directors.
- Section 43:** Amends s. 631.816, F.S., relating to board of directors.
- Section 44:** Amends s. 631.912, F.S., relating to board of directors.
- Section 45:** Creates s. 633.1423, F.S., relating to State Fire Marshal direct-support organization.
- Section 46:** Amends s. 634.171, F.S., relating to salesperson to be licensed and appointed.
- Section 47:** Amends s. 634.181, F.S., relating to grounds for compulsory refusal, suspension, or revocation of license or appointment of salespersons.
- Section 48:** Amends s. 634.191, F.S., relating to grounds for discretionary refusal, suspension, or revocation of license or appointment of salespersons.
- Section 49:** Amends s. 634.320, F.S., relating to grounds for compulsory refusal, suspension, or revocation of license or appointment of sales representatives.
- Section 50:** Amends s. 634.321, F.S., relating to grounds for discretionary refusal, suspension, or revocation of license or appointment of sales representatives.
- Section 51:** Amends s. 634.401, F.S., relating to definitions.
- Section 52:** Amends s. 634.406, F.S., relating to financial requirements.
- Section 53:** Amends s. 634.422, F.S., relating to grounds for compulsory refusal, suspension, or revocation of license or appointment of sales representatives.
- Section 54:** Amends s. 634.423, F.S., relating to grounds for discretionary refusal, suspension, or revocation of license or appointment of sales representatives.
- Section 55:** Amends s. 648.25, F.S., relating to definitions.

- Section 56:** Amends s. 648.26, F.S., relating to Department of Financial Services; administration.
- Section 57:** Amends s. 648.27, F.S., relating to licenses and appointments; general.
- Section 58:** Amends s. 648.285, F.S., relating to bond agency; ownership requirements.
- Section 59:** Amends s. 648.30, F.S., relating to licensure and appointment required; prohibited acts; penalties.
- Section 60:** Amends s. 648.31, F.S., relating to appointment taxes and fees.
- Section 61:** Amends s. 648.34, F.S., relating to bail bond agents; qualifications.
- Section 62:** Amends s. 648.355, F.S., relating to temporary limited license as Limited surety agent or professional bail bond agent; qualifications pending examination.
- Section 63:** Amends s. 648.382, F.S., relating to appointment of bail bond agents and temporary bail bond agents; effective date of appointment.
- Section 64:** Amends s. 648.386, F.S., relating to qualifications for prelicensing and continuing education schools and instructors.
- Section 65:** Creates s. 648.3875, F.S., relating to primary bail bond agents; qualifications.
- Section 66:** Amends s. 648.39, F.S., relating to termination of appointment of managing general agents, bail bond agents, and temporary bail bond agents.
- Section 67:** Repeals s. 648.41, F.S., relating to termination of appointment of temporary bail bond agents.
- Section 68:** Amends s. 648.42, F.S., relating to registration of bail bond agents.
- Section 69:** Amends s. 648.44, F.S., relating to prohibitions; penalty.
- Section 70:** Amends s. 648.441, F.S., relating to furnishing supplies to unlicensed bail bond agent prohibited; civil liability and penalty.
- Section 71:** Amends s. 648.50, F.S., relating to effect of suspension, revocation upon associated licenses and licensees.
- Section 72:** Repeals s. 651.123, F.S., relating to alternative dispute resolution.
- Section 73:** Amends s. 843.021, F.S., relating to unlawful possession of a concealed handcuff key.
- Section 74:** Amends s. 903.28, F.S., relating to remission of forfeiture; conditions.
- Section 75:** Amends s. 28.2221, F.S., relating to Electronic access to official records.
- Section 76:** Amends s. 119.071, F.S., relating to general exemptions from inspection or copying of public records.
- Section 77:** Amends s. 631.152, F.S., relating to conduct of delinquency proceeding; foreign insurers.
- Section 78:** Amends s. 631.398, F.S., relating to prevention of insolvencies.
- Section 79:** Amends s. 903.09, F.S., relating to justification of sureties.
- Section 80:** Ratifies the Workers' Compensation Health Care Providers Reimbursement Manual adopted under Rule 69L-7.020, F.A.C.
- Section 81:** Provides an effective date of upon becoming law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The bill eliminates certain fees that may reduce revenues an indeterminate, but likely insignificant amount.

2. Expenditures:

The bill makes numerous changes that will require systems and process changes in DFS and other agencies. The amount of the impact has not been estimated.⁶⁷

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill requires warranty associations to have a reserve of \$100 million, instead of \$10 million. The bill requires motor vehicle insurers bear the entire cost of mediation. It makes various other changes that have an indeterminate, negative fiscal impact.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. This bill does not appear to require counties or municipalities to spend funds or take action requiring the expenditures of funds; reduce the authority that counties or municipalities have to raise revenues in the aggregate; or reduce the percentage of state tax shared with counties or municipalities.

2. Other:

The following sections of the bill present a single subject concern or violate separate bill requirements of the Florida Constitution:

- Section 2 – Department of Children and Families administration of foster child transition plans.
- Section 5 – Prompt payment of medical bills by state agencies.
- Sections 8, 32, and 41-44 – Public record exemptions and public meeting requirements applicable to various boards.
- Section 9 – Board of Accountancy continuing education requirements for certified public accountants.
- Section 10 – Limitations on insurer use of specified accountants for preparation of annual statements.
- Section 33 – Insurer terminations of coverage during the allowed underwriting period.
- Section 34 – Insurer notice requirements related to behavior health services.
- Section 35 – Insurer claims administration; limitation on cancellation for non-cooperation.

⁶⁷ See note 66, supra, p. 11.
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- Section 36 – 627.7015(2) not within DFS jurisdiction, also incorrect cross-reference.
- Section 51 – Warranty association reserve requirements.
- Section 60 – New bail bond agency fee.
- Section 72 – Repeal of the Financial Services Commission rulemaking authority.

B. RULE-MAKING AUTHORITY:

The Department of Financial Services is provided rulemaking authority to implement provisions of the bill.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES