

**AGENDA**  
**FINANCIAL SERVICES COMMISSION**  
**Office of Insurance Regulation**  
**Materials Available on the Web at:**

<http://www.floir.com/Sections/GovAffairs/FSC.aspx>

**June 23, 2015**

**MEMBERS**

Governor Rick Scott  
Attorney General Pam Bondi  
Chief Financial Officer Jeff Atwater  
Commissioner Adam Putnam

**Contact: Karen Kees**  
**(850-413-2474)**

9:00 A.M.  
LL-03, The Capitol  
Tallahassee, Florida

<b>ITEM</b>	<b>SUBJECT</b>	<b>RECOMMENDATION</b>
-------------	----------------	-----------------------

1. Minutes of the Financial Services Commission

- December 9, 2014
- April 14, 2015
- May 5, 2015

**(ATTACHMENT 1)**

**FOR APPROVAL**

2. Request for Approval for Publication of Repeal of Rule 69O-157.302,.303,.304; Long Term Care-Rates

These rules are being repealed and the Long-Term Care Facility Only Rates, Home Health Care Only Rates, and Comprehensive Only Rates from the body of the rules will be published to the OIR website to facilitate a more rapid updating of the most recently published new business rates. The new business rates are determined by a statutorily prescribed formula and accordingly are not required to be adopted by rule.

**(ATTACHMENT 2)**

**APPROVAL FOR PUBLICATION**

3. Request for Approval for Publication of Proposed Amendment to 69O-166.031; Mediation of Property Insurance Claims

The rule governs the administrative requirements of section 627.7015, F.S. regarding the mediation of residential and commercial property insurance claims. The Department of Financial Services administers the program and has adopted rule 69J-166.031, F.A.C. This rule comprehensively addresses all aspects of the mediation program. OIR rule 69O-166.031, F.A.C. at one point was identical to the DFS rule. Over time, the DFS rule has been amended and is not identical to the OIR rule. Much of the OIR rule is redundant and is not necessary. The revised rule is being amended to merely cross reference the DFS rule and maintain the penalty for an insurer's failure to appear at the mediation conference.

**(ATTACHMENT 3)**

**APPROVAL FOR PUBLICATION**

4. Request for Approval for Final Adoption of Proposed Amendment to Rule 69O-162.102,.103,.104,.106,.108; Annuity Contracts

The change adopts annuity mortality tables for use in financial reporting of annuity reserves as set forth in Section 625.121 Florida Statutes. The added new mortality table, recently adopted by the NAIC, is based upon recent annuitant mortality of insurers. Adoption will create uniformity among states following NAIC model regulation.

**(ATTACHMENT 4)**

**APPROVAL FOR FINAL ADOPTION**

5. Request for Approval for Final Adoption of Proposed Amendment to Rule 69O-144.005,.007; Credit for Reinsurance From Eligible Reinsurers

These rules are being amended in order to conform to the National Association of Insurance Commissioners (NAIC) model laws for accreditation purposes and to provide consistency among regulatory jurisdictions as to the manner in which reinsurers are granted the status of "certified reinsurer" (currently termed "eligible reinsurer" in the rule) and the manner in which Florida domestic insurance companies can apply credit for reinsurance from these entities. The amendments pertain to a requirement that ceding insurers notify the Office in the event that reinsurance recoverables or reinsurance ceded exceeds a certain amount; the filing requirements for certified reinsurers; the factors to be considered in the evaluation and rating of certified reinsurers; the method by which a jurisdiction is determined to be qualified; the circumstances under which the Commissioner may suspend, revoke, or otherwise modify a certified reinsurer's certification; and the effect of a rating downgrade, rating upgrade, or revocation of the certification of a certified reinsurer.

**(ATTACHMENT 5)**

**APPROVAL FOR FINAL ADOPTION**

6. Request for Approval for Final Adoption of Proposed Amendment to Rule 69O-137.001; Annual and Quarterly Reporting Requirements

These rules are being amended to adopt the 2015 NAIC Quarterly Statement Manuals, the 2014 NAIC Annual Statement Instructions Manuals, and the 2014 and 2015 NAIC Accounting Practices and Procedures Manuals. The current rule adopted the 2013 NAIC Quarterly Statement Manuals, the 2012 NAIC Annual Statement Instructions Manuals, and the 2012 and 2013 NAIC Accounting Practices and Procedures Manuals. The rule is also being updated to reflect the current process for filing the annual and quarterly statements as well as to specify that annual and quarterly statements are to be filed electronically and not in any other format.

**(ATTACHMENT 6)**

**APPROVAL FOR FINAL ADOPTION**

7. Request for Approval for Final Adoption of Proposed Amendment to Rule 69O-138.001; NAIC Financial Condition Examiners Handbook Adopted

Section 624.316, Florida Statutes, requires the Office to examine insurer's financial condition using generally accepted insurance accounting principles and practices. This

statute also allows the Office to adopt the NAIC Financial Condition Examiners Handbook to facilitate these exams.

The rule is being amended to adopt the 2014 and 2015 NAIC Financial Condition Examiners Handbooks. The current rule adopted the 2013 and 2012 versions of these handbooks.

**(ATTACHMENT 7)**

**APPROVAL FOR FINAL ADOPTION**

FLORIDA CABINET

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

IN RE: CABINET AGENDA

---

APPEARANCES:	GOVERNOR RICK SCOTT ATTORNEY GENERAL PAM BONDI CFO JEFF ATWATER COMMISSIONER ADAM PUTNAM
DATE:	TUESDAY, DECEMBER 9, 2014
TIME:	COMMENCED AT: 9:30 A.M. CONCLUDED AT: 1:30 P.M.
LOCATION:	THE CAPITOL CABINET MEETING ROOM
REPORTED BY:	NANCY S. METZKE, RPR, FPR COURT REPORTER

**C & N REPORTERS**  
**POST OFFICE BOX 3093**  
**TALLAHASSEE, FLORIDA 32315-3093**  
**(850) 697-8314 / FAX (850) 697-8715**  
**nancy@metzke.com**  
**candnreporters.com**

INDEX

PAGE NO.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

<b>Appointment - Interim Secretary Of the Department of Environmental Protection</b>	. . . . .	4
<b>Highway Safety and Motor Vehicles</b> By Terry Rhodes	. . . . .	7
<b>Florida Department of Law Enforcement</b> By Jerry Bailey	. . . . .	14
<b>Florida Land and Water Adjudicatory Commission</b> By Jack Heekin	. . . . .	23
<b>Department of Revenue</b> By Marshall Stranburg	. . . . .	26
<b>Office of Insurance Regulation</b> By Kevin McCarty	. . . . .	29
<b>Division of Bond Finance</b> By Ben Watkins	. . . . .	38
<b>Board of Trustees of the Internal Improvement Trust Fund</b> By Cliff Wilson	. . . . .	57
<b>State Board of Administration</b> By Ash Williams	. . . . .	77

\* \* \* \*

\* \* \* \*

**OFFICE OF INSURANCE REGULATION**

1  
2  
3 GOVERNOR SCOTT: Now I'd like to recognize  
4 Kevin McCarty with the Office of Insurance  
5 Regulation. Are you going to talk about how many  
6 fewer policies there are in Citizens?

7 COMMISSIONER McCARTY: Sir?

8 GOVERNOR SCOTT: How many policies are we down  
9 to in Citizens?

10 COMMISSIONER McCARTY: Oh, I'll get that  
11 number for you, but it's --

12 GOVERNOR SCOTT: A little over 700,000, isn't  
13 it?

14 COMMISSIONER McCARTY: It's about 700,000. We  
15 have another 132,000 takeouts for this month. The  
16 appetite, continued appetite of new capital and  
17 reinsurance capital for risk in Florida continues.

18 GOVERNOR SCOTT: Congratulations.

19 COMMISSIONER McCARTY: Well, thank you, sir.  
20 It's a collective effort of a lot of hard work of  
21 the legislature and your leadership, but thank you.

22 Request Item Number 1 is for the approval of  
23 the minutes from the April 22nd, 2014, meeting of  
24 the Financial Services Commission.

25 GOVERNOR SCOTT: Is there a motion to approve?

1 CFO ATWATER: So move.

2 GOVERNOR SCOTT: Is there a second?

3 ATTORNEY GENERAL BONDI: Second.

4 GOVERNOR SCOTT: Moved and seconded, show the  
5 minutes approved without objection.

6 COMMISSIONER McCARTY: Item Number 2 is  
7 request for approval for a publication of proposed  
8 amendments to Rule 69-0162.102, 3, 4, 6, and 8  
9 having to do with annuity contracts.

10 The changes adopted here are changes to  
11 mortality tables that are used in the financial  
12 reporting of annuity reserves as set forth under  
13 Florida Statutes. The added new mortality tables  
14 have recently been adopted by the National  
15 Association of Insurance Commissioners and is based  
16 on the most recent data on annuity mortality for  
17 insurers. This will, of course, create a uniform  
18 standard for reserving around the country.

19 GOVERNOR SCOTT: All right. Is there a motion  
20 to approve?

21 CFO ATWATER: So move.

22 GOVERNOR SCOTT: Is there a second?

23 ATTORNEY GENERAL BONDI: Second.

24 GOVERNOR SCOTT: Any comments or objections?

25 (NO RESPONSE).

1           GOVERNOR SCOTT: Hearing none, the motion  
2 carries.

3           COMMISSIONER McCARTY: Thank you, Governor.

4           Item 3 is the request for approval for  
5 publication of proposed amendments to  
6 Rule 690-144.005 and 7. This is our rule on  
7 credit for reinsurance from eligible reinsurers.

8           As you know, in 2010 Florida was a pioneer  
9 state modernizing its collateral rules for  
10 reinsurers which allowed us and enhanced our  
11 position as a gateway for capital for reinsurers.  
12 Since that time, the NAIC, the National Association  
13 of Insurance Commissioners, have adopted a rule for  
14 national application which was largely based on the  
15 Florida rule.

16           So we are -- our request here is to amend our  
17 rule to harmonize with the federal -- with the  
18 national standard and to make some modifications  
19 and changes. Most of the changes are definitional  
20 in nature and we'd request that it be uniformly  
21 applied.

22           GOVERNOR SCOTT: Is there a motion to approve?

23           ATTORNEY GENERAL BONDI: So moved.

24           GOVERNOR SCOTT: Is there a second?

25           CFO ATWATER: Second.

1 GOVERNOR SCOTT: Any comments or objections?  
2 (NO RESPONSE).

3 GOVERNOR SCOTT: Hearing none, the motion  
4 carries.

5 COMMISSIONER McCARTY: Request for Item  
6 Number 4 is for approval for publication proposed  
7 amendments to Rule 690-137.001. This regards our  
8 annual and quarterly reports. These rules are  
9 being amended to adopt the most recent 2015 NAIC  
10 quarterly statement manuals and the 2014 NAIC  
11 annual statement instruction manuals.

12 These are uniformly used for the collection of  
13 data from insurance companies from around the  
14 country, and they are adopted annually to reflect  
15 changes that are made in the statements as well as  
16 in the instruction manuals.

17 GOVERNOR SCOTT: All right. Is there a motion  
18 to approve?

19 CFO ATWATER: So moved.

20 ATTORNEY GENERAL BONDI: So moved.

21 GOVERNOR SCOTT: Is there a second?

22 CFO ATWATER: Second.

23 GOVERNOR SCOTT: Any comments or objections?  
24 (NO RESPONSE).

25 GOVERNOR SCOTT: Hearing none, the motion

1 carries.

2 COMMISSIONER McCARTY: Item 5 is request for  
3 approval for publication a proposed amendment to  
4 Rule 690-138 on the NAIC financial condition  
5 examiners' handbook. Similarly, on an annual  
6 basis, the NAIC makes modifications to their  
7 examination handbook. We're simply adopting the  
8 2015 handbook.

9 GOVERNOR SCOTT: Is there a motion to approve?

10 CFO ATWATER: So move.

11 GOVERNOR SCOTT: Is there a second?

12 COMMISSIONER PUTNAM: Second.

13 GOVERNOR SCOTT: Any comments or objections?

14 (NO RESPONSE).

15 GOVERNOR SCOTT: Hearing none, the motion  
16 carries.

17 COMMISSIONER McCARTY: Item Number 6 is  
18 request for approval for final adoption of proposed  
19 amendment to Rule 690-148.001. This rule addresses  
20 the requirements for insurance policies which fund  
21 pre-need contracts. Currently the cap on these  
22 contracts have a face value of 7,500. This is  
23 inconsistent with the Florida Statutes, which is  
24 now 12,500. The rule now simply cross references  
25 the amount of the need contract with whatever is

1 required by statute.

2 GOVERNOR SCOTT: Is there a motion to approve?

3 ATTORNEY GENERAL BONDI: So move.

4 GOVERNOR SCOTT: Is there a second?

5 CFO ATWATER: Second.

6 GOVERNOR SCOTT: Any comments or objections?

7 (NO RESPONSE).

8 GOVERNOR SCOTT: Hearing none, the motion  
9 carries.

10 COMMISSIONER McCARTY: Number 7 is request for  
11 approval for final adoption Proposed Rule  
12 Chapter 690-123. This rule relates to civil  
13 remedies. It should be repealed. The Department  
14 of Financial Services handles these matters, and  
15 they should be governed under the Department of  
16 Financial Services.

17 GOVERNOR SCOTT: Is there a motion to approve?

18 ATTORNEY GENERAL BONDI: So move.

19 GOVERNOR SCOTT: Is there a second?

20 COMMISSIONER PUTNAM: Second.

21 GOVERNOR SCOTT: Any comments or objections?

22 (NO RESPONSE).

23 GOVERNOR SCOTT: Hearing none, the motion  
24 carries.

25 COMMISSIONER McCARTY: And thank you. That

1 concludes my rules for today.

2 CFO ATWATER: Governor, might I have just a  
3 second, if we could embarrass one of the  
4 Commissioner's very talented right arms?  
5 Belinda Miller, your general counsel, as I  
6 understand it, received the 2014 Robert Dineen  
7 Award for outstanding service. Could we embarrass  
8 her?

9 COMMISSIONER McCARTY: Yeah, I'd be happy to  
10 do that, sir. I actually brought her with me  
11 today.

12 Belinda Miller, as you said, is the recipient  
13 of the Robert Dineen Award. And for those not  
14 familiar, the Robert Dineen Award is considered the  
15 most prestigious award that's given on an annual  
16 basis.

17 It was created in 1989 in honor of a  
18 well-respected financial developer who developed a  
19 lot of standards for the National Association of  
20 Insurance Commissioners. And we proudly submitted  
21 her name for her 20 years of service.

22 And this special award is to honor a staff  
23 member of an insurance department who has made an  
24 outstanding contribution to the state regulation of  
25 insurance and exhibits an attitude and performs

1 activities fostering the enhancement of the  
2 insurance regulatory profession. Our challenge,  
3 CFO, is to find one thing to fit in that category  
4 in her 20 years of experience.

5 As you know, she has been a critical member of  
6 developing the modernization of the credit for  
7 reinsurance rule which became the model for the  
8 world. She was a key person, and she shies away  
9 from being the key person, but believe me, she was  
10 the architect behind much of this, to develop a  
11 data collection system, a disaster data collection  
12 system which, of course, was a model for the world  
13 to use in Sandy, and it was a model used in other  
14 catastrophes around the country.

15 Belinda has also been very instrumental in the  
16 work we've been doing with your office and with  
17 General Bondi's office on the asymmetrical use of  
18 the Social Security death master, which has  
19 resulted in \$2.7 billion of money returned to  
20 policyholders; and she has been a key lawyer  
21 involved in that project. She's been asked by  
22 supervisors around the world to sit in on  
23 supervisory colleges because of her expertise,  
24 particularly in reinsurance matters, and we're  
25 very, very proud of her.

1           This is our third Dineen Award winner in ten  
2 years which I think speaks volumes for the State of  
3 Florida, the quality of the people who are  
4 dedicated to serving our markets and expanding our  
5 markets and protecting our consumers.

6           Belinda, thank you.

7           (APPLAUSE).

8           MS. MILLER: Thank you very much. This is a  
9 big surprise, and I appreciate it. Thank you very  
10 much. It's an honor to serve the State of Florida,  
11 and I'm embarrassed a little bit because I don't do  
12 anything alone. I have a huge group of people that  
13 I work with who are all dedicated public servants,  
14 and I thank you for your support and your help  
15 along the way during the years. We always have fun  
16 during the rockiest times, so I appreciate it and  
17 thank you for the recognition.

18           CFO ATWATER: You bet.

19  
20  
21                   \*                   \*                   \*                   \*

STATE OF FLORIDA

IN RE: MEETING OF THE GOVERNOR AND  
CABINET

---

**VOLUME 1**

CABINET MEMBERS: GOVERNOR RICK SCOTT  
ATTORNEY GENERAL PAM BONDI  
CHIEF FINANCIAL OFFICER JEFF  
ATWATER  
COMMISSIONER OF AGRICULTURE  
ADAM PUTNAM

DATE: TUESDAY, APRIL 14, 2015

LOCATION: CABINET MEETING ROOM  
LOWER LEVEL, THE CAPITOL  
TALLAHASSEE, FLORIDA

REPORTED BY: NANCY S. METZKE, RPR, FPR  
COURT REPORTER

**C & N REPORTERS**  
**POST OFFICE BOX 3093**  
**TALLAHASSEE, FLORIDA 32315-3093**  
**(850) 697-8314 / FAX (850) 697-8715**  
**nancy@metzke.com**  
**candnreporters.com**

## INDEX

	PAGE NO.
Minutes - March 10, 2015	3
Board of Trustees of the Internal Improvement Trust Fund By Secretary Steverson	6
Office of Financial Regulation By Commissioner Breakspear	113
Division of Bond Finance By Director Watkins	116
State Board of Administration By Director Williams	121
State Board of Administration Finance Corporation By Director Williams	152
Agency Measures and Review of Delegated Authority for the Office of Insurance Regulation	154
Agency Measures and Review of Delegated Authority for the Office of Financial Regulation	201
Agency Measures and Review of Delegated Authority for the Department of Revenue	245

\* \* \* \*

## P R O C E E D I N G S

1  
2  
3 GOVERNOR SCOTT: Good morning. Welcome to the  
4 April 14th Cabinet meeting.

5 To start the meeting I would like to welcome  
6 Andrew, Joanna, and Katie Gardiner to lead this  
7 morning's invocation. Please remain standing after  
8 the invocation for the pledge of allegiance by  
9 Boy Scout Liam Hawkes.

10 (WHEREUPON, INVOCATION WAS GIVEN AND THE  
11 PLEDGE OF ALLEGIANCE SAID).

12 GOVERNOR SCOTT: Thank you.

13 Next on the agenda is the review of the  
14 minutes from the March 10th Cabinet meeting. Is  
15 there a motion on the item?

16 COMMISSIONER PUTNAM: So moved.

17 GOVERNOR SCOTT: Is there a second?

18 CFO ATWATER: Second.

19 GOVERNOR SCOTT: Moved and seconded, show the  
20 minutes approved without objection.

21 Next on the agenda we have the Agency Measures  
22 and Review of Delegated Authority for the Office of  
23 Insurance Regulation, and Commissioner  
24 Kevin McCarty is here to present.

25 Good morning.

1           COMMISSIONER McCARTY: Good morning, Governor,  
2 members of the Commission.

3           COMMISSIONER PUTNAM: Governor, is there any  
4 chance we can -- because we've got so many people  
5 here, can we move --

6           COMMISSIONER MCCARTY: Thank you for the  
7 opportunity to be here to discuss performance  
8 measures and the delegation of authority. I have  
9 listened over the last --

10          GOVERNOR SCOTT: Kevin, can you hold just one  
11 second?

12          Go ahead, Commissioner.

13          COMMISSIONER PUTNAM: Governor, I was just  
14 inquiring, given the number of -- given the fact  
15 that this is probably going to be an extended  
16 conversation, I didn't know if it would be possible  
17 to move a couple of the action items up so that  
18 folks who are here waiting on that -- we might be  
19 able to dispense with that business and then not  
20 feel rushed in the conversation about the agency  
21 reviews.

22          GOVERNOR SCOTT: So, Kevin, do you mind, we're  
23 going to do -- then we'll go to -- we'll go to  
24 the -- Hold on just a second.

25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

\* \* \* \*

1 we wouldn't go so far as to recommend the whole 2.2  
2 billion, but that would be a better option.  
3 And the advantage you'd get there would be not  
4 only a lower rate indication increase to consumers,  
5 but also you completely take this volatility and  
6 this disruption in the market out. We'd still have  
7 six weeks for companies to fill out their  
8 reinsurance buys; and we would avoid, I think,  
9 those extra rate increases we're getting from the  
10 market disruption.

11 GOVERNOR SCOTT: Thank you.

12 MR. OWEN: Thank you, Governor.

13 GOVERNOR SCOTT: Any questions?

14 (NO RESPONSE).

15 GOVERNOR SCOTT: All right. Is there a motion  
16 on the item?

17 CFO ATWATER: Governor, I think some things  
18 have been laid out there, and Mr. Williams  
19 responded to it one time. But I would ask if these  
20 comments that have been made -- Commissioner  
21 McCarty is here. He may have a perspective on  
22 what's being referred to as -- I've worked with  
23 Mr. Neal on several items in the past. If that's a  
24 concern that you're having, I'd like to see if  
25 Commissioner McCarty could lay out -- and

1 Mr. Stander raised the same issue. What is your  
2 take, and do you feel like you're in a position to  
3 offer us a perspective on whether or not -- the  
4 first issue is just, if we go into the marketplace  
5 for upwards of -- upwards of a billion dollars, is  
6 that going to cause disruption in the marketplace  
7 to our domestics that are out there at the same  
8 time?

9 COMMISSIONER McCARTY: Well, that's difficult  
10 to say, but I can say that I have not seen the  
11 reinsurance market and alternative reinsurance  
12 market with such a flood of capital.

13 Last year when Citizens went in the  
14 marketplace, a lot of the same concerns were  
15 raised, that there will be a displacement in the  
16 marketplace. And in point of fact, the marketplace  
17 increased by 18%. So we actually had more capital  
18 in the market.

19 I don't believe that the single factor of  
20 going into the market for a billion dollars will  
21 cause price increases. There may be a confluence  
22 of other events that occur, you know, catastrophes.  
23 And then you hear people say, well, Bermuda is  
24 waiting to see what happens. Bermuda is -- and no  
25 disrespect to our friends in Bermuda, they're

1 always looking at ways of keeping the rates stable  
2 or raising those rates. But what we have seen is  
3 that those rates have continued to go down.

4 April is not a really good indicator because  
5 April is not a month for a lot of going --  
6 companies to go to the market, but prices are  
7 softening again this year to 10 to 15%. As a  
8 previous speaker has said, we don't know where the  
9 bottom will be. But in my conversations with  
10 economists and actuaries, it is their considered  
11 belief, a belief which I share, that a billion  
12 dollars in and of itself is not going to have an  
13 impact on the marketplace, particularly since we  
14 continue to see increased growth, particularly in  
15 the alternative risk transfer marketplace.

16 CFO ATWATER: So you're anticipating rates  
17 coming down?

18 COMMISSIONER McCARTY: I'm anticipating rates  
19 coming down.

20 CFO ATWATER: It's too soon to ask, but I  
21 would also anticipate the consumers will benefit  
22 from that as well?

23 COMMISSIONER McCARTY: We've had this  
24 dialogue, yes, sir, and I am continually,  
25 vigilantly monitoring that.

1 CFO ATWATER: That's not why I asked you to  
2 come up, Mr. McCarty, but I -- no, your perspective  
3 would be valuable. These players, I would assume,  
4 would be informing your office, or in conversations  
5 with those who work with them directly would be  
6 having those conversations.

7 COMMISSIONER McCARTY: Okay. Yes, sir. Thank  
8 you.

9 CFO ATWATER: Thank you.

10 GOVERNOR SCOTT: All right. Is there a motion  
11 on the item?

12 CFO ATWATER: Governor, I'm going to -- yes,  
13 I'm going to make a motion on the item, and I know  
14 I probably wouldn't wait too long on the other  
15 item. I think, again, all the people who brought  
16 forward concerns today I thought were all very  
17 legitimate. I think they're all, I think -- but at  
18 some point -- they're legitimate.

19 I find it interesting that -- I've been, you  
20 know, at least closely associated with this matter  
21 for a number of years and knowing that I sit in  
22 this capacity, when this came before the Cabinet  
23 two -- whenever it was, at least two weeks ago, it  
24 was possible we might have taken action and offered  
25 direction at that time, and we said timeout. No

1 one had come by to see me expressing any concern,  
2 and only after we -- and not only after that, we  
3 sent you with a specific directive: Come back with  
4 a recommendation. Still I, you know, felt like the  
5 Rodney Dangerfield of no one caring.

6 So only of recent when the memo comes out does  
7 some feedback start. I don't know if that's not  
8 legitimate, but I feel if Commissioner McCarty is  
9 telling us he's not seeing this action as being  
10 disruptive in the market or driving up rates and  
11 what Ash is telling us is the same, you can  
12 disagree with that, again, I think these are all  
13 legitimate concerns. Anybody could say -- and I  
14 think, again, Mr. Neal says if we didn't spend 68  
15 million to reinsure ourselves for a possible event,  
16 that would all go to next year; it would all be  
17 building, and I get that completely.

18 But I'm willing to accept the recommendation  
19 that has been made by those individuals charged  
20 with trying to walk this balancing act, and I'll  
21 make the motion.

22 GOVERNOR SCOTT: All right. Is there a  
23 second?

24 ATTORNEY GENERAL BONDI: Second.

25 GOVERNOR SCOTT: All right. If there are no

## STATE OF FLORIDA

IN RE: MEETING OF THE GOVERNOR AND  
CABINET

---

**VOLUME 2**

CABINET MEMBERS: GOVERNOR RICK SCOTT  
ATTORNEY GENERAL PAM BONDI  
CHIEF FINANCIAL OFFICER JEFF  
ATWATER  
COMMISSIONER OF AGRICULTURE  
ADAM PUTNAM

DATE: TUESDAY, APRIL 14, 2015

LOCATION: CABINET MEETING ROOM  
LOWER LEVEL, THE CAPITOL  
TALLAHASSEE, FLORIDA

REPORTED BY: NANCY S. METZKE, RPR, FPR  
COURT REPORTER

**C & N REPORTERS**  
POST OFFICE BOX 3093  
TALLAHASSEE, FLORIDA 32315-3093  
(850) 697-8314 / FAX (850) 697-8715  
nancy@metzke.com  
candnreporters.com

INDEX

PAGE NO.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**Minutes - March 10, 2015**

3

**Board of Trustees of the Internal  
Improvement Trust Fund**

By Secretary Steverson

6

**Office of Financial Regulation**

By Commissioner Breakspear

113

**Division of Bond Finance**

By Director Watkins

116

**State Board of Administration**

By Director Williams

121

**State Board of Administration Finance  
Corporation**

By Director Williams

152

**Agency Measures and Review of Delegated  
Authority for the Office of Insurance  
Regulation**

154

**Agency Measures and Review of Delegated  
Authority for the Office of Financial  
Regulation**

201

**Agency Measures and Review of Delegated  
Authority for the Department of  
Revenue**

245

\* \* \* \*

1           **AGENCY MEASURES AND REVIEW OF DELEGATED AUTHORITY FOR**  
2                           **THE OFFICE OF INSURANCE REGULATION**

3  
4           GOVERNOR SCOTT: Now we'll go back to the --  
5 next on the agenda we have the Agency Measures and  
6 Review of Delegated Authority for the Office of  
7 Insurance Regulation, and we have --  
8 Commissioner Kevin McCarty will come back up.

9           Good afternoon.

10          COMMISSIONER McCARTY: Good afternoon,  
11 Governor --

12          GOVERNOR SCOTT: Sorry you had to wait.

13          COMMISSIONER McCARTY: -- members of the  
14 Finance Services Commission. Thank you for the  
15 opportunity to be here. I welcome the opportunity  
16 to discuss our standards and performance measures  
17 for the Office of Insurance Regulation.

18          I've taken the opportunity of listening to  
19 our -- the conversations at the previous Cabinet  
20 meetings and trying to glean from that your  
21 expectations from us in terms of what deliverables  
22 you'd like to see in our presentation today,  
23 especially when it comes to providing efficient,  
24 effective regulation and cost effective for the  
25 taxpayers of Florida.

1           My presentation is organized in three  
2 segments: First of all, I want to talk about what  
3 we do, our missions, our goals, our functions, and  
4 our value to taxpayers. And secondly, I'd like to  
5 talk about how do we achieve that, our budget, our  
6 role with the NAIC, which helps effectuate and  
7 leverage the expenses of Florida taxpayers and  
8 performance measures, as well as different results  
9 that we have measured over the year. And then we'd  
10 like to talk about next steps into the 2015  
11 profile -- priorities, excuse me.

12           Before I start with our goals and mission, I  
13 want to talk a little bit about the Office of  
14 Insurance Regulation which, among the 56  
15 jurisdictions, is unique in that we are  
16 administratively housed within the Department of  
17 Financial Services, but CFO Atwater and myself  
18 actually share many of the responsibilities.

19           Within Financial Services there is the  
20 consumer services, fraud, as well as agent/agency  
21 services, and rehab and liquidation. Within our  
22 office, we have obviously business development, new  
23 licensing companies, market conduct, solvency  
24 review, and product review.

25           Insurance is very different than banking and

1 securities and is unique within the financial  
2 sectors, in that pursuant to McCarran-Ferguson,  
3 insurance is largely regulated by the states; and  
4 it's effectuated through the process of national  
5 treatment through the National Association of  
6 Insurance Commissioners, which serves in the  
7 capacity of not only accrediting states to make  
8 sure that they meet quality standards in terms of  
9 effectuating uniform laws so we have uniform  
10 treatment of companies across jurisdictions, but  
11 they also provide numerous amounts of other  
12 services to enhance our solvency review to ensure  
13 that our policyholders are protected.

14 The Number 1 thing for the  
15 Insurance Commissioner, who wears many hats, is to  
16 ensure that a promise made is a promise kept; and  
17 that is, of course, to make sure that the insurance  
18 company has the financial wherewithal to pay their  
19 claims.

20 The NAIC also serves as a repository of data.  
21 As a matter of fact, the NAIC database is the  
22 largest database in the world when it comes to  
23 financial services.

24 One other thing I want to touch on, too, is  
25 that since the great recession, we have seen very

1 significant change in our regulatory framework.  
2 The U.S. Government has committed the U.S.  
3 regulatory framework, whether it's banking,  
4 insurance, or securities, to cooperate in  
5 standard-setting around the world.

6 Florida, given the fact they rely so heavily  
7 on the global capital and global reinsurance, it's  
8 important that Florida play a role to make sure  
9 whatever global standards do not adversely affect  
10 Florida companies and, more importantly, Florida  
11 policyholders.

12 We go to our mission. Okay, last year the  
13 Office spent a considerable amount of time  
14 reexamining and restructuring its long-term plan.  
15 We believed it was out of touch with our goals  
16 of business development. We wanted to align it  
17 with our smart goals, so we redeveloped our  
18 mission, our vision, as well as individual  
19 performance measures.

20 These services are providing -- I think are  
21 consistent with the outcomes guiding our work, and  
22 I think are producing value for our consumers. The  
23 Office mission, I think, is quite straightforward,  
24 to promote a stable and competitive insurance  
25 marketplace while maintaining necessary consumer

1 protection. Promoting stable markets and  
2 protecting consumers, permeates everything we do at  
3 the Office of Insurance Regulation, which is  
4 critical to building healthy markets.

5 You know, it wasn't that long ago when our  
6 markets -- particularly our property markets,  
7 were in great distress. I remember talking to a  
8 computer modeling company, and I asked them, I  
9 said, well, what's the solution for Florida? Do  
10 we need to grow more capital? And they said, no,  
11 you need to harden your homes or move to Nebraska.  
12 Well, obviously that's not a good alternative.

13 We have seen a huge turnaround. We are  
14 seeing growth in Florida. We are seeing growth  
15 in exposure in Florida, but we're seeing even  
16 more growth in the reinsurance market, and  
17 alternatives in the reinsurance market which,  
18 once again, gives great opportunity for Florida to  
19 grow both in its housing markets and its business  
20 opportunities.

21 Florida is -- if it were a country unto its  
22 own, it would be the 12th largest by premium  
23 volume. 120 billion in premium is regulated by the  
24 Office of Insurance Regulation with 288 people,  
25 which I think is pretty cost effective.

1           Our next slide, we have our goal number 1,  
2           which is to promote insurance markets and offer  
3           products to meet the needs of Floridians,  
4           understandable coverage; priced in a manner that's  
5           fair, adequate, not unfairly discriminatory.

6           Number 2 is to protect the public against  
7           unethical products and services and companies.  
8           Most of our companies are good, most of them make  
9           good on their promises made; but we all know in  
10          every state, in every place there are bad actors;  
11          and it's our job to monitor and protect our  
12          consumers.

13          The third goal is to monitor the solvency of  
14          our companies. We do that through our financial  
15          oversight units.

16          And Number 4 is we need to do this in an  
17          efficient and effective manner for the taxpayers of  
18          Florida.

19          On our next slide, we achieve this through the  
20          following functions: Obviously licensing and  
21          marketing development to bring new companies to  
22          Florida. We want to make sure we do suitable  
23          background checks for fit and proper for service,  
24          but we also want to promote bringing more capital  
25          to Florida.

1           Rate and form review is to protect consumers  
2 on the front end to make sure that their policies  
3 are in compliance with state law.

4           Our solvency oversight, of course, is critical  
5 to make sure that the companies have the  
6 wherewithal to pay their claims.

7           And market conduct, we have a different view  
8 on market conduct. We were one of the first states  
9 to abandon five-year automatic market conducts.  
10 Ours are risk-focused, relying on environmental  
11 scanning, relying on consumer complaints from the  
12 Department of Financial Services.

13           And lastly, we publish a tremendous amount of  
14 reports, data collection, and information for the  
15 industry as well as for consumers.

16           We were also asked to talk about our  
17 delegation of authority. As reflected in this  
18 slide, on February 25th, 2003, at the meeting of  
19 the Financial Services Commission, we were  
20 authorized to undertake initial rulemaking  
21 ourselves, which means we would go through the  
22 workshops and the initial filing. That has since  
23 been addressed by a DOAH hearing which overturned  
24 that. Now you'll see I come before you two times:  
25 Once for the initial publication, and then once for

1 the final approval of the rule.

2 Our next slide, I just wanted to put in three  
3 important areas that I think demonstrates the value  
4 to our taxpayers and consumers. Obviously we  
5 have -- under the rubric of consumer protection,  
6 there are preventative things we do on the front  
7 end. We make sure that we do background checks to  
8 make sure we have people who are honest and  
9 trustworthy that are collecting money from our  
10 policyholders. We also work on the back end for  
11 consumer recoveries.

12 Working together with the CFO and with  
13 General Bondi, we're very proud of the work we did  
14 spearheading a national examination of  
15 life insurance claims practices that led to a  
16 paradigm shift in business; but it also resulted in  
17 hundreds of millions of dollars being paid to  
18 Floridians, about 3.8 billion nationwide, and one  
19 of the most successful multi-state investigations  
20 in the history of insurance.

21 We also reformed drug practices for companies  
22 to ensure people with HIV had access to affordable  
23 medications. And I think one of the things that  
24 makes Florida one of the most competitive markets  
25 in the country is the fact that we have done so

1 much to reduce the cost of workers' compensation in  
2 our state. During my tenure as  
3 Insurance Commissioner, workers' comp reductions  
4 have saved Florida employers more than \$3 billion.  
5 That's a 5.2 reduction last year, which equates to  
6 123 million in savings in just this past year.

7 We also were very successful in bringing the  
8 Number 3 title company to Florida, to domicile in  
9 Florida, bringing additional jobs. And after more  
10 than a hundred years in the State of Minnesota,  
11 they're proud to call Florida home. And,  
12 of course, we want to do this efficiently and  
13 effectively.

14 Our next slide -- I don't want this to become  
15 a performance measure because I don't think I can  
16 repeat this year after year, but this is a -- this  
17 slide shows the amount of funds recovered by the  
18 Office on behalf of Florida's consumers for both  
19 calendar year 2013 and 2014, which was combined to  
20 be 117.8 million. Like I said before, we launched  
21 a national effort with thanks for the cooperation  
22 of General Bondi and our CFO.

23 As you see from this, I said to you before,  
24 3.8 billion returns. Florida, through the Office  
25 of Insurance Regulation, became the chair of the

1 national group that led to these settlements, and I  
2 was very proud to play in that role.

3 Moving on, how do we do it? For all of the  
4 service the Office provides, what does this cost  
5 consumers? Just \$0.25 per hundred dollars of  
6 premium. For a Floridian with \$4,000 in annual  
7 insurance premiums, that equals about a dollar a  
8 year. Floridians can make sure that their licensed  
9 company is in good standing and their policy forms  
10 and rates have been approved consistent with  
11 Florida law.

12 This slide shows our current budget, which is  
13 30.7 billion. The legislature has allocated 288  
14 positions, which is down 8% from 2008. The Office  
15 is funded through the Regulatory Trust Fund which  
16 consists of fees and taxes. The Office receives no  
17 money from general revenue.

18 Although the NAIC -- according to the NAIC,  
19 the cost of combined regulatory efforts, if you  
20 combine the CFO's office and the functions we do  
21 together, we're the lowest among the peer group:  
22 California, New York, Texas, and Florida. Florida  
23 is also below the national average.

24 Shown on our next slide, Florida receives  
25 substantial return on its investment at the NAIC.

1 Not only that, but the investment takes significant  
2 and ongoing costs which would otherwise have to be  
3 borne by Florida individually. For the \$150,000 in  
4 annual dues, the Office receives millions of  
5 dollars in economic benefits.

6 Through the accreditation program, if it were  
7 not for the accreditation program, every state  
8 would have to file all their financial statements  
9 with the Office of Insurance Regulation; rather,  
10 those -- that information is collected through --  
11 electronically through Kansas City, and we have  
12 access to that information. They also run a series  
13 of financial analysis ratios that provides our  
14 analysts with up-to-date information so that we can  
15 take appropriate action to protect consumers.

16 Just as an example of the economic benefit,  
17 during my tenure as Insurance Commissioner, Florida  
18 received over 22 million in economic benefits by  
19 hosting a dozen NAIC meetings since 2004. I just  
20 recently got back from Phoenix and successfully  
21 pitched Florida for another meeting in 2019.

22 And, Governor, I was able to use the fact that  
23 we didn't have the same taxes on conventions as  
24 Washington and California, so it was an effective  
25 lobbying tool.

1           GOVERNOR SCOTT: That's true. If you go to  
2 those states, you have to pay a tax for every  
3 day you're there, you know, based on your income.

4           COMMISSIONER McCARTY: Yep, and I was -- I did  
5 a little research, found that out, added that --  
6 of course, pitching Florida is not hard to do, but  
7 pitching Florida for less money, that's even  
8 better.

9           The next slide, everyone knows the importance  
10 of insurance. I mean insurance is a critical part  
11 of the economic commerce of Florida and of the  
12 nation. The Florida sector is a major contributor  
13 to our economic well being, contributes over  
14 20 billion to our gross state product; 12 billion  
15 in compensation; and provides nearly 200,000 jobs  
16 to Floridians, with an average pay of over \$63,000.

17          Next, this slide shows our long-range program,  
18 performance measures for 2014-15. They have been  
19 submitted to the legislature for approval and  
20 reflect statutorily required timeframes when  
21 applicable. I wanted to know -- as I said from the  
22 outset, we have thoroughly reviewed our proposed  
23 plan from our previous long-term plan. We engaged  
24 in a very comprehensive review, and this is the  
25 product of that review.

1           For certificates of authority, of course it's  
2           important to get new entrants in the marketplace.  
3           We have set that at 98%. Our rate and form  
4           filings, we wanted to make sure companies have a  
5           speed to market, so it's important to improve to  
6           the best of our ability to make sure that those  
7           products can get to the --

8           GOVERNOR SCOTT: Commissioner, can I just ask  
9           you some questions on these?

10          COMMISSIONER McCARTY: Sure.

11          GOVERNOR SCOTT: Let's just stop. What -- do  
12          you track how many -- do you ever ask companies to  
13          withdraw because you haven't had enough time to  
14          review something? When we do withdrawals, why are  
15          they doing withdrawals, basically?

16          COMMISSIONER McCARTY: I would say the  
17          majority of withdrawals, we provide a courtesy call  
18          if we do not believe they meet the statutory  
19          framework; and most companies would prefer to  
20          withdraw than to say they were denied.

21          I can't remember in recent time where we ran  
22          out of time. We would -- sometimes we --

23          GOVERNOR SCOTT: So it's their issue, it's not  
24          the issue of your staff, right?

25          COMMISSIONER McCARTY: Sometimes we'll run up

1 against the statutory time, and there are some  
2 important closing documents, important changes to  
3 the structure of the transaction, the company asks  
4 for more time, and we go beyond that time.

5 GOVERNOR SCOTT: Okay.

6 COMMISSIONER McCARTY: We try to stay within  
7 the statutory framework, but sometimes rather than  
8 starting all over, it's better to wait and get  
9 something done, given some of these companies are  
10 fairly complicated transactions, invested a lot of  
11 time and expenses, so we try to bring that in for  
12 closure.

13 GOVERNOR SCOTT: So your real expectation of  
14 this is you see no reason why it's not a hundred  
15 percent? I mean when you're saying 98%, there's no  
16 real reason that you have any, right?

17 COMMISSIONER McCARTY: Like I said, there are  
18 times when the company will be --

19 GOVERNOR SCOTT: If it's a company issue --

20 COMMISSIONER McCARTY: If they ask us to waive  
21 the deemer so that they can provide additional  
22 information, we do.

23 GOVERNOR SCOTT: Okay.

24 COMMISSIONER McCARTY: We try to actually get  
25 to the point where that's not necessary.

1           GOVERNOR SCOTT: And then on the second one  
2 on there, the life and health form and rate  
3 filing reviews, why wouldn't it be a hundred  
4 percent? What would be -- what are the things  
5 that would prevent you from being at a hundred  
6 percent?

7           COMMISSIONER McCARTY: Again, it's a similar  
8 situation. Most states -- the national model is 30  
9 plus 30; 30 days and then you have 30 days  
10 extension at the will of the Commissioner. Ours is  
11 a 30 days plus a 15 days. We don't -- other states  
12 under the model are allowed to toll the time it  
13 takes for them to respond for the company.

14           So if I sent a clarification letter and the  
15 company says, you know something, I'm going to need  
16 X amount of time before -- three weeks to get that  
17 information back to you, we don't toll that time as  
18 other states do. So we may actually per -- and  
19 you'll see it in the numbers. We previously waived  
20 the deemer, tried to work with the companies and  
21 bring it in for closure. We're seeing now that  
22 number is getting closer and closer to a  
23 hundred percent.

24           GOVERNOR SCOTT: So you're saying you've got  
25 the same issues on the property and casualty, same

1 thing?

2 COMMISSIONER McCARTY: Yeah.

3 GOVERNOR SCOTT: It's 90% also? It's  
4 basically the same issue?

5 COMMISSIONER McCARTY: Yep.

6 GOVERNOR SCOTT: Okay. And then it says,  
7 percentage of market conduct examinations with  
8 violations. So when would you not take enforcement  
9 action? These are the only situations where they  
10 have a violation?

11 COMMISSIONER McCARTY: I struggle with that  
12 because there may be a very small thing.  
13 For instance, what if there's a -- in the course  
14 of an exam we find that they had an agent that  
15 wasn't appointed with the insurance company? I'm  
16 not going to probably do a fine on that. I mean  
17 I don't think -- there's no harm, no foul.

18 GOVERNOR SCOTT: Right.

19 COMMISSIONER McCARTY: What happens if they  
20 used the form that was unapproved but would have  
21 been approved if it had been filed? Again, it's a  
22 violation, but I've really struggled with this  
23 measure, Governor, because the last thing I want to  
24 do is put in a measure where we're going in and  
25 doing more market conducts. The previous

1 measurement we had, you had to do X market conducts  
2 a year.

3 Well, to me, if a company is operating and  
4 doing their job and paying claims, there's no  
5 reason for me to go in there and disturb that  
6 business model. You know, we really want to save  
7 our resources for problem companies and problem  
8 areas.

9 GOVERNOR SCOTT: I don't like this one.

10 COMMISSIONER McCARTY: I don't either.

11 GOVERNOR SCOTT: Okay. I don't, I don't --

12 ATTORNEY GENERAL BONDI: Yeah, it doesn't need  
13 to be there.

14 GOVERNOR SCOTT: I mean, Commissioner --

15 COMMISSIONER McCARTY: I mean to put judgment  
16 into it and say 85% of the time you'd take  
17 appropriate action, or I mean sometimes we just  
18 close the file with a letter of guidance saying,  
19 you know -- plus, we want to also encourage  
20 companies to self report.

21 GOVERNOR SCOTT: Commissioner, do you feel  
22 like -- I don't like goals like that one.

23 Do you believe that you're consistent?  
24 Because like how many different people would make a  
25 decision whether you're -- if you find somebody

1 with a violation, all right, and you have to make a  
2 decision are you going to take enforcement action  
3 or not, how many different people make that  
4 decision, and do you think they're consistent?

5 COMMISSIONER McCARTY: I make that decision.

6 GOVERNOR SCOTT: So you make all -- all of  
7 them come to you?

8 COMMISSIONER McCARTY: All of them come to me.

9 GOVERNOR SCOTT: Okay. So you feel  
10 comfortable then you're -- and I assume it's a  
11 little bit of a judgment call anyway.

12 COMMISSIONER McCARTY: Well, we have  
13 guidelines for different things that would have  
14 been used; and so, yeah, I think we try to be. We  
15 also take into consideration mitigating and  
16 exacerbating factors.

17 GOVERNOR SCOTT: Right.

18 COMMISSIONER McCARTY: If a company  
19 cooperates an exam, for instance, if they  
20 provided -- if they self-report, I mean, again, I  
21 think those things should be taken as a factor. So  
22 we'll say, well, the fine would have been \$50,000,  
23 given that you self-reported, et cetera, make it  
24 just 3,000 and then close it or just close it.

25 I mean so, yes, we try to be consistent, but

1 there are mitigating and exacerbating factors.

2 ATTORNEY GENERAL BONDI: And, Governor, I  
3 think you made a great point about self-reporting,  
4 you encourage people to self-report.

5 GOVERNOR SCOTT: So, Commissioner, on the last  
6 two --

7 COMMISSIONER McCARTY: Yes, sir.

8 GOVERNOR SCOTT: -- what's the comparables?  
9 There's administrative cost, there's a percentage  
10 of total agency cost. What's -- is there, is  
11 there -- can you compare yourself to -- again,  
12 this is looking at your cost, right, the agency  
13 costs? So is there -- can you compare yourself? I  
14 guess by being a member of a national organization,  
15 do you get other agencies' costs and you can look  
16 at yours and say you're doing well or not doing  
17 well?

18 COMMISSIONER McCARTY: Yeah, we could. Yes.

19 GOVERNOR SCOTT: So how does this compare?

20 COMMISSIONER McCARTY: There are some that are  
21 lower. I'm a relatively small agency, so I think  
22 some of the administrative costs might be a little  
23 bit higher. We're above the 10% now, so I'm trying  
24 to do something and move that number down; but  
25 we're amenable to looking at other numbers, sir,

1 certainly.

2 GOVERNOR SCOTT: Okay. If you could just get  
3 me the comps.

4 COMMISSIONER McCARTY: Okay.

5 GOVERNOR SCOTT: But also do it in a manner  
6 that you're giving me real comps. Don't give me an  
7 agency that does something totally different than  
8 you.

9 COMMISSIONER McCARTY: Okay.

10 GOVERNOR SCOTT: Because I don't expect you to  
11 compete with somebody that's doing something  
12 totally different.

13 COMMISSIONER McCARTY: Okay. Be happy to.

14 GOVERNOR SCOTT: Okay. That's all I had on  
15 that page.

16 COMMISSIONER McCARTY: Okay. Our next slide,  
17 I think -- I think I went too far, I'm sorry.

18 GOVERNOR SCOTT: I think you're on Page 16.

19 COMMISSIONER McCARTY: Yes, thank you.

20 This slide shows for calendar year 2014 the  
21 Office processed 100% of the 430 applications  
22 received within the statutory frameworks. We did  
23 so in an average of 44 days. The number of  
24 applications include certificates of authorities,  
25 amendments, letters of eligibility, registration,

1 permits, et cetera.

2 This just gives you a flavor. There was  
3 actually 47 different kinds of licenses and  
4 registrations, et cetera, that we do. You'll see  
5 in a later slide where we're making additional,  
6 stronger, more stringent recommendation than the  
7 statute. It has to do with life and health and  
8 P & C companies which really is, you know, the  
9 bread and butter of what we do and what we're  
10 trying to bring to Florida.

11 GOVERNOR SCOTT: Now should we be looking at  
12 17 based on what you had on Page 15? Because like  
13 the standard on 15 for life and health is 90%,  
14 right? Am I looking at the right thing?

15 COMMISSIONER McCARTY: Are you talking about a  
16 percentage of life and health forms and rate  
17 filings in 45 days?

18 GOVERNOR SCOTT: Yeah, right. So we have both  
19 rate and filings -- well, let's see, yeah, form and  
20 rate should be 90%, right?

21 COMMISSIONER McCARTY: Yes.

22 GOVERNOR SCOTT: And so what is causing this  
23 to be below the 90% right now? If I'm reading this  
24 right, you're at 80 -- for this last fiscal year,  
25 you're at 84.3% for forms and 73% on rates; is that

1 right?

2 COMMISSIONER McCARTY: For life and health?

3 GOVERNOR SCOTT: Yes, I'm looking at Page 17.  
4 See if I'm at the right thing.

5 COMMISSIONER McCARTY: Right, 17, we are  
6 operating at 96.6 and 99.6 for 45 days.

7 GOVERNOR SCOTT: Oh, I see, this is -- I was  
8 looking at 30 days.

9 COMMISSIONER McCARTY: Yep.

10 GOVERNOR SCOTT: Okay. Got it. I'm sorry.

11 COMMISSIONER McCARTY: I mean we can make the  
12 standards higher than 90.

13 GOVERNOR SCOTT: Yeah, okay. Got it. I mean  
14 I -- I mean I think you ought to -- my belief is,  
15 and the Cabinet can talk about it, but I think you  
16 ought to have aspirational goals. I mean they  
17 can't be ridiculous. So 105% is over at this point  
18 but, you know, you ought to do what you think you  
19 can do.

20 COMMISSIONER McCARTY: Okay. We'll make those  
21 adjustments. Okay. That's --

22 GOVERNOR SCOTT: So, Commissioner, so they --  
23 so these companies go and make these applications,  
24 and it's a lot of time and money they put into  
25 this, right, and then they end up withdrawing them?

1 COMMISSIONER McCARTY: Yeah, because --

2 GOVERNOR SCOTT: Because they just don't put  
3 enough time in to get it right?

4 COMMISSIONER McCARTY: Well, because one of  
5 the uniform questions asked on applications across  
6 the country: Have you ever been disapproved in  
7 another state? And they would rather not have the  
8 stigma of being disapproved.

9 GOVERNOR SCOTT: And they don't ask about  
10 withdrawals?

11 COMMISSIONER McCARTY: Nope.

12 CFO ATWATER: Commissioner --

13 COMMISSIONER McCARTY: And a company can  
14 withdraw for a variety of reasons. We've had a  
15 number of property companies that come in, thought  
16 they were going to get the funding, the funding  
17 fell through, and they just withdrew. It wasn't  
18 that we found --

19 GOVERNOR SCOTT: So they're doing it before  
20 they necessarily have raised all of their money?

21 COMMISSIONER McCARTY: Yep. Yep.

22 CFO ATWATER: Any of the withdrawals that turn  
23 back into a refiling?

24 COMMISSIONER McCARTY: Oh, yes, oftentimes.

25 CFO ATWATER: There you have it.

1           COMMISSIONER McCARTY: Oftentimes. The  
2           example I just gave where the money fell through,  
3           they were able to secure --

4           GOVERNOR SCOTT: Later?

5           COMMISSIONER McCARTY: -- several months later  
6           actually, almost a year later, able to secure  
7           funding and came back. And, of course, they've  
8           already had the background investigations and  
9           fingerprints, et cetera, so it actually expedited  
10          the filing.

11          GOVERNOR SCOTT: There's sort of no logical  
12          way to set a goal for withdrawals, is there?

13          COMMISSIONER McCARTY: Huh?

14          GOVERNOR SCOTT: There's no logical way to set  
15          a goal for withdrawals because there are so many  
16          different things?

17          COMMISSIONER McCARTY: I don't --

18          ATTORNEY GENERAL BONDI: Well, it's impossible  
19          to know how or why.

20          GOVERNOR SCOTT: Yeah, and there's no way to  
21          do a comp on what other people are doing.

22          COMMISSIONER McCARTY: And sometimes it's a --  
23          you know, a company decides they want to buy a  
24          company and then change their mind.

25          GOVERNOR SCOTT: Yeah. Okay. And the same

1 thing on disapproval, I mean there is no sort of  
2 national comp that you can look at that would say  
3 that this is high or low or you're doing well or  
4 not doing well?

5 COMMISSIONER McCARTY: I don't -- I haven't  
6 been able to find it.

7 GOVERNOR SCOTT: Yeah, okay. Well, you would  
8 see it. I mean you'd probably see it in the NAIC,  
9 right? I mean if somebody was doing it, you'd  
10 probably know.

11 COMMISSIONER McCARTY: Only on the UCAA, the  
12 uniform applications where several -- a company  
13 will apply in several states.

14 GOVERNOR SCOTT: Got it. Okay, sorry.

15 COMMISSIONER McCARTY: Okay. Are we ready to  
16 move on to P & C then?

17 GOVERNOR SCOTT: Yeah. I had basically the  
18 same questions, so you've already answered those.  
19 I don't know if anybody else had anything else on  
20 that.

21 (NO RESPONSE).

22 GOVERNOR SCOTT: Okay. You want to go to 19?

23 COMMISSIONER McCARTY: Okay. This slide is  
24 our performance with regard to financial reviews  
25 and exams. There is no statutory requirement how

1 often our exams -- how quickly they need to be  
2 completed, so what we use is -- there's  
3 accreditation standards for the NAIC, and so those  
4 are our standards.

5 We have to complete an as-of exam, so it would  
6 be as of December 31st you have to complete that  
7 within 18 months. That includes consulting with a  
8 company, getting their feedback, modifying the exam  
9 reports.

10 Setting up -- we could set it at a  
11 hundred percent. It's just that sometimes it  
12 hinders our ability to work out a disagreement  
13 with a company before we make that finding public.

14 GOVERNOR SCOTT: I'm fine with where you are.

15 COMMISSIONER McCARTY: The financial reviews,  
16 this is the -- come on a quarterly basis, the  
17 financial statements with the Office. Similar to  
18 the examination process, there is no state  
19 requirements with regard to that, so we have  
20 derived ours from the national standards of  
21 accreditation through the NAIC.

22 There are essentially two buckets you put them  
23 in: 1 and 2, highest priority, which needs to be  
24 done in 60 days; and 3 and 4 which need to be done  
25 in 90 days. And we achieve those. I mean we

1           achieve those because we need to maintain our  
2           accreditation, so --

3           GOVERNOR SCOTT: Right. Okay.

4           COMMISSIONER McCARTY: Our next page really  
5           is -- kind of gives an idea for you to see the  
6           Office routinely reports its performance and  
7           standards, not just those that we give in the  
8           long-range plan, but we give a lot of information  
9           out. We have report -- our annual report, our  
10          reports to the Governor's office weekly, monthly,  
11          quarterly, and annually.

12          The FSC, we give reports to you twice a month.  
13          We have, obviously, the long-range plan. We have  
14          our new entrants report. We have legislative  
15          presentations; industry -- a huge number of  
16          industry reports, which can be found on your  
17          website; as well as Fast Backs, which we publish  
18          every quarter, which gives information about top  
19          writers, where we are in the marketplace, the size  
20          of residual markets, et cetera.

21          In terms of next steps, the one other  
22          performance measure I think we would like to modify  
23          after having conversations among ourselves and with  
24          some of your staff members, I think the Office is  
25          recommending an additional performance measure

1           which would require all COAs to be done within  
2           90 days, not 180. Because right now the permit has  
3           to be done in 90 days, but the certificate doesn't  
4           have to be issued until 180. And I think it's  
5           just -- 180 days is just too long, so we'd like to  
6           bring that back down to 90 to perform both of those  
7           measures, which is beyond what is required by the  
8           statute.

9           Okay. Some of our priorities for this year:  
10          Health insurance, HMO solvency, big issue. The  
11          onset of Obama Care has had a dramatic effect on  
12          our marketplace. There has been very significant  
13          disruption in the HMO market. We are planning to  
14          have not-so-pleasant news to report, particularly  
15          when what they call the three Rs come out: The  
16          risk corridor, the risk adjustment, and the  
17          reinsurance, which is scheduled to come out from  
18          CMS in June, the middle of June, which could cause  
19          very significant financial impact on our HMO  
20          industry.

21          Market development, obviously we're going to  
22          continue to do what we can to encourage and bring  
23          more capital to Florida and continue to grow,  
24          particularly in the property market. We are very  
25          cautiously optimistic that we're still seeing just

1 a trickle of what potentially could be in the  
2 alternative markets coming in from pension funds.

3 Property insurance stress testing, recently we  
4 were evaluated by the International Monetary Fund  
5 through the financial sector's assessment program,  
6 which all G20 countries are required to do.

7 Florida was selected to demonstrate how they stress  
8 test for a catastrophe. It is our goal with your  
9 help, the CFO, to come up with a way for us to be  
10 more transparent so that we can share with the  
11 consumers of Florida what that stress test is and  
12 how it -- so they have confidence in their  
13 homeowners company.

14 We have to complete the life settlement cases,  
15 you know, where we've got 70% of them done; our  
16 goal is to get to 80%. We, again, appreciate the  
17 cooperation you all have given us and a very  
18 successful endeavor that has helped thousands of  
19 Floridians.

20 Prescription drug pricing in serious  
21 illnesses, this is another potential issue. We  
22 know a number of plans now are making limited  
23 access to cancer coverage and cancer clinics. We  
24 know they're making limited access to severe  
25 dreaded diseases, and we want to continue to work

1 to make sure that those people are protected.

2 We have a very significant data call this year  
3 for title insurance, which is going to be an  
4 opportunity for us to do a full and comprehensive  
5 evaluation of the title insurance rates in Florida.  
6 And potentially lowering that rate or having some  
7 competition in that marketplace will be beneficial  
8 to our market and the real estate market.

9 PPACA reviews begin again this year. The  
10 challenge for that for us is they all come in at  
11 the same time because everyone would like to see  
12 what everyone else is charging so they can charge  
13 less, and so it's going to be interesting. It's  
14 going to come in May 15th, and then HHS is going  
15 to come out with their three Rs in June, which  
16 means we're going to -- may have to see a refiling  
17 based upon the implications of the federal  
18 government.

19 Cyber security is a huge issue. You read it  
20 in the papers, Anthem, Primerica, we're working  
21 collaboratively with other states. We're looking  
22 for best practices and implementing best practices  
23 to ensure the protection of not only financial  
24 information, but information concerning people's  
25 health which I think is critically important.

1           Biggert-Waters, you know, we -- the Governor  
2 sent a letter to hopefully delay some of the  
3 implementation of Biggert-Waters. The congress did  
4 make some changes, but we are going to be seeing  
5 through the remapping and through the next several  
6 years rates continue to go up.

7           We want to continue to foster the private  
8 sector to move more and more of those policies to  
9 the private sector. We're going to need FEMA's  
10 help to do so. You know, I intend to work with  
11 FEMA and work with our delegation to get the data  
12 so we can help companies develop their rates based  
13 on the data. It's critically important they have  
14 access to that data.

15           COMMISSIONER PUTNAM: Governor.

16           GOVERNOR SCOTT: Yes, go ahead.

17           COMMISSIONER PUTNAM: Commissioner, while  
18 we're on that, are you comfortable with the degree  
19 of accuracy, the quality of data on those new maps?

20           COMMISSIONER McCARTY: On the remaps in terms  
21 of --

22           (COMMISSIONER PUTNAM NODDED HEAD  
23 AFFIRMATIVELY).

24           COMMISSIONER McCARTY: I have concerns, and I  
25 can't opine to that because it's not done in a very

1 transparent fashion, and I know that they've  
2 engaged a rating organization to help review that.  
3 AIR has been engaged by FEMA. Our concern is we  
4 think that should be open and transparent.

5 There's no question that Florida has been  
6 paying disproportionate high rates over the years.  
7 FEMA in the last time they developed rates,  
8 developed 30 different territories but charged  
9 everyone the same rate irrespective of the risk  
10 profile of that territory. Well, there are  
11 probably many Floridians that are overpaying.

12 At a minimum, the process should be  
13 transparent so that people, academicians,  
14 actuaries, other states, can review that data to  
15 make sure that it's accurate and our people are  
16 being treated fairly.

17 COMMISSIONER PUTNAM: And do you feel like  
18 the relationship with FEMA is what it should be,  
19 or do you have good communication, good dialogue  
20 there?

21 COMMISSIONER McCARTY: We have communication.  
22 There is a lot of reluctance to release that data,  
23 and so that's something we're going to pursue in  
24 the next week as a matter of fact.

25 COMMISSIONER PUTNAM: And while I'm --

1 I'm sorry, did you want to finish a thought?

2 COMMISSIONER McCARTY: No, I'm good.

3 COMMISSIONER PUTNAM: Just since I've already  
4 thrown you off your train of thought, could you  
5 just -- because I heard -- I saw red flags on two  
6 of these items. When did you say you will know  
7 whether CMS is giving you the ability to go back to  
8 review HMOs under PPACA?

9 COMMISSIONER McCARTY: Well, we're reviewing  
10 the results from last year now; the annual  
11 statements are in. We have concerns because  
12 companies are booking expected recoverables based  
13 on the risk corridor and the risk adjustment,  
14 particularly the risk adjustment, which means based  
15 upon their pricing and the mix of policies they  
16 get, they're expecting money -- well, those numbers  
17 don't necessarily jive with what CMS is going to  
18 do. And so when those numbers come out, it could  
19 have a huge effect on some of our smaller  
20 companies.

21 COMMISSIONER PUTNAM: And that will be this  
22 summer that we have that review?

23 COMMISSIONER McCARTY: That's correct, the  
24 middle of June, maybe the end of June.

25 COMMISSIONER PUTNAM: Okay. Thank you.

1 Thank you, Governor.

2 COMMISSIONER McCARTY: And, of course, the  
3 last thing, you know we've enjoyed ten years of  
4 great workers' comp environment. Remember, we had  
5 one of the highest rates -- second highest rates in  
6 the country. Now we're very, very competitive. Of  
7 course that could all become undone by one court  
8 case.

9 So there are several cases that are now either  
10 in the court or pending in the court, and it would  
11 be very important, obviously, for protecting the  
12 integrity of the business community that we're able  
13 to respond quickly and address that issue, which  
14 may require a special session.

15 COMMISSIONER PUTNAM: Governor.

16 GOVERNOR SCOTT: Yes.

17 COMMISSIONER PUTNAM: One of the questions  
18 that I sort of have for all of our agency heads,  
19 you know, what keeps you up at night? This is  
20 clearly a major contingent liability for the state,  
21 this case. I mean you've already said it would  
22 likely require a special session to remedy.

23 But what is the worst case scenario in terms  
24 of when the decision may be rendered at the  
25 furthest possible time from the legislature's

1 schedule to convene, and what kind of disruptive  
2 effect would that have on the markets, and over  
3 what time frame would that disruption occur?

4 COMMISSIONER McCARTY: Well, there is the --  
5 yeah, that's difficult to say when the court would  
6 rule. It really depends on what they rule. I mean  
7 if they were to -- essentially if they were to  
8 throw the system out because the benefits weren't  
9 reasonable and, therefore, there was not a  
10 quid pro quo, for instance, for giving up your  
11 right to sue, that's something that could probably  
12 be relatively easily remedied.

13 If they threw out exclusive remedy and let you  
14 be able to sue in lieu of getting it, I think we'd  
15 have a much bigger problem. It's very difficult  
16 to -- it's very difficult to try to anticipate what  
17 the court will do and the extent to which they'll  
18 do it. And I'll get you information as to when  
19 the --

20 COMMISSIONER PUTNAM: Yeah, let's follow up on  
21 that. Thank you.

22 COMMISSIONER McCARTY: Yeah, let me get you  
23 information on some of the timelines on when those  
24 cases are expected to be --

25 ATTORNEY GENERAL BONDI: Will you talk to us

1 about that as well?

2 COMMISSIONER McCARTY: Sure. Yes, absolutely.

3 Next is stakeholder feedback. No, excuse me,  
4 opportunities for stakeholder input. We host a  
5 business conference, business development  
6 conference, a great opportunity for us to talk with  
7 investors, talk about the processes, help get  
8 feedback from those on how we can improve our  
9 filing system and our -- and give an opportunity  
10 for the these to talk directly and our folks to  
11 talk directly on how to improve our service to our  
12 clients in the industry.

13 We hold public hearings of public interest;  
14 provide opportunity for comments either at a  
15 public rate hearing or via the internet. We  
16 participate in a number of roundtables from the  
17 Financial Services Commission to the Geneva  
18 Association, even to our consumer groups from  
19 around the state as well.

20 We hold prefiling conferences. We try to tell  
21 companies, if you have a complex problem or you  
22 have something you have questions on, we're  
23 available to have prefiling conferences so that  
24 when you actually do make the filing, it helps  
25 streamline it and make it easier to go through; and

1 we do that on a very frequent basis.

2 We have the International Association of  
3 Insurance Supervisors stakeholders meeting as well  
4 as the NAIC Industry and Consumer Liaison meetings.  
5 We make active use of the social media. We hold  
6 informal meetings with management on solvency  
7 issues. It could be a group, issues -- a company  
8 comes in, or on an individual basis.

9 I also like to try to travel around the  
10 state and go to insurance companies and meet with  
11 the companies as well as editorial boards and also  
12 testify before the United States Congress. And  
13 that pretty much concludes my report.

14 GOVERNOR SCOTT: All right. So, Kevin, you  
15 saw what we put out before. Did you have any  
16 opportunity to review that and see what you liked  
17 and didn't like about the metrics that I proposed a  
18 couple -- two or three Cabinet meetings before?

19 COMMISSIONER McCARTY: What's that, sir?

20 GOVERNOR SCOTT: What we put out, the  
21 measures -- the metrics we put out before, did you  
22 have a chance to review those?

23 COMMISSIONER McCARTY: Yes, I have. I don't  
24 have them with me right now, but I'll be happy to  
25 get with your --

1           GOVERNOR SCOTT: Okay. And you haven't done a  
2 side by side or anything to see what your concerns  
3 are?

4           COMMISSIONER McCARTY: No, sir, I have not.

5           GOVERNOR SCOTT: Okay. All right. Thank you.  
6 Does anybody have any questions?

7           ATTORNEY GENERAL BONDI: No.

8           GOVERNOR SCOTT: All right. So --

9           CFO ATWATER: Yeah, I was going to ask what we  
10 might look at as the next step here then.

11          GOVERNOR SCOTT: Right. Yeah, I think the  
12 goal was, for all three of these agencies, that we  
13 would come up with metrics that we could measure.  
14 It would be -- I think, Kevin, from your  
15 standpoint, you'd like to know how you're going to  
16 be measured?

17          COMMISSIONER McCARTY: Yes, sir.

18          GOVERNOR SCOTT: And we all have goals of what  
19 we want to accomplish. So what do y'all propose as  
20 far as getting to finished metrics?

21          CFO ATWATER: I think this is that part of it  
22 that now it's just -- it's, you know, step by step,  
23 line by line, and seeing how we might agree on it.  
24 We might -- you know, Governor, I don't know  
25 what -- that's a very good question because now

1           it's at that point -- I think it was a thorough  
2           presentation walking us through the mission which,  
3           again, is what I wanted to see; and taxpayer value,  
4           that conversation.

5           But I think it comes down to now do we wish to  
6           lay anything that we may have provided to the  
7           Commissioner side by side and come up with the  
8           seven or eight that we agree to, or ask if he would  
9           take back any of the recommendations that we've  
10          provided to him and provide us with a spreadsheet.  
11          And at our next gathering we say, I think two  
12          better addresses cost efficiency than three, let's  
13          go with that one, and that may be --

14          I really have appreciated the conversation too  
15          that knowing where we stand against peer states or  
16          like-minded, with our goal is that we would be more  
17          effective and efficient, is a good number to have.  
18          Seeing a number all by itself is the vacuum that we  
19          wouldn't know whether we're a top achiever or a  
20          bottom player.

21          So, Governor, I think not to push us any two  
22          weeks further, but maybe -- unless we want to go  
23          down it now, the ones that you had, pass those out  
24          and lay it beside this one, or ask the Commissioner  
25          to -- and anyone else who might follow -- please

1 take and put on a full spreadsheet all the  
2 possible, and then we choose at the next meeting,  
3 just right here, circle them, and go.

4 ATTORNEY GENERAL BONDI: I like that.

5 GOVERNOR SCOTT: I'm okay either way. I'm  
6 okay if we want to do it today, what -- you know,  
7 I'm prepared to go through what we propose, and  
8 with the ones that the Commissioner proposed. I  
9 haven't seen anything else that anybody else has  
10 proposed. If there are, I haven't seen it, but I'm  
11 okay with either doing it today or doing it at the  
12 next meeting either one.

13 COMMISSIONER PUTNAM: I can go either way on  
14 the timing. I would -- I mean we've got our LPP  
15 (sic), I mean that's -- they can go pull it off  
16 their shelf. And those are very specific metrics,  
17 and I think that a conversation like what we just  
18 had where any one of us, just as what took place,  
19 can say, I think that's too low; I think that's too  
20 high; I think that's aspirational; I think that's  
21 unrealistic; I think that you need to set your  
22 sights a little higher.

23 That type of feedback I think is very  
24 valuable, but in addition to the metrics, you know,  
25 I think it's also important to get to the

1 open-ended questions of, you know, what is the  
2 biggest contingent liability you see in the next  
3 fiscal year or calendar year or hurricane season?  
4 Which of these lines is showing the least  
5 satisfactory growth relative to where you believe  
6 it should be and why, and what are the things that  
7 we need to be doing to remedy that? What are the  
8 things that you propose to remedy that? You know,  
9 what are the --

10 I thought it was important that you put in  
11 there what the opportunities were for stakeholder  
12 input because that was something I wanted to hear  
13 and I want to hear from every agency. What is  
14 your relationship with your stakeholders, and what  
15 are their opportunities to interact with your  
16 agency?

17 So I do think that it's very important that we  
18 have both -- a combination of specific metrics  
19 which are generally already worked out through the  
20 LRPP (sic) process, but as managers evaluating a  
21 manager, there ought to be some open-ended  
22 strategic conversations that take place about where  
23 have you brought this agency from; and where are  
24 you taking it; and what are the tools that you need  
25 to be successful; and if you've fallen short, what

1 are the reasons for that?

2 And so I think that these, you know, these  
3 metrics are a good starting point, but I do think  
4 that they lack the open-ended component that's  
5 important for any leader to be held -- to be  
6 prepared to answer for and be accountable for.

7 COMMISSIONER McCARTY: Kind of the qualitative  
8 issues really.

9 COMMISSIONER PUTNAM: Yes.

10 COMMISSIONER McCARTY: I have some homework  
11 from you, Governor, which I will get to your  
12 office.

13 GOVERNOR SCOTT: Okay. So based on that --  
14 so, Commissioner, what we gave you are the measures  
15 that we've put out. Today you're not in a position  
16 that you could respond to say you think these are  
17 right, you know, these are -- here's what you would  
18 change, or anything like that today?

19 COMMISSIONER McCARTY: Well, I do recall on  
20 the ones on the 30 days, as opposed to 45 days, we  
21 can do that. I don't think it's -- I don't know  
22 that it's the preferable way of doing it because I  
23 think by the time the company gets a clarification  
24 letter from us, they'll have a hard time  
25 responding.

1           You know, if we -- I mean I was able to put  
2 together some data. I don't know how helpful it  
3 is, but I was going to take the lowest state and  
4 the highest state and then where Florida fits  
5 within that parameter. I have that data I could  
6 share with you as well.

7           But I think with regard to policy forms, you  
8 know, we're below the average. Our state law is  
9 below what most other states require, and I think  
10 it just -- I think it's better for the industry  
11 because I don't want it to result in more  
12 disapprovals or withdrawals.

13           GOVERNOR SCOTT: So what we put out, we had  
14 not just those measures, but we had some additional  
15 things on our list, and I don't know if you had a  
16 chance to review those at all. So I guess what we  
17 put out before, you're not ready to be able to  
18 respond to those?

19           COMMISSIONER McCARTY: I'm sorry, Governor,  
20 I'm not.

21           GOVERNOR SCOTT: All right. So why don't we  
22 do it -- I think, CFO, what you proposed is why  
23 don't we do this, why don't we -- let me see if  
24 this works for everybody.

25           Everybody will give each of the agency heads

1 all of their options as far as measurement.  
2 And, Commissioner, you'll put in sort of the  
3 open-ended questions that you would like to have  
4 addressed.

5 COMMISSIONER PUTNAM: He'll address them?

6 GOVERNOR SCOTT: Yeah, you'll do that. You'll  
7 come back and tell us -- we'll still get to make  
8 our own decision, but you'll give us your  
9 recommendation, and probably some of them, like  
10 just what you just said, should it be 30 days or  
11 45 days? And we'll just -- at the next meeting,  
12 we'll just go line by line and we'll pick and  
13 choose.

14 COMMISSIONER McCARTY: Okay.

15 ATTORNEY GENERAL BONDI: And I like what  
16 Commissioner Putnam said, what are you lacking that  
17 can make you do your job better? You're the only  
18 one who knows that; you're the only one who can  
19 tell us that.

20 COMMISSIONER McCARTY: Uh-huh.

21 GOVERNOR SCOTT: So is that all right? Does  
22 that make sense?

23 CFO ATWATER: Well, I think it's a very good  
24 idea. And I might suggest, whether your team  
25 compiles the spreadsheet that we all look at so

1           it's all on one when it comes back, that if -- I  
2           had a chance to meet with the Commissioner as well  
3           as the other two incumbents that we're going to  
4           hear from today encouraging them, just as I know  
5           probably all of us in our offices did.

6           You get a shot here to lay on the table what  
7           you think is the right way to measure, and then  
8           we're going to be responding to that. And I think  
9           your idea is that you did it, and I appreciate  
10          that; that we can't let this go on that much  
11          longer.

12          I have a responsibility then, now that I've  
13          seen this, to hand him -- hand the Commissioner and  
14          the others what I might offer, but I think they  
15          ought to be consolidated in a way that we can all  
16          look at that on a spreadsheet next time in some way  
17          and, like you said, pick them.

18          GOVERNOR SCOTT: That's the way we did it. As  
19          you know, is we did it for each one; and then we  
20          had some supplemental measures for all of them, is  
21          what we put out before.

22          So what I'd like to get back is -- and it's  
23          probably easier for the -- if each of the agencies  
24          will take -- and you can mark it up with who has  
25          proposed it if you want to or not. I think it's

1 better if you do who proposed it, but do it in a  
2 manner that we can sort of go through and pick and  
3 choose.

4 But from our standpoint, what we put out,  
5 both measures per agency and then some supplemental  
6 measures. And so I will propose all of those be in  
7 there for -- and then we'll as a group make a  
8 decision whether we want them or not.

9 I think, Commissioner, you'll probably want to  
10 write down exactly how you -- perhaps the  
11 qualitative questions you want to ask, and we can  
12 ask -- and we can add any we want to add to that  
13 also, but I think that's a good idea.

14 COMMISSIONER PUTNAM: Yeah, I hope I --

15 GOVERNOR SCOTT: Yeah, I think that's a good  
16 idea.

17 Okay. So at the next meeting all three of  
18 these agencies will be doing that. We'll go  
19 through -- with the goal at the end of that  
20 meeting, we'll make a -- we'll have made a decision  
21 on how you're going to be measured, so you'll know  
22 every day how you can succeed.

23 ATTORNEY GENERAL BONDI: It's very  
24 comprehensive.

25 COMMISSIONER McCARTY: Thank you very much.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

GOVERNOR SCOTT: Okay. Thank you very much.

COMMISSIONER McCARTY: I appreciate the opportunity to present today. Thank you.

\* \* \* \*

STATE OF FLORIDA

IN RE: MEETING OF THE GOVERNOR  
AND CABINET

---

CABINET MEMBERS:

GOVERNOR RICK SCOTT  
ATTORNEY GENERAL PAM BONDI  
CHIEF FINANCIAL OFFICER  
JEFF ATWATER  
COMMISSIONER OF AGRICULTURE  
ADAM PUTNAM

DATE:

TUESDAY, MAY 5, 2015

LOCATION:

CABINET MEETING ROOM  
LOWER LEVEL, THE CAPITOL  
TALLAHASSEE, FLORIDA

REPORTED BY:

YVONNE LAFLAMME, FPR  
COURT REPORTER and  
NOTARY PUBLIC

C & N REPORTERS  
POST OFFICE BOX 3093  
TALLAHASSEE, FLORIDA 32315  
(850) 697-8314

I N D E X

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

- APPROVAL OF MINUTES  
By Governor Rick Scott
- APPOINTMENT - INTERIM SECRETARY  
By Governor Rick Scott
- APPOINTMENT - INTERIM EXECUTIVE DIRECTOR  
By Governor Rick Scott
- APPOINTMENT DISCUSSION  
By Governor Rick Scott
- BOARD OF TRUSTEES IMPROVEMENT FUND  
By Secretary Jon Steverson
- STATE BOARD OF ADMINISTRATION  
By Executive Director Ash Williams
- DEPARTMENT OF VETERANS AFFAIRS  
By Executive Director Mike Prendergast
- OFFICE OF FINANCIAL REGULATION  
By Commissioner Drew Breakspear
- DEPARTMENT OF REVENUE  
By Executive Director Marshall Stranburg
- AGENCY MEASURES - OIR  
By Commissioner Kevin McCarty
- AGENCY MEASURES - DOR  
By Commissioner Drew Breakspear

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

\*\*\*\*\*

AGENCY MEASURES

\*\*\*\*\*

GOVERNOR SCOTT: Next on the agenda we have the agency measures for the Office of Insurance Regulation presented by Kevin McCarty.

COMMISSIONER KEVIN McCARTY: Good morning, Governor, members of the Commission. I thank you for the opportunity to be here today.

At our previous meeting, I did have the opportunity of looking at the agency functions and basically three broad rubric consumer protection market development as well as regulatory efficiency. We also explore the mission of the office in certain terms of providing Florida an economically competitive marketplace while protecting our consumers, and we looked at the functional areas within the office which included our licensing and market development, as well as our great inform review process, our solvency review and enhancement, market conduct and consumer protection as well as data collection reports and information to the provided to the consumers.

I did take the opportunity, of course, in our last presentation to go over a number of the suggestions and initiatives by all of you from over the previous meetings. We had an opportunity this

1 week to review with the latest proposal put forward by  
2 our CFO, which I think embodies much of what we have  
3 discussed in terms of the quantifiable measures for  
4 the Office with regard to the subject matters, the  
5 broad areas of responsibility for the Office of  
6 Insurance Regulation.

7 I also notice that under one area that concerned  
8 the Governor and myself was the measure on the market  
9 conduct violations, which resulted in taking action.  
10 And I see that the CFO has restructured that to  
11 address remediation; and, I think, that goes to the  
12 issue raised by AG Bondi when she was encouraging us  
13 to put forward measures where we would encourage  
14 self-reporting. So one of the results when I looked  
15 at a wave of data from our previous market conducts,  
16 you'll see that remedial action means that the company  
17 has come in, identified their problem, and has already  
18 corrected the problem and made the consumer whole;  
19 which we consider remediation as opposed to  
20 enforcement, which would result in a fine, which we  
21 don't think is necessary in that case. So we think  
22 that is an improvement on the suggestions that we had  
23 previously made in our meetings.

24 Overall, I think there's the measured description  
25 that put forward, I think we find to be a very useful

1 tool for measuring the office. It has advantages that  
2 in many ways it represents the measures that are done  
3 for smart goals for allowing for measurements on a  
4 scaled proportion, but it also provides weights, which  
5 gives you the opportunity to tell us what you think is  
6 most important for us to focus our resources.

7 I also understand from our conversations that  
8 these are good ways of quantifying things for us to  
9 achieve, but they're also qualitative measures that  
10 need to be reviewed. And I appreciate commissioner  
11 Putnam's series of questions. I think are they very  
12 helpful in making sure, at that time, the Agency is  
13 aligning its resources and also has an opportunity for  
14 us to identify external challenges, how we address  
15 challenges and exercise leadership for the Agency for  
16 the betterment of our program and also protection of  
17 our consumers.

18 So that's what I wanted to suggest for you today.  
19 And I'm prepared to -- I know you have put forth a  
20 series of questions, as well as performance measures,  
21 and I think that would be helpful and we would be  
22 happy to go through those. We'll also understand that  
23 much of that is not necessarily something that can be  
24 measured, but it might be something that could be  
25 reported on so that it could help refine and define

1 performance measure in the future.

2 GOVERNOR SCOTT: All right. So let's go through  
3 the -- so, let's go down.

4 The first one that we had, and I guess you had  
5 recommended that we had presented for complete  
6 application, and I think the CFO had the same thing.  
7 Percentage of applications for a new authority of  
8 process within 90 days

9 And you think it should be 90 days rather than  
10 180?

11 COMMISSIONER KEVIN McCARTY: Yes.

12 GOVERNOR SCOTT: All right.

13 The second one, percentage of completed  
14 applications for new types of insurance added to an  
15 existing certificate of authority processed within 180  
16 days, do you think that's a good measurement, or  
17 irrelevant? Because that was in ours and I don't  
18 think that you had picked it up in yours.

19 COMMISSIONER KEVIN McCARTY: What document are we  
20 operating on? I'm sorry.

21 GOVERNOR SCOTT: I was going through the one back  
22 in February. I had sent out a proposal, so I think it  
23 sounds like everybody was probably okay for percentage  
24 of applications for new certificate authority process  
25 within 90 days because that was both picked up within

1 yours and the CFO. Mine was 180, but I think 90 is  
2 great. Then I had percentage of complete applications  
3 for new types of insurance added to existing  
4 certificate, it seems to me we're trying to get more  
5 people to come in and do business in the state, so I  
6 would like to know that.

7 Do you think it matters -- do you think the  
8 second measurement that I had was helpful, not  
9 helpful, in how you measure your agency?

10 COMMISSIONER KEVIN McCARTY: Is that the -- let  
11 me see I make sure. I'm sorry I'm having trouble.  
12 The percentage of complete applications types of  
13 insurance added to an existing certificate of  
14 authority process with 180 days or percentages of...

15 GOVERNOR SCOTT: And it's really the next two  
16 that are very similar but two different things.

17 COMMISSIONER KEVIN McCARTY: Is that G-3, sir?

18 GOVERNOR SCOTT: Yeah, 2 and 3.

19 COMMISSIONER KEVIN McCARTY: Yes, that certainly  
20 is something we could do.

21 ATTORNEY GENERAL BONDI: Governor, may I?

22 GOVERNOR SCOTT: Sure.

23 ATTORNEY GENERAL BONDI: I guess we have to  
24 understand that these are guidelines -- and correct me  
25 if I'm wrong, Kevin -- but if someone wants an

1 extension because their application isn't complete,  
2 the 100 percent worries me. There's always going to  
3 be exceptions to the rule, and I think we have to  
4 understand that. And I'm just saying this off of the  
5 top of my head. Let's say State Farm wanted to come  
6 in and add that or do something to change -- I'm just  
7 giving an example out there that's not very realistic,  
8 but assuming that happened, then more time may be  
9 needed.

10 So that may skew the numbers, and we have to look  
11 at that as opposed to a company completely withdrawing  
12 and having to start all over again.

13 GOVERNOR SCOTT: Right. Makes sense. Sure.

14 ATTORNEY GENERAL BONDI: And I think your  
15 questions after that --

16 GOVERNOR SCOTT: Right.

17 ATTORNEY GENERAL BONDI: -- factor that in.

18 GOVERNOR SCOTT: Yeah.

19 ATTORNEY GENERAL BONDI: I am assuming that's why  
20 you put those in there, that there are going to be  
21 exceptions to the rule.

22 GOVERNOR SCOTT: Right. There always is.

23 ATTORNEY GENERAL BONDI: Right.

24 COMMISSIONER ATWATER: Can I ask a question of  
25 you on that one?

1 First, as we go through this, Governor, you're  
2 suggesting to me this first time through we would try  
3 to identify the measure itself before talking about  
4 weights or ranges of success; just that we'll come  
5 back to that?

6 GOVERNOR SCOTT: Yeah.

7 CHIEF FINANCIAL OFFICER ATWATER: (Inaudible).

8 So this one, your point being, the first one we  
9 talked about is a brand new player that comes into the  
10 Florida market looking to do business; that's one  
11 standard. The other is, players are here today that  
12 might want to expand their range of services, how  
13 quickly are we acting on those.

14 GOVERNOR SCOTT: Right, right.

15 CHIEF FINANCIAL OFFICER ATWATER: Okay. Let me  
16 ask, Commissioner, should that be -- is there anything  
17 consistent about 90 days or did we already chat on  
18 that, for the first two measures or the next measure  
19 that the Governor was presenting: For a player that's  
20 here today for a certificate that would like to  
21 broaden their portfolio, should we be consistent at 90  
22 days, or does 180 make more sense for someone that's  
23 already here?

24 COMMISSIONER KEVIN McCARTY: And that's adding a  
25 line of business. The statute allows for 180 days,

1 but we can certainly set a timeline less than that.

2 COMMISSIONER ATWATER: But we just did on the one  
3 above it, correct?

4 COMMISSIONER KEVIN McCARTY: That's correct.

5 GOVERNOR SCOTT: Kevin, are you okay with 90?

6 COMMISSIONER KEVIN McCARTY: Yes.

7 GOVERNOR SCOTT: There's no reason to be  
8 different, right?

9 COMMISSIONER KEVIN McCARTY: No.

10 GOVERNOR SCOTT: And assume we already had in our  
11 proposal 90, and is that one you're okay with; does  
12 that make sense?

13 COMMISSIONER KEVIN McCARTY: Yes, sir.

14 GOVERNOR SCOTT: Okay. All right, so then my 4th  
15 one, how many new insurance company applications were  
16 rejected/disapproved last year, and why were they  
17 rejected/disapproved.

18 So is there a reason not to have -- for us to  
19 have that sort of data; wouldn't that be something  
20 that would be helpful to us?

21 COMMISSIONER KEVIN McCARTY: Sure.

22 ATTORNEY GENERAL BONDI: Governor, that explains  
23 my issue with it and talk about how many.

24 COMMISSIONER ATWATER: That's just dated then  
25 Governor.

1 GOVERNOR SCOTT: Yeah. Yeah, I don't think  
2 there's no measurements; it's just something that I  
3 think it's helpful to know.

4 And how many insurance applications were  
5 withdrawn last year, I think that's helpful to know.

6 COMMISSIONER KEVIN McCARTY: Sure.

7 GOVERNOR SCOTT: How many insurance company  
8 applications were returned as incomplete; how many new  
9 insurance company applications were listed last year;  
10 percentage of increase of applications for new life  
11 and health certificates and authorization filed with  
12 the Office over the year.

13 COMMISSIONER KEVIN McCARTY: Can I discuss that  
14 one in more detail?

15 GOVERNOR SCOTT: Sure.

16 COMMISSIONER KEVIN McCARTY: That's a little  
17 challenging in order to set a performance measure on,  
18 because here we're setting a standard plus-10 percent.  
19 This would be something that would be interesting to  
20 capture, but the percentage change could seem  
21 significant but if the number is --

22 GOVERNOR SCOTT: Kevin, I agree with you. Let's  
23 just capture the data. Yeah, I think you're right.

24 ATTORNEY GENERAL BONDI: I do, too.

25 GOVERNOR SCOTT: Yeah, I agree.

1           ATTORNEY GENERAL BONDI: And I had a note on  
2 that, Governor. I do, too.

3           GOVERNOR SCOTT: You did the same thing on  
4 Number 9 percentage of recent application for property  
5 and casualty?

6           COMMISSIONER KEVIN McCARTY: Yes, sir.

7           GOVERNOR SCOTT: Let's just get the data and we  
8 can look at it.

9           COMMISSIONER KEVIN McCARTY: Yeah.

10          GOVERNOR SCOTT: And then the next one is number  
11 of companies. It's just data.

12          ATTORNEY GENERAL BONDI: So Governor, wait. 8  
13 and 9 were just switching us to NA, right?

14          GOVERNOR SCOTT: Yeah, I think we going to take,  
15 Kevin, 8, 9 and 10 all -- it's hard to have -- do you  
16 think you can even have a goal on number 10?

17          COMMISSIONER KEVIN McCARTY: Yeah. I mean, we  
18 can have a goal, but I just think -- I don't know that  
19 we're capturing what you really want to capture.

20          For instance, we've had company -- a large title  
21 company that moved their entire operation to  
22 Jacksonville, Florida, but stayed domesticated in  
23 other states. So part of what we're seeking to do is  
24 bringing their jobs in the development of Florida but  
25 they still may be domicile.

1           Similarly, a company can redomesticate and keep  
2 all of their employees within another state because  
3 they find our reserving laws more advantageous, but  
4 they may have reason, because they're part of a larger  
5 group, just to remain domestic. So I think we can  
6 capture the data but I don't know if setting a  
7 standard really captures anything that we're using.

8           GOVERNOR SCOTT: I think it makes sense. So  
9 we'll just capture the data on that one, also.

10           Number 11, number of jobs that are associated  
11 with each insurance company that has redomesticated;  
12 again, do you think you can have a goal or just fair  
13 to get the information?

14           COMMISSIONER KEVIN McCARTY: Again, I really want  
15 to go back to redomestication does not necessarily  
16 equate to jobs. It could simply be just like you  
17 would register your business in Delaware because of  
18 the favorable laws and then have all of your jobs in  
19 New York City, makes sense.

20           GOVERNOR SCOTT: I agree with you.

21           So we would want to have a standard there and  
22 we'll get the data.

23           Okay. Life and health forms. See, I think -- I  
24 don't think there's difference between what you-all  
25 proposed and what I had or what the CFO had, right?

1 ATTORNEY GENERAL BONDI: Right.

2 GOVERNOR SCOTT: Okay, next. Percentage of life  
3 and health forms reviews completed within 30 days is  
4 required. Any reason not to include that one?

5 COMMISSIONER KEVIN McCARTY: Well, I think that  
6 varies from the one above, because under 627.410, it's  
7 30 plus 15, so under Florida law it would be 45 days.

8 GOVERNOR SCOTT: 45?

9 COMMISSIONER KEVIN McCARTY: Yeah. And that  
10 coincides with the CFO.

11 ATTORNEY GENERAL BONDI: And Governor, again, I  
12 think all of your last questions are very relevant  
13 because they're explaining why something -- correct,  
14 Kevin -- wouldn't be 100 percent, because of an  
15 incomplete form, things omitted from a form, things  
16 withdrawn; is that correct?

17 COMMISSIONER KEVIN McCARTY: Yeah. I would, you  
18 know, I again look back at what the CFO had presented  
19 in having ranges, because I think under the guidance  
20 we have from TMS on smart goals, it's really hard to  
21 set 100 percent smart goal. There would be a number  
22 of reasons why you wouldn't want to do that. And we  
23 would suggest that having some range where you get  
24 evaluated, if you fall within that range, you know,  
25 hopefully you will get 100 percent. But there may be

1 cases where you get something less than that, but  
2 pretty close less, at 99 percent, which I think  
3 achieves largely what we're trying to do in terms of  
4 speed the mark for products.

5 GOVERNOR SCOTT: Kevin, can you go back and  
6 explain. The statute is 30 days on my number tab 13.  
7 It says, "Percentage of life and health file reviews  
8 completed within 30 days." Isn't that what's  
9 required?

10 COMMISSIONER KEVIN McCARTY: 45 days.

11 GOVERNOR SCOTT: Oh, the statute is 45 days?

12 COMMISSIONER KEVIN McCARTY: Yes.

13 GOVERNOR SCOTT: If you would just confirm that.

14 COMMISSIONER KEVIN McCARTY: Yes.

15 GOVERNOR SCOTT: I just want whatever the statute  
16 is, confirm that, okay?

17 COMMISSIONER KEVIN McCARTY: Yes.

18 GOVERNOR SCOTT: Okay? This is just data by an  
19 insurance company, form filings that were approved,  
20 disapproved. So we have the data.

21 So, Kevin, going down through all of these data,  
22 you agree that it would be helpful for us to have the  
23 data, right? So we include all of the data on those.

24 COMMISSIONER KEVIN McCARTY: Right, right. Just  
25 to be mindful of that, that may not necessarily add up

1 to 100 percent.

2 GOVERNOR SCOTT: Right.

3 COMMISSIONER KEVIN McCARTY: Because there are  
4 things that are filed for acknowledgement, there are  
5 things that are filed for informational purpose only,  
6 and if you want we can capture that as well so we can  
7 kind of give you the full picture.

8 GOVERNOR SCOTT: Yeah, you can do that. That  
9 would be helpful.

10 COMMISSIONER KEVIN McCARTY: Sure.

11 GOVERNOR SCOTT: Okay, going down to CFO's 3rd  
12 and my 22nd point, percentage of (inaudible) that 45  
13 days within. So you're fine with 45 days, so that's  
14 what we'll do on that one.

15 ATTORNEY GENERAL BONDI: Governor, are you on 22?

16 GOVERNOR SCOTT: Yeah. So that's 45 days. So  
17 the filing reviews; you're doing both of them in 45  
18 days?

19 COMMISSIONER KEVIN McCARTY: We'll do the form  
20 filing in 45 days.

21 GOVERNOR SCOTT: And the re-filing in 90?

22 COMMISSIONER KEVIN McCARTY: The rate filing in  
23 90.

24 GOVERNOR SCOTT: So my recommendation on that  
25 one, and yours, and the CFO's; is that right, because

1 is that what the statute requires?

2 COMMISSIONER KEVIN McCARTY: Yes. The statute  
3 requires different things in different places. I  
4 think we want to excise or take out workers' comp  
5 because I think that's a different measure. But since  
6 it's a price-administered state, and it's the only  
7 price in the state, it probably doesn't really matter  
8 in terms of speed to market. They all set the rates  
9 for January 1st, but that just happens to be an  
10 explanation as an outlier.

11 GOVERNOR SCOTT: Okay. Then CFO's 4th -- see, I  
12 think on mine the statute requires 30 days and y'all  
13 have 90. What's the difference there? Mine is on  
14 property and casualty rate filing reviews.

15 ATTORNEY GENERAL BONDI: Number?

16 GOVERNOR SCOTT: My Number 23.

17 COMMISSIONER KEVIN McCARTY: Percentage of  
18 property and casualty form filing reviews completed  
19 with 30, and we would suggest making that 45.

20 GOVERNOR SCOTT: I think the statute -- I think  
21 the statute -- I don't know if anybody has the statute  
22 here.

23 ATTORNEY GENERAL BONDI: We do.

24 COMMISSIONER KEVIN McCARTY: 627.410 governs both  
25 property and casualty as life and health. It says 30

1 COMMISSIONER KEVIN McCARTY: Right, and then  
2 there's attended issue of the cost of a disapproval.

3 ATTORNEY GENERAL BONDI: Exactly.

4 COMMISSIONER KEVIN McCARTY: And frankly, for the  
5 companies, the stigma of the disapproval even if you  
6 ultimately end up resolving it, any IC model is 30 and  
7 30, so our statute is actually less than the NEIC  
8 model.

9 ATTORNEY GENERAL BONDI: And I think Governor's,  
10 all of his next questions will cover this, but you  
11 don't anticipate that happening very frequently?

12 COMMISSIONER KEVIN McCARTY: Some form filings  
13 are done well within the 30 days, and the more  
14 complicated ones require a little more extra time, and  
15 I think that we would appreciate that and I think  
16 that's --

17 ATTORNEY GENERAL BONDI: A buffer.

18 COMMISSIONER KEVIN McCARTY: Yeah.

19 GOVERNOR SCOTT: Okay. So we all agree then the  
20 time frame on this one is not 30 or not 90; it's 45?

21 COMMISSIONER ATWATER: That's on form.

22 ATTORNEY GENERAL BONDI: (Inaudible).

23 GOVERNOR SCOTT: That's on -- yeah, number four.  
24 You-all's number 4 and my number 23, and that's the  
25 property forming review.

1           ATTORNEY GENERAL BONDI: Governor, I'm going on  
2 yours; 23, right? Governor, can we word it something  
3 about -- I don't know if "hopeful" is the right word,  
4 but to do our best within 30 days, but there will be  
5 circumstances where it will be 45?

6           GOVERNOR SCOTT: The only thing you can do is,  
7 another way of doing that, Attorney General, is to say  
8 have a goal for 30 days and a goal for 45, but I don't  
9 know if that makes sense from y'all's stand point.

10          COMMISSIONER KEVIN McCARTY: Yeah. What I would  
11 like to suggest doing for this first go-around is why  
12 don't we collect the data for you on 30 days and 45  
13 days, and then we can see that then, say, hey, next  
14 year why don't you see if you can get that percentage  
15 up a few points.

16          GOVERNOR SCOTT: Okay. So we'll add the data.  
17 We'll have leave us the 45, and then we'll have the  
18 data for 30 and 45 days?

19          COMMISSIONER KEVIN McCARTY: That seems  
20 reasonable, yeah.

21          GOVERNOR SCOTT: Okay.

22          You're okay with this 24 through 33?

23          COMMISSIONER KEVIN McCARTY: Yes.

24          GOVERNOR SCOTT: Data.

25          COMMISSIONER KEVIN McCARTY: Yes.

1 GOVERNOR SCOTT: Everybody is okay with that?  
2 Then your and CFO's number 5 says percentage and  
3 (unintelligible).

4 Okay. Here's -- so you said percentage with  
5 which the Office requires companies to mediate.

6 Here my overall concern for this is, I think if  
7 you have this and you put it at goal, and then  
8 naturally you'll have a goal of what you've got to --  
9 whether it makes sense or not, you have to take the  
10 enforcement action, because you're going to want to  
11 reach your goal.

12 What number do you want to be? Do you want to be  
13 in last place or first place? I imagine you want to  
14 be in first place, right?

15 So if you set a goal, you're going to reach it,  
16 right?

17 COMMISSIONER KEVIN McCARTY: Yes, sir. I think  
18 that's why the change that has been made addresses  
19 that issue to a large extent, and instead of saying  
20 enforcement action taken, say the issue has been  
21 remediated. And by "remediated," it could be like we  
22 had three self-reported incidents last year. We have  
23 60-something market conducts we did. We found  
24 violations in some; others self-reported. It just  
25 gives us an opportunity to look at the gravity of the

1 mistake; see whether it was something that systematic  
2 and repeated and what actions the company took, take  
3 into consideration mitigating factors, and if they  
4 made the consumer whole and there's no other thing  
5 necessary, there's no fine, and then the issue has  
6 been remediated. And so, we can set a goal with  
7 regard to that, because that way you're not incurring  
8 unnecessary finding or unnecessary investigations.

9 One of the things that Florida has done is we  
10 moved away from standard market conduct examinations  
11 where that kind of measurement may have made more  
12 sense. We are more focused on a complaint driven  
13 through our cooperations with the CFO's office, as  
14 well as different risk-based analysis, as opposed to  
15 road-to-market conduct going in every three to five  
16 years to review.

17 So a number of our market conducts are relatively  
18 small, and so I just think we -- protecting consumers  
19 is such an important part of the work we do, that I  
20 would like to have some measure in there. And I think  
21 from moving, taking enforcement action to taking  
22 remedial action takes away the incentive for the  
23 Agency to look at punishing companies. Does that make  
24 sense?

25 COMMISSIONER ATWATER: Governor?

1 I think we try to find a better way, but I feel  
2 more comfortable if we followed the data for a year.

3 GOVERNOR SCOTT: I agree with that.

4 COMMISSIONER ATWATER: I don't want to appear we  
5 have to pull the system on it.

6 ATTORNEY GENERAL BONDI: Do you mean with the  
7 long-range plan, CFO?

8 COMMISSIONER ATWATER: Our numbers I know are  
9 different.

10 GOVERNOR SCOTT: On the question on Number 5.

11 ATTORNEY GENERAL BONDI: Okay, I'm on yours.

12 GOVERNOR SCOTT: Yeah, just look at my number,  
13 Number 34. So I think what the CFO was saying is we  
14 look at the data. So the number of market conduct  
15 examinations with violations in which the offices  
16 takes, do you want to do full enforcement action and  
17 remediation.

18 COMMISSIONER ATWATER: Why don't we follow that  
19 for the year, and I would feel better about that, next  
20 year.

21 GOVERNOR SCOTT: Kevin, does that make sense to  
22 you?

23 COMMISSIONER KEVIN McCARTY: Should the data be  
24 remedial, enforcement or both?

25 GOVERNOR SCOTT: Both.

1 COMMISSIONER ATWATER: Both.

2 COMMISSIONER KEVIN McCARTY: Got you.

3 GOVERNOR SCOTT: Is everybody okay?

4 ATTORNEY GENERAL BONDI: Yes.

5 GOVERNOR SCOTT: All right. All right, so I'm on  
6 35 and y'all's number 6. Percentage of priority  
7 (inaudible) financial examinations is required 18  
8 months so you're (inaudible.)

9 COMMISSIONER KEVIN McCARTY: Yes.

10 GOVERNOR SCOTT: So what's the difference?

11 COMMISSIONER KEVIN McCARTY: The scale the CFO  
12 uses.

13 GOVERNOR SCOTT: But as far as the wording,  
14 there's no different than what I'm saying?

15 COMMISSIONER KEVIN McCARTY: No.

16 GOVERNOR SCOTT: (Inaudible).

17 COMMISSIONER KEVIN McCARTY: No.

18 GOVERNOR SCOTT: All right, that's fine. So then  
19 the next are percentages of life insurance -- so is  
20 there any reason not to have next one in my 36?

21 COMMISSIONER KEVIN McCARTY: I'm not sure how  
22 that's -- is that different than the one above it?

23 COMMISSIONER ATWATER: The one above it was  
24 inclusive of.

25 COMMISSIONER KEVIN McCARTY: Life and health and

1 PNC. I got it. You can really say the same just  
2 really have 35 so --

3 GOVERNOR SCOTT: So 36 is including 35?

4 COMMISSIONER KEVIN McCARTY: Yeah, and so is 37  
5 included in 35.

6 ATTORNEY GENERAL BONDI: And you were president  
7 of your association, correct?

8 COMMISSIONER KEVIN McCARTY: Yes, ma'am.

9 GOVERNOR SCOTT: Okay. So we'll leave out 36 and  
10 37 because you believe they're all included in 35.

11 COMMISSIONER KEVIN McCARTY: Yes.

12 GOVERNOR SCOTT: On the line which you and the  
13 CFO have will be the language that we use. It doesn't  
14 really matter to say it required.

15 Everybody is okay with that?

16 ATTORNEY GENERAL BONDI: Yes.

17 GOVERNOR SCOTT: Okay, my Number 38. So there's  
18 really no difference there. My scale was -- yours  
19 was -- mine was 100 percent, and yours was 98.

20 COMMISSIONER ATWATER: Governor, maybe we can  
21 just come back to that at the end, but yeah, I think  
22 we're really saying the same thing.

23 GOVERNOR SCOTT: Okay. Okay. All right. So no  
24 one has a problem. We need to come back and look at  
25 the goal. Okay. Then, the next one, and there's

1 really no difference there. Again, it's just a goal.

2 All right. Everybody is okay with that?

3 Okay. Number 40, what is the percentage  
4 increased from domestic insurance over last year.  
5 Anybody have any problem giving that data?

6 COMMISSIONER KEVIN McCARTY: Yeah, and capturing  
7 the data, but when we capture this data it was for the  
8 selective purposes of looking at what was happening to  
9 Florida domestic companies as a result of the sinkhole  
10 crisis, and how much it depleted and how much with the  
11 changes that the Legislature made that we were able to  
12 rally and build up you're surplus.

13 Surplus dedicated on a state basis is very, very  
14 difficult to quantify because you really have to look  
15 at businesses that are only doing business in one  
16 state. Because as soon as you go beyond that state,  
17 that capital is not dedicated to just the state of  
18 Florida; it's dedicate to the other states they're  
19 doing business in.

20 So we can capture that, but let's say if a large  
21 company decides to write in 15 more states, it's  
22 really no longer just a Florida domestic; it's a  
23 regional company.

24 GOVERNOR SCOTT: So Kevin, when they do that, are  
25 they put the entire surplus at risk for every state or

1 are they doing that through subsidiaries?

2 COMMISSIONER KEVIN McCARTY: Depending. If they  
3 can set up a Florida-only company and then dedicate  
4 that surplus just to that state, but many of our  
5 indigenous companies have come out of the hurricane  
6 season, 2004/2005 were started in Florida and now have  
7 expand to other states, and that surplus is for the  
8 use and benefits of all of the states. And if they  
9 add lines of business, it's not just dedicated to  
10 homeowners; it's dedicated to whatever line of  
11 business they added.

12 GOVERNOR SCOTT: So Kevin, if we wanted to find  
13 out what would be the standard to know whether our  
14 insurance companies -- and you pick it by area whether  
15 their surpluses are going up or going down. Is there  
16 a standard that we can use that would give us an  
17 indicator? Because if the surplus is going down -- it  
18 might need to be something we need to look at to see  
19 if we need to make changes, right?

20 COMMISSIONER KEVIN McCARTY: That's correct. And  
21 again, I use that as a proxy for identifying problems  
22 to the Legislature, but I was able to use a subset of  
23 companies doing business in Florida, looking at their  
24 Florida business because it was only dedicated to  
25 Florida.

1 Markets change very quickly, and it's very common  
2 for companies once they get to cut their teeth in  
3 Florida they're pretty well prepared to do business in  
4 any state, because if you can do business in Florida,  
5 you can do business elsewhere. And part of their  
6 strategy is to diversify their portfolio and spread  
7 their geographic risk across the country.

8 Once they start doing that, it really diminishes  
9 the kind of ability to use that as an analytical tool.

10 GOVERNOR SCOTT: So Kevin, let's take property  
11 and casualty for a second. On property and casualty,  
12 what percentage of the companies that are doing  
13 business in Florida are taking risk with that same  
14 surplus in other states? Is it a high percentage?

15 COMMISSIONER KEVIN McCARTY: Yeah, it is. It is.  
16 I can get you the number. The number of Florida-only  
17 companies is now is really relatively small.

18 GOVERNOR SCOTT: So companies like State Farm,  
19 they're not doing business in Florida through  
20 subsidiaries where they limit their risk?

21 COMMISSIONER KEVIN McCARTY: Yeah, some of the  
22 large nationals have set up Florida companies.

23 GOVERNOR SCOTT: Is that too much?

24 COMMISSIONER KEVIN McCARTY: We could do that,  
25 but somebody like United PNC, which started as a

1 Florida company is now in 15, 17, states. ASO, Jon  
2 Ivers' company, which was a large company but very  
3 good company is now also in 15 or 20 states. As a  
4 matter of fact, maybe 15 or 20 percent of their total  
5 portfolio is in Florida.

6 GOVERNOR SCOTT: So is it valuable to look at the  
7 domestic companies that only do business here and see  
8 what happens in their surplus and the ones that do  
9 business everywhere separately? Is that even going to  
10 be helpful to us, do you think?

11 COMMISSIONER KEVIN McCARTY: I don't know that  
12 how particularly helpful. I think it would be helpful  
13 for us to track on the PNC side what's going on,  
14 because perhaps that will identify other issues  
15 that -- the next new sinkhole -- but we have to caveat  
16 that data we capture they might have some explanations  
17 company X,Y,Z has now expanded to six or seven states,  
18 or they have diversified to other states, or they set  
19 up a holding company and diversify and took some of  
20 capital for the Florida company and set up companies  
21 in Texas and New Jersey. So...

22 GOVERNOR SCOTT: Why don't we do this? Why don't  
23 we just do PNC. Since it's okay with everybody, we'll  
24 just do PNC, and you give us the data for that entity  
25 that only does business here. Like it would capture a

1 State Farm subsidiary or one of the other companies  
2 that's just doing business here and then separately  
3 capture the ones that do business in multiple  
4 jurisdictions, so we at least see what happen to  
5 capital.

6 COMMISSIONER KEVIN McCARTY: And we're looking  
7 at, were primarily looking at the homeowner's market,  
8 I assume.

9 GOVERNOR SCOTT: Yes. Does that make sense?

10 COMMISSIONER KEVIN McCARTY: Yeah, that would be  
11 much easier to track.

12 GOVERNOR SCOTT: Is that okay with everybody?

13 COMMISSIONER KEVIN McCARTY: And we may find in  
14 the fullness of time, as markets change, it's not  
15 terribly useful.

16 GOVERNOR SCOTT: So we'll find out over time.  
17 Just like in business you find out over time.

18 COMMISSIONER KEVIN McCARTY: Okay.

19 GOVERNOR SCOTT: Okay. All right, so number 41  
20 on mine, I think everyone has the same. The waiting.

21 Kevin, on yours, you have as a percentage of  
22 total agency costs, so your number is a little bit  
23 higher than mine?

24 COMMISSIONER KEVIN McCARTY: I'm fine with 8%.

25 GOVERNOR SCOTT: And what do you think the number

1 ought to be?

2 COMMISSIONER KEVIN McCARTY: We're fine with 8%.  
3 When I was going through this exercise, I kind of did  
4 a little homework project, and I looked at different  
5 agencies across the state and in how they calibrate  
6 and define administrative costs, and they're all over  
7 the board.

8 GOVERNOR SCOTT: Yeah.

9 COMMISSIONER KEVIN McCARTY: And so I think for  
10 this to be useful for you and your agencies, as well  
11 as Cabinet agencies, we need to try and define what  
12 that means. And in some cases, they only count  
13 administrative staff; other areas they count executive  
14 staff; other areas include legal instead of  
15 enforcement. They have that administrative. So  
16 instead of people playing with the numbers, if we can  
17 come up with a common definition and that way we can  
18 all be looking at apples and apples.

19 GOVERNOR SCOTT: You're comfortable with the 8%,  
20 right?

21 COMMISSIONER KEVIN McCARTY: Yes, sir.

22 GOVERNOR SCOTT: If everybody's okay, but you  
23 will write down a definition of what that means?

24 Because here's my belief. My belief is that  
25 state grows, and hopefully 300,000 people will move

1 here this year. Here as a percentage of revenue, your  
2 measuring costs ought to be able to come down because  
3 there ought to be some synergies as you get bigger; no  
4 different than a business.

5 COMMISSIONER KEVIN McCARTY: Uh-huh.

6 GOVERNOR SCOTT: I mean, that should be the goal.  
7 You've got to look at it and some things could change.  
8 Same thing we did in business. We want our as  
9 percentage of revenues.

10 ATTORNEY GENERAL BONDI: And Governor, I think  
11 it's completely relevant to the mission.

12 GOVERNOR SCOTT: Yeah.

13 COMMISSIONER KEVIN McCARTY: Right.

14 GOVERNOR SCOTT: So everybody is okay with that?  
15 All right. So now my 42. I think this is -- so are  
16 you -- are we at the same measurement? So is there,  
17 do you have a different standard or did you want a  
18 different standard than what we proposed?

19 CHIEF FINANCIAL OFFICER ATWATER: I think your  
20 comment, Governor, was we have agreed on measures.  
21 It's just the goal, and we try to get to those  
22 percentages, those numbers. Maybe we can cover that.

23 GOVERNOR SCOTT: All right.

24 COMMISSIONER PUTNAM: How do you resolve the  
25 common definition of what is administration?

1           GOVERNOR SCOTT: I think what we're going to do  
2 is you're comfortable with 8%. To start off, we're  
3 going to agree -- but we're going to agree on 8%.  
4 This will be your standard. You will write down so we  
5 know exactly what apples, what we're measuring. So  
6 each year we might want to change this goal, and you  
7 might want to come back and say, "No, this goal is too  
8 low or too high."

9           COMMISSIONER KEVIN McCARTY: Yes, sir.

10          GOVERNOR SCOTT: And I think you should be lower.

11          COMMISSIONER PUTNAM: So what's our baseline  
12 here? Last year.

13          GOVERNOR SCOTT: I think last year -- Kevin, do  
14 you know where you were last year?

15          COMMISSIONER KEVIN McCARTY: Yeah, we were a  
16 little higher than that, but we used the same kind of  
17 metrics that some of the agencies but not all other  
18 agencies. We included all of the senior management,  
19 all of my salary, all of that as administrative. In  
20 my one good argument, that's not all administrative;  
21 it's executive direction, but maybe not all  
22 administrative, so we could take a critical look at  
23 what that means.

24          GOVERNOR SCOTT: Why don't we do that and we'll  
25 go back. But let's do 8%. Let's do all costs, okay?

1 And then you'll tell us if you think there's some  
2 problem with that.

3 COMMISSIONER KEVIN McCARTY: Okay.

4 GOVERNOR SCOTT: Okay?

5 COMMISSIONER KEVIN McCARTY: That's fair.

6 GOVERNOR SCOTT: Because I think this is a start  
7 of measurement, and I think we are going to see over  
8 time the more you measure -- we look at it and  
9 probably try to find some synergies, because again,  
10 you want to be number one.

11 COMMISSIONER KEVIN McCARTY: Yes, sir.

12 CHIEF FINANCIAL OFFICER ATWATER: Commissioner, I  
13 think that's a good point, and I think when we come to  
14 the final, you know, standard as the Commissioner just  
15 mentioned, defining which costs will now be included  
16 within this measure so that we all see it.

17 And we know -- but you might -- we may be passed,  
18 but I hope you continue to think about whether the  
19 association has different efficiency measures that you  
20 haven't brought forth to us yet, or whether it's total  
21 cost of percentage of premium written, or whatever  
22 else the associate is made to look at; how efficient  
23 is the state agency performing its task.

24 COMMISSIONER KEVIN McCARTY: And that's a  
25 question I think is embodied in the later question,

1 which asks, what are some of the objective measures  
2 you can measure your performances, and there are a  
3 couple of things out there through the association,  
4 and we can measure both our efficiency as well as our  
5 performance measure in terms of rate performance  
6 reviews so we can actually benchmark against other  
7 states.

8 CHIEF FINANCIAL OFFICER ATWATER: Maybe we can  
9 see that, Governor, and at some point insert those as  
10 a far better measure as the one we're picking out, but  
11 this is a good start.

12 COMMISSIONER KEVIN McCARTY: Yeah.

13 GOVERNOR SCOTT: My goal at least would be -- and  
14 you can look at this -- I would like for you to agree  
15 on something may not be changing every month.

16 COMMISSIONER KEVIN McCARTY: No.

17 GOVERNOR SCOTT: You like to know how to elect  
18 measures because you probably want to succeed.

19 COMMISSIONER KEVIN McCARTY: Yeah.

20 GOVERNOR SCOTT: Like everybody else.

21 So Kevin, on my 43, this was an increase of  
22 numbers in website hits. Was that relevant to you?  
23 Not relevant to you?

24 COMMISSIONER KEVIN McCARTY: The Consumer Service  
25 office is housed in the DFS. Our site consumers do

1 visit it, because we do have some helpful tools. We  
2 have our choice for shopping and comparing rates on a  
3 number of products. We have our -- for instance,  
4 we're going to get a lot of hits because we're doing  
5 the title insurance data call, so we're going to have  
6 all of the title agents and companies going to our  
7 site hitting it. Next year, that won't be here, so  
8 we're probably going to drop off next year because  
9 that will be done. So I'm not sure if it's a valid  
10 measure.

11 GOVERNOR SCOTT: Just give the data and let's  
12 just look at it and see if it's going to become  
13 relevant.

14 COMMISSIONER KEVIN McCARTY: Okay.

15 GOVERNOR SCOTT: What about the next one? Do you  
16 think the insurance company admission process handled  
17 by regulation in place, and these now were not picked  
18 up either by you or by the CFO. But the supplemental  
19 is you -- did you have any issues with any of them  
20 because it's information based on them?

21 COMMISSIONER KEVIN McCARTY: No, I mean I think  
22 these are important questions to raise, and it gives  
23 us an opportunity for my principals to help identify  
24 whether we need to do some legislative changes. In  
25 view of anything we identify, and it gives our office

1 an opportunity to identify and continue to interact  
2 with our stakeholders and places in improving that.  
3 So I think these are good question to ask and we can  
4 answer them on this go-around, or we can answer them  
5 whenever you desire, but I certainly don't have any  
6 issues addressing anything hampering bringing business  
7 to the general marketplace in Florida.

8 GOVERNOR SCOTT: All right. So then so we have  
9 the Commissioner's -- and these are not -- I think  
10 both my -- neither one are things that are easily  
11 measured by number, but it would be good things to  
12 have to measure an agency. Is that the way you look  
13 at it?

14 COMMISSIONER PUTNAM: I look at those as being  
15 open-ended questions that we would get a response from  
16 and members of the Cabinet could score that just as  
17 they would score any of the more objective measures,  
18 but I think that's really where you evaluate the  
19 leadership.

20 ATTORNEY GENERAL BONDI: What number are you on,  
21 Governor?

22 GOVERNOR SCOTT: We finished now -- we're on the  
23 supplemental. We're going through my supplemental and  
24 the Commissioner's. And so I guess step one is you  
25 have on either on my --

1 ATTORNEY GENERAL BONDI: Yours.

2 GOVERNOR SCOTT: We were doing all of them  
3 together. So Attorney General, we're just doing all  
4 of them together. Mine starts at 41.

5 ATTORNEY GENERAL BONDI: (Inaudible).

6 GOVERNOR SCOTT: But Kevin, yours, mine, and the  
7 Commissioner of Agriculture, you have no issues that  
8 these would be come up with, right, and respond to?

9 COMMISSIONER KEVIN McCARTY: I think it's highly  
10 appropriate, yes, but this is to provide it in concert  
11 with the evaluation.

12 GOVERNOR SCOTT: So, all right. So that -- that  
13 goes through then.

14 Now, then going back -- I think that was all of  
15 the suggestions that we had. My understanding.

16 Now, going back. I think the CFO had an idea  
17 that you have a scoring system on a certain number of  
18 these. Did you want to explain that?

19 CHIEF FINANCIAL OFFICER ATWATER: Governor, thank  
20 you. Just for the sake -- just expressing that last  
21 one to the Commissioner about it but not changing  
22 every month so he could understand consistently. All  
23 I wanted to offer in this instrument or tool of  
24 whatever is a concept was that it was not meant to  
25 identify which one should be the measure; that's our

1 decision. It's just to put it in a format that in my  
2 life experience is outside of this work that we do  
3 now.

4 As the leader of the organization, I was the  
5 board narrowed down the performance measures just as  
6 we had to certain agencies, market share, revenue, but  
7 then we weighted them, and those weights may change in  
8 a given year, based on the challenge. And then we  
9 established a range for the measure that we agreed  
10 upon, and then we had agreed -- we're on the tool that  
11 was going to provide us the outcome number so we're  
12 all looking at the same page and it gave a weighted  
13 score.

14 So basically, it was a consistent way that  
15 everybody knew where they stood, and so I just wanted  
16 to offer it as it may be difficult if we don't weight  
17 them or range them that someone might present to us at  
18 a quarterly to have underachievement in one category  
19 but exceeded all of the others, and they don't know  
20 whether sitting or standing: Well, one failure means  
21 one failure and that's unacceptable; or collectively  
22 speaking, here is your score at this moment that we  
23 have tried to give you a sense of whether we think  
24 you're exceeding or not exceeding in your performance.

25 So it was looking for consistency, it was

1 narrowing all of the types of things to the highest  
2 priorities, it was weighting those priorities and  
3 consistently scoring them.

4 GOVERNOR SCOTT: So here's the way -- I've done  
5 in my business life a little bit like you did. The  
6 only time I ever did that was all say, because it's  
7 not like Kevin -- we can't measure Kevin against 20  
8 other agencies, right, because they're all different.

9 We could in theory, if we had the data, we could  
10 measure all of the other agencies what you do in other  
11 states but that's not even true either because every  
12 state is so differently.

13 Right? So that makes it really difficult. I  
14 guess my concern is that -- I think let me take  
15 Number 1, CFO. If they can't do, if that's only 10  
16 percent and they're just horrible at that, that's  
17 pretty darn bad, right? So I wouldn't want somebody  
18 in Kevin's position to say, "You know, I did really  
19 well but I did a horrible job at the first one and I'm  
20 really feeling like I am knocking it out of the park."

21 CHIEF FINANCIAL OFFICER ATWATER: I completely  
22 again, and I think when we get to hopefully what  
23 Commissioner Putnam has mentioned and you have  
24 mentioned is that in a leadership role, again, this  
25 was only as a template, I would have had as a CEO of

1 institution, somewhere down here a significant weight  
2 to the leadership expectations which are attached,  
3 which are these types of things that I would have do  
4 stand and answer for. And if someone could find that  
5 to give us a home run on something that you would say,  
6 Goodness gracious. In a year like this you better run  
7 revenue market (inaudible) but still, we're not  
8 hearing, we're not feeling the kind of leadership  
9 expectations that say you understand the mission,  
10 you've aligned your resources to the mission, you're  
11 achieving these more subjected measures that are about  
12 leadership that would have been weighted.

13 And so I didn't mean for the weight to be, but I  
14 get your point. The weight was not meant to reflect  
15 my opinion or our opinion, which is to stick something  
16 in there. Just starting the process for the --

17 COMMISSIONER KEVIN McCARTY: Starting point.

18 CHIEF FINANCIAL OFFICER ATWATER: -- starting  
19 process, but my hope was that again, that anybody --  
20 just as we had a little while ago on the agenda, we  
21 have two national searches going out, is that if you  
22 ever have an open position that someone from another  
23 state or industry can look at us and say, "I get how  
24 I'm going to stand in front of the Cabinet and be  
25 measured, and it won't be whether or not there was any

1 other kind of unique occasion that has created an  
2 outcome that otherwise I was really able to perform  
3 the expectations of the role, and I do believe it does  
4 inquire what you have designed as the supplemental  
5 subjective measures of leadership.

6 So it's only an idea. I'm certainly willing to  
7 just present it.

8 ATTORNEY GENERAL BONDI: Governor, may I?

9 GOVERNOR SCOTT: Sure.

10 ATTORNEY GENERAL BONDI: CFO, you may have  
11 answered it, but I'm confused how we all came up.  
12 They're all misweighted equally 10 percent. I'm not  
13 sure how we came up with that. I just don't  
14 understand.

15 CHIEF FINANCIAL OFFICER ATWATER: Thank you,  
16 General. Had this been one that I would have seen in  
17 outside of this environment, they were clearly  
18 weighted differently. So in my role it would have  
19 been -- RLI might have been at 25 percent market share  
20 may have been at 20. As I work my way down, I just  
21 didn't want to be presumptive in handing you something  
22 that says "I'm going to weight this." And maybe I  
23 should have left them blank, but they would have added  
24 up to 100 percent.

25 Because again, this doesn't have listed here the

1 subtle leadership characteristics that you also want  
2 to score as individuals. So I couldn't agree with you  
3 more. My attempt was to lay them out and then show  
4 how to work a little bit that some are weighted a  
5 little bit less than others; may not have been the  
6 highest priority that given year.

7 It avoided a strict pass/fail on an item. You  
8 can fail and you can pass, but it laid out a range of  
9 where you would have achieved. If there's an  
10 alternative idea as to how everyone would have a sense  
11 when everyone left their quarterly visit with us or  
12 their annual visit with us, how they're standing other  
13 than curious, I'm all up to that, too. This was just  
14 a concept.

15 GOVERNOR SCOTT: I think Kevin, from -- so you  
16 want to succeed, right? So from your standpoint, it  
17 seems to me that we shouldn't give you a goal that you  
18 think is not obtainable, all right? Or we ought to be  
19 clear and ought to be written down here that's not  
20 really a realistic goal, but you'll be glad to try for  
21 it. That's not fair to you, right?

22 And so my goal would be -- and I'm okay with the  
23 weights; it doesn't really bother me, if we do it that  
24 way. But my goal is to set up on a per issue  
25 measurement that you think you can reach, and then if

1 you can't reach that, when you come here you'll  
2 explain why. And there could be a legitimate reason,  
3 and my experience with the Cabinet so far is that  
4 they're not unreasonable because they don't run your  
5 agency so kind of -- maybe where you stand, you think  
6 we're unreasonable but I doubt that. I would be  
7 surprised.

8       So it seems to me that I'm okay with doing the  
9 measure, but I think the most important standard that  
10 you think is reasonable and fair to you because I  
11 don't want you to have a standard that -- they should  
12 be, not easy, but something that you think you can  
13 attain.

14       And look, the bottom line is, if we have a  
15 standard of 100 percent we understand it's not going to  
16 happen. There's something that's going to happen, and  
17 we can't expect you to get 100 percent, but that can  
18 still can be your goal.

19       COMMISSIONER KEVIN McCARTY: Okay.

20       GOVERNOR SCOTT: So I'm okay either way, and CFO,  
21 if you want to make a recommendation and if anybody  
22 else wants to make a recommendation. I think it's  
23 easier for me to not have the weight, but I'm okay  
24 either way.

25       COMMISSIONER PUTNAM: Governor, whether we waited

1 or not to me is less relevant, unless we're going to  
2 stick with 130 data points, which is somewhere near  
3 where we are, and I do not think that is at all where  
4 I think we should be.

5 The CFO's score card I think is concise, and I  
6 certainly agree with having a numeric score for some  
7 select number of objectives that gives a snapshot of a  
8 safety, soundness, and stability of the insurance  
9 market in the state of Florida. Everything else is  
10 just information that we can dig into to support or to  
11 defend or reject our own preconceptions coming into.  
12 The data shines a lot on that, but for this to be  
13 helpful, we have it narrowed to some small number of  
14 measures that reflect not just efficiency and the  
15 speed and the outputs that are going on in that office  
16 but also the outcomes that are directly related to  
17 safety and soundness of the system.

18 And that would be true of OFR, also. And so, I  
19 think we've got some work to do to whittle down all of  
20 the things that we're asking of them, some -- much of  
21 which I assume is revealed in the LRPP anyways and  
22 through the legislative mandated PB square process.  
23 So that information ought to be readily available, and  
24 we ought to decide what the dozen, 20 measures are  
25 that we're going to score, and then add to that the

1 open-ended qualitative leadership measures and then  
2 stop. I mean, I think we're over-complicating this a  
3 bit.

4 GOVERNOR SCOTT: Sure. Well, if you would like  
5 to, I think it's a good idea what you're saying is why  
6 don't we just pick the ones that we think are  
7 important, and what each of us can do separately is we  
8 can always ask the agency on our own. So we can have  
9 what we want presented to the Cabinet and each of us  
10 can ask on our own. So if you want to make a  
11 recommendation on the ones that you think would be the  
12 best ones that would have presented to us, and then  
13 we'll decide on our own the others that we can ask  
14 Kevin for, and you've been forthcoming when our office  
15 has asked you for information.

16 COMMISSIONER KEVIN McCARTY: A lot of this we can  
17 provide you, yeah.

18 GOVERNOR SCOTT: Yeah.

19 COMMISSIONER PUTNAM: And I want to say, I think  
20 all of these are important measurements, and it's  
21 valuable data for us to have a sense of what's going  
22 on. But for an annual score card, I just think we  
23 probably ought to window down -- for example, if you  
24 take the 100 questions, how many of them are we now  
25 down to that we have decided to score? Because I know

1 that as we've been going through this, we decided at a  
2 number of incidents to shift it into the data  
3 category. So having done that, how many are we now  
4 down to?

5 CHIEF FINANCIAL OFFICER ATWATER: I counted 11.

6 GOVERNOR SCOTT: Let's just go back. So my  
7 Number 1 is scored. My number 2 is scored. Number 3  
8 is scored. Number 8 is scored.

9 COMMISSIONER PUTNAM: Eight is not scored, is it?  
10 8 through 11.

11 GOVERNOR SCOTT: You're right. We did not score  
12 that, so those are not scored.

13 The Number 12 is scored.

14 Number 13 is scored.

15 COMMISSIONER PUTNAM: I want to say merge that  
16 with 7.

17 GOVERNOR SCOTT: I think they were separate but  
18 we can go back to make sure.

19 ATTORNEY GENERAL BONDI: Governor, 12 and 13 were  
20 not scored. You put N/A for those.

21 GOVERNOR SCOTT: No.

22 ATTORNEY GENERAL BONDI: I'm down by "outcome."

23 GOVERNOR SCOTT: I think it should be a  
24 percentage of like (inaudible.) It should be 100  
25 percent, I think. And we can go back and decide, but

1 this is by law, and so I think we ought to have a  
2 score for those.

3 Kevin, are you okay with that?

4 COMMISSIONER KEVIN McCARTY: I think we should  
5 have a score.

6 GOVERNOR SCOTT: I think we are, though. I think  
7 we are scoring 12 and 13 and those at least what I add  
8 was a hundred. You can come back and say it be  
9 different. So those...

10 And then the next one that would be scored is my  
11 Number 22. I think, Commissioner, is the same thing  
12 23 is scored, 38, 39, 41, 42. That adds up to 14.

13 COMMISSIONER PUTNAM: 36 and 37, I think we  
14 merged them.

15 GOVERNOR SCOTT: So 11 are scored.

16 CHIEF FINANCIAL OFFICER ATWATER: That's what I  
17 thought.

18 ATTORNEY GENERAL BONDI: And Governor, what, 35?  
19 I stepped out for a moment. Are we ending on 35 or 38  
20 or 39?

21 GOVERNOR SCOTT: All of the supplement are  
22 scored.

23 ATTORNEY GENERAL BONDI: Right.

24 GOVERNOR SCOTT: So we'll have -- so we'll have  
25 11 that we scored, okay? And those would be the ones,

1 and then the others will be -- it's just like all of  
2 the supplement information.

3 COMMISSIONER KEVIN McCARTY: Can I --

4 GOVERNOR SCOTT: Provide that information to us,  
5 and if anybody wants it, we'll just ask you for the  
6 independent information separate.

7 COMMISSIONER KEVIN McCARTY: Can I raise a couple  
8 of issues that I don't think are necessarily  
9 applicable to our agency. I would like to direct your  
10 attention to GE 60 through 65.

11 GOVERNOR SCOTT: Okay.

12 COMMISSIONER KEVIN McCARTY: And perhaps, 66, as  
13 well. How many consumer complaints has your agency  
14 received? Well, virtually zero, because the  
15 complaints in the Office of Insurance Regulation are  
16 handled through the Division of Consumer Services of  
17 the Department of Financial Services, so we work in  
18 tandem.

19 GOVERNOR SCOTT: That one is not relevant.

20 COMMISSIONER KEVIN McCARTY: And so the  
21 follow-ups series on that.

22 GOVERNOR SCOTT: That all is the same thing.  
23 Well, 62, that's stakeholders.

24 COMMISSIONER KEVIN McCARTY: Yeah, stakeholders,  
25 sure.

1 GOVERNOR SCOTT: Do you do consumer surveys at  
2 all?

3 COMMISSIONER KEVIN McCARTY: Consumer surveys,  
4 no.

5 GOVERNOR SCOTT: And there's no real relevance?

6 COMMISSIONER KEVIN McCARTY: No. We meet with  
7 consumer stakeholder groups and there are many  
8 opportunities for stakeholder input but we do not --

9 GOVERNOR SCOTT: 63, 64, so yeah, this is part of  
10 pardon for all agencies so it doesn't apply to you.  
11 Call center, does that apply to you?

12 COMMISSIONER KEVIN McCARTY: No.

13 GOVERNOR SCOTT: 64, 65, 66, 67.

14 We can go through -- basically now, I think what  
15 we're saying is we're going to have 11 scored and the  
16 others are all -- we'll ask our own, three Cabinet  
17 offices and I'll just ask you for the other  
18 information.

19 COMMISSIONER KEVIN McCARTY: Okay and --

20 GOVERNOR SCOTT: And then you can decide --

21 COMMISSIONER KEVIN McCARTY: Which of these may  
22 not apply?

23 GOVERNOR SCOTT: Yeah.

24 COMMISSIONER KEVIN McCARTY: Okay, that's great.  
25 Thank you.

1           COMMISSIONER PUTNAM: And then the seven  
2 supplement, I'm putting out there for discussion in  
3 addition to.

4           GOVERNOR SCOTT: But I'm okay either way. Our  
5 supplemental, I'll ask for the information anyways,  
6 whether it's part of this process or not, so. And if  
7 you, Commissioner, if you want yours to be part of  
8 this process, that's fine with me. So it doesn't  
9 matter to me whether you want to do mine as part of  
10 this process or I just do it myself.

11           ATTORNEY GENERAL BONDI: I would like to solve --

12           GOVERNOR SCOTT: Right.

13           ATTORNEY GENERAL BONDI: I agree with you.

14           COMMISSIONER KEVIN McCARTY: But I certainly  
15 would welcome qualitative questions to be included as  
16 part of the review process. I think that's helpful  
17 and instructive to my principals to give a more  
18 comprehensive explanation. Like you said, measuring  
19 how many widgets that can get processed in a certain  
20 amount of time doesn't exactly address fundamental  
21 issues having to do with the safety and soundness and  
22 some of the broader issues that are important in the  
23 insurance and cross sector issues in our financial.

24           GOVERNOR SCOTT: So why don't we do this on mine,  
25 I'll just ask our own we'll include the Commissioner's

1 supplemental as part of this process, and then if  
2 anyone wants the information online, just ask us and  
3 we'll give it to you.

4 ATTORNEY GENERAL BONDI: Perfect.

5 GOVERNOR SCOTT: So --

6 COMMISSIONER PUTNAM: I would, just for fairness,  
7 I think anything that any of us ask for --

8 ATTORNEY GENERAL BONDI: We should all get it.

9 COMMISSIONER PUTNAM: -- we should all get it.

10 COMMISSIONER KEVIN McCARTY: I'll do that. Of  
11 course.

12 COMMISSIONER PUTNAM: So we're not -- he's got  
13 four different score cards he's being measured. Now  
14 all of us may put a different priority on a  
15 different -- and that's part of the nature of this  
16 business, but we all ought to be armed with the same  
17 information.

18 GOVERNOR SCOTT: So where we are now to make sure  
19 we're on the same path. We have 11 that we're  
20 scoring, the Commissioner's supplemental will be part  
21 of what will given -- will be part of what you  
22 present. We'll ask -- I'll ask my supplement and all  
23 of the others that we had on here just getting data  
24 and we'll ask for that independently.

25 And you have the opportunity to give that to --

1 you'll give that to the other Cabinet members or  
2 Cabinet members and actually give it to me.

3 So the last thing we have to do is go through and  
4 the next thing is on each of the items we are scoring,  
5 what's the standard and whether we are going to do any  
6 weight system like the CFO has proposed.

7 So I guess probably -- so I'm fine with either  
8 way. So CFO, do you want to make a recommendation?

9 CHIEF FINANCIAL OFFICER ATWATER: Well, I play  
10 down -- thanks, Governor. The idea is and thinking  
11 about incumbents being able to understand what they're  
12 presenting and walking away and that there are periods  
13 that. And the house objectively, we may each be  
14 interpreting somebody who came in at 99 percent of the  
15 time getting it right, but not 100. 100 is the  
16 standard-only number that's are out. There there's  
17 going to be a perception, and there's going to be a  
18 difficult sense of talented people feeling there's  
19 some security or other people future incumbents  
20 looking at these positions, thinking, I'm in a total  
21 pass/fail on 100-percent standard.

22 And that's why I was hoping the range would allow  
23 us to look at someone's achievements and say, that's  
24 pretty dog-on close, and we want them to have comfort;  
25 or, that is not close enough and we want to score to

1 reflect that is not close enough.

2 So Governor, I do lay out it's a recommendation  
3 in trying --

4 GOVERNOR SCOTT: Let's just go through -- since  
5 we have 11 so let's just go through, and then you make  
6 a recommendation and we'll --

7 So we have got number my Number 1, okay? So you  
8 had that at 10%; you want to leave that at 10%? I've  
9 just got to make sure this adds up to 100%.

10 Okay. So do you want to leave it at 10? I think  
11 we've added now, so the second one that we're  
12 measuring is my number two; is that right?

13 COMMISSIONER PUTNAM: There's only two that are  
14 worth more than 10, so those are two most important.

15 Thanks for asking, and that's the way I would  
16 interpret is you have two questions, and presumably we  
17 have decided that those are the most important  
18 indicators on his performance.

19 ATTORNEY GENERAL BONDI: And would you repeat  
20 that to the Governor?

21 GOVERNOR SCOTT: I think the court reporter needs  
22 to take a break for just a second. Okay, we'll take a  
23 five-minute break.

24 ATTORNEY GENERAL BONDI: And she's a trooper, by  
25 the way. I've done this for 20 years, and I don't

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

STATE OF FLORIDA

IN RE: MEETING OF THE GOVERNOR AND  
CABINET

---

**VOLUME 2**

CABINET MEMBERS: GOVERNOR RICK SCOTT  
ATTORNEY GENERAL PAM BONDI  
CHIEF FINANCIAL OFFICER JEFF  
ATWATER  
COMMISSIONER OF AGRICULTURE  
ADAM PUTNAM

DATE: TUESDAY, MAY 5, 2015

TIME: COMMENCED AT 9:00 A.M.  
CONCLUDED AT 2:00 P.M.

LOCATION: CABINET MEETING ROOM  
LOWER LEVEL, THE CAPITOL  
TALLAHASSEE, FLORIDA

REPORTED BY: NANCY S. METZKE, RPR, FPR  
COURT REPORTER

**C & N REPORTERS**  
**POST OFFICE BOX 3093**  
**TALLAHASSEE, FLORIDA 32315-3093**  
**(850) 697-8314 / FAX (850) 697-8715**  
**nancy@metzke.com**  
**candnreporters.com**

## INDEX

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

## PAGE NO.

<b>Agency Measures - Office of Insurance Regulation</b> By Commissioner McCarty	90
<b>Agency Measures - Office of Financial Regulation</b> By Commissioner Breakspear	111
<b>Agency Measures - Department of Revenue</b> By Executive Director Stranburg	144
<b>Administration Commission</b> By Director Kruse	159

\* \* \* \*

1           **AGENCY MEASURES - OFFICE OF INSURANCE REGULATION**

2  
3           (WHEREUPON, THE TRANSCRIPT CONTINUES IN  
4           SEQUENCE FROM VOLUME 1 WITHOUT OMISSION).

5  
6           GOVERNOR SCOTT: Okay. Let's get started  
7           again.

8           All right. So Number 1, CFO you're at 10%?

9           CFO ATWATER: Governor, I was. And what I did  
10          is I had -- actually, I had asked the Commissioner  
11          if he had weights that could ensure, at this point  
12          in time, maybe what our greatest needs were. And  
13          that's where the 15 and 15 came on. Insuring the  
14          property and casualty market or efficiencies and  
15          how quickly they could work to get them in there,  
16          get set up and get going; and the other was on --  
17          that we were on top of who was safe and who was not  
18          safe by the financial analysis that we were doing  
19          and not having a player in here with discretion.  
20          So that's how I came with those weightings slightly  
21          above the others.

22          GOVERNOR SCOTT: Okay. So just to make sure  
23          we're doing -- how -- so we're doing this all in  
24          one time, but so the standard will be a 100%.  
25          Let's take that one as an example. The standard is

1 a 100%, okay? You want to weight this question at  
2 10%, all right? And then you will score the  
3 question over here on the side, and you think the  
4 same scoring system should be the same for  
5 everyone?

6 CFO ATWATER: The scoring system, yes, but the  
7 ranges would be different depending on the measure  
8 itself and how they have performed in the past and  
9 how we're trying to nudge them to be more  
10 successful in the future.

11 GOVERNOR SCOTT: Okay. All right. So that's  
12 Number 1. The second question we're scoring, so  
13 what do you want to weight that?

14 CFO ATWATER: Well, let me just say that --  
15 because the Commissioner has brought up this issue  
16 on the supplemental and I'm not -- I think they're  
17 so important I don't know that I call them  
18 supplemental. I think that if we're going to  
19 start -- again, this was only meant to be an  
20 indicator or first example. I might suggest, as we  
21 start walking down them, do we want to be reserving  
22 10 to 15 or some percent? That would be each of  
23 our collective scores as to the leadership that  
24 we're seeing based upon the answers that we're  
25 getting.

1           So it moves itself not into an after all the  
2 objectives are looked at, but it's included within  
3 the measure itself. So that's a question that  
4 rather than just scoring the first 11, it may be  
5 that there should be weight left over for the more  
6 subjective leadership attributes.

7           ATTORNEY GENERAL BONDI: I hate to keep  
8 beating a dead horse; but, CFO, I just don't  
9 understand how we came up with the percentages.  
10 Did you say that you worked with the Agency to come  
11 up with those?

12           CFO ATWATER: What I just said -- no. No.

13           ATTORNEY GENERAL BONDI: Or just your  
14 experience in the field?

15           CFO ATWATER: A little of both in just saying  
16 at the moment to each one of these that we're going  
17 to be seeing: Is there prioritizations that you  
18 were working under in your mind that we should be  
19 having the conversation? It's obviously that's our  
20 call, not theirs.

21           But in getting feedback, it would be, yes,  
22 that I was trying to distribute this for the sake  
23 of just putting it in front of you more evenly  
24 weighted. You may feel differently looking at them  
25 now collectively.

1           And as we narrow which ones actually should be  
2           in here, narrowing them; but in conversations with  
3           the Commissioner, it was: We still need to be sure  
4           that our property market looks vibrant, is robust,  
5           and the market place sees that, so your ability to  
6           turn those filings around quickly is important.

7           ATTORNEY GENERAL BONDI: Okay.

8           CFO ATWATER: And we can't have bad actors  
9           getting in here that we're not on top of, so your  
10          analysis of the players is important. So that may  
11          be why those got 5% weight, but that is all subject  
12          to now just go out the door and you should decide  
13          that now.

14          GOVERNOR SCOTT: Sure. All right. So, CFO, I  
15          think -- so first of all, is everybody okay with  
16          the process itself?

17          We're going to -- we've got 11 that we're  
18          scoring. You've brought up the issue, do you want  
19          to take a percentage of this 100% and apply it to  
20          the supplemental questions that the Commissioner of  
21          Agriculture has recommended but we'll have a  
22          standard like on Number 1, which would be a 100%.  
23          You would have a weight, which in this case you  
24          recommended 10, and then you have a scoring system  
25          that you have over here.

1 CFO ATWATER: Correct. Correct.

2 GOVERNOR SCOTT: So on this one you don't have  
3 any recommendation of making any change?

4 CFO ATWATER: No.

5 GOVERNOR SCOTT: Okay. The second question is  
6 my Number 2, how do you want to do that one? We  
7 have the standard be a 100% and just do this one  
8 the exact same way?

9 CFO ATWATER: Correct.

10 GOVERNOR SCOTT: All right. And Number 3,  
11 basically the -- so basically the same way, and do  
12 you want to have the same percentage weight on each  
13 of these?

14 CFO ATWATER: Correct.

15 GOVERNOR SCOTT: Okay. So that's 10, 10, and  
16 10; so we've used up 30%.

17 So the next one we have scored is Number --  
18 your Number 2 my Number 12. The standard would be  
19 a 100%. Do you want to do the weight at 10 and the  
20 scoring a little bit different that you have over  
21 on the side?

22 CFO ATWATER: That would be fine. That's  
23 dropping that from 15 to 10? Is that on Number 4?

24 GOVERNOR SCOTT: Oh, no, I think it's -- on my  
25 sheet it said Number 10, but I'm fine with it.

1 CFO ATWATER: Okay.

2 ATTORNEY GENERAL BONDI: I saw one at 15.

3 What number have you got, Governor?

4 GOVERNOR SCOTT: I'm at my Number 12.

5 ATTORNEY GENERAL BONDI: Okay.

6 GOVERNOR SCOTT: The standard is a hundred.

7 My thing says 10. If you want it to be 15 --

8 CFO ATWATER: No, I'm looking at

9 two different --

10 GOVERNOR SCOTT: Okay.

11 CFO ATWATER: I'm looking at three different  
12 spreadsheets now, Governor, so --

13 GOVERNOR SCOTT: And he's got a different  
14 scoring system over on the right.

15 ATTORNEY GENERAL BONDI: I know. CFO, what  
16 number is yours?

17 CFO ATWATER: Well, I had this little --

18 ATTORNEY GENERAL BONDI: No, I've got them  
19 all; but, yeah --

20 CFO ATWATER: I don't remember any more.

21 ATTORNEY GENERAL BONDI: -- what number is  
22 yours in relation to the Governor's? That's what  
23 I'm trying to --

24 CFO ATWATER: I don't know any more.

25 GOVERNOR SCOTT: His is Number 2.

1           ATTORNEY GENERAL BONDI: Okay. That's at 10%  
2 then. Okay.

3           GOVERNOR SCOTT: Yeah. Okay. All right. So  
4 Number 13, so you want to do -- you want to do a  
5 100%, 10, and have the scoring system you have over  
6 on the side of Number -- my Number 12, your  
7 Number 2?

8           CFO ATWATER: Yes.

9           GOVERNOR SCOTT: And now we've used up 50%.  
10 So now we're at my Number 22 your Number 3.

11           COMMISSIONER McCARTY: We just did --

12           GOVERNOR SCOTT: We've done five -- five  
13 things we've scored.

14           COMMISSIONER PUTNAM: Got it, okay.

15           GOVERNOR SCOTT: So now your, CFO, your  
16 Number 3, my Number 22, the standard will be a  
17 100%, the weight is 10, and then you have the  
18 scoring system over on the right?

19           CFO ATWATER: Correct.

20           GOVERNOR SCOTT: Okay. My Number 23, your  
21 Number 4, that's now changed to 45 days, not 90;  
22 and you have this one the weight of 15, right,  
23 15%?

24           CFO ATWATER: I think that's correct,  
25 Governor.

1 GOVERNOR SCOTT: Okay. Let's go to 18.

2 CFO ATWATER: Are we agreeing on the ranges at  
3 the same time?

4 GOVERNOR SCOTT: Yeah.

5 CFO ATWATER: Okay.

6 COMMISSIONER PUTNAM: Hang in there, Kevin,  
7 it's only your career.

8 COMMISSIONER McCARTY: Well, no, no, I -- can  
9 I --

10 ATTORNEY GENERAL BONDI: And while they're --  
11 Kevin, while they're doing that, on behalf of  
12 all -- I know I can say this on behalf of all of  
13 us.

14 Governor, may I, while you're adding up the  
15 numbers, if you don't mind?

16 GOVERNOR SCOTT: Sure.

17 ATTORNEY GENERAL BONDI: We want to set you  
18 up to succeed, not fail, clearly. That's why I  
19 think everyone has put so much time into this.

20 GOVERNOR SCOTT: All right. So now we're at  
21 your Number 6, my Number --

22 COMMISSIONER PUTNAM: And the other agencies  
23 owe you a steak for going first.

24 COMMISSIONER McCARTY: Can we just go back to  
25 the 45-day? Were we talking about rates or forms

1 on that?

2 GOVERNOR SCOTT: That one, Kevin, was the  
3 percentage of property and casualty form filing  
4 reviews completed within 45 days.

5 COMMISSIONER McCARTY: Okay. That's it, thank  
6 you.

7 GOVERNOR SCOTT: But that was the one that had  
8 the 30 and the 15.

9 COMMISSIONER McCARTY: Yeah, yeah.

10 GOVERNOR SCOTT: My number was 30 and you  
11 changed it.

12 COMMISSIONER McCARTY: Yeah.

13 GOVERNOR SCOTT: Okay. So now we're at the  
14 CFO Number 6, my Number 35. That one will be --  
15 this will be our 8th. That will be 10%, a 100%,  
16 and you have the scoring system. So now you've  
17 used up 85% of the 100%.

18 So now we've got the last two --

19 CFO ATWATER: Well, we -- yeah, I had scored --  
20 I had actually scored 10, but now we're working  
21 under 11 so we probably needed to shift some weight  
22 around somewhere, Governor.

23 GOVERNOR SCOTT: Okay. So now we're at my  
24 Number 98, your Number 7.

25 ATTORNEY GENERAL BONDI: Percentage of

1 priority financial analysis completed within  
2 60 days, 15%.

3 COMMISSIONER McCARTY: We're going to get over  
4 a hundred here.

5 CFO ATWATER: Yeah, we're going to have to  
6 shift some weight.

7 ATTORNEY GENERAL BONDI: I look back at the  
8 Cabinet Aides. I'm concerned about -- yeah, you're  
9 in trouble.

10 CFO ATWATER: That maybe better be 10% if  
11 we're going to have anything --

12 COMMISSIONER PUTNAM: I want to revisit your  
13 suggestion about the open-ended questions.

14 CFO ATWATER: I think so.

15 GOVERNOR SCOTT: Okay. So the last three, how  
16 do you want to score them?

17 CFO ATWATER: Well, Governor, I think the -- I  
18 think we're -- and we need to probably answer  
19 before that, bringing the supplemental forward and  
20 weighting it or letting it remain as outside of the  
21 numeric scoring system but knowing that it carries  
22 the significant weight of -- I've seen it both  
23 ways, where that's outside the scoring system, but  
24 it carries the most significant weight because it  
25 speaks to your leadership. And that's more

1 subjective and it's not weighted, but it's going to  
2 be a determining factor because each quarter when  
3 the discussion is held there is clarity as to where  
4 people may stand on those leadership skills.

5 So we can continue with the numeric to bring  
6 it in for the landing, but I think if we want to  
7 move the supplemental up and score it objectively,  
8 maybe now is the time to weight it.

9 GOVERNOR SCOTT: So do you have a  
10 recommendation?

11 CFO ATWATER: Well, I would -- yeah, I do,  
12 Governor. I would probably recommend, for people  
13 understanding that it is more than just one issue,  
14 I think we should -- I think we should reserve 20%  
15 weight for the supplemental conversation as to  
16 leadership; and that that -- anybody would know  
17 that that is, at any given time, their ability to  
18 forecast, vision, lead, adapt is going to be  
19 paramount to their success in the job. So that's a  
20 recommendation, which means we're going to have to  
21 go back and reduce some of the weights.

22 GOVERNOR SCOTT: All right. So do you want to  
23 go back and --

24 CFO ATWATER: Well, maybe, at first, is 20%  
25 significant, appropriate, too much, how maybe

1 others may feel?

2 COMMISSIONER PUTNAM: I believe it should be  
3 an important part of the evaluation process.  
4 Whether it's 20, 25, 15, I think is -- you know,  
5 I'm open to discussion about that; but to me the  
6 subjective open-ended analysis is really an  
7 evaluation of the leadership, which is our primary  
8 purpose here.

9 So I mean, the basic blocking and tackling is  
10 critically important too and shouldn't be  
11 overlooked. But if an 80/20 rule makes the math  
12 easier, I'm all for it.

13 CFO ATWATER: I think what that would mean,  
14 Governor, is that for the first 11 items we would  
15 all see a numeric number because we established a  
16 range and now there is a tool out there that's  
17 going to give us the number. For the last one,  
18 someone here may say it's a four, someone else may  
19 call them a five, someone else may call the  
20 incumbent a three. And maybe then we'll just have  
21 to average those up when it comes around based upon  
22 those kind of -- because there's not going to be a  
23 tool to say: Did the person exercise vision? That  
24 will be how we have seen it in our working with the  
25 Department and how we size it up.

1           So I think that's okay, but when it comes to  
2 that, maybe we just need to know how we'll land the  
3 plane, is that we would average our -- we would all  
4 call out a number and average those together, and  
5 that's 20% of the score. Does that sound feasible  
6 or --

7           COMMISSIONER PUTNAM: Yeah, I would envision  
8 each Cabinet member ranking the responses to each  
9 of the open-ended questions 0 to 5, 1 to 5,  
10 something like that; and then maybe the sum of that  
11 would be -- well, the average of that would be 20%  
12 of your overall score.

13           So if your average at the end of these  
14 10 questions or whatever it is on the open-ended,  
15 if your average score was a 4.2, then, you know,  
16 that would be folded into the scoring system you've  
17 already set up, but it would be a 4.2 times 20%.

18           CFO ATWATER: And I might have a 4.0. The  
19 Governor may have a 4.5.

20           COMMISSIONER PUTNAM: Correct.

21           CFO ATWATER: And we'll just add those up and  
22 divide by four, and that's our --

23           COMMISSIONER PUTNAM: Okay.

24           GOVERNOR SCOTT: So the point is it will be a  
25 five-point scale; is that what your --

1 CFO ATWATER: Right.

2 GOVERNOR SCOTT: -- that's what your  
3 recommendation will be?

4 CFO ATWATER: Right.

5 GOVERNOR SCOTT: A five-point scale, and that  
6 one -- this one will be subjective because there's  
7 no objective measurement, and so we'll just each  
8 score it and have an average?

9 CFO ATWATER: Right.

10 GOVERNOR SCOTT: Okay. All right. So  
11 that's --

12 CFO ATWATER: So the question is the weight,  
13 15, 20.

14 COMMISSIONER PUTNAM: If you're suggesting 20,  
15 I'll second that.

16 CFO ATWATER: All right. I'm suggesting 20.

17 GOVERNOR SCOTT: Okay. So let's --  
18 Attorney General, you're all right with 20?

19 ATTORNEY GENERAL BONDI: Yes, Governor.

20 GOVERNOR SCOTT: Okay. All right. So now --

21 CFO ATWATER: Now we're to go divide 80?

22 GOVERNOR SCOTT: Yeah, so now you've got 80.  
23 So do you want to make a recommendation just going  
24 down 1 through 11, and I'll just write it down so  
25 we can add it up to 80 points?

1           ATTORNEY GENERAL BONDI: And, Governor, just  
2 for the -- I'm just looking at you totaling the  
3 scores, just in my mind, but thanks, the 20%.

4           CFO ATWATER: Governor, I might recommend  
5 that -- thank you for the calculator. I might --

6           ATTORNEY GENERAL BONDI: We're in trouble.

7           CFO ATWATER: Yeah.

8           I might recommend, Governor, that maybe now is  
9 the time that either we can distribute them equally  
10 in my mind, or I just would go back to: Do we, in  
11 the coming year, see a priority among the  
12 indicators here that we are expecting, is there  
13 anything that should jump out as to be more  
14 important than the others at this moment? And  
15 that's how I would probably then shift a slightly  
16 higher weight to those, and that would answer the  
17 question.

18           I chose the two I chose because of what I  
19 might have, you know, wanted to be sure: Continue  
20 to attract capital but not having players that  
21 aren't performing well know that we're not going to  
22 catch them, so --

23           COMMISSIONER PUTNAM: I would suggest that we  
24 distribute the weight equally.

25           CFO ATWATER: Governor, for the first year, I

1 am absolutely fine for that. I second, unless  
2 anyone else has --

3 ATTORNEY GENERAL BONDI: Agree.

4 GOVERNOR SCOTT: So 80 divided by 11 is -- so  
5 it's going to be -- so it would be eleven eighths,  
6 11 over 80, so it would be a little less than --  
7 it's a fraction.

8 CFO ATWATER: We should round them.

9 ATTORNEY GENERAL BONDI: Thank you, Governor.

10 CFO ATWATER: I'd round two up to make them  
11 all even numbers then, Governor, so --

12 GOVERNOR SCOTT: So they're all seven --  
13 they're all seven except for -- which are the two  
14 that you thought ought to be higher?

15 CFO ATWATER: Well, I think our numbering  
16 system is off. That was on the percentage of rate  
17 filings completed within 90 days, that anybody who  
18 wanted to file a rate in Florida knew they'd get an  
19 answer in 90 days.

20 Commissioner, does that work for you?

21 COMMISSIONER McCARTY: Yeah. Yeah.

22 CFO ATWATER: So I don't know what number it  
23 is anymore.

24 COMMISSIONER PUTNAM: It's Number 4 on your  
25 handout, right?

1 CFO ATWATER: It was Number 4 on my handout,  
2 yeah.

3 COMMISSIONER PUTNAM: Number 4 on your  
4 handout. I second.

5 CFO ATWATER: Number 1 in your hearts.

6 ATTORNEY GENERAL BONDI: And that was the  
7 one -- Governor, may I? I'm sorry. And, CFO, that  
8 was the one you always had ranked at the highest,  
9 correct? Well, that one and your Number 7.

10 CFO ATWATER: That and my Number 7. That the  
11 analysis would be done within 60 days if anybody  
12 was underperforming.

13 COMMISSIONER PUTNAM: I think the CFO was on  
14 to something there. I agree.

15 ATTORNEY GENERAL BONDI: I have no problem  
16 ranking that one higher either.

17 GOVERNOR SCOTT: That means we get one more  
18 point.

19 COMMISSIONER McCARTY: Could I throw out a  
20 suggestion, perhaps, is looking at G-1 and G-2,  
21 since they're both at 90 days, just combining  
22 that as one for the certificate of authority and  
23 adding a new line of business? And that might make  
24 the math easier because then that's 10 instead of  
25 11.

1 CFO ATWATER: A lot easier.

2 ATTORNEY GENERAL BONDI: I think that's a  
3 great idea.

4 CFO ATWATER: Where have you been?

5 ATTORNEY GENERAL BONDI: Governor, do you have  
6 a problem with that, if we combine the two?

7 GOVERNOR SCOTT: Nope, I'm --

8 ATTORNEY GENERAL BONDI: And then we come up  
9 with 10.

10 COMMISSIONER McCARTY: Which for me the math  
11 works easier.

12 ATTORNEY GENERAL BONDI: Instead of 7.27.

13 COMMISSIONER McCARTY: Yes, ma'am.

14 GOVERNOR SCOTT: Okay. Which numbers are  
15 that?

16 COMMISSIONER McCARTY: Governor, that's your  
17 1 and 2. They're both measured at 90 days, one for  
18 a new certificate of authority; the other for  
19 adding lines of business.

20 GOVERNOR SCOTT: Okay. All right. So that is  
21 going to be ranked -- that's going to have  
22 10 points; is that what you said?

23 ATTORNEY GENERAL BONDI: And that's the  
24 Governor's 1 and 2. Governor, right, your 1 and 2?

25 GOVERNOR SCOTT: So that's going to be

1 together 10 points? Okay. So now you've got  
2 70 points, and you've got 1, 2, 3, 4, 5, 6, 7, 8, 9  
3 to go. So how many points are you going to give to  
4 each of those? You've got 70 points, and you've  
5 got nine --

6 CFO ATWATER: Here we go again.

7 ATTORNEY GENERAL BONDI: How much did we give  
8 this, 10?

9 GOVERNOR SCOTT: So you gave -- 1 and 2  
10 together is going to have 10, so that gives you --  
11 you've got 70 points to go, and you've got 1, 2, 3,  
12 4, 5, 6, 7, 8, 9. Divide 70 by nine, unless you're  
13 going to give something more.

14 ATTORNEY GENERAL BONDI: I think what he was  
15 suggesting was combining 1 and 2 into one --

16 GOVERNOR SCOTT: He did, so that --

17 ATTORNEY GENERAL BONDI: -- so we only have  
18 one.

19 GOVERNOR SCOTT: Well, you still have, you  
20 still have -- right, you just have one. 1 and 2 is  
21 together.

22 ATTORNEY GENERAL BONDI: So we'll have a total  
23 of 10 instead of 11.

24 GOVERNOR SCOTT: And so you're going to give  
25 all of them eight points?

1 ATTORNEY GENERAL BONDI: Right, right.

2 GOVERNOR SCOTT: And they all have eight  
3 points?

4 ATTORNEY GENERAL BONDI: Correct. We were  
5 adding 1 and 2 and making that one, and then we  
6 have 10.

7 CFO ATWATER: That's correct. There you go.

8 GOVERNOR SCOTT: All right. So you've got  
9 eight points each.

10 CFO ATWATER: There you go.

11 GOVERNOR SCOTT: All right. So is there a  
12 mo -- I guess the motion would be, we have the  
13 10 indicators. That would each be -- get eight  
14 points with the scoring system and the standards  
15 we've agreed to. The supplemental will be 20, and  
16 it will be subjective. And this will be your  
17 annual evaluation, and then on -- each of us will  
18 ask our own questions, our own information from  
19 you, and you'll share that with the other -- the  
20 other Cabinet member or Governor, whoever is not  
21 asking.

22 COMMISSIONER McCARTY: Yes, sir.

23 GOVERNOR SCOTT: All right. Is there a  
24 second?

25 ATTORNEY GENERAL BONDI: Second.

1 GOVERNOR SCOTT: All right. I guess who is --  
2 somebody should make a motion. Is that the motion?

3 ATTORNEY GENERAL BONDI: I'll move.

4 GOVERNOR SCOTT: Okay. Is there a second?

5 CFO ATWATER: Second.

6 GOVERNOR SCOTT: Any comments or objections?

7 (NO RESPONSE).

8 GOVERNOR SCOTT: Hearing none, the motion  
9 carries.

10 ATTORNEY GENERAL BONDI: And we've included in  
11 the Commissioner's open-ended questions as well.

12 CFO ATWATER: That's the supplement.

13 COMMISSIONER PUTNAM: 20% of the --

14 CFO ATWATER: Yeah, 20%.

15 GOVERNOR SCOTT: Great. Anything else for  
16 Kevin?

17 (NO RESPONSE).

18 GOVERNOR SCOTT: All right. Thanks, Kevin.

19 COMMISSIONER McCARTY: Thank you, Governor;  
20 thank you, members. Appreciate the opportunity.

21

22

23

24

25

\* \* \* \*

---

M E M O R A N D U M

---

**DATE:** June 1, 2015  
**TO:** Kevin M. McCarty, Commissioner, Office of Insurance Regulation  
**THROUGH:** Anoush Brangaccio, General Counsel  
**FROM:** Virginia Christy   
Stephen Fredrickson   
**SUBJECT:** Cabinet Agenda for June 23, 2015  
Request for Approval to Publish Repeal of  
Rules 69O-157.302, .303, .304  
Long Term Care  
Assignment #164593-14

The Office of Insurance Regulation requests that this proposed rule repeal be presented to the Cabinet aides on or before June 17, 2015, and to the Financial Services Commission on June 23, 2015, with a request to approve for publication the proposed rules.

These rules are being repealed and the Long-Term Care Facility Only Rates, Home Health Care Only Rates, and Comprehensive Only Rates from the body of the rules will be published to the OIR website to facilitate a more rapid updating of the most recently published new business rates. The new business rates are determined by a statutorily prescribed formula and accordingly are not required to be adopted by rule.

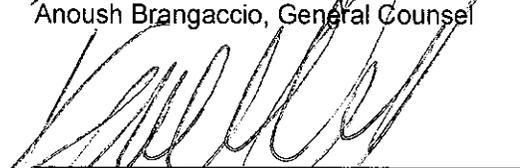
Sections 627.9408(1) and 627.9407(7), Florida Statutes, provide rulemaking authority and laws implemented for this rule.

Rachic' A. Wilson is the attorney handling this rule. Attached are: 1) the proposed rule(s), 2) any incorporated materials, such as forms; and 3) copies of the rulemaking statutory authority and law implemented.

Approved for signature:

  
Anoush Brangaccio, General Counsel

Approved for submission to Financial Services  
Commission:

  
Kevin M. McCarty, Commissioner  
Office of Insurance Regulation

✓

**690-157.302 Facility Only Rates**

*Rulemaking Authority 627.9408(1) FS. Law Implemented 627.9407(7) FS. History—  
New 11-1-07, Amended 5-31-09, 7-19-10 Repealed*

**690-157.303 Home Health Care Only Rates.**

*Rulemaking Authority 627.9408(1) FS. Law Implemented 627.9407(7) FS. History—New  
11-1-07, Amended 5-31-09, 7-19-10 Repealed*

**690-157.304 Comprehensive Only Rates.**

*Rulemaking Authority 627.9408(1) FS. Law Implemented 627.9407(7) FS. History—New  
11-1-07, Amended 5-31-09, 7-19-10 Repealed*

690-157.302,.303,.304  
Rulemaking Authority

627.9408 Rules.—

(1) The commission may adopt rules pursuant to ss. 120.536(1) and 120.54 to administer this part.

627.9407 Disclosure, advertising, and performance standards for long-term care insurance.—

(7) RATE STRUCTURE.—

(a) A long-term care insurance policy may not be issued if the premiums to be charged are calculated to increase based solely on the age of the insured.

(b) Any long-term care insurance policy or certificate issued or renewed, at the option of the policyholder or certificateholder, shall make available to the insured the contingent benefit upon lapse as provided in the Long-Term Care Insurance Model Regulation adopted by the National Association of Insurance Commissioners in the second quarter of the year 2000.

(c) Any premium increase for existing insureds shall not result in a premium charged to the insureds that would exceed the premium charged on a newly issued insurance policy, except to reflect benefit differences. If the insurer is not currently issuing new coverage, the new business rate shall be as published by the office at the rate representing the new business rate of insurers representing 80 percent of the carriers currently issuing policies with similar coverage as determined by the prior calendar year earned premium.

(d) Compliance with the pooling provisions of s. 627.410(6)(e)3. shall be determined by pooling the experience of all affiliated insurers.

---

---

M E M O R A N D U M

---

**DATE:** June 1, 2015  
**TO:** Kevin M. McCarty, Commissioner, Office of Insurance Regulation  
**THROUGH:** Anoush Brangaccio, General Counsel  
**FROM:** Virginia Christy  
Stephen Fredrickson *(SFC)*  
**SUBJECT:** Cabinet Agenda for June 23, 2015  
Request for Approval to Publish Amendments to  
Rule 69O-166.031  
Mediation of Property Insurance Claims  
Assignment # 166860-15

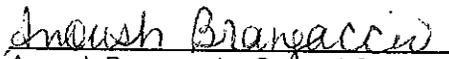
The Office of Insurance Regulation requests that these proposed rule amendments be presented to the Cabinet aides on or before June 17, 2015 and to the Financial Services Commission on June 23, 2015, with a request to approve for publication the proposed rules.

The rule governs the administrative requirements of section 627.7015, F.S. regarding the mediation of residential and commercial property insurance claims. The Department of Financial Services administers the program and has adopted rule 69J-166.031, F.A.C. This rule comprehensively addresses all aspects of the mediation program. OIR rule 69O-166.031, F.A.C. at one point was identical to the DFS rule. Over time, the DFS rule has been amended and is not identical to the OIR rule. Much of the OIR rule is redundant and is not necessary. The revised rule is being amended to merely cross reference the DFS rule and maintain the penalty for an insurer's failure to appear at the mediation conference.

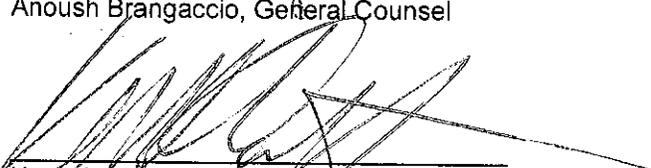
Sections 624.308(1), 627.7015(4), 624.307(1), 624.418(2)(a), 624.421(1)(a), 624.4211(1)-(3), 626.9541(1)(i), 626.9581(1), 627.7015, F.S., provide rulemaking authority and laws implemented for this rule.

Stephen Fredrickson is the attorney handling this rule. Attached are: 1) the proposed rule(s), 2) any incorporated materials, such as forms; and 3) copies of the rulemaking statutory authority and law implemented.

Approved for signature:

  
Anoush Brangaccio, General Counsel

Approved for submission to Financial Services  
Commission:

  
Kevin M. McCarty, Commissioner  
Office of Insurance Regulation

---

69O-166.031 Mediation of Property Insurance Claims.

~~(1) All insurers subject to Section 627.7015 F.S. shall comply with rule 69J-166.031, F.A.C. administered by the Department of Financial Services. A violation of rule 69J-166.031 is a violation of this rule and accordingly a violation of a rule of the Office. Purpose and Scope. This rule implements Section 627.7015, F.S. The program established under this rule is available to all first-party claimants and insurers prior to commencing the appraisal process set forth in their policies or commencing litigation. The program is also available to litigants referred to the Office from Circuit or County court. For claims which have not already been mediated under Rule 69O-166.030, F.A.C., the mediation procedures described in this rule are available to claims which arise from damage occurring in Dade or Monroe Counties as a result of Hurricane Andrew, as well as the unnamed March 13, 1993, storm wherever the property is located in the State of Florida. This program applies to personal lines claims but not to commercial coverages, or to private passenger motor vehicle insurance coverages, or to disputes relating to liability coverages in property insurance policies. This program does not apply to policies issued under the National Flood Insurance Program established under the National Flood Insurance Act of 1968. Before resorting to these procedures, insureds and insurers are encouraged to resolve claims as quickly and fairly as possible.~~

~~(2) Definitions. The following definitions shall apply for purposes of this rule:~~

~~(a) "Approved", as used in this rule with regard to approval of a mediator, means to designate based upon successfully meeting of the criteria set forth in Section 44.106, F.S., and the Florida Rules of Certified and Court Appointed Mediators which is incorporated by reference in paragraph (6)(a) of this rule, or Section 627.745(3)(b), F.S. Only approved mediators may mediate disputes under this rule.~~

~~(b) "Claim":~~

~~1. "Claim" refers to any dispute between the insurer and insured relating to a material issue of fact other than:~~

~~a. A dispute as to which the insurer has a reasonable basis to suspect fraud, or~~

~~b. A dispute where, based upon agreed facts as to the cause of loss, there is no coverage under the policy.~~

~~2. Unless the parties agree to mediate a claim involving a lesser amount, a "claim" involves the insured requesting \$500 or more to settle the dispute, or the difference between the positions of the parties is \$500 or more, either of which is notwithstanding of any applicable deductible.~~

~~3. A policy must have been in effect at the time of the loss to qualify as a "claim."~~

~~(c) "Complainant" refers to the party requesting mediation.~~

~~(d) "Office" means the Office of Insurance Regulation.~~

~~(e) "Respondent" refers to the party not first requesting mediation.~~

~~(f) "Service office" means a designated office of the Bureau of Consumer Outreach and Education, Division of Insurance Consumer Services, Department of Financial Services.~~

~~(3) Computation of Time. In computing any period of time described by this rule, the day of the act or event from which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included, unless it is a Saturday, a Sunday, or a legal holiday. All time periods specified in this rule refer to the number of calendar days, not business days, unless otherwise specified in this rule.~~

~~(4) Service Offices. For disposition of mediation conferences, the State of Florida shall be divided among the following designated service offices:~~

~~(a) Daytona Beach Service Office shall be composed of the following counties: Flagler, Marion, Putnam, and Volusia.~~

~~(b) Fort Lauderdale Service Office shall be composed of Broward county.~~

~~(c) Fort Myers Service Office shall be composed of the following counties: Charlotte, Collier, DeSoto, Glades, Hendry, Highlands, and Lee.~~

~~(d) Jacksonville Service Office shall be composed of the following counties: Alachua, Baker, Bradford, Clay, Columbia, Dixie, Duval, Gilchrist, Hamilton, Lafayette, Levy, Nassau, St. Johns, Suwannee, and Union.~~

~~(e) Miami Service Office shall be composed of Dade and Monroe counties.~~

~~(f) Orlando Service Office shall be composed of the following counties: Brevard, Citrus, Lake, Orange, Osceola, Seminole, and Sumter.~~

~~(g) Pensacola Service Office shall be composed of the following counties: Bay, Calhoun, Escambia, Gulf, Holmes, Jackson, Okaloosa, Santa Rosa, Walton, and Washington.~~

~~(h) Largo Service Office shall be composed of the following counties: Manatee, Pinellas, and Sarasota.~~

~~(i) Tallahassee Bureau of Consumer Assistance Service Office shall be composed of the following counties: Gadsden, Franklin, Jefferson, Leon, Liberty, Madison, Taylor, and Wakulla.~~

~~(j) Tampa Service Office shall be composed of the following counties: Hardee, Hernando, Hillsborough, Pasco, and Polk.~~

~~(k) West Palm Beach Service Office shall be composed of the following counties: Indian River, Martin, Okeechobee, Palm Beach, and St. Lucie.~~

~~(5) Claim Settlement.~~

~~(a) At the time an insured files a first party "claim" which falls within the scope of this rule, the insurer shall notify the insured of their right to participate in this program. Notification shall be in writing and shall be legible, conspicuous, and printed in typeface no smaller than any other text~~

~~contained in the notice. The notice shall include detailed instructions on how the insured is to request mediation and indicate that the parties have 21 days from the date of the notice within which to otherwise resolve the dispute. The notice shall include the insurer's address and phone number for requesting mediation. The notice shall describe the mediator selection process and shall state that if either of the parties so desires the Department of Financial Services will select the mediator. The notice shall refer to the parties' right to disqualify a mediator for good cause and paraphrase the definition of good cause as set forth in paragraph (7)(e) of this rule. The notice shall also indicate that the insured is to notify the insurer before the mediation conference if the insured will bring counsel to the conference, unless the insurer waives the right to the notice of counsel. After the 21 days, a request for mediation by the insured may be made either in writing to the insurer or by telephone call to the insurer. The date of request shall be documented in the insurer's claim file. Every 6 months the insurer shall request from the Department of Financial Services a list of mediators qualified to mediate disputes under this program. For a copy of the current list, the Department of Financial Services may be contacted at its Mediation Section, Bureau of Insurance Consumer Assistance, 200 East Gaines Street, Tallahassee, Florida 32399-0322 or at telephone number (850) 922-3132.~~

~~(b) Upon receiving a request for mediation, the insurer shall randomly select from the Department of Financial Services's list a mediator to conduct the mediation conference. The insurer shall immediately notify the mediator in writing of his or her selection and indicate the names and addresses of the parties and their known representatives, their phone numbers (if known), the date of the request for mediation, and that the mediation is to occur within 45 days of the request. If a mediator is disqualified, then the insurer shall randomly select another mediator. Failure of an insurer to abide by this procedure and to notify the insured as required above shall subject the~~

~~insurer to revocation, suspension, or fine as set forth in sub-subparagraph (9)(a)2.b. of this rule.~~

~~(6) Rejection of Mediation. An insurer may elect to reject mediation in situations where the dispute does not meet the definition of a "claim." If the insurer desires to reject mediation, the insurer shall reference this mediation process and specify in writing to the insured the reason(s) for the rejection. The insurer shall also notify the insured of the insured's right to contest the rejection. To contest the rejection, the insured or the insured's representative must write to the Department of Financial Services at its Mediation Section, Bureau of Insurance Consumer Assistance, 200 East Gaines Street, Tallahassee, Florida 32399-0322, within 60 days of the date of the insurer's rejection notification. In the insured's letter contesting the rejection, the insured must specifically state the reasons why the rejection is asserted to be improper. The insurer shall also indicate that the insured should include a copy of the insurer's rejection letter with the insured's letter to the Department of Financial Services. The Department of Financial Services shall determine whether the claim shall be mediated. The parties may elect to voluntarily mediate any dispute regardless of whether the cause of loss or policy status may be in question. In the event that a "claim" falls within the scope of this rule, the insurer shall follow the process set forth in paragraph (5)(b) above.~~

~~(7) Mediators.~~

~~(a) Mediator Approval. The Bureau of Agent and Agency Licensing, Department of Financial Services, shall approve as mediators those persons who meet the qualifications set forth in Section 627.745(3)(b), F.S. Persons wishing to be approved as mediators shall submit their qualifications to the Bureau of Agent and Agency Licensing, Department of Financial Services, 200 East Gaines Street, Tallahassee, FL 32399-0319, on Form OIR-591, "Application for Appointment as a Mediator", which is adopted and incorporated by reference in subsection 69B-211.002(30), F.A.C.~~

~~(b) List of Approved Mediators. The Bureau of Agent & Agency Licensing, Department of~~

~~Financial Services, shall maintain a list of all approved mediators, which list shall include the mediator's name, address, telephone number, social security number, a listing of counties in which each mediator is willing to mediate, and date of entry to the list.~~

~~(c) Grouping of Assignments. Requests for mediation will, if feasible, be grouped together and assigned to a single mediator. A mediator will be assigned a maximum of four mediation conferences under a single assignment.~~

~~(d) Procedure and Conduct. All mediation conferences shall be conducted in accordance with this rule, the Florida Rules for Certified and Court-Appointed Mediators as set forth in Rules 10.020-10.290, Florida Rules of Civil Procedure, as incorporated above, and other consistent rules of conduct as promulgated by the Supreme Court of Florida. Mediators shall have the same responsibilities to the Department of Financial Services as they have to the courts under the Florida Rules for Certified and Court-Appointed Mediators. The Florida Rules for Certified and Court-Appointed Mediators shall be read in a manner consistent with this rule and any conflict between this rule and the Florida Rules for Certified and Court-Appointed Mediators shall be resolved in favor of this rule. The mediator may meet with the parties separately, encourage meaningful communications and negotiations, and otherwise assist the parties to arrive at a settlement. For purposes of this mediation program, mediators shall have the immunity from suit provided to mediators in Section 44.107, F.S. All communications with the mediator shall be confidential. All statements made and documents produced at a settlement conference constitute settlement negotiations in anticipation of litigation. The mediation proceedings are confidential and inadmissible in any subsequent adversarial proceeding.~~

~~(e) Complaints; Discipline. At any time a party may move to disqualify a mediator for good cause. Good cause consists of conflict of interest between a party and the mediator, that the mediator is~~

~~unable to handle the conference competently, or other reasons which would reasonably be expected to impair the conference. Complaints concerning a mediator shall be written and submitted to the Bureau of Consumer Assistance, Office of Insurance Regulation, 200 East Gaines Street, Tallahassee, Florida 32399-0322. The Department shall review the following grounds for discipline:~~

~~1. Alleged instances of dishonest, incompetent, fraudulent, or unethical behavior on the part of a mediator;~~

~~2. Instances in which the mediator allegedly failed to promptly and completely respond to requests from the Department of Financial Services and instances in which the actions or failure to act on the part of the mediator violate this rule including the standards set forth in this sub-section or are counter to the intent and purpose of this mediation program or this rule;~~

~~3. Administrative action by any other agency or body against the mediator, regardless of whether the agency or body's regulation relates to mediation;~~

~~4. The mediator has been found guilty of or pled guilty or nolo contendere to a felony or a crime punishable by imprisonment of 1 year or more under the law of the United States of America or of any state thereof or under the law of any other country, without regard to whether a judgment of conviction has been entered by the court having jurisdiction of such cases.~~

~~If the Department of Financial Services determines that any of the above grounds exist, the Department of Financial Services shall institute proceedings in accordance with Chapter 120, F.S., to rescind the approval of the mediator to handle any mediation or arbitration program sponsored by the Department of Financial Services.~~

~~(8) Mediation Conference.~~

~~(a) Location.~~

~~1. The mediation conference shall be held at a reasonable location specified by the mediator~~

~~within a reasonable proximity of the insured property, unless all parties agree otherwise.~~

~~2. The Department of Financial Services will make available conference rooms at its various service offices throughout the state for possible use.~~

~~3. Before scheduling a mediation conference the mediator may contact the service office administrator to determine the availability of service office facilities to accommodate the mediation conference.~~

~~4. If no facilities are available at the service office for the particular mediation conference then the service office administrator will designate an alternative location, if available, for the mediation conference.~~

~~5. If the parties determine that the assigned conference location is inconvenient or impractical, the parties and mediator may agree to conduct the mediation conference at an alternative location.~~

~~6. The mediator will notify the parties in writing of the exact time, date, and location of the conference.~~

~~(b) Timing and Continuances. The mediation conference shall be held as scheduled by the mediator. Upon application by any party to the mediator for a continuance, the mediator shall, for good cause shown or if neither party objects, grant a continuance and shall notify all parties of the date and place of the rescheduled conference. Good cause includes severe illness, injury, or other emergency which could not be controlled by the party and could not reasonably be remedied by the party prior to the conference by providing a replacement representative or otherwise. Also, good cause includes the necessity of obtaining additional information, securing the attendance of a necessary professional, or the avoidance of significant financial hardship. If the insured demonstrates to the mediator the need for an expedited mediation conference due to an undue hardship, the conference shall be conducted at the earliest date convenient to all of the parties and~~

~~the mediator. Undue hardship will be demonstrated when holding the conference on a non-expedited basis would interfere with or contradict the treatment of a severe illness or injury, substantially impair a party's ability to assert their position at the conference, result in significant financial hardship, or other reasonably justified grounds.~~

~~(c) Attendance.~~

~~1. The complainant and respondent shall attend the mediation conference and be fully authorized to make an agreement to completely resolve the claim. All corporate parties who are complainants or respondents shall attend the conference in the person of a corporate representative who has full knowledge of the facts of the dispute and is fully authorized to make an agreement to completely resolve the dispute. An insurer will be deemed to have failed to appear if the insurer's representative lacks authority to settle the full value of the claim. The authority to settle the claim includes the ability to disburse the full settlement amount within 7 days of the conclusion of the conference. The insurer will produce at the conference a copy of the policy. The insurer will bring the entire claims file to the conference.~~

~~2. The mediation conference also may be attended by persons who may assist a party in presenting his claim or defense in the conference, such as contractors, adjusters, engineers, and interpreters. The parties may not have separate counsel in the mediation conference unless requested by the insured or the parties agree otherwise. If the insured elects to have an attorney participate in the conference, the insured shall notify the insurer of such participation before the conference, unless the parties agree otherwise. A party will be determined to have not negotiated in good faith if they or a person participating on their behalf continuously disrupts or otherwise inhibits the negotiations as determined by the mediator.~~

~~(d) Good Faith Negotiation. The participants are to negotiate in good faith to attempt to resolve~~

the dispute, however there is no requirement that the dispute must be resolved in mediation.

~~(e) Disposition. Mediators or insurance companies shall report to the Department of Financial Services on the status of property insurance (other than commercial) mediation conferences by submitting Form DFS H0-1159, "Disposition of Property Insurance Mediation Conference and Company Remittance Form" (rev. 8/04), which is hereby adopted herein and incorporated by reference.~~

~~(9) Disbursement of Costs.~~

~~(a) The insurer shall pay the mediator's fee which shall not exceed \$225. The Office reserves the right to reduce fees based on consumer surveys and cost analysis.~~

~~1. Completed Mediation Conference. If the mediation conference is held, the mediator shall receive the mediator's fee. Upon conclusion of the conference, the insurer shall remit \$25 to the Department of Financial Services, Mediation Section, Bureau of Insurance Consumer Assistance, Tallahassee, Florida 32314-6100, along with reference to the claim number, identification of the parties, date of the mediation, and name of the mediator. These funds will be deposited in the Director's Regulatory Trust Fund to defer Department of Financial Services costs.~~

~~2. Cancellation Due To Absence. Failure of a party to arrive at the mediation conference within 30 minutes of the conference's starting time shall be considered an absence. Payment shall be as follows:~~

~~a. If the insured fails to appear at the conference, the conference shall be rescheduled upon the insured's payment of the mediator's fee for the conference scheduled to take the place of the conference at which the insured failed to appear.~~

~~(2) b. If the insurer fails to appear at the conference without good cause the insurer shall pay the insured's actual cash expenses incurred in attending the conference and shall pay the mediator's~~

fee for the rescheduled conference. Good cause here includes severe illness, injury, or other emergency which could not be controlled by the insurer and could not reasonably be remedied by the insurer prior to the conference by providing a replacement representative or otherwise. If an insurer fails to appear at conferences with such frequency as to evidence a general business practice of failure to appear, the insurer shall be subject to penalty, including revocation, suspension, or fine, for violation of Section 626.9541(1)(i), F.S. Such suspension of an insurer's certificate of authority shall be for a period of 2 years. An administrative fine shall be in the amount of \$2,500 per violation in cases of non-willful violation, and \$20,000 per violation in cases of a knowing and willful violation. The office will mitigate these penalties based upon the following factors: Solvency of the insurer, best interests of or potential harm to insureds, and willfulness of the violation.

~~(b) Any disputes regarding the amount of disbursement of funds shall be resolved by the Department of Financial Services.~~

~~(c) Except as provided in subparagraph (8)(a)3., any expenses associated with the mediation conference, such as travel, telephone, postage, meals, lodging, facilities, and other related expenses, shall be borne by the party, mediator or other person incurring the expense.~~

~~(10) Post-Mediation.~~

~~(a) At the conclusion of the mediation conference, the mediator will file with the Department of Financial Services a mediator's status report indicating whether or not the parties reached a settlement. If the parties reached any settlement, then the mediator shall include a copy of the settlement agreement with the status report. In the event a settlement is reached, the insured shall have 3 business days from the date of the written settlement within which he or she may rescind the settlement provided that the insured has not cashed or deposited any check or draft disbursed to~~

~~him or her for the disputed matters as a result of the conference. If a settlement agreement is reached and not rescinded, it shall act as a release of specific issues that were presented at the conference.~~

~~(b) Any additional claims under the policy shall be presented as separate claims. However, the release shall not constitute a final waiver of rights of the insured with respect to claims for damages or expenses if circumstances that are reasonably unforeseen arise resulting in additional costs which would have been covered under the policy but for the release.~~

~~(c) If the insured decides not to participate in this program or if the parties are unsuccessful at resolving the claim, the insured may choose to proceed under the appraisal process set forth in the insured's insurance policy, or by litigation, or by any other dispute resolution procedure available under Florida law.~~

*Rulemaking Authority 624.308(1), 627.7015(4) FS. Law Implemented 624.307(1), 624.418(2)(a), 624.421(1)(a), 624,4211(1)-(3), 626.9541(1)(i), 626.9581(1), 627.7015 FS. History—New 8-18-94, Amended 5-1-96, 4-6-00, Formerly 4-166.031, Amended \_\_\_\_\_.*

## 624.308 Rules.—

(1) The department and the commission may each adopt rules pursuant to ss. 120.536(1) and 120.54 to implement provisions of law conferring duties upon the department or the commission, respectively.

## 627.7015 Alternative procedure for resolution of disputed property insurance claims.—

(1) This section sets forth a nonadversarial alternative dispute resolution procedure for a mediated claim resolution conference prompted by the need for effective, fair, and timely handling of property insurance claims. There is a particular need for an informal, nonthreatening forum for helping parties who elect this procedure to resolve their claims disputes because most homeowner and commercial residential insurance policies obligate policyholders to participate in a potentially expensive and time-consuming adversarial appraisal process before litigation. The procedure set forth in this section is designed to bring the parties together for a mediated claims settlement conference without any of the trappings or drawbacks of an adversarial process. Before resorting to these procedures, policyholders and insurers are encouraged to resolve claims as quickly and fairly as possible. This section is available with respect to claims under personal lines and commercial residential policies before commencing the appraisal process, or before commencing litigation. Mediation may be requested only by the policyholder, as a first-party claimant, or the insurer. If requested by the policyholder, participation by legal counsel is permitted. Mediation under this section is also available to litigants referred to the department by a county court or circuit court. This section does not apply to commercial coverages, to private passenger motor vehicle insurance coverages, or to disputes relating to liability coverages in policies of property insurance.

(2) At the time a first-party claim within the scope of this section is filed by the policyholder, the insurer shall notify the policyholder of its right to participate in the mediation program under this section. The department shall prepare a consumer information pamphlet for distribution to persons participating in mediation.

(3) The costs of mediation shall be reasonable, and the insurer shall bear all of the cost of conducting mediation conferences, except as otherwise provided in this section. If an insured fails to appear at the conference, the conference shall be rescheduled upon the insured's payment of the costs of a rescheduled conference. If the insurer fails to appear at the conference, the insurer shall pay the insured's actual cash expenses incurred in attending the conference if the insurer's failure to attend was not due to a good cause acceptable to the department. An insurer will be deemed to have failed to appear if the insurer's representative lacks authority to settle the full value of the claim. The insurer shall incur an additional fee for a rescheduled conference necessitated by the insurer's failure to appear at a scheduled conference. The fees assessed by the administrator shall include a charge necessary to defray the expenses of the department related to its duties under this section and shall be deposited in the Insurance Regulatory Trust Fund.

(4) The department shall adopt by rule a property insurance mediation program to be administered by the department or its designee. The department may also adopt special rules which are applicable in cases of an emergency within the state. The rules shall be modeled after practices and procedures set forth in mediation rules of procedure adopted by the Supreme Court. The rules shall provide for:

- (a) Reasonable requirement for processing and scheduling of requests for mediation.
- (b) Qualifications, denial of application, suspension, revocation of approval, and other penalties for mediators as provided in s. 627.745 and the Florida Rules for Certified and Court-Appointed Mediators.
- (c) Provisions governing who may attend mediation conferences.
- (d) Selection of mediators.
- (e) Criteria for the conduct of mediation conferences.
- (f) Right to legal counsel.

(5) All statements made and documents produced at a mediation conference shall be deemed to be settlement negotiations in anticipation of litigation within the scope of s. 90.408. All parties to the mediation must negotiate in good faith and must have the authority to immediately settle the claim. Mediators are deemed to be agents of the department and shall have the immunity from suit provided in s. 44.107.

(6) Mediation is nonbinding; however, if a written settlement is reached, the insured has 3 business days within which the insured may rescind the settlement unless the insured has cashed or deposited any check or draft disbursed to the insured for the disputed matters as a result of the conference. If a settlement agreement is reached and is not rescinded, it shall be binding and act as a release of all specific claims that were presented in that mediation conference.

(7) If the insurer fails to comply with subsection (2) by failing to notify a policyholder of its right to participate in the mediation program under this section or if the insurer requests the mediation, and the mediation results are rejected by either party, the policyholder is not required to submit to or participate in any contractual loss appraisal process of the property loss damage as a precondition to legal action for breach of contract against the insurer for its failure to pay the policyholder's claims covered by the policy.

(8) The department may designate an entity or person to serve as administrator to carry out any of the provisions of this section and may take this action by means of a written contract or agreement.

(9) For purposes of this section, the term "claim" refers to any dispute between an insurer and a policyholder relating to a material issue of fact other than a dispute:

(a) With respect to which the insurer has a reasonable basis to suspect fraud;

(b) Where, based on agreed-upon facts as to the cause of loss, there is no coverage under the policy;

(c) With respect to which the insurer has a reasonable basis to believe that the policyholder has intentionally made a material misrepresentation of fact which is relevant to the claim, and the entire request for payment of a loss has been denied on the basis of the material misrepresentation;

(d) With respect to which the amount in controversy is less than \$500, unless the parties agree to mediate a dispute involving a lesser amount; or

(e) With respect to a windstorm or hurricane loss that does not comply with s. 627.70132.

#### 624.307 General powers; duties.--

(1) The department and office shall enforce the provisions of this code and shall execute the duties imposed upon them by this code, within the respective jurisdiction of each, as provided by law.

#### 624.418 Suspension, revocation of certificate of authority for violations and special grounds.—

(2) The office may, in its discretion, suspend or revoke the certificate of authority of an insurer if it finds that the insurer:

(a) Has violated any lawful order or rule of the office or commission or any provision of this code.

#### 624.421 Duration of suspension; insurer's obligations during suspension period; reinstatement.—

(1) Suspension of an insurer's certificate of authority shall be for:

(a) A fixed period of time not to exceed 2 years; or

#### 624.4211 Administrative fine in lieu of suspension or revocation.—

- (1) If the office finds that one or more grounds exist for the discretionary revocation or suspension of a certificate of authority issued under this chapter, the office may, in lieu of such revocation or suspension, impose a fine upon the insurer.
- (2) With respect to any nonwillful violation, such fine may not exceed \$5,000 per violation. In no event shall such fine exceed an aggregate amount of \$20,000 for all nonwillful violations arising out of the same action. If an insurer discovers a nonwillful violation, the insurer shall correct the violation and, if restitution is due, make restitution to all affected persons. Such restitution shall include interest at 12 percent per year from either the date of the violation or the date of inception of the affected person's policy, at the insurer's option. The restitution may be a credit against future premiums due provided that interest accumulates until the premiums are due. If the amount of restitution due to any person is \$50 or more and the insurer wishes to credit it against future premiums, it shall notify such person that she or he may receive a check instead of a credit. If the credit is on a policy that is not renewed, the insurer shall pay the restitution to the person to whom it is due.
- (3) With respect to any knowing and willful violation of a lawful order or rule of the office or commission or a provision of this code, the office may impose a fine upon the insurer in an amount not to exceed \$40,000 for each such violation. In no event shall such fine exceed an aggregate amount of \$200,000 for all knowing and willful violations arising out of the same action. In addition to such fines, the insurer shall make restitution when due in accordance with subsection (2).

626.9541 Unfair methods of competition and unfair or deceptive acts or practices defined.—

(1) UNFAIR METHODS OF COMPETITION AND UNFAIR OR DECEPTIVE ACTS.—The following are defined as unfair methods of competition and unfair or deceptive acts or practices:

(i) Unfair claim settlement practices.—

1. Attempting to settle claims on the basis of an application, when serving as a binder or intended to become a part of the policy, or any other material document which was altered without notice to, or knowledge or consent of, the insured;
2. A material misrepresentation made to an insured or any other person having an interest in the proceeds payable under such contract or policy, for the purpose and with the intent of effecting settlement of such claims, loss, or damage under such contract or policy on less favorable terms than those provided in, and contemplated by, such contract or policy; or
3. Committing or performing with such frequency as to indicate a general business practice any of the following:
  - a. Failing to adopt and implement standards for the proper investigation of claims;
  - b. Misrepresenting pertinent facts or insurance policy provisions relating to coverages at issue;
  - c. Failing to acknowledge and act promptly upon communications with respect to claims;
  - d. Denying claims without conducting reasonable investigations based upon available information;
  - e. Failing to affirm or deny full or partial coverage of claims, and, as to partial coverage, the dollar amount or extent of coverage, or failing to provide a written statement that the claim is being investigated, upon the written request of the insured within 30 days after proof-of-loss statements have been completed;
  - f. Failing to promptly provide a reasonable explanation in writing to the insured of the basis in the insurance policy, in relation to the facts or applicable law, for denial of a claim or for the offer of a compromise settlement;
  - g. Failing to promptly notify the insured of any additional information necessary for the processing of a claim; or
  - h. Failing to clearly explain the nature of the requested information and the reasons why such information is necessary.

i. Failing to pay personal injury protection insurance claims within the time periods required by s. 627.736(4)(b). The office may order the insurer to pay restitution to a policyholder, medical provider, or other claimant, including interest at a rate consistent with the amount set forth in s. 55.03(1), for the time period within which an insurer fails to pay claims as required by law. Restitution is in addition to any other penalties allowed by law, including, but not limited to, the suspension of the insurer's certificate of authority.

4. Failing to pay undisputed amounts of partial or full benefits owed under first-party property insurance policies within 90 days after an insurer receives notice of a residential property insurance claim, determines the amounts of partial or full benefits, and agrees to coverage, unless payment of the undisputed benefits is prevented by an act of God, prevented by the impossibility of performance, or due to actions by the insured or claimant that constitute fraud, lack of cooperation, or intentional misrepresentation regarding the claim for which benefits are owed.

626.9581 Cease and desist and penalty orders.—After the hearing provided in s. 626.9571, the department or office shall enter a final order in accordance with s. 120.569. If it is determined that the person charged has engaged in an unfair or deceptive act or practice or the unlawful transaction of insurance, the department or office shall also issue an order requiring the violator to cease and desist from engaging in such method of competition, act, or practice or the unlawful transaction of insurance. Further, if the act or practice is a violation of s. 626.9541 or s. 626.9551, the department or office may, at its discretion, order any one or more of the following:

(1) Suspension or revocation of the person's certificate of authority, license, or eligibility for any certificate of authority or license, if he or she knew, or reasonably should have known, he or she was in violation of this act.

---

**M E M O R A N D U M**

---

**DATE:** June 1, 2015  
**TO:** Kevin M. McCarty, Commissioner, Office of Insurance Regulation  
**THROUGH:** Anoush Brangaccio, General Counsel  
**FROM:** Virginia Christy   
Stephen Fredrickson   
**SUBJECT:** Cabinet Agenda for June 23, 2015  
Request for Final Approval to Adopt Amendments to  
Rule 69O-162.102,.103,.104,.106,.108; Annuity Contracts  
Assignment # 130494-13

The Office of Insurance Regulation requests that these proposed rule amendments be presented to the Cabinet aides on or before June 17, 2015 and to the Financial Services Commission on June 23, 2015, with a request for Final Approval to Adopt the proposed rules. A notice of the Final Rule Hearing was published in the *Florida Administrative Register* on April 10, 2015.

The notice of proposed rules was published on January 16, 2015 in Volume 41, No. 11, of the *Register*. The hearing was not requested, therefore, the hearing was not held. Technical changes to the rules were made in response to requests from The Joint Administrative Procedures Committee.

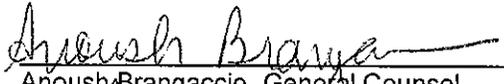
The amended rules incorporate the 2012 IAR Mortality Table and the Projection Scale G2 (Scale G2) into the current rules regulating Annuity Contracts. The rule amendments also provide definitions and the process for applying the new annuity tables.

Sections 624.308, 625.121(5)(k), 624.307(1), 625.121 F.S., provide rulemaking authority and laws implemented for these rules.

The Legal Services Office has communicated with the Joint Administrative Procedures Committee, and ascertained that their review of the rules has been completed.

Stephen Fredrickson is the attorney handling these rules. Attached are: 1) the proposed rule(s); 2) any incorporated materials, such as forms; and 3) copies of the rulemaking statutory authority and law implemented.

Approved for signature:

  
Anoush Brangaccio, General Counsel

Approved for submission to Financial Services  
Commission:

  
Kevin M. McCarty, Commissioner  
Office of Insurance Regulation

**CHAPTER 69O-162**  
**ANNUITY CONTRACTS**

69O-162.102 Purpose

69O-162.103 Definitions

69O-162.104 Individual Annuity or Pure Endowment Contracts

69O-162.106 Application of 1994 GAR Table

69O-162.108 Tables

69O-162.102 Purpose.

The purpose of this rule is to recognize the following mortality tables for use in determining the minimum standard of valuation for annuity and pure endowment contracts: the Annuity 2000 Mortality Table, and the 1994 Group Annuity Reserving (1994 GAR) Table, and the 2012 IAR Mortality Table.

*Rulemaking Authority 624.308, 625.121(5) ~~(j)~~(k) FS. Law Implemented 624.307(1), 625.121 FS. History—New 12-23-98, Formerly 4-162.102 Amended \_\_\_\_\_.*

69O-162.103 Definitions.

As used in this rule chapter, the following terms have the following meaning:

(1) "1994 GAR Table" – means that mortality table developed by the Society of Actuaries Group Annuity Valuation Table Task Force.

(2) "Annuity 2000 Mortality Table" means that mortality table developed by the Society of Actuaries Committee on Life Insurance Research.

(3) "Period table" means a table of mortality rates applicable to a given calendar year (the Period).

(4) "Generational mortality table" means a mortality table containing a set of mortality rates that decrease for a given age from one year to the next based on a combination of a Period table and a projection scale containing rates of mortality improvement.

- (5) "2012 IAR Table" or "2012 IAR Mortality Table" means that Generational mortality table developed by the Society of Actuaries Committee on Life Insurance Research and containing rates,  $q_x^{2012+n}$ , derived from a combination of the 2012 IAM Period Table and Projection Scale G2, using the methodology stated in 69O-162.106(2).
- (6) "2012 Individual Annuity Mortality Life (2012 IAM Period) Table" means the Period table containing loaded mortality rates for calendar year 2012. This table contains rates,  $q_x^{2012}$ , developed by the Society of Actuaries Committee on Life Insurance Research.
- (7) "Projection Scale G2 (Scale G2)" is a table of annual rates,  $G2_x$ , of mortality improvement by age for projecting future mortality rates beyond calendar year 2012. This table was developed by the Society of Actuaries Committee on Life Insurance Research.

*Rulemaking Authority 624.308, 625.121(5) (i)(k) FS. Law Implemented 624.307(1), 625.121 FS. History—New 12-23-98, Formerly 4-162.103, Amended \_\_\_\_\_.*

69O-162.104 Individual Annuity or Pure Endowment Contracts.

(1) The Annuity 2000 Mortality Table shall be used for determining the minimum standard of valuation for any individual annuity or pure endowment contract issued on or after July 1, 1998 and on or before December 31, 2014.

(2) The 2012 IAR Table shall be used for determining the minimum standard of valuation for any individual annuity or pure endowment contract issued on or after January 1, 2015, for valuation dates on or after September 30, 2015.

(3) The 1983 Table "a" without projection is to be used for determining the minimum standard of valuation for an individual annuity or pure endowment contract issued on or after July 1, 1998, solely when the contract is based on life contingencies and is issued to fund periodic benefits arising from:

(a) Settlements of various forms of claims pertaining to court settlements or out of court settlements for tort actions;

(b) Settlements involving similar actions such as workers compensation claims; or

(c) Settlements of long term disability claims where a temporary or life annuity has been used in lieu of continuing disability payments.

*Rulemaking Authority 624.308, 625.121(5) (i)(k) FS. Law Implemented 624.307(1), 625.121 FS. History–New 12-23-98, Formerly 4-162.104, Amended\_\_\_\_\_.*

690-162.106 Application of 1994 GAR Table and the 2012 IAR Mortality Table.

(1) In using the 1994 GAR Table, the mortality rate for a person age x in year (1994 + n) is calculated as follows:

$$q_x^{1994 + n} = q_x^{1994}(1 - AA_x)^n$$

where  $q_x^{1994}$ s and  $AA_x$ s are as specified in the 1994 GAR Table.

(2) In using the 2012 IAR Mortality Table, the mortality rate for a person age x in year (2012 + n) is calculated as follows:

$$q_x^{2012 + n} = q_x^{2012}(1 - G2_x)^n$$

(a) The resulting  $q_x^{2012+n}$  shall be rounded to three decimal places per 1,000, e.g., 0.741 deaths per 1,000.

Also, the rounding shall occur according to the formula above, starting at the 2012 period table rate.

(b) For example, for a male age 30,  $q_x^{2012} = 0.741$ .

1.  $q_x^{2013} = 0.741 * (1 - 0.010) ^ 1 = 0.73359$ , which is rounded to 0.734.

2.  $q_x^{2014} = 0.741 * (1 - 0.010) ^ 2 = 0.7262541$ , which is rounded to 0.726.

(c) A method leading to incorrect rounding would be to calculate  $q_x^{2014}$  as  $q_x^{2013} * (1 - 0.010)$ , or  $0.734 * 0.99 = 0.727$ . It is incorrect to use the already rounded  $q_x^{2013}$  to calculate  $q_x^{2014}$ .

*Rulemaking Authority 624.308, 625.121(5) (i)(k) FS. Law Implemented 624.307(1), 625.121 FS. History–New 12-23-98, Formerly 4-162.106, Amended\_\_\_\_\_.*

69O-162.108 Tables.

(1) The following tables are hereby adopted and incorporated by reference:

(a) The Annuity 2000 Mortality Table;

(b) The 1994 GAR Table;

(c) The 1983 Table "a";

(d) The 2012 IAR Mortality Table which is titled 2012 IAM Period Table in Appendices I and II (01/13) and The Projection Scale G2 (Scale G2) in Appendices III and IV (01/13).

(2) The tables in subsection (1) are available from the Office of Insurance Regulation, Bureau of Life and Health Financial Oversight ~~Insurer Solvency~~, 200 East Gaines Street, Tallahassee, Florida 32399-0327.

*Rulemaking Authority 624.308, 625.121(5) (i)(k) FS. Law Implemented 624.307(1), 625.121 FS. History—New 12-23-98, Formerly 4-162.108, Amended \_\_\_\_\_.*

APPENDIX I

2012 IAM Period Table  
Female, Age Nearest Birthday

AGE	1000 · $q_x^{2012}$						
0	1.621	30	0.300	60	3.460	90	88.377
1	0.405	31	0.321	61	3.916	91	97.491
2	0.259	32	0.338	62	4.409	92	107.269
3	0.179	33	0.351	63	4.933	93	118.201
4	0.137	34	0.365	64	5.507	94	130.969
5	0.125	35	0.381	65	6.146	95	146.449
6	0.117	36	0.402	66	6.551	96	163.908
7	0.110	37	0.429	67	7.039	97	179.695
8	0.095	38	0.463	68	7.628	98	196.151
9	0.088	39	0.504	69	8.311	99	213.150
10	0.085	40	0.552	70	9.074	100	230.722
11	0.086	41	0.600	71	9.910	101	251.505
12	0.094	42	0.650	72	10.827	102	273.007
13	0.108	43	0.697	73	11.839	103	295.086
14	0.131	44	0.740	74	12.974	104	317.591
15	0.156	45	0.780	75	14.282	105	340.362
16	0.179	46	0.825	76	15.799	106	362.371
17	0.198	47	0.885	77	17.550	107	384.113
18	0.211	48	0.964	78	19.582	108	400.000
19	0.221	49	1.051	79	21.970	109	400.000
20	0.228	50	1.161	80	24.821	110	400.000
21	0.234	51	1.308	81	28.351	111	400.000
22	0.240	52	1.460	82	32.509	112	400.000
23	0.245	53	1.613	83	37.329	113	400.000
24	0.247	54	1.774	84	42.830	114	400.000
25	0.250	55	1.950	85	48.997	115	400.000
26	0.256	56	2.154	86	55.774	116	400.000
27	0.261	57	2.399	87	63.140	117	400.000
28	0.270	58	2.700	88	71.066	118	400.000
29	0.281	59	3.054	89	79.502	119	400.000
						120	1000.000

Mortality Table for Reserve Liabilities for Annuities

APPENDIX II

2012 IAM Period Table  
Male, Age Nearest Birthday

AGE	1000 · $q_x^{2012}$						
0	1.605	30	0.741	60	5.096	90	109.993
1	0.401	31	0.751	61	5.614	91	123.119
2	0.275	32	0.754	62	6.169	92	137.168
3	0.229	33	0.756	63	6.759	93	152.171
4	0.174	34	0.756	64	7.398	94	168.194
5	0.168	35	0.756	65	8.106	95	185.260
6	0.165	36	0.756	66	8.548	96	197.322
7	0.159	37	0.756	67	9.076	97	214.751
8	0.143	38	0.756	68	9.708	98	232.507
9	0.129	39	0.800	69	10.463	99	250.397
10	0.113	40	0.859	70	11.357	100	268.607
11	0.111	41	0.926	71	12.418	101	290.016
12	0.132	42	0.999	72	13.675	102	311.849
13	0.169	43	1.069	73	15.150	103	333.962
14	0.213	44	1.142	74	16.860	104	356.207
15	0.254	45	1.219	75	18.815	105	380.000
16	0.293	46	1.318	76	21.031	106	400.000
17	0.328	47	1.454	77	23.540	107	400.000
18	0.359	48	1.627	78	26.375	108	400.000
19	0.387	49	1.829	79	29.572	109	400.000
20	0.414	50	2.057	80	33.234	110	400.000
21	0.443	51	2.302	81	37.533	111	400.000
22	0.473	52	2.545	82	42.261	112	400.000
23	0.513	53	2.779	83	47.441	113	400.000
24	0.554	54	3.011	84	53.233	114	400.000
25	0.602	55	3.254	85	59.855	115	400.000
26	0.655	56	3.529	86	67.514	116	400.000
27	0.688	57	3.845	87	76.340	117	400.000
28	0.710	58	4.213	88	86.388	118	400.000
29	0.727	59	4.631	89	97.634	119	400.000
						120	1000.000

APPENDIX III

Projection Scale G2  
Female, Age Nearest Birthday

AGE	G2 <sub>x</sub>						
0	0.010	30	0.010	60	0.013	90	0.006
1	0.010	31	0.010	61	0.013	91	0.006
2	0.010	32	0.010	62	0.013	92	0.005
3	0.010	33	0.010	63	0.013	93	0.005
4	0.010	34	0.010	64	0.013	94	0.004
5	0.010	35	0.010	65	0.013	95	0.004
6	0.010	36	0.010	66	0.013	96	0.004
7	0.010	37	0.010	67	0.013	97	0.003
8	0.010	38	0.010	68	0.013	98	0.003
9	0.010	39	0.010	69	0.013	99	0.002
10	0.010	40	0.010	70	0.013	100	0.002
11	0.010	41	0.010	71	0.013	101	0.002
12	0.010	42	0.010	72	0.013	102	0.001
13	0.010	43	0.010	73	0.013	103	0.001
14	0.010	44	0.010	74	0.013	104	0.000
15	0.010	45	0.010	75	0.013	105	0.000
16	0.010	46	0.010	76	0.013	106	0.000
17	0.010	47	0.010	77	0.013	107	0.000
18	0.010	48	0.010	78	0.013	108	0.000
19	0.010	49	0.010	79	0.013	109	0.000
20	0.010	50	0.010	80	0.013	110	0.000
21	0.010	51	0.010	81	0.012	111	0.000
22	0.010	52	0.011	82	0.012	112	0.000
23	0.010	53	0.011	83	0.011	113	0.000
24	0.010	54	0.011	84	0.010	114	0.000
25	0.010	55	0.012	85	0.010	115	0.000
26	0.010	56	0.012	86	0.009	116	0.000
27	0.010	57	0.012	87	0.008	117	0.000
28	0.010	58	0.012	88	0.007	118	0.000
29	0.010	59	0.013	89	0.007	119	0.000
						120	0.000

Mortality Table for Reserve Liabilities for Annuities

APPENDIX IV

Projection Scale G2  
Male, Age Nearest Birthday

AGE	$G2_x$	AGE	$G2_x$	AGE	$G2_x$	AGE	$G2_x$
0	0.010	30	0.010	60	0.015	90	0.007
1	0.010	31	0.010	61	0.015	91	0.007
2	0.010	32	0.010	62	0.015	92	0.006
3	0.010	33	0.010	63	0.015	93	0.005
4	0.010	34	0.010	64	0.015	94	0.005
5	0.010	35	0.010	65	0.015	95	0.004
6	0.010	36	0.010	66	0.015	96	0.004
7	0.010	37	0.010	67	0.015	97	0.003
8	0.010	38	0.010	68	0.015	98	0.003
9	0.010	39	0.010	69	0.015	99	0.002
10	0.010	40	0.010	70	0.015	100	0.002
11	0.010	41	0.010	71	0.015	101	0.002
12	0.010	42	0.010	72	0.015	102	0.001
13	0.010	43	0.010	73	0.015	103	0.001
14	0.010	44	0.010	74	0.015	104	0.000
15	0.010	45	0.010	75	0.015	105	0.000
16	0.010	46	0.010	76	0.015	106	0.000
17	0.010	47	0.010	77	0.015	107	0.000
18	0.010	48	0.010	78	0.015	108	0.000
19	0.010	49	0.010	79	0.015	109	0.000
20	0.010	50	0.010	80	0.015	110	0.000
21	0.010	51	0.011	81	0.014	111	0.000
22	0.010	52	0.011	82	0.013	112	0.000
23	0.010	53	0.012	83	0.013	113	0.000
24	0.010	54	0.012	84	0.012	114	0.000
25	0.010	55	0.013	85	0.011	115	0.000
26	0.010	56	0.013	86	0.010	116	0.000
27	0.010	57	0.014	87	0.009	117	0.000
28	0.010	58	0.014	88	0.009	118	0.000
29	0.010	59	0.015	89	0.008	119	0.000
						120	0.000

## 624.308 Rules.—

(1) The department and the commission may each adopt rules pursuant to ss. 120.536(1) and 120.54 to implement provisions of law conferring duties upon the department or the commission, respectively.

(2) In addition to any other penalty provided, willful violation of any such rule shall subject the violator to such suspension or revocation of certificate of authority or license as may be applicable under this code as for violation of the provision as to which such rule relates.

## 625.121 Standard Valuation Law; life insurance.—

(1) SHORT TITLE.—This section shall be known as the “Standard Valuation Law.”

(2) ANNUAL VALUATION.—The office shall annually value, or cause to be valued, the reserve liabilities, hereinafter called “reserves,” for all outstanding life insurance policies and annuity and pure endowment contracts of every life insurer doing business in this state, and may certify the amount of any such reserves, specifying the mortality table or tables, rate or rates of interest, and methods, net-level premium method or others, used in the calculation of such reserves. In the case of an alien insurer, such valuation shall be limited to its insurance transactions in the United States. In calculating such reserves, the office may use group methods and approximate averages for fractions of a year or otherwise. It may accept in its discretion the insurer’s calculation of such reserves. In lieu of the valuation of the reserves herein required of any foreign or alien insurer, it may accept any valuation made or caused to be made by the insurance supervisory official of any state or other jurisdiction when such valuation complies with the minimum standard herein provided and if the official of such state or jurisdiction accepts as sufficient and valid for all legal purposes the certificate of valuation of the office when such certificate states the valuation to have been made in a specified manner according to which the aggregate reserves would be at least as large as if they had been computed in the manner prescribed by the law of that state or jurisdiction. When any such valuation is made by the office, it may use the actuary of the office or employ an actuary for the purpose; and the reasonable compensation of the actuary, at a rate approved by the office, and reimbursement of travel expenses pursuant to s. 624.320 upon demand by the office, supported by an itemized statement of such compensation and expenses, shall be paid by the insurer. When a domestic insurer furnishes the office with a valuation of its outstanding policies as computed by its own actuary or by an actuary deemed satisfactory for the purpose by the office, the valuation shall be verified by the actuary of the office without cost to the insurer.

(3) ACTUARIAL OPINION OF RESERVES.—

(a)1. Each life insurance company doing business in this state shall annually submit the opinion of a qualified actuary as to whether the reserves and related actuarial items held in support of the policies and contracts specified by the commission by rule are computed appropriately, are based on assumptions which satisfy contractual provisions, are consistent with prior reported amounts, and comply with applicable laws of this state. The commission by rule shall define the specifics of this opinion and add any other items determined to be necessary to its scope.

2. The opinion shall be submitted with the annual statement reflecting the valuation of such reserve liabilities for each year ending on or after December 31, 1992.

3. The opinion shall apply to all business in force, including individual and group health insurance plans, in the form and substance acceptable to the office as specified by rule of the commission.

4. The commission may adopt rules providing the standards of the actuarial opinion consistent with standards adopted by the Actuarial Standards Board on December 31, 2002, and subsequent revisions thereto, provided that the standards remain substantially consistent.

5. In the case of an opinion required to be submitted by a foreign or alien company, the office may accept the opinion filed by that company with the insurance supervisory official

of another state if the office determines that the opinion reasonably meets the requirements applicable to a company domiciled in this state.

6. For the purposes of this subsection, "qualified actuary" means a member in good standing of the American Academy of Actuaries who also meets the requirements specified by rule of the commission.

7. Disciplinary action by the office against the company or the qualified actuary shall be in accordance with the insurance code and related rules adopted by the commission.

8. A memorandum in the form and substance specified by rule shall be prepared to support each actuarial opinion.

9. If the insurance company fails to provide a supporting memorandum at the request of the office within a period specified by rule of the commission, or if the office determines that the supporting memorandum provided by the insurance company fails to meet the standards prescribed by rule of the commission, the office may engage a qualified actuary at the expense of the company to review the opinion and the basis for the opinion and prepare such supporting memorandum as is required by the office.

10. Except as otherwise provided in this paragraph, any memorandum or other material in support of the opinion is confidential and exempt from the provisions of s. 119.07(1); however, the memorandum or other material may be released by the office with the written consent of the company, or to the American Academy of Actuaries upon request stating that the memorandum or other material is required for the purpose of professional disciplinary proceedings and setting forth procedures satisfactory to the office for preserving the confidentiality of the memorandum or other material. If any portion of the confidential memorandum is cited by the company in its marketing or is cited before any governmental agency other than a state insurance department or is released by the company to the news media, no portion of the memorandum is confidential.

(b) In addition to the opinion required by subparagraph (a)1., the office may, pursuant to commission rule, require an opinion of the same qualified actuary as to whether the reserves and related actuarial items held in support of the policies and contracts specified by the commission by rule, when considered in light of the assets held by the company with respect to the reserves and related actuarial items, including but not limited to the investment earnings on the assets and considerations anticipated to be received and retained under the policies and contracts, make adequate provision for the company's obligations under the policies and contracts, including, but not limited to, the benefits under, and expenses associated with, the policies and contracts.

(c) The commission may provide by rule for a transition period for establishing any higher reserves which the qualified actuary may deem necessary in order to render the opinion required by this subsection.

(4) **MINIMUM STANDARD FOR VALUATION OF POLICIES AND CONTRACTS ISSUED BEFORE OPERATIVE DATE OF STANDARD NONFORFEITURE LAW.**—The minimum standard for the valuation of all such policies and contracts issued prior to the operative date of s. 627.476 (Standard Nonforfeiture Law) shall be any basis satisfactory to the office. Any basis satisfactory to the former Department of Insurance on the effective date of this code shall be deemed to meet such minimum standards.

(5) **MINIMUM STANDARD FOR VALUATION OF POLICIES AND CONTRACTS ISSUED ON OR AFTER OPERATIVE DATE OF STANDARD NONFORFEITURE LAW.**—Except as otherwise provided in paragraph (h) and subsections (6), (11), and (14), the minimum standard for the valuation of all such policies and contracts issued on or after the operative date of s. 627.476 (Standard Nonforfeiture Law for Life Insurance) shall be the commissioners' reserve valuation method defined in subsections (7), (11), and (14); 5 percent interest for group annuity and pure endowment contracts and 3.5 percent interest for all other such policies and contracts, or in the case of life insurance policies and contracts, other than annuity and pure endowment contracts, issued on or after July 1, 1973, 4 percent interest

## Rulemaking Authority

for such policies issued prior to October 1, 1979, and 4.5 percent interest for such policies issued on or after October 1, 1979; and the following tables:

(a) For all ordinary policies of life insurance issued on the standard basis, excluding any disability and accidental death benefits in such policies:

1. For policies issued prior to the operative date of s. 627.476(9), the commissioners' 1958 Standard Ordinary Mortality Table; except that, for any category of such policies issued on female risks, modified net premiums and present values, referred to in subsection (7), may be calculated according to an age not more than 6 years younger than the actual age of the insured.

2. For policies issued on or after the operative date of s. 627.476(9), the commissioners' 1980 Standard Ordinary Mortality Table or, at the election of the insurer for any one or more specified plans of life insurance, the commissioners' 1980 Standard Ordinary Mortality Table with Ten-Year Select Mortality Factors.

3. For policies issued on or after July 1, 2004, ordinary mortality tables, adopted after 1980 by the National Association of Insurance Commissioners, adopted by rule by the commission for use in determining the minimum standard of valuation for such policies.

(b) For all industrial life insurance policies issued on the standard basis, excluding any disability and accidental death benefits in such policies:

1. For policies issued prior to the first date to which the commissioners' 1961 Standard Industrial Mortality Table is applicable according to s. 627.476, the 1941 Standard Industrial Mortality Table; and

2. For such policies issued on or after that date, the commissioners' 1961 Standard Industrial Mortality Table.

(c) For individual annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies, the 1937 Standard Annuity Mortality Table or, at the option of the insurer, the Annuity Mortality Table for 1949, Ultimate, or any modification of either of these tables approved by the office.

(d) For group annuity and pure endowment contracts, excluding any disability and accidental death benefits in such policies, the Group Annuity Mortality Table for 1951; any modification of such table approved by the office; or, at the option of the insurer, any of the tables or modifications of tables specified for individual annuity and pure endowment contracts.

(e) For total and permanent disability benefits in or supplementary to ordinary policies or contracts:

1. For policies or contracts issued on or after January 1, 1966, the tables of period 2 disablement rates and the 1930 to 1950 termination rates of the 1952 disability study of the Society of Actuaries, with due regard to the type of benefit;

2. For policies or contracts issued on or after January 1, 1961, and prior to January 1, 1966, either those tables or, at the option of the insurer, the class three disability table (1926);

3. For policies issued prior to January 1, 1961, the class three disability table (1926); and

4. For policies or contracts issued on or after July 1, 2004, tables of disablement rates and termination rates adopted after 1980 by the National Association of Insurance Commissioners, adopted by rule by the commission for use in determining the minimum standard of valuation for those policies or contracts.

Any such table for active lives shall be combined with a mortality table permitted for calculating the reserves for life insurance policies.

(f) For accidental death benefits in or supplementary to policies:

1. For policies issued on or after January 1, 1966, the 1959 Accidental Death Benefits Table;

## Rulemaking Authority

2. For policies issued on or after January 1, 1961, and prior to January 1, 1966, either that table or, at the option of the insurer, the Intercompany Double Indemnity Mortality Table;

3. For policies issued prior to January 1, 1961, the Intercompany Double Indemnity Mortality Table; and

4. For policies issued on or after July 1, 2004, tables of accidental death benefits adopted after 1980 by the National Association of Insurance Commissioners, adopted by rule by the commission for use in determining the minimum standard of valuation for those policies.

Either table shall be combined with a mortality table permitted for calculating the reserves for life insurance policies.

(g) For group life insurance, life insurance issued on the substandard basis, and other special benefits, such tables as may be approved by the office as being sufficient with relation to the benefits provided by such policies.

(h) Except as provided in subsection (6), the minimum standard for the valuation of all individual annuity and pure endowment contracts issued on or after the operative date of this paragraph and for all annuities and pure endowments purchased on or after such operative date under group annuity and pure endowment contracts shall be the commissioners' reserve valuation method defined in subsection (7) and the following tables and interest rates:

1. For individual annuity and pure endowment contracts issued prior to October 1, 1979, excluding any disability and accidental death benefits in such contracts, the 1971 Individual Annuity Mortality Table, or any modification of this table approved by the office, and 6 percent interest for single-premium immediate annuity contracts and 4 percent interest for all other individual annuity and pure endowment contracts.

2. For individual single-premium immediate annuity contracts issued on or after October 1, 1979, and prior to October 1, 1986, excluding any disability and accidental death benefits in such contracts, the 1971 Individual Annuity Mortality Table, or any modification of this table approved by the office, and 7.5 percent interest. For such contracts issued on or after October 1, 1986, the 1983 Individual Annual Mortality Table, or any modification of such table approved by the office, and the applicable calendar year statutory valuation interest rate as described in subsection (6).

3. For individual annuity and pure endowment contracts issued on or after October 1, 1979, and prior to October 1, 1986, other than single-premium immediate annuity contracts, excluding any disability and accidental death benefits in such contracts, the 1971 Individual Annuity Mortality Table, or any modification of this table approved by the office, and 5.5 percent interest for single-premium deferred annuity and pure endowment contracts and 4.5 percent interest for all other such individual annuity and pure endowment contracts. For such contracts issued on or after October 1, 1986, the 1983 Individual Annual Mortality Table, or any modification of such table approved by the office, and the applicable calendar year statutory valuation interest rate as described in subsection (6).

4. For all annuities and pure endowments purchased prior to October 1, 1979, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts, the 1971 Group Annuity Mortality Table, or any modification of this table approved by the office, and 6 percent interest.

5. For all annuities and pure endowments purchased on or after October 1, 1979, and prior to October 1, 1986, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under such contracts, the 1971 Group Annuity Mortality Table, or any modification of this table approved by the office, and 7.5 percent interest. For such contracts purchased on or after October 1, 1986, the 1983 Group Annuity Mortality Table, or any modification of such table approved by the office, and the applicable calendar year statutory valuation interest rate as described in subsection (6).

## Rulemaking Authority

After July 1, 1973, any insurer may have filed with the former Department of Insurance a written notice of its election to comply with the provisions of this paragraph after a specified date before January 1, 1979, which shall be the operative date of this paragraph for such insurer. However, an insurer may elect a different operative date for individual annuity and pure endowment contracts from that elected for group annuity and pure endowment contracts. If an insurer makes no such election, the operative date of this paragraph for such insurer shall be January 1, 1979.

(i) In lieu of the mortality tables specified in this subsection, and subject to rules previously adopted by the former Department of Insurance, the insurance company may, at its option:

1. Substitute the applicable 1958 CSO or CET Smoker and Nonsmoker Mortality Tables, in lieu of the 1980 CSO or CET mortality table standard, for policies issued on or after the operative date of s. 627.476(9) and before January 1, 1989.
2. Substitute the applicable 1980 CSO or CET Smoker and Nonsmoker Mortality Tables in lieu of the 1980 CSO or CET mortality table standard;
3. Use the Annuity 2000 Mortality Table for determining the minimum standard of valuation for individual annuity and pure endowment contracts issued on or after January 1, 1998, and before July 1, 1998.
4. Use the 1994 GAR Table for determining the minimum standard of valuation for annuities and pure endowments purchased on or after January 1, 1998, and before July 1, 1998, under group annuity and pure endowment contracts.

(j) The commission may adopt by rule the model regulation for valuation of life insurance policies as approved by the National Association of Insurance Commissioners in March 1999, including tables of select mortality factors, and may make the regulation effective for policies issued on or after January 1, 2000.

(k) For individual annuity and pure endowment contracts issued on or after July 1, 2004, excluding any disability and accidental death benefits purchased under those contracts, individual annuity mortality tables adopted after 1980 by the National Association of Insurance Commissioners, adopted by rule by the commission for use in determining the minimum standard of valuation for those contracts.

(l) For all annuities and pure endowments purchased on or after July 1, 2004, under group annuity and pure endowment contracts, excluding any disability and accidental death benefits purchased under those contracts, group annuity mortality tables adopted after 1980 by the National Association of Insurance Commissioners, adopted by rule by the commission for use in determining the minimum standard of valuation for those contracts.

(6) MINIMUM STANDARD OF VALUATION.—

(a) The interest rates used in determining the minimum standard for the valuation of:

1. All life insurance policies issued in a particular calendar year on or after the operative date of s. 627.476(9);
2. All individual annuity and pure endowment contracts issued in a particular calendar year on or after January 1, 1982;
3. All annuities and pure endowments purchased in a particular calendar year on or after January 1, 1982, under group annuity and pure endowment contracts; and
4. The net increase, if any, in a particular calendar year after January 1, 1982, in amounts held under guaranteed interest contracts,

shall be the calendar year statutory valuation interest rates for the year-of-issue purchase or increase as defined in this subsection.

(b) The calendar year statutory valuation interest rates I shall be determined as follows, and the results rounded to the nearest 0.25 percent:

1. For life insurance:

$$I = 0.03 + W(R1-0.03) + (W/2)(R2-0.09).$$

For purposes of this subparagraph, "R1" is the lesser of R and .09; "R2" is the greater of R and .09; "R" is the reference interest rate defined in this subsection; and "W" is the weighting factor defined in this subsection.

2. For single-premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and from guaranteed interest contracts with cash settlement options:

$$I = 0.03 + W(R-0.03).$$

For purposes of this subparagraph, "R" is the reference interest rate defined in this subsection, and "W" is the weighting factor defined in this subsection.

3. For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on an issue-year basis, except as stated in subparagraph 2., the formula for life insurance stated in subparagraph 1. shall apply to annuities and guaranteed interest contracts with guarantee durations in excess of 10 years, and the formula for single-premium immediate annuities stated in subparagraph 2. shall apply to annuities and guaranteed interest contracts with guarantee durations of 10 years or less.

4. For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the formula for single-premium immediate annuities stated in subparagraph 2. shall apply.

5. For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a change-in-fund basis, the formula for single-premium immediate annuities stated in subparagraph 2. shall apply.

However, if the calendar year statutory valuation interest rate for any life insurance policies issued in any calendar year determined without reference to this sentence differs from the corresponding actual rate for similar policies issued in the immediately preceding calendar year by less than 0.5 percent, the calendar year statutory valuation interest rate for such life insurance policies shall be equal to the corresponding actual rate for the immediately preceding calendar year. For purposes of applying the immediately preceding sentence, the calendar year statutory valuation interest rate for life insurance policies issued in a calendar year shall be determined for 1980, the reference interest rate defined for 1979 being used, and shall be determined for each subsequent calendar year regardless of when s. 627.476(9) becomes operative.

(c) The weighting factors referred to in the formulas stated in paragraph (b) are given in the following tables:

1. Weighting factors for life insurance:

Guarantee Duration	Weighting
(Years)	Factors
10 or less:.....	0.50
More than 10, but not more than 20:.....	0.45
More than 20:.....	0.35

For life insurance, the “guarantee duration” is the maximum number of years the life insurance can remain in force on a basis guaranteed in the policy or under options to convert to plans of life insurance with premium rates or nonforfeiture values or both which are guaranteed in the original policy.

2. Weighting factor for single-premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and guaranteed interest contracts with cash settlement options: 0.80.

3. Weighting factors for other annuities and for guaranteed interest contracts, except as stated in subparagraph 2., shall be as specified in sub-subparagraphs a., b., and c., according to the rules and definitions in sub-subparagraphs d., e., and f. and in paragraph (f):

a. For annuities and guaranteed interest contracts valued on an issue-year basis:

Guarantee Duration    Weighting Factor

(Years)    for Plan Type

5 or less:.....A—0.80

B—0.60

C—0.50

More than 5, but not more than 10:.....A—0.75

B—0.60

C—0.50

More than 10, but not more than 20:.....A—0.65

B—0.50

C—0.45

More than 20:.....A—0.45

B—0.35

C—0.35

b. For annuities and guaranteed interest contracts valued on a change-in-fund basis, the factors shown in sub-subparagraph a. increased by: 0.15 for Plan Type A; 0.25 for Plan Type B; 0.05 for Plan Type C.

c. For annuities and guaranteed interest contracts valued on an issue-year basis, other than those with no cash settlement options, which do not guarantee interest on considerations received more than 1 year after issue or purchase and for annuities and guaranteed interest contracts valued on a change-in-fund basis which do not guarantee interest rates on considerations received more than 12 months beyond the valuation date,

the factors shown in sub-subparagraph a. or derived in sub-subparagraph b. increased by: 0.05 for Plan Type A; 0.05 for Plan Type B; 0.05 for Plan Type C.

d. For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, the "guarantee duration" is the number of years for which the contract guarantees interest rates in excess of the calendar year statutory valuation interest rate for life insurance policies with guarantee duration in excess of 20 years. For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the guarantee duration is the number of years from the date of issue or date of purchase to the date annuity benefits are scheduled to commence.

e. "Plan type," as used in the tables above, is defined as follows:

(I) Plan Type A: At any time, the policyholder may withdraw funds only with an adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurer; the policyholder may withdraw funds only without such adjustment but in installments over 5 years or more; the policyholder may withdraw funds only as an immediate life annuity; or no withdrawal is permitted.

(II) Plan Type B: Before expiration of the interest rate guarantee, the policyholder may withdraw funds only with an adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurer; the policyholder may withdraw funds only without such adjustment but in installments over 5 years or more; or no withdrawal is permitted. At the end of interest rate guarantee, funds may be withdrawn without such adjustment in a single sum or installments over less than 5 years.

(III) Plan Type C: The policyholder may withdraw funds before expiration of interest rate guarantee in a single sum or installments over less than 5 years either without adjustment to reflect changes in interest rates or asset values since receipt of the funds by the insurer or subject only to a fixed surrender charge stipulated in the contract as a percentage of the fund.

f. An insurer may elect to value guaranteed interest contracts with cash settlement options and annuities with cash settlement options on either an issue-year basis or on a change-in-fund basis. Guaranteed interest contracts with no cash settlement options and other annuities with no cash settlement options must be valued on an issue-year basis.

(d) The "reference interest rate" referred to in paragraph (b) is defined as follows:

1. For all life insurance, the lesser of the average over a period of 36 months and the average over a period of 12 months, ending on June 30 of the calendar year next preceding the year of issue, of the interest rate index.

2. For single-premium immediate annuities and for annuity benefits involving life contingencies arising from other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, the average over a period of 12 months, ending on June 30 of the calendar year of issue or year of purchase, of the interest rate index.

3. For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a year-of-issue basis, except as stated in subparagraph 2., with guarantee duration in excess of 10 years, the lesser of the average over a period of 36 months and the average over a period of 12 months, ending on June 30 of the calendar year of issue or purchase, of the interest rate index.

4. For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a year-of-issue basis, except as stated in subparagraph 2., with guarantee duration of 10 years or less, the average over a period of 12 months, ending on June 30 of the calendar year of issue or purchase, of the interest rate index.

5. For other annuities with no cash settlement options and for guaranteed interest contracts with no cash settlement options, the average over a period of 12 months, ending on June 30 of the calendar year of issue or purchase, of the interest rate index.

6. For other annuities with cash settlement options and guaranteed interest contracts with cash settlement options, valued on a change-in-fund basis, except as stated in

subparagraph 2., the average over a period of 12 months, ending on June 30 of the calendar year of the change in the fund, of the interest rate index.

(e) The interest rate index shall be the Moody's Corporate Bond Yield Average-Monthly Average Corporates as published by Moody's Investors Service, Inc., as long as this index is calculated by using substantially the same methodology as used by it on January 1, 1981. If Moody's corporate bond yield average ceases to be calculated in this manner, the interest rate index shall be the index approved by rule promulgated by the commission. The methodology used in determining the index approved by rule shall be substantially the same as the methodology employed on January 1, 1981, for determining Moody's Corporate Bond Yield Average-Monthly Average Corporates as published by Moody's Investors Service, Inc.

(f) As used in this subsection, an "issue-year basis" of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard for the entire duration of the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of purchase of the annuity or guaranteed interest contract; and the "change-in-fund" basis of valuation refers to a valuation basis under which the interest rate used to determine the minimum valuation standard applicable to each change in the fund held under the annuity or guaranteed interest contract is the calendar year valuation interest rate for the year of the change in the fund.

(7) COMMISSIONERS' RESERVE VALUATION METHOD.—

(a)1. Except as otherwise provided in this subsection and subsections (11) and (14), reserves according to the commissioners' reserve valuation method, for the life insurance and endowment benefits of policies providing for a uniform amount of insurance and requiring the payment of uniform premiums, shall be the excess, if any, of the present value, at the date of valuation, of such future guaranteed benefits provided for by such policies, over the then-present value of any future modified net premiums therefor. The modified net premiums for any such policy shall be such uniform percentage of the respective contract premiums for such benefits that the present value, at the date of issue of the policy, of all such modified net premiums shall be equal to the sum of the then-present value of such benefits provided for by the policy and the excess of sub-subparagraph a. over sub-subparagraph b. as follows:

a. A net-level annual premium equal to the present value, at the date of issue, of such benefits provided for after the first policy year, divided by the present value, at the date of issue, of an annuity of one per annum payable on the first and each subsequent anniversary of such policy on which a premium falls due; provided, however, that such net-level annual premium shall not exceed the net-level annual premium on the 19-year premium whole life plan for insurance of the same amount at an age 1 year higher than the age at issue of such policy.

b. A net-1-year-term premium for such benefits provided for in the first policy year.

2. For any life insurance policy which is issued on or after January 1, 1985, for which the contract premium in the first policy year exceeds that of the second year and for which no comparable additional benefit is provided in the first year for such excess, and which provides an endowment benefit, a cash surrender value, or a combination thereof in an amount greater than such excess premium, the reserve according to the commissioners' reserve valuation method as of any policy anniversary occurring on or before the assumed ending date, defined herein as the first policy anniversary on which the sum of any endowment benefit and any cash surrender value then available is greater than such excess premium, shall, except as otherwise provided in subsection (11), be the greater of the reserve as of such policy anniversary calculated as described in subparagraph 1. and the reserve as of such policy anniversary calculated as described in subparagraph 1. but with:

a. The value defined in subparagraph 1. being reduced by 15 percent of the amount of such excess first year premium;

b. All present values of benefits and premiums being determined without reference to premiums or benefits provided for by the policy after the assumed ending date;

Rulemaking Authority

- c. The policy being assumed to mature on such date as an endowment; and
- d. The cash surrender value provided on such date being considered as an endowment benefit.

In making the above comparison, the mortality and interest bases stated in subsections (5) and (6) shall be used.

(b) Reserves according to the commissioners' reserve valuation method for:

- 1. Life insurance policies providing for a varying amount of insurance or requiring the payment of varying premiums;
- 2. Group annuity and pure endowment contracts, purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer, including a partnership or sole proprietorship, or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under s. 408 of the Internal Revenue Code, as now or hereafter amended;
- 3. Disability and accidental death benefits in all policies and contracts; and
- 4. All other benefits, except life insurance and endowment benefits in life insurance policies, and benefits provided by all other annuity and pure endowment contracts,

shall be calculated by a method which is consistent with and yields results consistent with the principles of paragraph (a).

(c) This subsection shall apply to all annuity and pure endowment contracts other than group annuity and pure endowment contracts purchased under a retirement plan or plan of deferred compensation, established or maintained by an employer, including a partnership or sole proprietorship, or by an employee organization, or by both, other than a plan providing individual retirement accounts or individual retirement annuities under s. 408 of the Internal Revenue Code, as now or hereafter amended. Reserves according to the commissioners' annuity reserve method for benefits under annuity or pure endowment contracts, excluding any disability and accidental death benefits in such contracts, shall be the greatest of the respective excesses of the present values, at the date of valuation, of the future guaranteed benefits, including guaranteed nonforfeiture benefits, provided for by such contracts at the end of each respective contract year, over the present value, at the date of valuation, of any future valuation considerations derived from future gross considerations, required by the terms of such contract, that become payable prior to the end of such respective contract year. The future guaranteed benefits shall be determined by using the mortality table, if any, and the interest rate or rates specified in such contracts for determining guaranteed benefits. The valuation considerations are the portions of the respective gross considerations applied under the terms of such contracts to determine nonforfeiture values.

(8) MINIMUM AGGREGATE RESERVES.—

(a) In no event shall an insurer's aggregate reserves for all life insurance policies, excluding disability and accidental death benefits, issued on or after the operative date of s. 627.476, be less than the aggregate reserves calculated in accordance with the methods set forth in subsections (7), (11), and (12) and the mortality table or tables and rate or rates of interest used in calculating nonforfeiture benefits for such policies.

(b) In no event may the aggregate reserves for all policies, contracts, and benefits be less than the aggregate reserves determined by the qualified actuary to be necessary to render the opinion required by subsection (3).

(9) OPTIONAL RESERVE BASIS.—

(a) Reserves for all policies and contracts issued prior to the operative date of s. 627.476 may be calculated, at the option of the insurer, according to any standards which produce

greater aggregate reserves for all such policies and contracts than the minimum reserves required by the laws in effect immediately prior to such date.

(b) For any category of policies, contracts, or benefits specified in subsections (5) and (6), issued on or after the operative date of s. 627.476 (the Standard Nonforfeiture Law for Life Insurance), reserves may be calculated, at the option of the insurer, according to any standard or standards which produce greater aggregate reserves for such category than those calculated according to the minimum standard herein provided; but the rate or rates of interest used for policies and contracts, other than annuity and pure endowment contracts, shall not be higher than the corresponding rate or rates of interest used in calculating any nonforfeiture benefits provided for therein.

(10) LOWER VALUATIONS.—An insurer which at any time had adopted any standard of valuation producing greater aggregate reserves than those calculated according to the minimum standard herein provided may, with the approval of the office, adopt any lower standard of valuation, but not lower than the minimum herein provided; however, for the purposes of this subsection, the holding of additional reserves previously determined by a qualified actuary to be necessary to render the opinion required by subsection (3) shall not be deemed to be the adoption of a higher standard of valuation.

(11) DEFICIENCY RESERVE.—If in any contract year the gross premium charged by any life insurer on any policy or contract is less than the valuation net premium for the policy or contract calculated by the method used in calculating the reserve thereon but using the minimum valuation standards of mortality and rate of interest, there shall be maintained on such policy or contract a deficiency reserve in addition to the reserve defined by subsections (7) and (12). For each such policy or contract, the deficiency reserve shall be the present value, according to the minimum valuation standards of mortality and rate of interest, of the differences between all such valuation net premiums and the corresponding premiums charged for such policy or contract during the remainder of the premium-paying period. For any category of policies, contracts, or benefits specified in subsections (5) and (6), issued on or after the operative date of s. 627.476 (the Standard Nonforfeiture Law for Life Insurance), the aggregate deficiency reserves may be reduced by the amount, if any, by which the aggregate reserves actually calculated in accordance with subsection (9) exceed the minimum aggregate reserves prescribed by subsection (8). The minimum valuation standards of mortality and rate of interest referred to in this subsection are those standards stated in subsections (5) and (6). However, for any life insurance policy which is issued on or after January 1, 1985, for which the gross premium in the first policy year exceeds that of the second year and for which no comparable additional benefit is provided in the first year for such excess, and which provides an endowment benefit, a cash surrender value, or a combination thereof in an amount greater than such excess premium, the foregoing provisions of this subsection shall be applied as if the method actually used in calculating the reserve for such policy were the method described in subsection (7), the provisions of subparagraph (7)(a)2. being ignored. The amount of the deficiency reserve, if any, at each policy anniversary of such a policy shall be the excess, if any, of the amount determined by the foregoing provisions of this subsection plus the reserve calculated by the method described in subsection (7), the provisions of subparagraph (7)(a)2. being ignored, over the reserve actually calculated by the method described in subsection (7), the provisions of subparagraph (7)(a)2. being taken into account.

(12) ALTERNATE METHOD FOR DETERMINING RESERVES IN CERTAIN CASES.—In the case of any plan of life insurance which provides for future premium determination, the amounts of which are to be determined by the insurer based on then estimates of future experience, or in the case of any plan of life insurance or annuity which is of such a nature that the minimum reserves cannot be determined by the methods described in subsection (7), the reserves which are held under any such plan shall:

(a) Be appropriate in relation to the benefits and the pattern of premiums for that plan; and

(b) Be computed by a method which is consistent with the principles of this section, as determined by rules promulgated by the commission.

(13) CREDIT LIFE AND DISABILITY POLICIES.—

(a) For policies issued prior to January 1, 2004:

1. The minimum reserve for single-premium credit disability insurance, monthly premium credit life insurance, and monthly premium credit disability insurance shall be the unearned gross premium.

2. As to single-premium credit life insurance policies, the insurer shall establish and maintain reserves that are not less than the value, at the valuation date, of the risk for the unexpired portion of the period for which the premium has been paid as computed on the basis of the commissioners' 1980 Standard Ordinary Mortality Table and 3.5 percent interest. At the discretion of the office, the insurer may make a reasonable assumption as to the ages at which net premiums are to be determined. In lieu of the foregoing basis, reserves based upon unearned gross premiums may be used at the option of the insurer.

(b) For policies issued on or after January 1, 2004:

1. The minimum reserve for single-premium credit disability insurance shall be either:

a. The unearned gross premium, or

b. Based upon a morbidity table that is adopted by the National Association of Insurance Commissioners and is specified in a rule the commission adopts pursuant to subsection (14).

2. The minimum reserve for monthly premium credit disability insurance shall be the unearned gross premium.

3. The minimum reserve for monthly premium credit life insurance shall be the unearned gross premium.

4. As to single-premium credit life insurance policies, the insurer shall establish and maintain reserves that are not less than the value, at the valuation date, of the risk for the unexpired portion of the period for which the premium has been paid as computed on the basis of the commissioners' 1980 Standard Ordinary Mortality Table or any ordinary mortality table, adopted after 1980 by the National Association of Insurance Commissioners, that is approved by rule adopted by the commission for use in determining the minimum standard of valuation for such policies; and an interest rate determined in accordance with subsection (6). At the discretion of the office, the insurer may make a reasonable assumption as to the ages at which net premiums are to be determined. In lieu of the foregoing basis, reserves based upon unearned gross premiums may be used at the option of the insurer.

(14) MINIMUM STANDARDS FOR HEALTH PLANS.—The commission shall adopt a rule containing the minimum standards applicable to the valuation of health plans in accordance with sound actuarial principles.

---

---

**M E M O R A N D U M**

---

**DATE:** June 2, 2015  
**TO:** Kevin M. McCarty, Commissioner, Office of Insurance Regulation  
**THROUGH:** Anoush Brangaccio, General Counsel  
**FROM:** Virginia Christy   
Stephen Fredrickson   
**SUBJECT:** Cabinet Agenda for June 23, 2015  
Request for Final Approval to Adopt Amendments to  
Rules 69O-144.005,.007  
Credit For Reinsurance; Credit For Reinsurance from Eligible Reinsurers  
Assignment # 142116-13

The Office of Insurance Regulation requests that these proposed rule amendments be presented to the Cabinet aides on or before June 17, 2015 and to the Financial Services Commission on June 23, 2015, with a request for Final Approval to Adopt the proposed rules. A notice of the Final Rule Hearing was published in the *Florida Administrative Register* on April 10, 2015.

The notice of proposed rules was published on January 20, 2015 in Volume 41, No. 12, of the *Register*. The hearing was not requested, therefore, the hearing was not held. The Joint Administrative Procedures Committee requested certain revisions which are reflected in the attached Notice of Change.

There is a need for Florida to make certain changes to these rules to provide consistency amongst jurisdictions and ensure that Florida remains a key player and leader in the insurance marketplace. Among the most material changes are:

1. Changing the status name from eligible reinsurer to certified reinsurer.
2. Clarifying and expanding the documentation required to be filed in order to obtain and maintain the status as a "certified reinsurer"
3. Clarifying process and regulatory responsibilities when the financial condition of a certified reinsurer changes (i.e., there is a change in financial strength rating)
4. Clarifying disclosure requirements of the Office when it receives an application from a reinsurer for this status
5. Adding reinsurance concentration disclosure requirements
6. Adding language that would allow the trustee surplus of Trusteed Reinsurers to drop below \$20 million if the Trusteed reinsurer is no longer underwriting new business and demonstrated that surplus below \$20 million was warranted.

Sections 624.308, 624.610(14), 624.307(1), 624.610 F.S., provide rulemaking authority and laws implemented for these rules.

The Legal Services Office has communicated with the Joint Administrative Procedures Committee, and ascertained that their review of the rules has been completed.

---

---

Alyssa Lathrop is the attorney handling these rules. Attached are: 1) the proposed rule(s); 2) any incorporated materials, such as forms; 3) copies of the rulemaking statutory authority and law implemented.

Approved for signature:

  
Anoush Brangaccio, General Counsel

Approved for submission to Financial Services  
Commission:

  
Kevin M. McCarty, Commissioner  
Office of Insurance Regulation

FORM AR-1

CERTIFICATE OF ASSUMING INSURER

I, \_\_\_\_\_, \_\_\_\_\_ of \_\_\_\_\_,  
(name of officer) (title of officer) (name of assuming insurer)

the assuming insurer under a reinsurance agreement with one or more insurers domiciled

in \_\_\_\_\_, hereby certify that \_\_\_\_\_ (“Assuming Insurer”)  
(name of state) (name of assuming insurer)

1. Submits to the jurisdiction of any court of competent jurisdiction in \_\_\_\_\_ (ceding insurer’s state of domicile) for the adjudication of any issues arising out of the reinsurance agreement, agrees to comply with all requirements necessary to give such court jurisdiction, and will abide by the final decision of such court or any appellate court in the event of an appeal. Nothing in this paragraph constitutes or should be understood to constitute a waiver of Assuming Insurer’s rights to commence an action in any court of competent jurisdiction in the United States, to remove an action to a United States District Court, or to seek a transfer of a case to another court as permitted by the laws of the United States or of any state in the United States. This paragraph is not intended to conflict with or override the obligation of the parties to the reinsurance agreement to arbitrate their disputes if such an obligation is created in the agreement.
2. Designates the Chief Financial Officer of \_\_\_\_\_ (ceding insurer’s state of domicile) as its lawful attorney upon whom may be served any lawful process in any action, suit or proceeding arising out of the reinsurance agreement instituted by or on behalf of the ceding insurer.
3. Submits to the authority of the Insurance Commissioner of \_\_\_\_\_ (ceding insurer’s state of domicile) to examine its books and records and agrees to bear the expense of any such examination.
4. Submits with this form a current list of insurers domiciled in \_\_\_\_\_ (ceding insurer’s state of domicile) reinsured by Assuming Insurer and undertakes to submit additions to or deletions from the list to the Insurance Commissioner at least once per calendar quarter.

Dated: \_\_\_\_\_

\_\_\_\_\_  
(name of assuming insurer)

BY: \_\_\_\_\_  
(name of officer)

\_\_\_\_\_  
(title of officer)

FORM CR-1

CERTIFICATE OF CERTIFIED REINSURER

I, \_\_\_\_\_, \_\_\_\_\_  
(name of officer) (title of officer)

of \_\_\_\_\_, the assuming insurer  
(name of assuming insurer)

under a reinsurance agreement with one or more insurers domiciled in \_\_\_\_\_,  
in order to be considered for approval in this state, hereby certify that (name of state)

\_\_\_\_\_ (“Assuming Insurer”);  
(name of assuming insurer)

1. Submits to the jurisdiction of any court of competent jurisdiction in \_\_\_\_\_  
(ceding insurer’s state of domicile)

for the adjudication of any issues arising out of the reinsurance agreement, agrees to comply with all requirements necessary to give such court jurisdiction, and will abide by the final decision of such court or any appellate court in the event of an appeal. Nothing in this paragraph constitutes or should be understood to constitute a waiver of Assuming Insurer’s rights to commence an action in any court of competent jurisdiction in the United States, to remove an action to a United States District Court, or to seek a transfer of a case to another court as permitted by the laws of the United States or of any state in the United States. This paragraph is not intended to conflict with or override the obligation of the parties to the reinsurance agreement to arbitrate their disputes if such an obligation is created in the agreement.

2. Designates the Insurance Commissioner of \_\_\_\_\_  
(ceding insurer’s state of domicile)

as its lawful attorney upon whom may be served any lawful process in any action, suit or proceeding arising out of the reinsurance agreement instituted by or on behalf of the ceding insurer.

3. Agrees to provide security in an amount equal to 100% of liabilities attributable to U.S. ceding insurers if it resists enforcement of a final U.S. judgment or properly enforceable arbitration award.

4. Agrees to provide notification within 10 days of any regulatory actions taken against it, any change in the provisions of its domiciliary license or any change in its rating by an approved rating agency, including a statement describing such changes and the reasons therefore.

5. Agrees to annually file information comparable to relevant provisions of the NAIC financial statement for use by insurance markets in accordance with Rule 69O-144.007(8)(h), F.A.C..

6. Agrees to annually file the report of the independent auditor on the financial statements of the insurance enterprise.

7. Agrees to annually file audited financial statements, regulatory filings, and actuarial opinion in accordance with Rule 69O-144.007(8)(h), F.A.C..

8. Agrees to annually file an updated list of all disputed and overdue reinsurance claims regarding reinsurance assumed from U.S. domestic ceding insurers.

9. Is in good standing as an insurer or reinsurer with the supervisor of its domiciliary jurisdiction.

Dated: \_\_\_\_\_

\_\_\_\_\_  
(name of assuming insurer)

BY: \_\_\_\_\_  
(name of officer)

\_\_\_\_\_  
(title of officer)

**NAIC FORM CR-F**

**INDEX**

**INSTRUCTIONS**

Part 1 – Assumed Reinsurance – Property/Casualty Business .....2

Part 2 – Ceded Reinsurance – Property/Casualty Business. ....4

**FORMS**

Part 1 – Assumed Reinsurance as of December 31, Current Year .....7

Part 2 – Ceded Reinsurance as of December 31, Current Year. ....8

**FORM CR-F – PART 1**

**ASSUMED REINSURANCE – PROPERTY/CASUALTY BUSINESS**  
**AS OF DECEMBER 31 (MOST RECENT YEAR-END)**

Form CR-F Part 1 must be reported by an assuming insurer upon initial application for status as a Certified Reinsurer, and on an annual basis thereafter so long as the Certified Reinsurer maintains certification. Amounts are to be reported in U.S. dollars with thousands omitted. All dates reported in Form CR-F must be in the format MM/DD/YYYY. For example, the date December 13, 2011 should be reported as 12/13/2011. The Certified Reinsurer's rating and collateral requirement, as assigned by the certifying state, and the effective date of such rating, must be included on this form with respect to each filing that is submitted subsequent to certification.

Part 1 provides information with respect to reinsurance assumed by the Certified Reinsurer (or applicant) from ceding insurers domiciled in the U.S. and abroad. Part 1 data may be reported on an aggregate basis as opposed to reporting data applicable to each individual ceding insurer. However, reporting entities are required to segregate and subtotal this aggregate information in accordance with the categories listed below, as applicable.\*

\*Note: Additional Instructions for Assuming Insurers Subject to Filing Schedule F Part 1 of the NAIC Annual Statement –  
In certain cases, a non-U.S. domiciled assuming insurer is required to file annually a Schedule F Part 1 from the NAIC Annual Statement. The Schedule F Part 1 filing is submitted to a U.S. state in which the assuming insurer maintains a trust fund in a qualified U.S. financial institution for the payment of the valid claims of its U.S. ceding insurers with respect to U.S. reinsurance it has assumed under a status other than as a Certified Reinsurer. The purpose of the Schedule F Part 1 filing is to enable the commissioner of the state in which the trust is domiciled to determine the sufficiency of the trust fund, and its Form CR-F filing does not affect this Schedule F Part 1 filing requirement. The assuming insurer's Schedule F Part 1 should only include U.S. reinsurance it has assumed that is supported by this trust.

In such cases, the assuming insurer may exclude from Form CR-F Part 1 U.S. reinsurance assumed that is reported in its Schedule F Part 1. However, the assuming insurer must attach a copy of its Schedule F Part 1 filing with its Form CR-F, and must clearly indicate on Form CR-F Part 1 that its U.S. reinsurance assumed is reported in this manner (i.e., its Form CR-F Part 1 includes non-U.S. reinsurance assumed and U.S. reinsurance assumed under its Certified Reinsurer status, while its attached Schedule F Part 1 includes U.S. reinsurance it has assumed under a status other than as a Certified Reinsurer).

<b><u>Group or Category</u></b>	<b><u>Line Number</u></b>
Reinsurance Assumed from Affiliated Ceding Insurers	
U.S. Affiliated .....	0199999
Non-U.S. Affiliated .....	0299999
Total Affiliated .....	0399999
Reinsurance Assumed from Unaffiliated Ceding Insurers	
U.S. Unaffiliated .....	0499999
Non-U.S. Unaffiliated .....	0599999
Total Unaffiliated .....	0699999
Total Reinsurance Assumed .....	0799999

**Column Descriptions**

- Column 5    –   Assumed Reinsurance Premium
  
- Column 6    –   Reinsurance on Paid Losses and Loss Adjustment Expenses (LAE)  
              Report losses and loss adjustment expenses due and payable to ceding insurers.
  
- Column 7    –   Reinsurance on Known Case Losses and LAE  
              Report known case reserves for losses and LAE assumed from ceding insurers.

- Column 8 – Totals of Columns 6 + 7 for each category.
- Column 9 – Contingent Commissions Payable  
Report profit commissions generated from assumed reinsurance contracts due to ceding insurers. Report commissions net of return profit commissions. Negative commissions are possible, (i.e., when a contingent commission is receivable.)
- Column 10 – Assumed Premiums Receivable  
Report receivable amounts net of commissions payable
- Column 12 – Funds Held By or Deposited with Reinsured Companies
- Column 13 – Letters of Credit Posted
- Column 14 – Amount of Assets Pledged or Compensating Balances to Secure Letters of Credit
- Column 15 – Amount of Assets Pledged or Collateral Held in Trust  
This column reflects amounts that are not otherwise reflected in Column 12 of this schedule that are under the control of ceding insurance companies.

**FORM CR-F – PART 2**

**CEDED REINSURANCE – PROPERTY/CASUALTY BUSINESS**  
**AS OF DECEMBER 31 (MOST RECENT YEAR-END)**

Form CR-F Part 2 must be reported by an assuming insurer upon initial application for status as a Certified Reinsurer, and on an annual basis thereafter so long as the Certified Reinsurer maintains certification. Amounts are to be reported in U.S. dollars with thousands omitted. All dates reported in Form CR-F must be in the format MM/DD/YYYY. For example, the date December 13, 2011 should be reported as 12/13/2011. The Certified Reinsurer's rating and collateral requirement, as assigned by the certifying state, and the effective date of such rating, must be included on this form with respect to each filing that is submitted subsequent to certification.

Part 2 provides information with respect to reinsurance ceded or retroceded by a Certified Reinsurer (or applicant) to assuming insurers domiciled in the U.S. and abroad. Reporting entities are required to provide assuming insurer-specific data on reinsurance ceded for a minimum of the top ten assuming insurers as measured by reinsurance recoverables. Assuming insurer-specific data must be reported for additional assuming insurers (i.e., beyond the top ten) only to the extent necessary to ensure that the assuming insurer-specific reporting represents at least 75% of all reinsurance recoverables due. Only Columns 1, 3, 4, 6 and 15 (in total) are required to be completed with respect to the assuming insurer-specific data applicable to the top ten assuming insurers (or additional assuming insurers to meet 75% minimum). Part 2 data applicable to all other assuming insurers may be reported on an aggregate basis; however, each of the columns from 6 through 19 must be completed for the aggregated data. Reporting entities are required to subtotal this information, including both individual and aggregate data, into the categories listed below, as applicable.

<b><u>Group or Category</u></b>	<b><u>Line Number</u></b>
Reinsurance Ceded/Retroceded to Affiliated Assuming Insurers	
U.S. Affiliated .....	0199999
Non-U.S. Affiliated .....	0299999
Total Affiliated .....	0399999
Reinsurance Ceded/Retroceded to Unaffiliated Assuming Insurers	
U.S. Unaffiliated .....	0499999
Non-U.S. Unaffiliated .....	0599999
Total Unaffiliated .....	0699999
Total Reinsurance Ceded.....	0799999

**Column Descriptions**

- Column 1 – Company Code or ID Number
- The U.S. Federal Employer Identification Number (FEIN) must be reported for each U.S. domiciled insurer and U.S. branch of an alien insurer. For insurers domiciled in non-U.S. jurisdictions, report the entity's national identification number as issued by its domestic jurisdiction. Reinsurance intermediaries should not be listed, as Form CR-F is intended to identify only risk-bearing entities.
- Column 3 – Name of Reinsurer
- Column 4 – Domiciliary Jurisdiction
- Report the two-character postal code abbreviation for the domiciliary jurisdiction. A comprehensive listing of postal code abbreviations for foreign countries is attached to these instructions. For postal code abbreviations of foreign countries not found in the appendix, use the code found at:
- [www.nationsonline.org/oneworld/countrycodes.htm](http://www.nationsonline.org/oneworld/countrycodes.htm)
- If a reinsurer has merged with another entity, report the domiciliary jurisdiction of the surviving entity.

- Column 5 – Reinsurance Contracts Ceding 75% or More Direct Premiums Written
 

For the data reported by individual assuming insurer, a separate entry should be made to identify each individual contract (except those listed under “Exceptions” below) which provides for the cession of 75% or more of direct or assumed premiums written by the reporting entity under such cession during the year. Such line item entries should be identified by inserting a 2 in this column. The reinsurance transactions so identified shall include both treaty and facultative cessions of direct or assumed business written by the reporting entity.

Exceptions: Intercompany reinsurance transactions with affiliates.

Reinsurance transactions involving any group, association, pool, or organization of insurers that engage in joint underwriting activities and which are subject to examination by any state regulatory authority or which operate pursuant to any state or federal statutory or administrative authorization.

Any reinsurance transaction in which the annual gross premium ceded is less than 5% of policyholder surplus.

Reinsurance transactions involving captive insurance companies.
- Column 6 – Reinsurance Premiums Ceded
- Column 7 – Reinsurance Recoverable on Paid Losses
- Column 8 – Reinsurance Recoverable on Paid LAE
- Column 9 – Reinsurance Recoverable on Known Case Loss Reserves
- Column 10 – Reinsurance Recoverable on Known Case LAE Reserves
- Column 11 – Reinsurance Recoverable on IBNR Loss Reserves
- Column 13 – Reinsurance Recoverable on Unearned Premiums
- Column 14 – Contingent Commissions
 

Include: Contingent commissions receivable from a reinsurer. Regular commissions should be netted with ceded balances payable in Column 16.

If Column 14 is less than zero, report the amount in Column 17.
- Column 15 – Total Columns 7 through 14
- Column 16 – Ceded Balances Payable
- Column 17 – Other Amounts Due to Reinsurers
 

Both Column 16 and Column 17 are liabilities owed to the reinsurer.

Deduct: Reinsurance premiums paid by a ceding company prior to the effective date of the contract.

Exclude: Funds held by company under reinsurance treaties, which are included in Column 19.

Items entered in Column 17 may represent miscellaneous balances owed by the reinsured to the reinsurer on ceded transactions.

Column 18 – Net Amount Recoverable from Reinsurers

Column 19 – Funds Held By Company Under Reinsurance Treaties





**NAIC FORM CR-S**

**INDEX**

**INSTRUCTIONS**

Part 1, Section 1 – Reinsurance Assumed Life Insurance Annuities, Deposit Funds  
and Other Liabilities Without Life or Disability Contingencies, and Related Benefits . . . . 2

Part 1, Section 2 – Reinsurance Assumed Accident and Health Insurance. . . . . 4

Part 2 – Reinsurance Recoverable on Paid and Unpaid Losses. . . . . 6

Part 3, Section 1 – Reinsurance Ceded Life Insurance, Annuities, Deposit Funds  
and Other Liabilities Without Life or Disability Contingencies, and Related Benefits . . . . 8

Part 3, Section 2 – Reinsurance Ceded Accident and Health Insurance. . . . . 11

**FORMS**

Part 1, Section 1 – Reinsurance Assumed Life Insurance Annuities, Deposit Funds  
and Other Liabilities Without Life or Disability Contingencies, and Related Benefits . . . . 14

Part 1, Section 2 – Reinsurance Assumed Accident and Health Insurance. . . . . 15

Part 2 – Reinsurance Recoverable on Paid and Unpaid Losses. . . . . 16

Part 3, Section 1 – Reinsurance Ceded Life Insurance, Annuities, Deposit Funds  
and Other Liabilities Without Life or Disability Contingencies, and Related Benefits . . . . 17

Part 3, Section 2 – Reinsurance Ceded Accident and Health Insurance. . . . . 18

**FORM CR-S – PART 1 – SECTION 1**

**REINSURANCE ASSUMED LIFE INSURANCE, ANNUITIES, DEPOSIT FUNDS AND OTHER LIABILITIES  
WITHOUT LIFE OR DISABILITY CONTINGENCIES, AND RELATED BENEFITS LISTED BY REINSURED  
COMPANY AS OF DECEMBER 31, (MOST RECENT YEAR-END)**

Form CR-S Part 1, Section 1 must be reported by an assuming insurer upon initial application for status as a Certified Reinsurer, and on an annual basis thereafter so long as the Certified Reinsurer maintains certification. Amounts are to be reported in U.S. dollars with thousands omitted. All dates reported in Form CR-S must be in the format MM/DD/YYYY. For example, the date December 13, 2011 should be reported as 12/13/2011. The Certified Reinsurer's rating and collateral requirement, as assigned by the certifying state, and the effective date of such rating, must be included on this form with respect to each filing that is submitted subsequent to certification.

Part 1, Section 1 provides information on all reinsurance assumed for life insurance, annuities, deposit fund and other liabilities without life or disability contingencies, and related benefits from ceding insurers domiciled in the U.S. and abroad. Part 1, Section 1 data may be reported on an aggregate basis as opposed to reporting data applicable to each individual ceding insurer. However, reporting entities are required to segregate and subtotal this aggregate information in accordance with the categories listed below, as applicable.\*

\*Note: Additional Instructions for Assuming Insurers Subject to Filing Schedule S Part 1 of the NAIC Annual Statement –  
In certain cases, a non-U.S. domiciled assuming insurer is required to file annually a Schedule S Part 1 from the NAIC Annual Statement. The Schedule S Part 1 filing is submitted to a U.S. state in which the assuming insurer maintains a trust fund in a qualified U.S. financial institution for the payment of the valid claims of its U.S. ceding insurers with respect to U.S. reinsurance it has assumed under a status other than as a Certified Reinsurer. The purpose of the Schedule S Part 1 filing is to enable the commissioner of the state in which the trust is domiciled to determine the sufficiency of the trust fund, and its Form CR-S filing does not affect this Schedule S Part 1 filing requirement. The assuming insurer's Schedule S Part 1 should only include U.S. reinsurance it has assumed that is supported by this trust.

In such cases, the assuming insurer may exclude from Form CR-S Part 1 U.S. reinsurance assumed that is reported in its Schedule S Part 1. However, the assuming insurer must attach a copy of its Schedule S Part 1 filing with its Form CR-S, and must clearly indicate on Form CR-S Part 1 that its U.S. reinsurance assumed is reported in this manner (i.e., its Form CR-S Part 1 includes non-U.S. reinsurance assumed and U.S. reinsurance assumed under its Certified Reinsurer status, while its attached Schedule s Part 1 includes U.S. reinsurance it has assumed under a status other than as a Certified Reinsurer).

<u>Group or Category</u>	<u>Line Number</u>
General Account	
Affiliates	
U.S. Affiliates .....	0199999
Non-U.S. Affiliates .....	0299999
Total Affiliates .....	0399999
Non-Affiliates	
U.S. Non-Affiliates .....	0499999
Non-U.S. Non-Affiliates .....	0599999
Total Non-Affiliates .....	0699999
Total General Account .....	0799999
Separate Accounts	
Affiliates	
U.S. Affiliates .....	0899999
Non-U.S. Affiliates .....	0999999
Total Affiliates .....	1099999
Non-Affiliates	
U.S. Non-Affiliates .....	1199999
Non-U.S. Non-Affiliates .....	1299999
Total Non-Affiliates .....	1399999

Total Separate Accounts.....	1499999
Total U.S. (Sum of 0199999, 0499999, 0899999, 1199999).....	1599999
Total Non-U.S. (Sum of 0299999, 0599999, 0999999, 1299999).....	1699999
Total (Sum of 1599999 and 1699999).....	1799999

---

**Column Descriptions**

- Column 7 – Amount in Force at End of Year  
For catastrophe-reinsurance (CAT), disability reinsurance (DIS), accidental death benefit reinsurance (ADB) and annuity reinsurance (ACO and AMCO), leave this column blank.
- Column 9 – Premiums  
For deposit funds and other liabilities without life or disability contingencies, leave this column blank.
- Column 10 – Reinsurance Payable on Paid and Unpaid Losses  
For deposit funds and other liabilities without life or disability contingencies, leave this column blank.
- Column 11 – Modified Coinsurance Reserve  
Report the amount of reserves held by the ceding company under modified coinsurance contracts. Include separate accounts modified coinsurance reserves.
- Column 12 – Funds Withheld Under Coinsurance  
Report the amount of funds withheld by the ceding company on coinsurance contracts.

**FORM CR-S – PART 1 – SECTION 2**

**REINSURANCE ASSUMED ACCIDENT AND HEALTH INSURANCE LISTED BY REINSURED COMPANY  
AS OF DECEMBER 31, (MOST RECENT YEAR-END)**

Form CR-S Part 1, Section 2 must be reported by an assuming insurer upon initial application for status as a Certified Reinsurer, and on an annual basis thereafter so long as the Certified Reinsurer maintains certification. Amounts are to be reported in U.S. dollars with thousands omitted. All dates reported in Form CR-S must be in the format MM/DD/YYYY. For example, the date December 13, 2011 should be reported as 12/13/2011. The Certified Reinsurer’s rating and collateral requirement, as assigned by the certifying state, and the effective date of such rating, must be included on this form with respect to each filing that is submitted subsequent to certification.

Part 1, Section 2 provides information on all reinsurance assumed for accident and health insurance from ceding insurers domiciled in the U.S. and abroad. Amounts are to be reported in U.S. dollars with thousands omitted. Part 1, Section 2 data may be reported on an aggregate basis as opposed to reporting data applicable to each individual ceding insurer. However, reporting entities are required to segregate and subtotal this aggregate information in accordance with the categories listed below, as applicable.\*

\*Note: Additional Instructions for Assuming Insurers Subject to Filing Schedule S Part 1 of the NAIC Annual Statement –  
In certain cases, a non-U.S. domiciled assuming insurer is required to file annually a Schedule S Part 1 from the NAIC Annual Statement. The Schedule S Part 1 filing is submitted to a U.S. state in which the assuming insurer maintains a trust fund in a qualified U.S. financial institution for the payment of the valid claims of its U.S. ceding insurers with respect to U.S. reinsurance it has assumed under a status other than as a Certified Reinsurer. The purpose of the Schedule S Part 1 filing is to enable the commissioner of the state in which the trust is domiciled to determine the sufficiency of the trust fund, and its Form CR-S filing does not affect this Schedule S Part 1 filing requirement. The assuming insurer’s Schedule S Part 1 should only include U.S. reinsurance it has assumed that is supported by this trust.

In such cases, the assuming insurer may exclude from Form CR-S Part 1 U.S. reinsurance assumed that is reported in its Schedule S Part 1. However, the assuming insurer must attach a copy of its Schedule S Part 1 filing with its Form CR-S, and must clearly indicate on Form CR-S Part 1 that its U.S. reinsurance assumed is reported in this manner (i.e., its Form CR-S Part 1 includes non-U.S. reinsurance assumed and U.S. reinsurance assumed under its Certified Reinsurer status, while its attached Schedule s Part 1 includes U.S. reinsurance it has assumed under a status other than as a Certified Reinsurer).

<u>Group or Category</u>	<u>Line Number</u>
Reinsurance Assumed from Affiliated Ceding Insurers	
U.S. Affiliated .....	0199999
Non-U.S. Affiliated .....	0299999
Total Affiliated .....	0399999
Reinsurance Assumed from Unaffiliated Ceding Insurers	
U.S. Unaffiliated .....	0499999
Non-U.S. Unaffiliated .....	0599999
Total Unaffiliated .....	0699999
Total Reinsurance Assumed .....	0799999

**Column Descriptions**

- Column 7 – Assumed Reinsurance Premiums
- Column 8 – Unearned Assumed Reinsurance Premiums
- Column 9 – Reserve Liability Other Than For Unearned Premiums
- Column 10 – Reinsurance Payable on Paid and Unpaid Losses

Column 11 – Modified Coinsurance Reserve

Report the amount of the reserves held by the ceding company under modified coinsurance contracts.

Column 12 – Funds Withheld Under Coinsurance

Report the amount of funds withheld by the ceding company on coinsurance contracts.

**FORM CR-S – PART 2**

**REINSURANCE RECOVERABLE ON PAID AND UNPAID LOSSES**  
**AS OF DECEMBER 31, (MOST RECENT YEAR-END)**

Form CR-S Part 2 must be reported by an assuming insurer upon initial application for status as a Certified Reinsurer, and on an annual basis thereafter so long as the Certified Reinsurer maintains certification. Amounts are to be reported in U.S. dollars with thousands omitted. All dates reported in Form CR-S must be in the format MM/DD/YYYY. For example, the date December 13, 2011 should be reported as 12/13/2011. The Certified Reinsurer’s rating and collateral requirement, as assigned by the certifying state, and the effective date of such rating, must be included on this form with respect to each filing that is submitted subsequent to certification.

Part 2 provides information with respect to reinsurance recoverable on paid and unpaid losses from assuming insurers domiciled in the U.S. and abroad. Reporting entities are required to provide assuming insurer-specific data on reinsurance ceded for a minimum of the top ten assuming insurers as measured by reinsurance recoverables. Assuming insurer-specific data must be reported for additional assuming insurers (i.e., beyond the top ten) only to the extent necessary to ensure that the assuming insurer-specific reporting represents at least 75% of all reinsurance recoverables due. Reporting entities are required to subtotal this information, including both individual and aggregate data, into the categories listed below, as applicable.

<b><u>Group or Category</u></b>	<b><u>Line Number</u></b>
Life and Annuity	
Affiliates	
U.S. Affiliates .....	0199999
Non-U.S. Affiliates .....	0299999
Total Affiliates .....	0399999
Non-Affiliates	
U.S. Non-Affiliates .....	0499999
Non-U.S. Non-Affiliates .....	0599999
Total Non-Affiliates .....	0699999
Total Life and Annuity .....	0799999
Accident and Health	
Affiliates	
U.S. Affiliates .....	0899999
Non-U.S. Affiliates .....	0999999
Total Affiliates .....	1099999
Non-Affiliates	
U.S. Non-Affiliates .....	1199999
Non-U.S. Non-Affiliates .....	1299999
Total Non-Affiliates .....	1399999
Total Accident and Health .....	1499999
Total U.S. (Sum of 0199999, 0499999, 0899999 and 1199999) .....	1599999
Total Non-U.S. (Sum of 0299999, 0599999, 0999999 and 1299999) .....	1699999
Total (Sum of 1599999 and 1699999) .....	1799999

**Column Descriptions**

Column 1 – Company Code or ID Number

The U.S. Federal Employer Identification Number (FEIN) must be reported for each U.S. domiciled insurer and U.S. branch of an alien insurer. For insurers domiciled in non-U.S. jurisdictions, report the

entity's national identification number as issued by its domestic jurisdiction. Reinsurance intermediaries should not be listed, as Form CR-F is intended to identify only risk-bearing entities.

- Column 3 – Effective Date  
Report earliest effective date of contracts with recoverables reported applicable to individual assuming insurers.
- Column 4 – Name of Company (Reinsurer)
- Column 5 – Location (Domiciliary Jurisdiction)  
Report the two-character postal code abbreviation for the domiciliary jurisdiction. A comprehensive listing of postal code abbreviations for foreign countries is attached to these instructions. For postal code abbreviations of foreign countries not found in the appendix, use the code found at:  
**[www.nationsonline.org/oneworld/countrycodes.htm](http://www.nationsonline.org/oneworld/countrycodes.htm)**  
If a reinsurer has merged with another entity, report the domiciliary jurisdiction of the surviving entity.
- Column 6 – Paid Losses  
Report reinsured claim amounts paid by the reporting entity but not yet reimbursed by the reinsurer.
- Column 7 – Unpaid Losses  
Include the reinsured amounts for claims that are in course of settlement and will become recoverable from reinsurers following payment.

**FORM CR-S – PART 3 – SECTION 1**

**REINSURANCE CEDED LIFE INSURANCE, ANNUITIES, DEPOSIT FUNDS AND OTHER LIABILITIES  
WITHOUT LIFE OR DISABILITY CONTINGENCIES, AND RELATED BENEFITS  
AS OF DECEMBER 31, (MOST RECENT YEAR-END)**

Form CR-S Part 3 Section 1 must be reported by an assuming insurer upon initial application for status as a Certified Reinsurer, and on an annual basis thereafter so long as the Certified Reinsurer maintains certification. Amounts are to be reported in U.S. dollars with thousands omitted. All dates reported in Form CR-S must be in the format MM/DD/YYYY. For example, the date December 13, 2011 should be reported as 12/13/2011. The Certified Reinsurer’s rating and collateral requirement, as assigned by the certifying state, and the effective date of such rating, must be included on this form with respect to each filing that is submitted subsequent to certification.

Part 3 Section 1 provides information with respect to reinsurance ceded or retroceded by a Certified Reinsurer (or applicant) to assuming insurers domiciled in the U.S. and abroad. Reporting entities are required to provide assuming insurer-specific data on reinsurance ceded for a minimum of the top ten assuming insurers as measured by reinsurance recoverables. Assuming insurer-specific data must be reported for additional assuming insurers (i.e., beyond the top ten) only to the extent necessary to ensure that the assuming insurer-specific reporting represents at least 75% of all reinsurance recoverables due. Part 3 Section 1 data applicable to all other assuming insurers may be reported on an aggregate basis. Reporting entities are required to subtotal this information, including both individual and aggregate data, into the categories listed below, as applicable. Include actual reinsurance ceded on group cases but exclude jointly underwritten group contracts.

<b><u>Group or Category</u></b>	<b><u>Line Number</u></b>
General Account	
Affiliates	
U.S. Affiliates .....	0199999
Non-U.S. Affiliates .....	0299999
Total Affiliates .....	0399999
Non-Affiliates	
U.S. Non-Affiliates .....	0499999
Non-U.S. Non-Affiliates .....	0599999
Total Non-Affiliates .....	0699999
Total General Account .....	0799999
Separate Accounts	
Affiliates	
U.S. Affiliates .....	0899999
Non-U.S. Affiliates .....	0999999
Total Affiliates .....	1099999
Non-Affiliates	
U.S. Non-Affiliates .....	1199999
Non-U.S. Non-Affiliates .....	1299999
Total Non-Affiliates .....	1399999
Total Separate Accounts.....	1499999
Total U.S. (Sum of 0199999, 0499999, 0899999, 1199999).....	1599999
Total Non-U.S. (Sum of 0299999, 0599999, 0999999, 1299999).....	1699999
Total (Sum of 1599999 and 1699999).....	1799999

**Column Descriptions**

Column 1     –     Company Code or ID Number

The U.S. Federal Employer Identification Number (FEIN) must be reported for each U.S. domiciled insurer and U.S. branch of an alien insurer. For insurers domiciled in non-U.S. jurisdictions, report the

entity's national identification number as issued by its domestic jurisdiction. Reinsurance intermediaries should not be listed, as Form CR-F is intended to identify only risk-bearing entities.

Column 3 – Effective Date

Report earliest effective date of contracts with recoverables reported applicable to individual assuming insurers.

Column 4 – Name of Company (Reinsurer)

Column 5 – Location (Domiciliary Jurisdiction)

Report the two-character postal code abbreviation for the domiciliary jurisdiction. A comprehensive listing of postal code abbreviations for foreign countries is available in the appendix of these instructions. For postal code abbreviations of foreign countries not found in the appendix, use the code found at:

[www.nationsonline.org/oneworld/countrycodes.htm](http://www.nationsonline.org/oneworld/countrycodes.htm)

If a reinsurer has merged with another entity, report the domiciliary jurisdiction of the surviving entity.

Column 6 – Type of Reinsurance Ceded

Use the following abbreviations to identify the plan and type of reinsurance. For example, group coinsurance with funds withheld should be identified as COFW/G. (If there is more than one type of reinsurance in the same reinsurance company, show each type on a separate line.) NOTE: The type should be entered in all capital letters, and ALL reinsurance types must be followed by /G (for Group) or /I (for Individual).

**Abbreviations:**

I	Individual
G	Group

{ All Reinsurance Types should be followed by /I or /G.

**REINSURANCE TYPES**

CO	Coinsurance	ACO	Annuity coinsurance
COFW	Coinsurance with funds withheld	ACOFW	Annuity coinsurance with funds withheld
MCO	Modified coinsurance	AMCO	Annuity modified coinsurance
MCOFW	Modified coinsurance with funds withheld	AMCOFW	Annuity modified coinsurance with funds withheld
COMB	Combination coinsurance/modified coinsurance	ACOMB	Annuity combination coinsurance/modified coinsurance
COMBW	Combination coinsurance/modified coinsurance with funds withheld	ACOMBW	Annuity combination coinsurance/modified coinsurance with funds withheld
YRT	Yearly renewable term	GMDB	Guaranteed minimum death benefit
CAT	Catastrophe	GMDBFW	Guaranteed minimum death benefit funds withheld
OTH	Other reinsurance	ADB	Accidental death benefit
		DIS	Disability benefits

NOTE: The insurance type should be entered in all capital letters.

- Column 7 – Amount in Force at End of Year  
Report the ceded amount of the basic life insurance policy only  
For catastrophe-reinsurance (CAT), disability reinsurance (DIS), accidental death benefit reinsurance (ADB) and annuity reinsurance (ACO and AMCO), leave this column blank.
- Column 8 – Reserve Credit Taken Current Year
- Column 9 – Reserve Credit Taken Prior Year
- Column 10 – Premiums  
Amounts included in this column should represent reinsurance ceded premiums on an incurred basis.  
For deposit funds and other liabilities without life or disability contingencies, leave this column blank.
- Columns 11 & 12 – Outstanding Surplus Relief  
Outstanding surplus relief means the amount of surplus not yet reported as income.  
Report the amount of initial commissions and expense allowance not yet recovered by the reinsurer for the following types of treaties (individual or group): CO, ACO, MCO, AMCO, COFW, ACOFW, MCOFW, AMCOFW, COMB, ACOMB, ACOMBW AND COMBW. This column does not apply to CAT, DIS, ADB, YRT or other non-proportional reinsurance treaties.  
Include the outstanding surplus resulting from reinsurance of separate accounts business.
- Column 13 – Modified Coinsurance Reserve  
Report the amount of reserves held under modified coinsurance contracts. Include separate accounts modified coinsurance reserves.
- Column 14 – Funds Withheld Under Coinsurance  
Report the amount of funds withheld on coinsurance contracts.

**FORM CR-S – PART 3 – SECTION 2**

**REINSURANCE CEDED ACCIDENT AND HEALTH INSURANCE**  
**AS OF DECEMBER 31, (MOST RECENT YEAR-END)**

Form CR-S Part 3 Section 1 must be reported by an assuming insurer upon initial application for status as a Certified Reinsurer, and on an annual basis thereafter so long as the Certified Reinsurer maintains certification. Amounts are to be reported in U.S. dollars with thousands omitted. All dates reported in Form CR-S must be in the format MM/DD/YYYY. For example, the date December 13, 2011 should be reported as 12/13/2011. The Certified Reinsurer’s rating and collateral requirement, as assigned by the certifying state, and the effective date of such rating, must be included on this form with respect to each filing that is submitted subsequent to certification.

Part 3 Section 1 provides information with respect to reinsurance ceded or retroceded by a Certified Reinsurer (or applicant) to assuming insurers domiciled in the U.S. and abroad. Reporting entities are required to provide assuming insurer-specific data on reinsurance ceded for a minimum of the top ten assuming insurers as measured by reinsurance recoverables. Assuming insurer-specific data must be reported for additional assuming insurers (i.e., beyond the top ten) only to the extent necessary to ensure that the assuming insurer-specific reporting represents at least 75% of all reinsurance recoverables due. Part 3 Section 1 data applicable to all other assuming insurers may be reported on an aggregate basis. Reporting entities are required to subtotal this information, including both individual and aggregate data, into the categories listed below, as applicable. Include actual reinsurance ceded on group cases but exclude jointly underwritten group contracts.

<b><u>Group or Category</u></b>	<b><u>Line Number</u></b>
General Account	
Affiliates	
U.S. Affiliates .....	0199999
Non-U.S. Affiliates .....	0299999
Total Affiliates .....	0399999
Non-Affiliates	
U.S. Non-Affiliates .....	0499999
Non-U.S. Non-Affiliates .....	0599999
Total Non-Affiliates .....	0699999
Total General Account .....	0799999
Separate Accounts	
Affiliates	
U.S. Affiliates .....	0899999
Non-U.S. Affiliates .....	0999999
Total Affiliates .....	1099999
Non-Affiliates	
U.S. Non-Affiliates .....	1199999
Non-U.S. Non-Affiliates .....	1299999
Total Non-Affiliates .....	1399999
Total Separate Accounts .....	1499999
Total U.S. (Sum of 0199999, 0499999, 0899999, 1199999).....	1599999
Total Non-U.S. (Sum of 0299999, 0599999, 0999999, 1299999).....	1699999
Total (Sum of 1599999 and 1699999).....	1799999

**Column Descriptions**

Column 1     –     Company Code or ID Number

The U.S. Federal Employer Identification Number (FEIN) must be reported for each U.S. domiciled insurer and U.S. branch of an alien insurer. For insurers domiciled in non-U.S. jurisdictions, report the entity’s national identification number as issued by its domestic jurisdiction. Reinsurance intermediaries should not be listed, as Form CR-F is intended to identify only risk-bearing entities.

Column 3 – Effective Date  
Report earliest effective date of contracts with recoverables reported applicable to individual assuming insurers.

Column 4 – Name of Company (Reinsurer)

Column 5 – Location (Domiciliary Jurisdiction)  
Report the two-character postal code abbreviation for the domiciliary jurisdiction. A comprehensive listing of postal code abbreviations for foreign countries is available in the appendix of these instructions. For postal code abbreviations of foreign countries not found in the appendix, use the code found at:

[www.nationsonline.org/oneworld/countrycodes.htm](http://www.nationsonline.org/oneworld/countrycodes.htm)

If a reinsurer has merged with another entity, report the domiciliary jurisdiction of the surviving entity.

Column 6 – Type  
Use the following abbreviations to identify the plan and type of reinsurance. For example, group coinsurance with funds withheld should be identified as COFW/G. (If there is more than one type of reinsurance in the same reinsurance company, show each type on a separate line.) NOTE: The type should be entered in all capital letters, and ALL reinsurance types must be followed by /G (for Group) or /I (for Individual).

**Abbreviations:**

I	Individual	}	All Reinsurance Types should be followed by /I or /G.
G	Group		
<b><u>REINSURANCE TYPES</u></b>			
CO	Coinsurance	COFW	Coinsurance with funds withheld
MCO	Modified coinsurance	MCOFW	Modified coinsurance with funds withheld
COMB	Combination coinsurance/modified coinsurance	COMBW	Combination coinsurance/modified coinsurance with funds withheld
YRT	Yearly renewable term	CAT	Catastrophe
LTC	Long-Term Care	OTH	Other reinsurance
NOTE: The insurance type should be entered in all capital letters.			

Column 7 – Premiums  
Amounts included in this column should represent reinsurance ceded premiums on an incurred basis.

Column 8 – Unearned Premiums (Estimated)

Amounts represent, by company, the ceded part of the unearned premium.

Column 9 – Reserve Credit Taken Other Than For Unearned Premiums

Columns  
10 and 11 – Outstanding Surplus Relief

Outstanding surplus relief means the amount of surplus not yet reported as income.

Report the amount of initial commissions and expense allowance not yet recovered by the reinsurer for the following types of treaties (individual or group): CO, MCO, COFW, MCOFW, COMB or COMBW. This column does not apply to YRT or other nonproportional reinsurance treaties.

Column 12 – Modified Coinsurance Reserve

Report the amount of reserves held under modified coinsurance contracts.

Column 13 – Funds Withheld Under Coinsurance

Report the amount of funds withheld on coinsurance contracts.











624.308 Rules.—

(1) The department and the commission may each adopt rules pursuant to ss. 120.536(1) and 120.54 to implement provisions of law conferring duties upon the department or the commission, respectively.

(2) In addition to any other penalty provided, willful violation of any such rule shall subject the violator to such suspension or revocation of certificate of authority or license as may be applicable under this code as for violation of the provision as to which such rule relates.

624.610 Reinsurance.—

(1) The purpose of this section is to protect the interests of insureds, claimants, ceding insurers, assuming insurers, and the public. It is the intent of the Legislature to ensure adequate regulation of insurers and reinsurers and adequate protection for those to whom they owe obligations. In furtherance of that state interest, the Legislature requires that upon the insolvency of a non-United States insurer or reinsurer which provides security to fund its United States obligations in accordance with this section, such security shall be maintained in the United States and claims shall be filed with and valued by the state insurance regulator with regulatory oversight, and the assets shall be distributed in accordance with the insurance laws of the state in which the trust is domiciled that are applicable to the liquidation of domestic United States insurance companies. The Legislature declares that the matters contained in this section are fundamental to the business of insurance in accordance with 15 U.S.C. ss. 1011-1012.

(2) Credit for reinsurance must be allowed a ceding insurer as either an asset or a deduction from liability on account of reinsurance ceded only when the reinsurer meets the requirements of paragraph (3)(a), paragraph (3)(b), or paragraph (3)(c). Credit must be allowed under paragraph (3)(a) or paragraph (3)(b) only for cessions of those kinds or lines of business that the assuming insurer is licensed, authorized, or otherwise permitted to write or assume in its state of domicile or, in the case of a United States branch of an alien assuming insurer, in the state through which it is entered and licensed or authorized to transact insurance or reinsurance.

(3)(a) Credit must be allowed when the reinsurance is ceded to an assuming insurer that is authorized to transact insurance or reinsurance in this state.

(b)1. Credit must be allowed when the reinsurance is ceded to an assuming insurer that is accredited as a reinsurer in this state. An accredited reinsurer is one that:

- a. Files with the office evidence of its submission to this state's jurisdiction;
- b. Submits to this state's authority to examine its books and records;
- c. Is licensed or authorized to transact insurance or reinsurance in at least one state or, in the case of a United States branch of an alien assuming insurer, is entered through, licensed, or authorized to transact insurance or reinsurance in at least one state;
- d. Files annually with the office a copy of its annual statement filed with the insurance department of its state of domicile any quarterly statements if required by its state of domicile or such quarterly statements if specifically requested by the office, and a copy of its most recent audited financial statement; and

(I) Maintains a surplus as regards policyholders in an amount not less than \$20 million and whose accreditation has not been denied by the office within 90 days after its submission; or

(II) Maintains a surplus as regards policyholders in an amount not less than \$20 million and whose accreditation has been approved by the office.

2. The office may deny or revoke an assuming insurer's accreditation if the assuming insurer does not submit the required documentation pursuant to subparagraph 1., if the assuming insurer fails to meet all of the standards required of an accredited reinsurer, or if the assuming insurer's accreditation would be hazardous to the policyholders of this state. In determining whether to deny or revoke accreditation, the office may consider the qualifications of the assuming insurer with respect to all the following subjects:

- a. Its financial stability;

- b. The lawfulness and quality of its investments;
  - c. The competency, character, and integrity of its management;
  - d. The competency, character, and integrity of persons who own or have a controlling interest in the assuming insurer; and
  - e. Whether claims under its contracts are promptly and fairly adjusted and are promptly and fairly paid in accordance with the law and the terms of the contracts.
3. Credit must not be allowed a ceding insurer if the assuming insurer's accreditation has been revoked by the office after notice and the opportunity for a hearing.
4. The actual costs and expenses incurred by the office to review a reinsurer's request for accreditation and subsequent reviews must be charged to and collected from the requesting reinsurer. If the reinsurer fails to pay the actual costs and expenses promptly when due, the office may refuse to accredit the reinsurer or may revoke the reinsurer's accreditation.
- (c)1. Credit must be allowed when the reinsurance is ceded to an assuming insurer that maintains a trust fund in a qualified United States financial institution, as defined in paragraph (5)(b), for the payment of the valid claims of its United States ceding insurers and their assigns and successors in interest. To enable the office to determine the sufficiency of the trust fund, the assuming insurer shall report annually to the office information substantially the same as that required to be reported on the NAIC Annual Statement form by authorized insurers. The assuming insurer shall submit to examination of its books and records by the office and bear the expense of examination.
- 2.a. Credit for reinsurance must not be granted under this subsection unless the form of the trust and any amendments to the trust have been approved by:
- (I) The insurance regulator of the state in which the trust is domiciled; or
  - (II) The insurance regulator of another state who, pursuant to the terms of the trust instrument, has accepted principal regulatory oversight of the trust.
- b. The form of the trust and any trust amendments must be filed with the insurance regulator of every state in which the ceding insurer beneficiaries of the trust are domiciled. The trust instrument must provide that contested claims are valid and enforceable upon the final order of any court of competent jurisdiction in the United States. The trust must vest legal title to its assets in its trustees for the benefit of the assuming insurer's United States ceding insurers and their assigns and successors in interest. The trust and the assuming insurer are subject to examination as determined by the insurance regulator.
- c. The trust remains in effect for as long as the assuming insurer has outstanding obligations due under the reinsurance agreements subject to the trust. No later than February 28 of each year, the trustee of the trust shall report to the insurance regulator in writing the balance of the trust and list the trust's investments at the preceding year end, and shall certify that the trust will not expire prior to the following December 31.
3. The following requirements apply to the following categories of assuming insurer:
- a. The trust fund for a single assuming insurer consists of funds in trust in an amount not less than the assuming insurer's liabilities attributable to reinsurance ceded by United States ceding insurers, and, in addition, the assuming insurer shall maintain a trusteed surplus of not less than \$20 million. Not less than 50 percent of the funds in the trust covering the assuming insurer's liabilities attributable to reinsurance ceded by United States ceding insurers and trusteed surplus shall consist of assets of a quality substantially similar to that required in part II of chapter 625. Clean, irrevocable, unconditional, and evergreen letters of credit, issued or confirmed by a qualified United States financial institution, as defined in paragraph (5)(a), effective no later than December 31 of the year for which the filing is made and in the possession of the trust on or before the filing date of its annual statement, may be used to fund the remainder of the trust and trusteed surplus.
  - b.(I) In the case of a group including incorporated and individual unincorporated underwriters:
    - (A) For reinsurance ceded under reinsurance agreements with an inception, amendment, or renewal date on or after August 1, 1995, the trust consists of a trusteed account in an

amount not less than the group's several liabilities attributable to business ceded by United States domiciled ceding insurers to any member of the group;

(B) For reinsurance ceded under reinsurance agreements with an inception date on or before July 31, 1995, and not amended or renewed after that date, notwithstanding the other provisions of this section, the trust consists of a trustee account in an amount not less than the group's several insurance and reinsurance liabilities attributable to business written in the United States; and

(C) In addition to these trusts, the group shall maintain in trust a trustee surplus of which \$100 million must be held jointly for the benefit of the United States domiciled ceding insurers of any member of the group for all years of account.

(II) The incorporated members of the group must not be engaged in any business other than underwriting of a member of the group, and are subject to the same level of regulation and solvency control by the group's domiciliary regulator as the unincorporated members.

(III) Within 90 days after its financial statements are due to be filed with the group's domiciliary regulator, the group shall provide to the insurance regulator an annual certification by the group's domiciliary regulator of the solvency of each underwriter member or, if a certification is unavailable, financial statements, prepared by independent public accountants, of each underwriter member of the group.

(d) Credit must be allowed when the reinsurance is ceded to an assuming insurer not meeting the requirements of paragraph (a), paragraph (b), or paragraph (c), but only as to the insurance of risks located in jurisdictions in which the reinsurance is required to be purchased by a particular entity by applicable law or regulation of that jurisdiction.

(e) If the reinsurance is ceded to an assuming insurer not meeting the requirements of paragraph (a), paragraph (b), paragraph (c), or paragraph (d), the commissioner may allow credit, but only if the assuming insurer holds surplus in excess of \$250 million and has a secure financial strength rating from at least two statistical rating organizations deemed acceptable by the commissioner as having experience and expertise in rating insurers doing business in Florida, including, but not limited to, Standard & Poor's, Moody's Investors Service, Fitch Ratings, A.M. Best Company, and Demotech. In determining whether credit should be allowed, the commissioner shall consider the following:

1. The domiciliary regulatory jurisdiction of the assuming insurer.
2. The structure and authority of the domiciliary regulator with regard to solvency regulation requirements and the financial surveillance of the reinsurer.
3. The substance of financial and operating standards for reinsurers in the domiciliary jurisdiction.
4. The form and substance of financial reports required to be filed by the reinsurers in the domiciliary jurisdiction or other public financial statements filed in accordance with generally accepted accounting principles.
5. The domiciliary regulator's willingness to cooperate with United States regulators in general and the office in particular.
6. The history of performance by reinsurers in the domiciliary jurisdiction.
7. Any documented evidence of substantial problems with the enforcement of valid United States judgments in the domiciliary jurisdiction.
8. Any other matters deemed relevant by the commissioner. The commissioner shall give appropriate consideration to insurer group ratings that may have been issued. The commissioner may, in lieu of granting full credit under this subsection, reduce the amount required to be held in trust under paragraph (c).

(f) If the assuming insurer is not authorized or accredited to transact insurance or reinsurance in this state pursuant to paragraph (a) or paragraph (b), the credit permitted by paragraph (c) or paragraph (d) must not be allowed unless the assuming insurer agrees in the reinsurance agreements:

- 1.a. That in the event of the failure of the assuming insurer to perform its obligations under the terms of the reinsurance agreement, the assuming insurer, at the request of the

ceding insurer, shall submit to the jurisdiction of any court of competent jurisdiction in any state of the United States, will comply with all requirements necessary to give the court jurisdiction, and will abide by the final decision of the court or of any appellate court in the event of an appeal; and

b. To designate the Chief Financial Officer, pursuant to s. 48.151, or a designated attorney as its true and lawful attorney upon whom may be served any lawful process in any action, suit, or proceeding instituted by or on behalf of the ceding company.

2. This paragraph is not intended to conflict with or override the obligation of the parties to a reinsurance agreement to arbitrate their disputes, if this obligation is created in the agreement.

(g) If the assuming insurer does not meet the requirements of paragraph (a) or paragraph (b), the credit permitted by paragraph (c) or paragraph (d) is not allowed unless the assuming insurer agrees in the trust agreements, in substance, to the following conditions:

1. Notwithstanding any other provisions in the trust instrument, if the trust fund is inadequate because it contains an amount less than the amount required by paragraph (c), or if the grantor of the trust has been declared insolvent or placed into receivership, rehabilitation, liquidation, or similar proceedings under the laws of its state or country of domicile, the trustee shall comply with an order of the insurance regulator with regulatory oversight over the trust or with an order of a United States court of competent jurisdiction directing the trustee to transfer to the insurance regulator with regulatory oversight all of the assets of the trust fund.

2. The assets must be distributed by and claims must be filed with and valued by the insurance regulator with regulatory oversight in accordance with the laws of the state in which the trust is domiciled which are applicable to the liquidation of domestic insurance companies.

3. If the insurance regulator with regulatory oversight determines that the assets of the trust fund or any part thereof are not necessary to satisfy the claims of the United States ceding insurers of the grantor of the trust, the assets or part thereof must be returned by the insurance regulator with regulatory oversight to the trustee for distribution in accordance with the trust agreement.

4. The grantor shall waive any right otherwise available to it under United States law which is inconsistent with this provision.

(4) An asset allowed or a deduction from liability taken for the reinsurance ceded by an insurer to an assuming insurer not meeting the requirements of subsections (2) and (3) is allowed in an amount not exceeding the liabilities carried by the ceding insurer. The deduction must be in the amount of funds held by or on behalf of the ceding insurer, including funds held in trust for the ceding insurer, under a reinsurance contract with the assuming insurer as security for the payment of obligations thereunder, if the security is held in the United States subject to withdrawal solely by, and under the exclusive control of, the ceding insurer, or, in the case of a trust, held in a qualified United States financial institution, as defined in paragraph (5)(b). This security may be in the form of:

(a) Cash in United States dollars;

(b) Securities listed by the Securities Valuation Office of the National Association of Insurance Commissioners and qualifying as admitted assets pursuant to part II of chapter 625;

(c) Clean, irrevocable, unconditional letters of credit, issued or confirmed by a qualified United States financial institution, as defined in paragraph (5)(a), effective no later than December 31 of the year for which the filing is made, and in the possession of, or in trust for, the ceding company on or before the filing date of its annual statement; or

(d) Any other form of security acceptable to the office.

(5)(a) For purposes of paragraph (4)(c) regarding letters of credit, a "qualified United States financial institution" means an institution that:

Rulemaking Authority

1. Is organized or, in the case of a United States office of a foreign banking organization, is licensed under the laws of the United States or any state thereof;
2. Is regulated, supervised, and examined by United States or state authorities having regulatory authority over banks and trust companies; and
3. Has been determined by either the office or the Securities Valuation Office of the National Association of Insurance Commissioners to meet such standards of financial condition and standing as are considered necessary and appropriate to regulate the quality of financial institutions whose letters of credit will be acceptable to the office.

(b) For purposes of those provisions of this law which specify institutions that are eligible to act as a fiduciary of a trust, a "qualified United States financial institution" means an institution that is a member of the Federal Reserve System or that has been determined by the office to meet the following criteria:

1. Is organized or, in the case of a United States branch or agency office of a foreign banking organization, is licensed under the laws of the United States or any state thereof and has been granted authority to operate with fiduciary powers; and
2. Is regulated, supervised, and examined by federal or state authorities having regulatory authority over banks and trust companies.

(6) For the purposes of this section only, the term "ceding insurer" includes any health maintenance organization operating under a certificate of authority issued under part I of chapter 641.

(7) After notice and an opportunity for a hearing, the office may disallow any credit that it finds would be contrary to the proper interests of the policyholders or stockholders of a ceding domestic insurer.

(8) Credit must be allowed to any ceding insurer for reinsurance otherwise complying with this section only when the reinsurance is payable by the assuming insurer on the basis of the liability of the ceding insurer under the contract or contracts reinsured without diminution because of the insolvency of the ceding insurer. Such credit must be allowed to the ceding insurer for reinsurance otherwise complying with this section only when the reinsurance agreement provides that payments by the assuming insurer will be made directly to the ceding insurer or its receiver, except when:

(a) The reinsurance contract specifically provides payment to the named insured, assignee, or named beneficiary of the policy issued by the ceding insurer in the event of the insolvency of the ceding insurer; or

(b) The assuming insurer, with the consent of the named insured, has assumed the policy obligations of the ceding insurer as direct obligations of the assuming insurer in substitution for the obligations of the ceding insurer to the named insured.

(9) No person, other than the ceding insurer, has any rights against the reinsurer which are not specifically set forth in the contract of reinsurance or in a specific written, signed agreement between the reinsurer and the person.

(10) An authorized insurer may not knowingly accept as assuming reinsurer any risk covering subject of insurance which is resident, located, or to be performed in this state and which is written directly by any insurer not then authorized to transact such insurance in this state, other than as to surplus lines insurance lawfully written under part VIII of chapter 626.

(11)(a) Any domestic or commercially domiciled insurer ceding directly written risks of loss under this section shall, within 30 days after receipt of a cover note or similar confirmation of coverage, or, without exception, no later than 6 months after the effective date of the reinsurance treaty, file with the office one copy of a summary statement containing the following information about each treaty:

1. The contract period;
2. The nature of the reinsured's business;
3. An indication as to whether the treaty is proportional, nonproportional, coinsurance, modified coinsurance, or indemnity, as applicable;

Rulemaking Authority

4. The ceding company's loss retention per risk;
5. The reinsured limits;
6. Any special contract restrictions;
7. A schedule of reinsurers assuming the risks of loss;
8. An indication as to whether payments to the assuming insurer are based on written premiums or earned premiums;
9. Identification of any intermediary or broker used in obtaining the reinsurance and the commission paid to such intermediary or broker if known; and
10. Ceding commissions and allowances.

(b) The summary statement must be signed and attested to by either the chief executive officer or the chief financial officer of the reporting insurer. In addition to the summary statement, the office may require the filing of any supporting information relating to the ceding of such risks as it deems necessary. If the summary statement prepared by the ceding insurer discloses that the net effect of a reinsurance treaty or treaties (or series of treaties with one or more affiliated reinsurers entered into for the purpose of avoiding the following threshold amount) at any time results in an increase of more than 25 percent to the insurer's surplus as to policyholders, then the insurer shall certify in writing to the office that the relevant reinsurance treaty or treaties comply with the accounting requirements contained in any rule adopted by the commission under subsection (14). If such certificate is filed after the summary statement of such reinsurance treaty or treaties, the insurer shall refile the summary statement with the certificate. In any event, the certificate must state that a copy of the certificate was sent to the reinsurer under the reinsurance treaty.

(c) This subsection applies to cessions of directly written risk or loss. This subsection does not apply to contracts of facultative reinsurance or to any ceding insurer that has a surplus as to policyholders which exceeds \$100 million as of the immediately preceding December 31. A ceding insurer otherwise subject to this section which had less than \$500,000 in direct premiums written in this state during the preceding calendar year and no more than \$250,000 in direct premiums written in this state during the preceding calendar quarter, and which had fewer than 1,000 policyholders at the end of the preceding calendar year, is exempt from this subsection.

(d) An authorized insurer not otherwise exempt from the provisions of this subsection shall provide the information required by this subsection with underlying and supporting documentation upon written request of the office.

(e) The office may, upon a showing of good cause, waive the requirements of this subsection.

(12) If the office finds that a reinsurance agreement creates a substantial risk of insolvency to either insurer entering into the reinsurance agreement, the office may by order require a cancellation of the reinsurance agreement.

(13) No credit shall be allowed for reinsurance with regard to which the reinsurance agreement does not create a meaningful transfer of risk of loss to the reinsurer.

(14) The commission may adopt rules implementing the provisions of this section. Rules are authorized to protect the interests of insureds, claimants, ceding insurers, assuming insurers, and the public. These rules shall be in substantial compliance with:

(a) The National Association of Insurance Commissioners model regulations relating to credit for reinsurance;

(b) The National Association of Insurance Commissioners Accounting Practices and Procedures Manual as of March 2002 and subsequent amendments thereto if the methodology remains substantially consistent; and

(c) The National Association of Insurance Commissioners model regulation for Credit for Reinsurance and Life and Health Reinsurance Agreements.

The commission may further adopt rules to provide for transition from existing requirements for the approval of reinsurers to the accreditation of reinsurers pursuant to this section.

690-144.005,.007

Rulemaking Authority

(15) Any reinsurer approved pursuant to s. 624.610(3)(a)2., as such provision existed prior to July 1, 2000, which fails to obtain accreditation pursuant to this section prior to December 30, 2003, shall have its approval terminated by operation of law on that date.

(16) This act shall apply to all cessions on or after January 1, 2001, under reinsurance agreements that have an inception, anniversary, or renewal date on or after January 1, 2001.

624.307 General powers; duties.—

(1) The department and office shall enforce the provisions of this code and shall execute the duties imposed upon them by this code, within the respective jurisdiction of each, as provided by law.

69O-144.005 Credit for Reinsurance.

(1) No change.

(2) Credit for reinsurance by a domestic insurer shall be allowed when the reinsurance is ceded to an assuming insurer which is accredited as a reinsurer in this state pursuant to Section 624.610(3)(b), F.S. Florida Statutes and Rule 69O-144.002, F.A.C., as of any date on which statutory financial statement credit for reinsurance is claimed. An accredited reinsurer pursuant to Section 624.610(3)(b), F.S. Florida Statutes:

(a)1. Files with the office a properly executed Form OIR-C1-1464 "Certificate of Assuming Insurer" (Rev.5/05) which is hereby adopted and incorporated by reference, as evidence of its submission to this state's jurisdiction and to this state's authority to examine its books and records.

2. Form OIR-C1-1464, Certificate of Assuming Insurer, Rev. 5/05, is available on the Office's web site located at <https://www.flor.com> and shall be filed electronically via the Office's Online Company Admissions system, "iApply," located at <http://www.flor.com/iportal>; ~~from, and shall be submitted to the following: for life and health insurers, Life and Health Financial Oversight, 200 East Gaines Street, Tallahassee, Florida 32399-0327; for property and casualty insurers, Property and Casualty Financial Oversight, 200 East Gaines Street, Tallahassee, Florida 32399-0329;~~

(b) No change.

(c) Files annually and quarterly with the Office via the Office's Regulatory Electronic Filing System, "REFS," located at <http://www.flor.com/iportal>, a copy of its annual and

quarterly statements prepared in accordance with the National Association of Insurance Commissioners manuals adopted in Rule 69O-137.001, F.A.C., filed on the National Association of Insurance Commissioners convention blanks, which are hereby adopted and incorporated by reference, with the insurance department of its state of domicile or, in the case of a U.S. branch of an alien assuming insurer, with the state through which it is entered and in which it is licensed to transact insurance or reinsurance, and a copy of its most recent audited financial statement and maintains a surplus as regards policyholders in accordance with Section 624.610(3)(b)1.d., F.S., and whose approval has been granted by the Office. If quarterly statements are not required by the state of domicile, quarterly statements shall only be required upon written request of the Office. ~~The following National Association of Insurance Commissioners blanks are hereby adopted and incorporated by reference:~~

- ~~1. NAIC Annual Statement Blank Life/Accident/Health 2005,~~
- ~~2. NAIC Quarterly Statement Blank Life/Accident/Health 2005,~~
- ~~3. NAIC Annual Statement Blank Health 2005,~~
- ~~4. NAIC Quarterly Statement Blank Health 2005,~~
- ~~5. NAIC Annual Statement Blank Property and Casualty 2005, and~~
- ~~6. NAIC Quarterly Statement Blank Property and Casualty 2005.~~

(3)(a)1.-2.a. No change.

b. To designate the Chief Financial Officer, pursuant to s. 48.151, or a designated attorney Director or a person resident in the United States as its true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the ceding company.

(b) No change.

(4) Credit for Reinsurance – Reinsurers Maintaining Trust Funds.

(a)1. Pursuant to Section 624.610(3)(c)1., F.S. Florida Statutes, the Office shall allow credit for reinsurance ceded by a domestic insurer to an assuming insurer which, as of any date on which statutory financial statement credit for reinsurance is claimed, and thereafter for so long as credit for reinsurance is claimed, maintains a trust fund in an amount prescribed below in a qualified financial institution as defined in Section 624.610(5)(b), F.S. Florida Statutes, for the payment of the valid claims of its U.S. domiciled ceding insurers, their assigns and successors in interest.

2. The assuming insurer shall report quarterly to the Office substantially the same information as that required to be reported on the National Association of Insurance Commissioners (NAIC) annual and quarterly statement form by licensed insurers, which is adopted in rule 69O-137.001, F.A.C. to enable the Office to determine the sufficiency of the trust fund.

(b) The following requirements apply to the following categories of assuming insurer:

1.a. No change.

b. The assuming insurer shall maintain a trusteed surplus of not less than \$20,000,000, except as provided in paragraph c. of this subsection.

c. At any time after the assuming insurer has permanently discontinued underwriting new business secured by the trust for at least three full years, the commissioner with principal regulatory oversight of the trust may authorize a reduction in the required trusteed surplus, but only after a finding, based on an assessment of the risk, that the new required surplus level is adequate for the protection of U.S. ceding insurers,

policyholders and claimants in light of reasonably foreseeable adverse loss development. The risk assessment may involve an actuarial review, including an independent analysis of reserves and cash flows, and shall consider all material risk factors, including when applicable the lines of business involved, the stability of the incurred loss estimates and the effect of the surplus requirements on the assuming insurer's liquidity or solvency. The minimum required trusteed surplus may not be reduced to an amount less than thirty percent (30%) of the assuming insurer's liabilities attributable to reinsurance ceded by U.S. ceding insurers covered by the trust.

2.a In the case of the trust fund for a group including incorporated and individual unincorporated underwriters shall consist of:

(I) For reinsurance ceded under reinsurance agreements with an inception, amendment, or renewal date on or after August 1, 1995, the trust consists of a trusteed account funds in trust in an amount not less than the group's several liabilities attributable to business ceded by United States U.S. domiciled ceding insurers to any member of the group;

(II)-(III) No change.

b. No change.

(c) through (d) No change.

(e) Assets deposited in the trust and the trusteed surplus of a single assuming insurer shall consist of assets of a quality and limitation substantially similar to that required in Part II of Chapter 625, F.S. Florida Statutes, and shall be valued according to their fair market value.

(f) Assets deposited in the trust and the trusteed surplus of a group including

incorporated and individual unincorporated underwriters established to meet the requirements of Section 624.610(3)(c)3.b., F.S. Florida Statutes, shall be of the type and subject to limitations of the following:

1. Assets deposited in the trusts established pursuant to Section 624.610(3)(c)3.b., F.S. Florida Statutes, and this section shall be valued according to their fair market value and shall consist only of cash in U.S. dollars, certificates of deposit issued by a U.S. financial institution as defined in Section 624.610(5)(a), F.S. Florida Statutes, clean irrevocable, unconditional and "evergreen" letters of credit issued or confirmed by a qualified U.S. financial institution, as defined in Section 624.610(5)(a), F.S. Florida Statutes, and investments of the type specified in this subsection.

2.-5. No change.

(5) Trust agreements qualified under Section 624.610(4), F.S. Florida Statutes.

(a) No change.

(b) Required conditions:

1. The trust agreement shall be entered into between the beneficiary, the grantor and a trustee, which shall be a qualified U.S. United States financial institution as defined in Section 624.610(5)(b), F.S. Florida Statutes.

2. through 10. No change.

11. Notwithstanding other provisions of this rule, when a trust agreement is established to meet the requirements of Section 624.610(4), F.S. Florida Statutes, in conjunction with a reinsurance agreement covering risks other than life, annuities, and accident and health, where it is customary practice to provide a trust agreement for a specific purpose, the trust agreement may provide that the ceding insurer shall

undertake to use and apply amounts drawn upon the trust account, without diminution because of the insolvency of the ceding insurer or the assuming insurer, only for the following purposes:

a. through b. No change.

c. Where the ceding insurer has received notification of termination of the trust account and where the assuming insurer's entire obligations under the specific reinsurance agreement remain unliquidated and undischarged ten (10) days prior to the termination date, to withdraw amounts equal to the obligations and deposit those amounts in a separate account, in the name of the ceding insurer in any qualified U.S. United States financial institution apart from its general assets, in trust for such uses and purposes specified in a. and b. above as may remain executory after the withdrawal and for any period after the termination date.

12. Notwithstanding other provisions of this rule, when a trust agreement is established to meet the requirements of Section 624.610(4), F.S. Florida Statutes, in conjunction with a reinsurance agreement covering life, annuities, or accident and health risks, where it is customary to provide a trust agreement for a specific purpose, the trust agreement may provide that the ceding insurer shall undertake to use and apply amounts drawn upon the trust account, without diminution because of the insolvency of the ceding insurer or the assuming insurer, only for the following purposes:

a. through c. No change.

13. through 14. No change.

(c) No change.

(d) A reinsurance agreement may contain provisions that stipulate that assets deposited in the trust account shall be valued according to their current fair market value and shall consist only of cash in U.S. ~~United States~~ dollars, certificates of deposit issued by a U.S. ~~United States~~ bank and payable in U.S. ~~United States~~ dollars, and investments permitted by Part II of Chapter 625, F.S. ~~of the Florida Insurance Code~~ or any combination of the above, provided investments in or issued by an entity controlling, controlled by or under common control with either the grantor or the beneficiary of the trust shall not exceed five percent (5%) of total investments. The reinsurance agreement may further specify the types of investments to be deposited. Where a trust agreement is entered into in conjunction with a reinsurance agreement covering risks other than life, annuities and accident and health, then the trust agreement may contain the provisions required by this paragraph in lieu of including such provisions in the reinsurance agreement.

(6) Letters of credit qualified under Section 624.610(4)(c), F.S. ~~Florida Statutes~~.

(a)1. The letter of credit shall be clean, irrevocable, unconditional, and issued or confirmed by a qualified U.S. ~~United States~~ financial institution.

2. As used in this subsection (6), a qualified U.S. ~~United States~~ financial institution is one which meets the definition set forth in Section 626.7492(2)(j), F.S. ~~Florida Statutes~~.

3. through 6. No change.

(b) No change.

(c) The letter of credit shall contain a statement to the effect that the obligation of the qualified U.S. ~~United States~~ financial institution under the letter of credit is in no way contingent upon reimbursement with respect thereto.

(d) No change.

(e)1. No change.

2. All drafts drawn on the letter of credit shall be presentable at an office in the United States of a qualified U.S. ~~United States~~ financial institution.

(f) The letter of credit shall be issued or confirmed by a qualified U.S. ~~United States~~ financial institution authorized to issue letters of credit, pursuant to Section 624.610(5)(a), F.S. ~~Florida Statutes~~.

(g) No change.

(7) Credit shall be allowed foreign and alien insurers when the reinsurance is ceded to an assuming insurer which is domiciled or licensed in, or, in the case of a U.S. branch of an alien assuming insurer is entered through, a state which employs standards regarding credit for reinsurance substantially similar to those applicable under these rules, and the assuming insurer and the reinsurance agreement meets the requirements established by this rule and Section 624.610, F.S. ~~Florida Statutes~~.

(8) A domestic ceding insurer shall notify the Office within thirty (30) days after reinsurance recoverables from any single assuming insurer, or group of assuming insurers, exceeds fifty percent (50%) of the domestic ceding insurer's last reported surplus to policyholders, or after it is determined that reinsurance recoverables from any single assuming insurer, or group of assuming insurers, is likely to exceed this limit. The notification shall demonstrate that the exposure is safely managed by the domestic ceding insurer.

(9) A domestic ceding insurer shall notify the Office within thirty (30) days after ceding to any single assuming insurer, or group of assuming insurers, more than twenty

percent (20%) of the domestic ceding insurer's gross written premium in the prior calendar year, or after it is determined that the reinsurance ceded to any single assuming insurer, or group of assuming insurers, is likely to exceed this limit. The notification shall demonstrate that the exposure is safely managed by the domestic ceding insurer.

*Rulemaking Authority 624.308, 624.610(14), FS. Law Implemented 624.307(1), 624.610 FS. History—New 1-30-91, Formerly 4-108.005, Amended 12-25-97, 10-13-02, Formerly 4-144-005, Amended 9-14-06,\_\_\_\_\_.*

69O-144.007 Credit for Reinsurance from Certified Eligible Reinsurers.

(1) Purpose. ~~Paragraph (3)(e) of Section 624.610(3)(e), F.S., gives the Office Commissioner the option to allow credit for reinsurance without full collateral for transactions involving assuming insurers not meeting the requirements of Sections 624.610(3)(a), (b), (c), or (d)(d), F.S. These rules implement that subsection paragraph.~~ This rule does not apply to assuming insurers ~~reinsurers~~ that meet the requirements of Sections 624.610(3)(a), (b), (c), or (d)(d), F.S. This rule is not an attempt to assert extra-territorial jurisdiction. Insurers that write in states other than Florida will need to comply with the laws of those states. ~~This rule applies only to property and casualty insurance; it does not apply to life and health.~~

(2) Definitions. As used in this rule the following terms have the following meanings:

(a) "Ceding insurer" means a domestic insurer, as defined by ~~paragraph (1) of Section 624.06(1), F.S.~~

(b) "Certified Eligible reinsurer" means an assuming insurer ~~that may which~~ does not meet the requirements of paragraphs ~~(3)(a), (3)(b), or (3)(c)~~ of Section 624.610(3)(a), (b), (c), or (d), F.S., and ~~that which~~ has been determined by the Office commissioner by order to have met the requirements set forth in subsections (7) and (8) of this rule.

(c) "Qualified Eligible jurisdiction" means a jurisdiction which has met the requirements set forth in subsection ~~(9)(8)~~ of this rule.

(3) Credit for reinsurance under this section shall apply only to reinsurance contracts entered into or renewed on or after the effective date of the certification of the assuming insurer. ~~With respect to reinsurance contracts entered into or renewed on or after the effective date of this rule, a ceding insurer may elect to take credit, as an asset or deduction from reserves, for reinsurance ceded to an eligible reinsurer, provided that the certified eligible reinsurer holds surplus in excess of \$250 100-million and maintains, on a stand-alone basis separate from its parent or any affiliated entities, a secure financial strength rating from at least two of the rating agencies indicated in paragraphs (a) through (e)(d) of this subsection. Due consideration shall be given to the group rating where appropriate. The credit is subject to the limitations set forth in this rule. As provided in Section 624.610(3)(e), F.S., the~~ The rating agencies are:

- (a) Standard and Poor's;
- (b) Moody's Investors Service;
- (c) Fitch Ratings;
- (d) A.M. Best Company; and or
- (e) Demotech.

(4) The collateral required to allow one hundred percent (100%) credit shall be no less than the percentage specified for the lowest rating as indicated below:

<u>Rating</u>	<u>Collateral Required</u>	<u>Best</u>	<u>S&amp;P</u>	<u>Moody's</u>	<u>Fitch</u>	<u>Demotech</u>
<u>Secure – 1</u>	0%	A++	AAA	Aaa	AAA	<u>A"</u>
<u>Secure – 2</u>	10%	A+	AA+, AA, AA-	Aa1, Aa2, Aa3	AA+, AA, AA-	<u>A'</u>
<u>Secure – 3</u>	20%	A, A-	A+, A, A-	A1, A2, A3	A+, A, A-	<u>A</u>
<u>Secure – 4</u>	<u>50%</u>	<u>A-</u>	<u>A-</u>	<u>A3</u>	<u>A-</u>	<u>n/a</u>
<u>Secure – 5</u>	75%	B++, B+	BBB+, BBB, BBB-	Baa1, Baa2, Baa3	BBB+, BBB, BBB-	<u>n/a</u>
<u>Vulnerable – 6</u>	100%	B, B-, C++, C+, C, C-, D, E, F	BB+, BB, BB-, B+, B, B-, CCC, CC, C, D, R, NR	Ba1, Ba2, Ba3, B1, B2, B3, Caa, Ca, C	BB+, BB, BB-, B+, B, B-, CCC+, CC, C, CC, CCC-, C, DD	<u>n/a</u>

For reinsurance ceded by Florida domestic property insurers for short-tailed lines as defined below, any collateral required to be posted may be subject to a one-year deferral from the date of the first instance of a liability reserve entry as a result of a

catastrophic loss from a named Hurricane. For these purposes, a short-tailed line of business is defined as any one of the following lines of business as reported on the NAIC annual financial statement:

Line 1 Fire

Line 2 Allied Lines

Line 3 Farmowners multiple peril

Line 4 Homeowners multiple peril

Line 5 Commercial multiple peril

Line 9 Inland marine

Line 12 Earthquake

Line 21 Auto physical damage

(5) Nothing in this rule shall be construed to deny the ceding insurer the ability to take credit for reinsurance for the remainder of its liabilities with a certified ~~an eligible~~ reinsurer so long as those amounts are secured with acceptable collateral pursuant to Section 624.610(4), F.S.

(6) In addition to the trust fund required under ~~paragraph (3)(c)~~ of Section 624.610(3)(c), F.S., the Office commissioner ~~shall~~ permit an assuming insurer that maintains a trust fund in a qualified U.S. ~~United States~~ financial institution, as that term is defined in ~~paragraph (5)(b)~~ of Section 624.610(5)(b), F.S., for the payment of the valid claims of its U.S. ~~United States~~ cedent insurers and their assigns and successors in interest to also maintain in a qualified U.S. ~~United States~~ financial institution a trust fund constituting a trusteed amount at least equal to the collateral required in accordance with subsection (4) of this rule to secure the liabilities attributable to U.S. ~~United States~~

cedent insurers under reinsurance policies (contracts) entered into or renewed by such assuming insurer on or after the effective date of this rule or such other date as may be established in other states for cedent insurers domiciled in such states, but only when maintenance of such a trust fund serves to protect the interests of the public and the interests of insurer solvency.

(7) A ceding insurer may not take credit pursuant to this rule unless:

(a) The assuming insurer ~~reinsurer~~ has been determined, by order of the Office commissioner, to be a certified ~~an eligible~~ reinsurer, pursuant to subsection (8) of this rule;

(b) The ceding insurer maintains satisfactory evidence that the certified ~~eligible~~ reinsurer meets the standards of solvency, including standards for capital adequacy, established by its domestic regulator; and

(c) All reinsurance contracts between the ceding insurer and the certified ~~eligible~~ reinsurer ~~must~~ provide:

1. For an insolvency clause in conformance with Section 624.610(8), F.S.;
2. For a service of process clause in conformance with Section 624.610(3)(f)1. and ~~2.,~~ F.S.; and
3. For a submission to jurisdiction clause in conformance with Section 624.610(3)(f)1. and 2., F.S.

(8) Status as certified ~~eligible~~ reinsurer:

(a) Application for a determination as a certified ~~an eligible~~ reinsurer under this rule shall be made by cover letter from the insurer requesting a finding of certification eligibility as a reinsurer pursuant to this rule and shall be filed electronically via the

Office's Online Company Admissions system, "iApply," located at <http://www.flor.com/iportal>. The cover letter shall be accompanied with the following:

1. Audited financial statements prepared on a U.S. GAAP basis for the last three (3) years as filed with the insurer's domiciliary jurisdiction. With permission of the Office, an insurer may provide audited International Financial Reporting Standards (IFRS) basis statements so long as they include an audited reconciliation of equity and net income on a U.S. GAAP basis, or, with the permission of the Office, audited IFRS statements with a reconciliation of equity and net income on a U.S. GAAP basis certified by an officer of the company from inception or for the last 3 years, whichever is less, filed with its domiciliary regulator by the reinsurer or, in the case of a rated group, by the group, pursuant to or including a reconciliation to U.S. GAAP, U.S. Statutory Accounting Principles, or International Financial Property Standards (IFRS); the requirement for 3 years reconciliation shall be waived by the office if the commissioner determines that other provided financial information will be as useful in the determination of financial health of the reinsurer;

2. An actuarial opinion as filed with the insurer's domiciliary jurisdiction;

3.2. Documentation, in the form of a properly executed Form OIR-C1-2116, "Certificate of Certified Reinsurer", (New ), which is hereby adopted and incorporated by reference, that the insurer applicant submits to the jurisdiction of the U.S. United States courts, appoints an agent for service of process in Florida, and agrees to post one hundred percent (100%) collateral for its Florida liabilities if it resists enforcement of a valid and final judgment from a court in the United States, or if otherwise required by the Office pursuant to this rule;

4. At the request of the Office, any other regulatory filing made with the insurer's domiciliary jurisdiction;

5.3. Form OIR-C1-2117 "NAIC Form CR-F" (New ) (for property/casualty) or Form OIR-C1-2118 "NAIC Form CR-S" (New ) (for life and health), which are hereby adopted and incorporated by reference. A report that provides information to the office as to its ceded and ceding insurance; the information may be provided in the form of the NAIC Property and Casualty Annual Filing Blank Schedule F, or in any manner that provides the Office with the same information about its ceded and ceding insurance that is disclosed by the NAIC Property and Casualty Annual Filing Blank Schedule F;

6.4. A list of all disputed or overdue recoverables due to or claimed by ceding insurers, whether or not the claims are in litigation or arbitration;

7.5. A certification from the domiciliary jurisdiction regulator of the insurer that the company is in good standing and that the domiciliary jurisdiction regulator will provide financial and operational information to the Office; and-

8. Any other information that the Office may reasonably deem appropriate to clarify or explain information submitted with the application.

(b) Upon receipt of an application for a determination as a certified reinsurer, the Office shall post notice on the Office's website. Such notice shall include instructions on how members of the public may respond to the application. The Office shall not take final action on the application until at least thirty (30) days after posting the notice required by this paragraph.

(c)(b) The determination of eligibility will be made by order issued executed by the Office Commissioner.

~~(d)~~(e) To become a certified ~~an eligible~~ reinsurer, the insurer ~~reinsurer~~, at a minimum:

1. Shall hold surplus in excess of \$250 ~~400~~-million. This requirement may also be satisfied by an association including incorporated and individual unincorporated underwriters having minimum capital and surplus equivalents (net of liabilities) of at least \$250 million and a central fund containing a balance of at least \$250 million;

2. Shall be authorized in its domiciliary jurisdiction to assume the kind or kinds of reinsurance ceded by the ceding insurer; and,

3. Shall be domiciled in a qualified ~~an eligible~~ jurisdiction as defined in subsection (9).

(e) Each certified reinsurer shall be rated on a legal entity basis, with due consideration being given to the group rating where appropriate, except that an association including incorporated and individual unincorporated underwriters that has been approved to do business as a single certified reinsurer may be evaluated on the basis of its group rating. Factors that may be considered as part of the evaluation process include, but are not limited to, the following:

1. The certified reinsurer's financial strength rating from an acceptable rating agency. The maximum rating that a certified reinsurer may be assigned will correspond to its financial strength rating as outlined in subsection (4) of this rule. The Office shall use the lowest financial strength rating received from a rating agency indicated in subsection (3)(a)-(e) of this rule in establishing the maximum rating of a certified reinsurer. A failure to obtain or maintain at least two financial strength ratings from acceptable rating agencies pursuant to subsection (3) will result in loss of eligibility for certification;

2. The business practices of the certified reinsurer in dealing with its ceding insurers, including its record of compliance with reinsurance contractual terms and obligations;

3. For certified reinsurers domiciled in the U.S., a review of the most recent applicable NAIC Annual Statement Blank, either Schedule F (for property/casualty reinsurers) or Schedule S (for life and health reinsurers);

4. The reputation of the certified reinsurer for prompt payment of claims under reinsurance agreements, based on an analysis of ceding insurers' Schedule F reporting of overdue reinsurance recoverables, including the proportion of obligations that are more than ninety (90) days past due or are in dispute, with specific attention given to obligations payable to companies that are in administrative supervision or receivership;

5. Regulatory actions against the certified reinsurer;

6. The liquidation priority of obligations to a ceding insurer in the certified reinsurer's domiciliary jurisdiction in the context of an insolvency proceeding; and

7. A certified reinsurer's participation in any solvent schemes of arrangement, or similar procedure, that involves U.S. ceding insurers. A certified reinsurer shall notify the Office prior to participation in a solvent scheme of arrangement.

~~(f)(d)~~ If the Office Commissioner determines, based upon the material submitted, and any other relevant information, that it is in the best interests of market stability and the solvency of ceding insurers, the Office Commissioner will find, by order, that the insurer is a certified ~~an eligible~~ reinsurer and will set an amount of credit allowed for the reinsurer if lower than the amount set forth in subsection (4).

(g) The Office shall publish and maintain a list of certified reinsurers on the Office's website. Such list shall disclose the rating assigned to the certified reinsurer pursuant to subsection (4) of this rule.

(h)(e) Every certified eligible reinsurer shall file the following information annually with the Office electronically via the Office's Regulatory Electronic Filing System, "REFS," located at <http://www.flor.com/iportal>, no later than July 1, on the anniversary of the order granting it eligibility:

1. Form OIR-C1-2117, "NAIC Form CR-F", (New ) (for property/casualty) or Form OIR-C1-2118, "NAIC Form CR-S", (New ) (for life and health);

2. The report of the independent auditor on the financial statements of the insurance enterprise, filed on a U.S. GAAP basis. If a U.S. GAAP audit is not reasonably available, the Office may allow the reinsurer to provide audited IFRS basis statements so long as a reconciliation of equity and net income are provided on a U.S. GAAP basis. The reconciliation of equity and net income to U.S. GAAP must either be audited or certified by an officer of the company;

3. Actuarial opinion as filed with the certified reinsurer's domiciliary jurisdiction;

4. A statement from the certified reinsurer's domiciliary jurisdiction that the certified reinsurer is in good standing and maintains capital in excess of the jurisdiction's highest regulatory action level;

5.4- A statement certifying that there has been no change in the provisions of its domiciliary license or any of its financial strength ratings, or a statement describing such changes and the reasons therefore therefor;

~~6.2. At the request of the Office, a copy of any regulatory filings made all financial statements filed with the certified reinsurer's domiciliary jurisdiction their domiciliary regulator;~~

~~7.3. Any change in its directors and officers;~~

~~8.4. An updated list of all disputed and overdue reinsurance claims regarding reinsurance assumed from U.S. domestic ceding insurers; and~~

~~9.5. Any other information that the Office may require to assure market stability and the solvency of ceding insurers.~~

~~(i)(f) A certified An-eligible reinsurer must immediately advise the Office within ten (10) days of any changes in its ratings assigned by rating agencies, or domiciliary license status, or of any regulatory actions taken against the certified reinsurer. Such notice shall include a statement describing such actions and the reasons therefore.~~ (j)(g)

At any time, if the Office Commissioner determines that it is in the best interests of market stability and the solvency of ceding insurers, the Office Commissioner will withdraw, by order, any determination of an insurer as a certified an-eligible reinsurer or require the certified reinsurer to post additional collateral.

~~(k)(h) If the rating of a certified an-eligible reinsurer rises above that used by the Office Commissioner in its his or her determination of the credit allowed for the reinsurer, an affected party may petition the Office Commissioner for a redetermination of the credit allowed. If it is in the best interests of market stability and the solvency of ceding insurers, the Office Commissioner will raise the credit allowed for the certified reinsurer.~~

(9) Status as a qualified an-eligible jurisdiction:

(a) The determination of a jurisdiction as a qualified ~~an eligible~~ jurisdiction is to be made by the Office Commissioner. No jurisdiction shall be determined to be a qualified ~~an eligible~~ jurisdiction unless:

1. The insurance regulatory body of the jurisdiction agrees that it will provide information requested by the Office regarding its certified ~~eligible~~ domestic reinsurers;

2. The Office has determined that the jurisdiction has a satisfactory structure and authority with regard to solvency regulation, acceptable financial and operating standards for reinsurers in the domiciliary jurisdiction, acceptable transparent financial reports filed in accordance with generally accepted accounting principles, and verifiable evidence of adequate and prompt enforcement of valid U.S. judgments or arbitration awards;

3. The Office has determined that the history of performance by reinsurers in the jurisdiction is such that the insuring public will be served by a finding of qualification ~~eligibility~~;

4. For non-U.S. jurisdictions, the jurisdiction allows U.S. reinsurers access to the market of the domiciliary jurisdiction on terms and conditions that are at least as favorable as those provided in Florida law and regulations for unaccredited non-U.S. assuming insurers; and

5. There is no other documented information that it would not serve the best interests of the insuring public and the solvency of ceding insurers to make a finding of qualification ~~eligibility~~.

(b) If the NAIC issues findings that certain jurisdictions should be considered qualified ~~eligible~~ jurisdictions, the Office Commissioner shall, if it would serve the best

interests of the insuring public and the solvency of ceding insurers, make a determination that jurisdictions on the NAIC list are qualified eligible jurisdictions.

(c) A U.S. jurisdiction that meets the requirements for accreditation under the NAIC financial standards and accreditation program shall be recognized as a qualified jurisdiction.

(d) The Office shall publish a list a jurisdictions that have been determined to be qualified.

(e)(e) If the Office Commissioner determines that it is in the best interests of market stability and the solvency of ceding insurers, the Office Commissioner shall withdraw, by order, the determination of a jurisdiction as a qualified ~~an eligible~~ jurisdiction.

(10)(a) If the rating of a certified ~~an eligible~~ reinsurer is below or falls below that required in subsection (4) for the respective amount of credit, the Office shall upon written notice assign a new rating to the certified reinsurer in accordance with subsection (4) of this rule ~~existing credit to the ceding insurer shall be adjusted accordingly.~~ Notwithstanding the change or withdrawal of a certified ~~eligible~~ reinsurer's rating, the Office Commissioner, upon a determination that the interest of ensuring market stability and the solvency of the ceding insurer requires it, shall, upon request by the ceding insurer, authorize the ceding insurer to continue to take credit for the reinsurance recoverable, or part thereof, relating to the rating change or withdrawal for some specified period of time following such change or withdrawal, unless the reinsurance recoverable is deemed uncollectible.

(b) If the ceding insurer's experience in collecting recoverables from any certified eligible reinsurer indicates that the credit to the ceding insurer should be lower, the ceding insurer shall notify the Office of this.

(c) The Office shall have the authority to suspend, revoke, or otherwise modify a certified reinsurer's certification at any time if the certified reinsurer fails to meet its obligations or security requirements under this section, or if other financial or operating results of the certified reinsurer, or documented significant delays in payment by the certified reinsurer, would cause the Office to determine that the certified reinsurer is unwilling or unable to meet its contractual obligations.

(d) If the rating of a certified reinsurer is upgraded by the Office, the certified reinsurer may meet the security requirements applicable to its new rating on a prospective basis, but the Office shall require the certified reinsurer to post security under the previously applicable security requirements as to all contracts in force on or before the effective date of the upgraded rating. If the rating of a certified reinsurer is downgraded by the Office, the Office shall require the certified reinsurer to meet the security requirements applicable to its new rating for all business it has assumed as a certified reinsurer.

(e) Upon revocation of the certification of a certified reinsurer by the Office, the assuming insurer shall be required to post security in accordance with Section 624.610, F.S., in order for the ceding insurer to continue to take credit for reinsurance ceded to the assuming insurer.

(11) The ceding insurer shall give immediate notice to the Office and provide for the necessary increased reserves with respect to any reinsurance recoverables applicable, in the event:

(a) That obligations of a certified ~~an eligible~~ reinsurer for which credit for reinsurance was taken under this rule are more than ninety (90) days past due and not in dispute; or

(b) That there is any indication or evidence that any certified ~~eligible~~ reinsurer, with whom the ceding insurer has a contract, fails to substantially comply with the solvency requirements under the laws of its domiciliary jurisdiction.

(12) The Office ~~Commissioner~~ shall disallow all or a portion of the credit based on a review of the ceding insurer's reinsurance program, the financial condition of the certified ~~eligible~~ reinsurer, the certified ~~eligible~~ reinsurer's claim payment history, or any other relevant information when such action is in the best interests of market stability and the solvency of the ceding insurer. At any time, the Office ~~Commissioner~~ may request additional information from the certified ~~eligible~~ reinsurer. The failure of a certified ~~an eligible~~ reinsurer to cooperate with the Office is grounds for the Office ~~Commissioner~~ to withdraw the status of the insurer as a certified ~~an eligible~~ reinsurer or for the disallowance or reduction of the credit granted under this rule.

(13)(a) Upon the entry of an order of rehabilitation, liquidation, or conservation against the ceding insurer, pursuant to Chapter 631, Part I, F.S., or the equivalent law of another jurisdiction, a certified ~~an eligible~~ reinsurer, within thirty (30) days of the order, shall fund the entire amount that the ceding insurer has taken, as an asset or deduction from reserves, for reinsurance recoverable from the certified ~~eligible~~ reinsurer. The

insurer may request a variance and waiver from this provision as provided by Section 120.542, F.S.

(b) If a certified an-eligible reinsurer fails to comply on a timely basis with paragraph (a) of this subsection, the Office Commissioner shall withdraw the reinsurer's certification eligibility under this rule.

(14) The Office Commissioner may, by order, determine that credit shall not be allowed to any ceding insurer for reinsured risk pursuant to this rule if it appears to the Office Commissioner that granting of the credit to the ceding insurer would not be in the public interest or serve the best interests of the ceding insurer's solvency.

(15) Nothing in this rule prohibits a ceding insurer and a reinsurer from entering into agreements establishing collateral requirements in excess of those set forth in this rule.

(16) A ceding insurer shall notify the Office within thirty (30) days after reinsurance recoverables from any single assuming insurer, or group of assuming insurers, exceeds fifty percent (50%) of the ceding insurer's last reported surplus to policyholders, or after it is determined that reinsurance recoverables from any single assuming insurer, or group of assuming insurers, is likely to exceed this limit. The notification shall demonstrate that the exposure is safely managed by the domestic ceding insurer.

(17) A ceding insurer shall notify the Office within thirty (30) days after ceding to any single assuming insurer, or group of assuming insurers, more than twenty percent (20%) of the ceding insurer's gross written premium in the prior calendar year, or after it is determined that the reinsurance ceded to any single assuming insurer, or group of assuming insurers, is likely to exceed this limit. The notification shall demonstrate that the exposure is safely managed by the ceding insurer.

(18) Forms adopted in this rule are available on the Office's web site located at <http://www.flor.com>.

*Rulemaking Authority 624.308, 624.610(14) FS. Law Implemented 624.307(1), 624.610 FS. History—New 10-29-08, Amended \_\_\_\_\_.*

---

M E M O R A N D U M

---

**DATE:** June 1, 2015  
**TO:** Kevin M. McCarty, Commissioner, Office of Insurance Regulation  
**THROUGH:** Anoush Brangaccio, General Counsel  
**FROM:** Virginia Christy   
Stephen Fredrickson   
**SUBJECT:** Cabinet Agenda for June 23, 2015  
Request for Final Approval to Adopt Amendments to  
Rule 69O-137.001; Annual and Quarterly Reporting Requirements  
Assignment # 154125-14

The Office of Insurance Regulation requests that these proposed rule amendments be presented to the Cabinet aides on or before June 17, 2015 and to the Financial Services Commission on June 23, 2015, with a request for Final Approval to Adopt the proposed rules. A notice of the Final Rule Hearing was published in the *Florida Administrative Register* on April 10, 2015.

The notice of proposed rules was published on January 21, 2015 in Volume 41, No. 13, of the *Register*. The hearing was not requested, therefore, the hearing was not held.

Section 624.424, Florida Statutes, requires insurers to file quarterly and annual financial reports with the Office of Insurance Regulation and allows the Office to enact rules setting the standards for those reports.

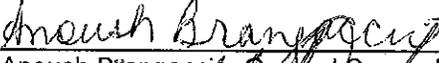
The rule is being amended to adopt the 2015 NAIC Quarterly Statement Manuals, the 2014 NAIC Annual Statement Instructions Manuals, and the 2014 and 2015 NAIC Accounting Practices and Procedures Manuals. The current rule adopted the 2013 NAIC Quarterly Statement Manuals, the 2012 NAIC Annual Statement Instructions Manuals, and the 2012 and 2013 NAIC Accounting Practices and Procedures Manuals.

Sections 624.308(1), 624.424(1), 624.424(1), F.S., provide rulemaking authority and laws implemented for this rule.

The Legal Services Office has communicated with the Joint Administrative Procedures Committee, and ascertained that their review of the rules has been completed.

Rachic A. Wilson is the attorney handling this rule. Attached are: 1) the proposed rule(s); 2) any incorporated materials, such as forms; 3) copies of the rulemaking statutory authority and law implemented.

Approved for signature:

  
Anoush Brangaccio, General Counsel

Approved for submission to Financial Services Commission:

  
Kevin M. McCarty, Commissioner  
Office of Insurance Regulation

69O-137.001 Annual and Quarterly Reporting Requirements.

(1) The purpose of this rule is to establish uniform requirements for ~~manual and automated~~ reporting of annual and quarterly statement information for all authorized insurers as defined in Section 624.09, F.S.

(2) Each authorized insurer shall file with the Office a full and true statement of its financial condition, transactions, and affairs.

(a) An annual statement covering the preceding calendar year shall be filed on or before March 1, and quarterly statements covering the periods ending on March 31, June 30, and September 30 shall be filed within 45 calendar days after each such date.

(b) The Office shall grant an extension of time for filing an annual or quarterly statement if there exist conditions beyond the control of the authorized insurer, such as rehabilitation pursuant to Chapter 631, F.S., or the laws of the state of domicile; severe damage to the insurer's physical premises by a natural or man-made disaster; or some other reason of similar gravity and severity. The extension shall be for the amount of time reasonable to file under the conditions which justified the extension.

(c) For purposes of this rule, the requirement that statements be filed with the Office means that the statement has been transmitted electronically to the National Association of Insurance Commissioners and that the executed Jurat page of said statement has been transmitted electronically to the Office via the Regulatory Electronic Filing System, "REFS" ~~shall be physically on the premises of the Office's headquarters in the Larson Building, 200 East Gaines Street, Tallahassee, Florida 32399-0300, on or before 5:00 p.m. on the applicable date specified in this subsection. The date stamp affixed by the Office's electronic data processing system to the face page of the statement shall serve as evidence of the timeliness of the statement.~~ Annual and

quarterly statements in any other format shall not be submitted to the Office.

~~(d) No information will be accepted through facsimile transmission.~~

(3) Annual and Quarterly Statement Manual and Automated Reporting.

~~(a) Annual and quarterly statements in manual form shall be identical to those filed in accordance with paragraph (b) below, and shall be filed with the Office in accordance with subsection (2), above.~~

~~(a)4. Each insurer shall submit its annual and quarterly statement information electronically to the National Association of Insurance Commissioners in accordance with the electronic filing instructions in computer readable format using the diskette medium or other computer readable format compatible with the electronic data processing system specified in paragraph (b) below.~~

~~2. Diskettes or information in a computer readable format shall not be submitted to the Office.~~

~~3. Annual and quarterly statements in diskette form or other computer readable format shall be sent or transmitted electronically to the National Association of Insurance Commissioners, 120 West 42th Street, Suite 1100, Kansas City, Missouri 64105. The envelope shall be marked to indicate that diskettes are enclosed if that medium is used.~~

~~(b)1. The National Association of Insurance Commissioners Annual Statement Diskette Filing Specifications or electronic transmission filing instructions (Financial Internet Filing Online User's Guide 2015) specifications are hereby adopted and incorporated by reference.~~

~~2. A copy of these specifications may be obtained from the National Association of Insurance Commissioners at http://www.naic.org/industry\_financial\_filing.htm, at the address in paragraph (b), above.~~

~~3. These specifications may be inspected during regular business hours at the Office of Insurance Regulation, Larson Building, 200 East Gaines Street, Tallahassee, Florida 32399-0300.~~

(4) Manuals Adopted.

(a) Annual statements shall be prepared in accordance with the following manuals, which are hereby adopted and incorporated by reference:

1. The NAIC's Annual Statement Instructions, Property and Casualty, 2014 ~~2012~~;
2. The NAIC's Annual Statement Instructions, Life, Accident and Health, 2014 ~~2012~~;
3. The NAIC's Annual Statement Instructions, Health, 2014 ~~2012~~;
4. The NAIC's Annual Statement Instructions, Title, 2014 ~~2012~~; and
5. The NAIC's Accounting Practices and Procedures Manual, as of March 2014 ~~2012~~.

(b) Quarterly statements shall be prepared in accordance with the following manuals, which are hereby adopted and incorporated by reference:

1. The NAIC's Quarterly Statement Instructions, Property and Casualty, 2015 ~~2013~~;
2. The NAIC's Quarterly Statement Instructions, Life, Accident and Health 2015 ~~2013~~;
3. The NAIC's Quarterly Statement Instructions, Health 2015 ~~2013~~;
4. The NAIC's Quarterly Statement Instructions, Title 2015 ~~2013~~; and
5. The NAIC's Accounting Practices and Procedures Manual, as of March 2015 ~~2013~~.

(c) Copies of the manuals are available:

1. From the National Association of Insurance Commissioners at <http://www.naic.org>, ~~2304 McGee, Suite 800, Kansas City, MO 64108-2604~~, and
2. For inspection during regular business hours at the Office of Insurance Regulation, Larson Building, 200 East Gaines Street, Tallahassee, Florida 32399-0300 ~~at the Office at its headquarters in Tallahassee, Florida, during regular business hours.~~

*Rulemaking Authority 624.308(1), 624.424(1) FS. Law Implemented 624.424(1) FS. History—New 3-31-92, Amended 8-24-93, 4-9-95, 4-9-97, 4-4-99, 11-30-99, 2-11-01, 4-5-01, 12-4-01, 12-25-01, 8-*

18-02, 7-27-03, Formerly 4-137.001, Amended 1-6-05, 9-15-05, 1-25-07, 3-16-08, 3-4-09, 1-4-10, 9-28-11, 1-28-13, 9-15-13,\_\_\_\_\_.

**624.308 Rules.--**

- (1) The department and the commission may each adopt rules pursuant to ss. 120.536(1) and 120.54 to implement provisions of law conferring duties upon the department or the commission, respectively.

**624.424 Annual statement and other information.--**

(1)(a) Each authorized insurer shall file with the office full and true statements of its financial condition, transactions, and affairs. An annual statement covering the preceding calendar year shall be filed on or before March 1, and quarterly statements covering the periods ending on March 31, June 30, and September 30 shall be filed within 45 days after each such date. The office may, for good cause, grant an extension of time for filing of an annual or quarterly statement. The statements shall contain information generally included in insurers' financial statements prepared in accordance with generally accepted insurance accounting principles and practices and in a form generally utilized by insurers for financial statements, sworn to by at least two executive officers of the insurer or, if a reciprocal insurer, by the oath of the attorney in fact or its like officer if a corporation. To facilitate uniformity in financial statements and to facilitate office analysis, the commission may by rule adopt the form for financial statements approved by the National Association of Insurance Commissioners in 2002, and may adopt subsequent amendments thereto if the methodology remains substantially consistent, and may by rule require each insurer to submit to the office or such organization as the office may designate all or part of the information contained in the financial statement in a computer-readable form compatible with the electronic data processing system specified by the office.

(b) Each insurer's annual statement must contain a statement of opinion on loss and loss adjustment expense reserves made by a member of the American Academy of Actuaries or by a qualified loss reserve specialist, under criteria established by rule of the commission. In adopting the rule, the commission must consider any criteria established by the National Association of Insurance Commissioners. The office may require semiannual updates of the annual statement of opinion as to a particular insurer if the office has reasonable cause to believe that such reserves are understated to the extent of materially misstating the financial position of the insurer. Workpapers in support of the statement of opinion must be provided to the office upon request. This paragraph does not apply to life insurance or title insurance.

(c) The commission may by rule require reports or filings required under the insurance code to be submitted by electronic means in a computer-readable form compatible with the electronic data processing equipment specified by the commission.

---

**M E M O R A N D U M**

---

**DATE:** June 2, 2015  
**TO:** Kevin M. McCarty, Commissioner, Office of Insurance Regulation  
**THROUGH:** Anoush Brangaccio, General Counsel  
**FROM:** Virginia Christy   
Stephen Fredrickson   
**SUBJECT:** Cabinet Agenda for June 23, 2015.  
Request for Final Approval to Adopt Amendments to  
Rule 69O-138.001; NAIC Financial Condition Examiners Handbook Adopted.  
Assignment # 154139-14

The Office of Insurance Regulation requests that these proposed rule amendments be presented to the Cabinet aides on or before June 17, 2015 and to the Financial Services Commission on June 23, 2015, with a request for Final Approval to Adopt the proposed rules. A notice of the Final Rule Hearing was published in the *Florida Administrative Register* on April 10, 2015.

The notice of proposed rules was published on January 21, 2015 in Volume 41, No. 13, of the *Register*. The hearing was not requested, therefore, the hearing was not held.

Section 624.316, Florida Statutes, requires the Office to examine insurer's financial condition using generally accepted insurance accounting principles and practices. This statute also allows the Office to adopt the NAIC Financial Condition Examiners Handbook to facilitate these exams.

The rule is being amended to adopt the 2014 and 2015 NAIC Financial Condition Examiners Handbooks. The current rule adopted the 2013 and 2012 versions of these handbooks.

Sections 624.308(1), 624.316(1)(c), F.S., provide rulemaking authority and laws implemented for this rule.

The Legal Services Office has communicated with the Joint Administrative Procedures Committee, and ascertained that their review of the rules has been completed.

Rachic' A. Wilson is the attorney handling this rule. Attached are: 1) the proposed rule(s); 2) any incorporated materials, such as forms; 3) copies of the rulemaking statutory authority and law implemented.

Approved for signature:

  
Anoush Brangaccio, General Counsel

Approved for submission to Financial Services Commission:

  
Kevin M. McCarty, Commissioner  
Office of Insurance Regulation

690-138.001 NAIC Financial Condition Examiners Handbook Adopted.

(1)(a) The National Association of Insurance Commissioners Financial Condition Examiners Handbook 2015 ~~2013~~ is hereby adopted and incorporated by reference.

(b) The National Association of Insurance Commissioners Financial Condition Examiners Handbook 2014 ~~2012~~ is hereby adopted and incorporated by reference.

(2) Financial examinations by the Office shall be performed in substantial conformity with the methodology outlined in the Handbook, so long as that methodology is consistent with statutory accounting principles and the Florida Insurance Code.

(3) A copy of the Examiners Handbook may be:

(a) Obtained from the National Association of Insurance Commissioners, at <http://www.naic.org>  
~~2301 McGee, Suite 800, Kansas City, MO 64108-2604;~~ or

(b) Inspected during regular business hours at the Office of Insurance Regulation, Larson Building, 200 E. Gaines St., Tallahassee, Florida 32399-0300 ~~at the Office at its headquarters in Tallahassee, Florida, during regular business hours.~~

*Rulemaking Authority 624.308(1), 624.316(1)(c) FS. Law Implemented 624.316(1)(c) FS. History—  
New 3-30-92, Amended 4-9-97, 4-4-99, 11-30-99, 2-11-01, 12-25-01, 8-18-02, 7-27-03, Formerly 4-  
138.001, Amended 1-6-05, 9-15-05, 1-25-07, 3-16-08, 3-4-09, 1-4-10, 11-2-11, 1-28-13, 9-15-13,*

---

**624.308 Rules.--**

- (1) The department and the commission may each adopt rules pursuant to ss. 120.536(1) and 120.54 to implement provisions of law conferring duties upon the department or the commission, respectively.

**624.316 Examination of insurers.—**

- (1)(c) The office shall examine each insurer according to accounting procedures designed to fulfill the requirements of generally accepted insurance accounting principles and practices and good internal control and in keeping with generally accepted accounting forms, accounts, records, methods, and practices relating to insurers. To facilitate uniformity in examinations, the commission may adopt, by rule, the Market Conduct Examiners Handbook and the Financial Condition Examiners Handbook of the National Association of Insurance Commissioners, 2002, and may adopt subsequent amendments thereto, if the examination methodology remains substantially consistent.