

# FLORIDA HOUSE OF REPRESENTATIVES

## BILL ANALYSIS

*This bill analysis was prepared by nonpartisan committee staff and does not constitute an official statement of legislative intent.*

**BILL #:** [CS/HB 527](#)

**TITLE:** Mandatory Human Reviews of Insurance Claim Denials

**SPONSOR(S):** Cassel

### Committee References

[Insurance & Banking](#)

18 Y, 0 N, As CS

**COMPANION BILL:** [SB 202](#) (Bradley)

**LINKED BILLS:** None

**RELATED BILLS:** None

[Commerce](#)

## SUMMARY

### Effect of the Bill:

The bill establishes a statutory framework governing the use of artificial intelligence (AI) in claims handling. Specifically, the bill prohibits workers' compensation carriers, insurers, and health maintenance organizations from reducing a claim payment, denying a claim, or denying a portion of a claim based solely on the output of an AI system, algorithm, or machine learning system. Instead, the bill requires a qualified human professional to make all denial and claim payment reduction decisions after analyzing the claim independently of any AI system, machine learning system, or algorithm. The bill also mandates detailed recordkeeping, certain disclosures in denial letters, and updates to claims-handling manuals for workers' compensation carriers, insurers, and health maintenance organizations who use AI as part of their claims-handling process.

### Fiscal or Economic Impact:

There is an indeterminate fiscal impact on the private sector.

[JUMP TO](#)

[SUMMARY](#)

[ANALYSIS](#)

[RELEVANT INFORMATION](#)

[BILL HISTORY](#)

## ANALYSIS

### **EFFECT OF THE BILL:**

The bill regulates the use of [artificial intelligence systems](#)<sup>1</sup>, machine learning systems<sup>2</sup>, and algorithms<sup>3</sup> by [workers' compensation carriers](#), insurers<sup>4</sup>, and [health maintenance organizations](#) (HMOs) in their claims handling process. (Sections [1](#), [2](#), and [3](#)). It allows the use of these systems to assist in processing claims, but the bill prohibits the use of these systems as the sole basis to reduce a claim payment, deny a claim, or deny a portion of a claim. (Sections [1](#), [2](#), and [3](#)).

<sup>1</sup> The bill defines "artificial intelligence system" as a machine-based system that may have varying levels of autonomy and that can, for a given set of objectives, generate outputs, such as predictions, recommendations, or content, influencing decisions made in real or virtual environments.

<sup>2</sup> The bill defines "machine learning system" as an artificial intelligence system that has the ability to learn from provided data without being explicitly programmed.

<sup>3</sup> The bill defines "algorithm" as a clearly specified mathematical process for computation which uses rules designed to give prescribed results.

<sup>4</sup> Section 2 of the bill applies to most authorized insurers except: reinsurance; policies or contracts not issued for delivery in this state nor delivered in this state; wet marine and transportation insurance; title insurance; and credit life or credit disability insurance.

**STORAGE NAME:** h0527a.IBS

**DATE:** 12/11/2025

The bill requires that an individual with authority under the [Florida Insurance Code](#) to adjust or deny a claim must be the person who makes decisions regarding the reduction of a claim payment or denial of a claim or a portion of a claim. The bill requires this individual, called a “qualified human professional,” to:

- analyze the claim independently of any AI system, machine learning system, or algorithm;
- review the accuracy of any output produced by an AI system, machine learning system, or algorithm; and
- determine that the claim or portion of the claim is not payable under the terms of the policy or contract and should be denied, or that the claim payment should be reduced. (Sections [1](#), [2](#), and [3](#)).

The bill also requires workers’ compensation carriers, insurers, and HMOs to maintain detailed records of claim denials, including:

- the name, title, business address, and the unique identifier of the qualified human professional responsible for the decision;
- the date and time of the decision; and
- documentation of the basis for reduction of the claim payment or claim denial, including any information provided by any AI system, machine learning system, or algorithm. (Sections [1](#), [2](#), and [3](#)).

Additionally, the bill requires workers’ compensation carriers, insurers, and HMOs to include the following in their denial letters to policyholders:

- an email address, telephone number, business address, and unique identifier, in lieu of the name of the qualified human professional who made the decision; and
- an affirmation that an AI system, machine learning system, or algorithm was not the sole basis for the denial. (Sections [1](#), [2](#), and [3](#)).

Workers’ compensation carriers, insurers, and HMOs who use AI systems, machine learning systems, or algorithms as part of their claims handling process must update their claims handling manuals with details about how these systems are used by the insurer and how those processes comply with the bill’s requirements. (Sections [1](#), [2](#), and [3](#)).

The bill grants the [Department of Financial Services](#) (DFS) the authority to carry out market conduct examinations and investigations of workers’ compensation carriers to verify compliance with the bill. (Section [1](#)).

The bill imposes penalties for workers’ compensation carriers who violate the bill. (Section [1](#)). These penalties include administrative fines of up to \$2,500 for each nonwillful violation not to exceed \$10,000 for all nonwillful violations arising out of the same action<sup>5</sup> and DFS may impose administrative fines of up to \$20,000, not to exceed \$100,000 for all willful violations arising out of the same action.<sup>6</sup>

The bill grants the [Office of Insurance Regulation](#) (OIR) the authority to carry out market conduct examinations and investigations of the insurers and HMOs to verify compliance with the bill. (Sections [2](#) and [3](#)).

The bill provides an effective date of July 1, 2026. (Section [4](#)).

#### **RULEMAKING:**

The bill grants rulemaking authority to the Department of Financial Services and the [Financial Services Commission](#) to implement the statutory framework regulating the use of artificial intelligence in claims handling by workers’ compensation carriers, insurers, and HMOs created by this bill.

***Lawmaking is a legislative power; however, the Legislature may delegate a portion of such power to executive branch agencies to create rules that have the force of law. To exercise this delegated power, an agency must have a grant of rulemaking authority and a law to implement.***

<sup>5</sup> See [s. 440.525, F.S.](#)

<sup>6</sup> *Id.*

## FISCAL OR ECONOMIC IMPACT:

### PRIVATE SECTOR:

Indeterminate fiscal impact. Insurance companies, workers' compensation carriers, and HMOs that use AI systems, machine learning systems, or algorithms may incur fiscal costs in order to comply with the bill.

## RELEVANT INFORMATION

### SUBJECT OVERVIEW:

#### **Use of Artificial Intelligence Systems, Machine Learning Systems, and Algorithms by Insurers**

Artificial intelligence is the development of computer systems to perform tasks that normally require human intelligence, such as learning and decision-making.<sup>7</sup> It enables computer systems to receive information that is either provided to them by others or gathered by them, which they can then process and respond to in some meaningful way. To a certain extent, AI systems can adjust their behavior by analyzing the results of prior actions and operating without direct human control.<sup>8</sup>

The use of AI is becoming more prevalent across all industries, and major companies like IBM, Apple, Google, and Amazon are using this technology internally and in their customer-facing products and services.<sup>9</sup> AI technologies are increasingly being used in certain insurance operations, such as underwriting, customer service, marketing, fraud detection, and claims handling.<sup>10</sup> A survey conducted by the National Association of Insurance Commissioners (NAIC) found that out of 193 auto insurers surveyed, 88% reported either using or having plans to use AI or machine learning systems.<sup>11</sup> Similarly, out of 194 home insurers who responded to the NAIC survey, 70% of insurers either use or plan to use these systems.<sup>12</sup> The property and casualty insurers who were surveyed reported using AI in claims handling to analyze accident images, to estimate claim settlement values, and to detect fraud.<sup>13</sup>

#### **Workers' compensation**

Workers' compensation is a no-fault system that provides disability and medical benefits and compensation for lost wages when an employee is injured in the course of employment.<sup>14</sup> Employers must secure coverage, and may do so by purchasing insurance from an authorized carrier, qualifying as a self-insurer, or purchasing coverage from the Florida Workers' Compensation Joint Underwriting Association, which is the state-sponsored insurer of last resort.<sup>15</sup>

#### **Health Maintenance Organizations**

Health maintenance organizations (HMOs) provide emergency care, inpatient hospital services, physician care, ambulatory diagnostic treatment, and preventive health care services.<sup>16</sup> HMOs provide these services to

<sup>7</sup> National Conference of State Legislatures (NCSL), *Artificial Intelligence 2025 Legislation*, July 10, 2025, <https://www.ncsl.org/technology-and-communication/artificial-intelligence-2025-legislation> (last visited Dec. 1, 2025).

<sup>8</sup> European Parliament, *What is artificial intelligence and how is it used?*, E.U. News, Jun. 20, 2023, <https://www.europarl.europa.eu/topics/en/article/20200827ST085804/what-is-artificial-intelligence-and-how-is-it-used> (last visited Dec. 1, 2025).

<sup>9</sup> National Association of Insurance Commissioners (NAIC), *Artificial Intelligence*, Jan. 17, 2025, <http://content.naic.org/insurance-topics/artificial-intelligence> (last visited Dec. 1, 2025).

<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> [S. 440.015, F.S.](#)

<sup>15</sup> [S. 440.38, F.S.](#) and [627.311\(5\), F.S.](#)

<sup>16</sup> [S. 641.19, F.S.](#)

subscribers who pay for these services on a prepaid per capita or prepaid aggregate fixed-sum basis.<sup>17</sup> HMOs are required to obtain a certificate of authority from OIR to be able to operate in Florida.<sup>18</sup>

### **Florida Insurance Code**

The Florida Insurance Code<sup>19</sup> provides the regulatory framework for admitted insurers in the state. Currently, the Florida Insurance Code does not regulate the use of artificial intelligence by insurers. However, insurers are bound by certain requirements relating to claims handling. For example, property insurers are required to develop a claims-handling manual that provides guidelines for processing claims that comply with all the requirements of the Florida Insurance Code, and it grants OIR the authority to request a copy of this manual.<sup>20</sup>

The Florida Insurance Code provides penalties for violations of the code, including cease and desist authority by OIR and DFS, administrative fines, restitution, and suspension or revocation of the insurer's certificate of authority.<sup>21</sup>

### **Department of Financial Services**

The Chief Financial Officer is a constitutional officer who is the head of the Department of Financial Services (DFS). DFS enforces certain provisions of the Florida Insurance Code, including those related to insurance agents, insurance agencies, managing general agents, insurance adjusters, reinsurance intermediaries, viatical settlement brokers, customer representatives, service representatives, and agencies.<sup>22</sup> The Department of Financial Services oversees workers' compensation carriers, including carrier responsibilities, coverage requirements, claim procedures, timelines, and penalties.<sup>23</sup>

### **Office of Financial Regulation**

The Office of Insurance Regulation (OIR) regulates all activities relating to insurers and other risk bearing entities, including licensing, rates, policy forms, marked conduct, claims, issuance of certificates of authority, solvency, viatical settlements, premium financing, and administrative supervision.<sup>24</sup> The OIR is responsible for examining the affairs, transactions, accounts, records, and assets of each authorized insurer in the state.<sup>25</sup> As part of that process, insurers must make available all records relating to the subject of the examination.<sup>26</sup> The OIR is also authorized to carry out market conduct examinations to determine compliance with the Florida Insurance Code.<sup>27</sup>

### **Financial Services Commission**

The Financial Services Commission is composed of the Governor, the Chief Financial Officer, the Attorney General, and the Commissioner of Agriculture and it serves as agency head of the OIR for purposes of rulemaking.<sup>28</sup> The Financial Services Commission encompasses two offices: the Office of Insurance Regulation (responsible for insurers and risk bearing entities) and the Office of Financial Regulation (responsible for the regulation of banks, credit unions, other financial institutions, finance companies, and the securities industry).<sup>29</sup>

---

<sup>17</sup> *Id.*

<sup>18</sup> [S. 641.22, F.S.](#)

<sup>19</sup> See [s. 624.01, F.S.](#)

<sup>20</sup> [S. 627.4108, F.S.](#)

<sup>21</sup> See [s. 624.310, F.S.](#), [s. 624.418, F.S.](#), and [s. 624.4211, F.S.](#)

<sup>22</sup> [S. 626.016, F.S.](#)

<sup>23</sup> Chapter 440, F.S.

<sup>24</sup> [S. 20.121\(3\)\(a\), F.S.](#)

<sup>25</sup> [S. 624.316\(1\)\(a\), F.S.](#)

<sup>26</sup> [S. 624.318\(2\), F.S.](#)

<sup>27</sup> [S. 624.3161, F.S.](#)

<sup>28</sup> [S. 20.121\(3\), F.S.](#)

<sup>29</sup> *Id.*

## BILL HISTORY

COMMITTEE REFERENCE	ACTION	DATE	STAFF DIRECTOR/ POLICY CHIEF	ANALYSIS PREPARED BY
<a href="#">Insurance &amp; Banking Subcommittee</a>	18 Y, 0 N, As CS		Brackett	Miguez
THE CHANGES ADOPTED BY THE COMMITTEE:	<ul style="list-style-type: none"> <li>• Expanded the scope of the bill to include workers' compensation and health maintenance organizations (HMOs).</li> <li>• Explicitly allowed insurers, workers' compensation carriers, and HMOs to use algorithms, artificial intelligence systems, or machine learning systems to assist in claims handling, including the generation of recommendations to approve or deny a claim.</li> <li>• Clarified that the qualified human professional is only required to review denials, partial denials, and claims where the payment is reduced.</li> <li>• Created penalties for workers' compensation carriers who violate the bill's requirements.</li> <li>• Provided that insurers, workers' compensation carriers, and HMOs must provide the unique identifier of the qualified human professional to the policyholder instead of the professional's name.</li> </ul>			
<a href="#">Commerce Committee</a>				

-----  
**THIS BILL ANALYSIS HAS BEEN UPDATED TO INCORPORATE ALL OF THE CHANGES DESCRIBED ABOVE.**  
-----