

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 892

SPONSOR: Senator King

SUBJECT: Insurance Claims-Electronic Payments

DATE: February 7, 2000

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Emrich</u>	<u>Deffenbaugh</u>	<u>BI</u>	<u>Favorable</u>
2.	_____	_____	_____	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

Senate Bill 892 would allow insurance companies to pay claims through the use of a debit card account or other electronic transfer when the recipient or the recipient's representative approves such a payment in writing. Any fees charged to the recipient for payment by debit card or other form of electronic transfer would be required to be disclosed in writing to the recipient or the recipient's representative at the time of written authorization.

Under current law, insurers are required to pay all claims in cash consisting of coins, currency, checks, drafts, or money orders pursuant to s. 627.4035, F.S.

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

This bill amends section 627.4035, Florida Statutes.

II. Present Situation:

Under present law, all insurance claims payments in Florida must be made in cash pursuant to s. 627.4035(3), F.S. For the purposes of this requirement, "cash" consists of coins, currency, checks, drafts, or money orders. Electronic transfers and debit card transactions are not expressly included in the class of items considered "cash" within s. 627.4035(3), F.S.

Last year, the Department of Insurance approved two pilot programs which allowed Progressive Insurance Company and the Florida Select Insurance Company to pay insurance claims via electronic payment transactions. A company called "ClaimCard" developed the software which allowed both Progressive and Florida Select to utilize such a payment system. Under the Progressive plan, the company offered a stored value card as a payment option to policyholders and third party claimants who sustained automobile physical damage and property damage. Under the Florida Select program, that insurer offered their policyholders a stored value card as a payment for homeowner catastrophic additional living expenses (ALE) benefits and contents

claims. According to representatives with the department, these pilot programs were allowed because of the interpretation of the word “draft” under s. 627.4035, F.S., which would allow insurers to transfer cash to a separate claim card account and then issue the stored card to the claimant. However, the department believes it is still necessary to clarify the law to specifically allow debit cards and other electronic transfers to pay claims.

III. Effect of Proposed Changes:

Section 1. Amends s. 627.4035(3), F.S., to allow insurance companies to pay claims through the use of a debit card account or other electronic transfer when the recipient or the recipient’s representative approves such a payment in writing. Any fees charged to the recipient for payment by debit card or other form of electronic transfer would be required to be disclosed in writing to the recipient or the recipient’s representative at the time of written authorization.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

By using the debit card system or other electronic transfer, insurance companies might realize some cost savings in the claims payment process through a reduction in the amount of paper that must be used, delivered, and stored. Also, by using electronic transfers, insurers might benefit economically from a reduced incidence of check fraud. In addition to insurers, other firms that design, sell, install, or implement the technology needed to engage in electronic transfer and debit card systems could benefit. The public could also benefit from the added convenience of receiving claim payments in electronic form. However, firms linked to the use of traditional forms of claims payment might be affected negatively if fewer claims are paid through traditional cash forms, like checks. In addition, there may be fees associated with payment via debit card.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
