



JEB BUSH
GOVERNOR

STATE OF FLORIDA

Office of the Governor

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June 27, 2006

Ms. Sue Cobb
Secretary of State
Department of State
R.A. Gray Building
500 South Bronough Street
Tallahassee, Florida 32399-0250

Dear Secretary Cobb:

By the authority vested in me as Governor of Florida, under the provisions of Article III, Section 8, of the Constitution of Florida, I do hereby withhold my approval of and transmit to you with my objections, House Bill 1361, enacted during the 108th Session of the Legislature of Florida since statehood in 1845, during the Regular Session of 2006, and entitled:

An act relating to insurance . . .

Among its provisions, the bill authorizes insurers to sell debt cancellation and debt suspension agreement contractual liability insurance to creditors, requires health insurance companies and Health Maintenance Organizations to provide a uniform identification card to all members, deregulates some reporting requirements of discount medical plan organizations, and authorizes any two or more not for profit corporations located in Florida and organized under Florida law to form a self-insurance fund for pooling liabilities of its members for any property, casualty, or surety risk. Portions of House Bill 173, House Bill 517, and House Bill 805 were amended to this bill after the committee process and included in the final enrolled bill.

While I support the sponsors' efforts to provide added benefits to consumers who may need additional financial security by authorizing insurers to sell debt cancellation and debt suspension agreement contractual liability insurance to creditors such as a bank or credit union, or an entity entering into retail installment contracts. The good provisions of the bill would allow a lender to provide benefits to its customers such as canceling or deferring their debt or monthly payment obligations in the occasion of a major life event such as hospitalization, loss of a job, military deployment, or disability. The provisions of the bill that authorize certain self-insurance funds, remove some regulatory authority that the Office of Insurance Regulation has over discount medical plan organizations, and require certain identification cards are problematic.



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First, the bill authorizes any two or more not-for-profit corporations located in Florida and organized under Florida law to form a self-insurance fund for pooling liabilities of its members for any property, casualty, or surety risk. Self-insurance funds are a good way for certain organizations to obtain insurance coverage for their members, if set up properly. However, in HB 1361, because of lack of regulatory oversight, inadequate surplus requirements and problematic insolvencies, these funds may become more harmful than helpful to the members of the organization. Historically, there have been numerous insolvencies among these self-insurance funds creating a very onerous job for Florida's regulators. For example, universities or local governments can form self-insurance funds that have external resources that can be tapped in the event the self-insurance fund becomes insolvent. Conversely, non-profit organizations must make assessments on their insureds to fund any deficit. Collection of these assessments by state regulators is typically slow and unproductive, to the detriment of the members. To allow the authorization of these self-insurance funds without the proper regulatory oversight could be harmful to the members who are counting on the coverage provided by a self-insurance fund.

Second, the 2004 Affordable Care for Floridians Act, which I signed into law, included provisions to provide consumer protections because some discount medical plan organizations were misleading consumers on the nature of the product and were not following contractual obligations delineated in the plan. Through extensive discussions between legislators, regulators, and industry, the Legislature again modified the regulatory scheme in 2005. According to the Office of Insurance Regulation, these discount medical plan organizations regulatory provisions are the reason that plan member complaints have been reduced from 1,019 in 2004 to 288 in 2005, and only 55 in 2006 (through June 2).

Discount medical plan organizations have become an important means by which families that do not have a health insurance plan can access medical services. They provide the opportunity for families to receive medical services at a discounted rate for a monthly charge. The provisions in this bill remove some of the necessary consumer protections that were put into place in 2004 and 2005. Given the importance of these plans and the increased consumer protection that has been afforded by thoughtful and negotiated changes to the law in 2004 and 2005, I do not support changes made in the bill to reduce state oversight of discount medical plan organizations and increase the cap on monthly charges.

Last, the bill requires health insurance companies and health maintenance organizations to provide identification cards to policyholders and subscribers, which contain specified information that can be used to estimate the financial responsibility of the covered person and contact information for the insurer or health maintenance organization. While the underlying policy behind these provisions is solid, there is concern about the short time frame within which the companies must comply. House Bill 805 originally had established an effective date of July 1, 2007, to allow companies sufficient time to conform to the law; however, when portions of that bill were amended on to House Bill 1361, the effective date became July 1, 2006. Enforcement of penalties against these companies would be unfair without giving them sufficient time to comply with the law.

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For the reasons cited herein, I withhold my support for House Bill 1361.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeb Bush". The signature is written in a cursive style with a large, looping initial "J".

Jeb Bush