



# Office of Insurance Regulation

## 2006 Legislative Priorities

### **SB 1676 by Garcia and HB 541 by Ross - Creation of a National Catastrophe Insurance Program**

The 2004 and 2005 hurricane seasons had a devastating impact on the State of Florida with eight hurricanes and four tropical storms, causing approximately \$35 billion in estimated gross probable insurance losses. The damage has resulted in displacement of policyholders from their dwellings, loss of personal belongings and contents, closing of businesses and financial institutions, temporary loss of employment, and created numerous health and safety issues within our local communities.

The Office of Insurance Regulation (Office) supports a resolution that calls for the creation of a National Catastrophe Insurance Program to promote personal responsibility among policyholders; support strong building codes, development plans and other mitigation tools; maximize the risk-bearing capacity of the private markets; and provide quantifiable risk management through the federal government.

A resolution must address the following concepts in order to implement a National Catastrophe Insurance Program, including:

- Provide consumers with a private market residential insurance program with all-perils protection
- Promote personal responsibility through mitigation; provide individuals with the ability to manage their own "disaster savings accounts" that accumulate on a tax-advantaged basis; and create tax-deferred insurance company catastrophe reserves to benefit the policyholder.
- Enhance local government's role of establishing and maintaining effective building codes, mitigation, education and land use management; and create state or multi-state region risk spreading/catastrophe financing facilities (i.e. the Florida Hurricane Catastrophe Fund).
- Create a National Catastrophe Fund that provides a quantifiable level of risk management and financing for mega-catastrophes. A National Fund should allow for aggregate risk pooling of natural disasters funded by the set-aside of premium dollars in the exposed lines of business.



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### **SB 764 by Aronberg and HB 299 by Sobel - Freedom to Travel Legislation**

Under the Unfair Insurance Trade Practices Act<sup>1</sup>, insurance companies are prohibited from discriminating between individuals of the same actuarially supportable class in the rates charged for life insurance policies. This legislation further clarifies that insurance carriers must not discriminate between individuals of the same actuarially supportable class in the rates charged, coverage offered, and issuance or renewal of life insurance policies based on the individual's past or future travel.

This legislation strengthens the Office's Proposed Rule 69O-125.003<sup>2</sup>, which prohibits insurance companies from discriminating between individuals of the same actuarially supportable class in the rates charged, coverage offered, or issuance or renewal of life insurance policies based on the individual's past or future travel. The Freedom to Travel legislation also provides the Financial Services Commission with rule making authority to provide limited exceptions based on national emergency conditions that may affect public safety.

### **SB 2290 by Fasano and HB 1349 by Farkas - Long-Term Care Insurance**

In October 2005, the Office assembled a Task Force comprised of legislators, insurance industry representatives and consumer representatives, to discuss the economic, regulatory and public policy aspects of the private long-term care market. Upon completion of the discussion, the Task Force members developed recommendations aimed at ensuring the viability of an agreement made by long-term care insurance providers to consumers (who purchased long-term care insurance policies) that their rates would be stable over the life of the policy. Some providers have filed rate increases with the Office in excess of 200% and have requested policy increases in excess of 400% over the life of the contract.

The legislation provides a contingency benefit provision option for policyholders who have been placed in closed blocks of business (i.e., a set of policy contracts that are no longer issued, but are still in force for a set of policyholders whose medical conditions likely prevent them being eligible for a new health contract from any other company). The policyholder would have the option of a reduction in coverage or a paid up policy equal to the sum of all premiums paid during the life of the policy

Currently, insurers offer many different features and policy structures for long-term care coverage that often make it difficult for applicants to shop and compare prices. In order to ensure that applicants for new policies receive a minimal

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<sup>1</sup> Chapter 626, Part IX, Florida Statutes.

<sup>2</sup> Rule hearing for Proposed Rule is scheduled for March 16, 2006.



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amount of coverage in their policy, the legislation provides for a standard benefit policy with a package of benefits covered by a basic policy.

### **SB 1506 by Alexander and HB 1329 by Grant - Electronic Filing Requirement**

Florida law currently provides for the following specialty insurance entities to make electronic filings with the Office: Insurance Administrators<sup>3</sup>; Motor Vehicle Service Agreement Companies<sup>4</sup>; Home Warranty Associations<sup>5</sup>; Service Warranty Associations<sup>6</sup>; and Legal Expense Insurance<sup>7</sup>.

This legislation conforms the method of financial reporting with other licensee filing methods by providing the Office with the ability to collect electronic financial reports from Viatical Settlement Providers (Viaticals), Premium Finance Companies (PFCs), and Continuing Care Retirement Communities (CCRCs). Currently, these entities only submit reports via hard copy.

The incorporation of electronic filing by Viaticals, PFCs, and CCRCs would facilitate efficient financial statement analysis and uniformity across all insurance entities within the Office. Electronic filing by these entities will be consistent with the filing format required of other licensees that report to the Office.

Private sector companies report that electronically filing financial reports will be more convenient and that their time savings will range up to one hour per report.

While cost and time savings are certainly worthwhile benefits, the most significant benefit is consumer protection. By enhancing analytical tools, the Office can better assess the financial condition of companies, detect, and resolve problems that could adversely affect consumers if gone undetected.

### **Florida Property Insurance Market**

The 2005 Florida Legislature, in SB 1486, created the Task Force on Long-Term Hurricane Solutions (Task Force) for the purpose of developing recommendations on initiatives concentrating on the enhancement of Florida's property insurance market.

Over the course of meetings from August 2005 through February 2006, the Task Force gathered information, heard expert testimony and received public

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<sup>3</sup> Subsection 626.89(5), F.S.

<sup>4</sup> Subsection 634.137(5), F.S.

<sup>5</sup> Subsection 634.313(5), F.S.

<sup>6</sup> Subsection 634.415(6), F.S.

<sup>7</sup> Section 642.032, F.S., which refers to Chapter 624 [specifically subsection 624.424(1)(c), F.S.].



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testimony. A report will be provided upon submission of the Task Force recommendations to the Legislature.

Commissioner McCarty, who chairs the Task Force, has committed to providing the Legislature with viable recommendations that will enhance all areas of Florida's property insurance market. These recommendations made by the Task Force may be developed into legislation proposed by the Office during this Legislative Session.