

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

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

**August 5, 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>
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- |    |   |  |
|----|---|--|
| 1. | Minutes of the Financial Services Commission for June 23, 2015. |  |
|----|---|--|

	<a href="http://www.myflorida.com/myflorida/cabinet/agenda15/0623/transcript.pdf">http://www.myflorida.com/myflorida/cabinet/agenda15/0623/transcript.pdf</a>	
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	<b>(ATTACHMENT 1)</b>	<b>FOR APPROVAL</b>
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- |    |  |  |
|----|--|--|
| 2. | Office of Insurance Regulation Fiscal Year 2016-17 Legislative Budget Request and 2016 Legislative Initiatives |  |
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	<b>(ATTACHMENT 2)</b>	<b>FOR APPROVAL</b>
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STATE OF FLORIDA

IN RE: MEETING OF THE GOVERNOR AND  
CABINET

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

DATE: TUESDAY, JUNE 23, 2015

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

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

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By Mark Kruse

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**State Board of Administration**  
By Executive Director Williams

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**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.

6 Good morning, Kevin.

7 COMMISSIONER MCCARTY: Good morning, Governor.  
8 Good morning, General Bondi, CFO Atwater, and  
9 Commissioner Putnam.

10 The first agenda item is request for approval  
11 of three sets of minutes: December 9th, 2014;  
12 April 14th, 2015; and May 5th, 2015, meeting of the  
13 Financial Services Commission.

14 GOVERNOR SCOTT: Is there a motion on the  
15 item?

16 ATTORNEY GENERAL BONDI: So moved.

17 GOVERNOR SCOTT: Is there a second?

18 COMMISSIONER PUTNAM: I'll second it. Why are  
19 we -- why do we have three sets stacked up?

20 COMMISSIONER MCCARTY: I'm not sure of that,  
21 sir.

22 COMMISSIONER PUTNAM: Okay. I second it.

23 GOVERNOR SCOTT: Moved and seconded, show the  
24 minutes approved without objection.

25 COMMISSIONER MCCARTY: The Item Number 2 is

1 request for approval for publication of repeal of  
2 Rule 690-157.302, 303, and 304, these having to do  
3 with long-term care rates.

4 These rules are being proposed to be repealed.  
5 They have three different policy forms, one  
6 comprehensive and facility and home health care  
7 rules. These can be published more robustly and  
8 recently on our website, and it's governed by  
9 Florida Statute, so we would request repeal of the  
10 rule process.

11 GOVERNOR SCOTT: Is there a motion on the  
12 item?

13 COMMISSIONER PUTNAM: So moved.

14 GOVERNOR SCOTT: Is there a second?

15 ATTORNEY GENERAL BONDI: Second.

16 GOVERNOR SCOTT: Any comments or objections?

17 (NO RESPONSE).

18 GOVERNOR SCOTT: Hearing none, the motion  
19 carries.

20 COMMISSIONER MCCARTY: Item Number 3 is  
21 request for approval for publication of amendment  
22 of 69-166.031. This has to -- the rule governing  
23 the mediation of property insurance. 627.7015 of  
24 Florida Statutes provides for a mediation process  
25 for homeowners insurance and certain commercial

1 property. This is the purview of the Department of  
2 Financial Services, and our rule would simply  
3 harmonize our rule with their rule and provide an  
4 enforcement mechanism for failure to appear to a  
5 mediation.

6 GOVERNOR SCOTT: Is there a motion?

7 COMMISSIONER PUTNAM: So moved.

8 GOVERNOR SCOTT: Is there a second?

9 ATTORNEY GENERAL BONDI: Second.

10 GOVERNOR SCOTT: Any comments or objections?

11 (NO RESPONSE).

12 GOVERNOR SCOTT: Hearing none, the motion  
13 carries.

14 COMMISSIONER MCCARTY: Item Number 4 is  
15 request for approval for final adoption of proposed  
16 amendment Rule 690-162.102, 3, 4, 6, and 8,  
17 governing annuity contracts. The change proposes  
18 the adoption of the most recent mortality tables  
19 for reserving. This would provide Florida to adopt  
20 the most recent NAIC rules governing mortality  
21 tables following the NAIC model consistent with  
22 those governing the other states.

23 GOVERNOR SCOTT: Is there a motion?

24 COMMISSIONER PUTNAM: So moved.

25 GOVERNOR SCOTT: Is there a second?

1 ATTORNEY GENERAL BONDI: Second.

2 GOVERNOR SCOTT: Any comments or objections?

3 (NO RESPONSE).

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

6 COMMISSIONER MCCARTY: Okay. Item Number 5 is  
7 request for approval for final adoption of proposed  
8 amendments for credit reinsurance, 690.144-005 and  
9 007. As you know, Florida has taken the lead on  
10 attracting insurers by modernizing our credit for  
11 reinsurance rules. Since that time, Florida was  
12 used as a model for the NAIC. We're now  
13 harmonizing the changes of our rule to harmonize  
14 with the changes that have taken place with the  
15 NAIC model regarding accredited reinsurers.

16 GOVERNOR SCOTT: Is there a motion?

17 COMMISSIONER PUTNAM: So moved.

18 GOVERNOR SCOTT: Is there a second?

19 ATTORNEY GENERAL BONDI: Second.

20 GOVERNOR SCOTT: Any comments or objections?

21 (NO RESPONSE).

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

24 COMMISSIONER MCCARTY: Item Number 6 is  
25 request for approval for final adoption of proposed

1 amendments for our annual and quarterly reporting  
2 requirements. This amends the 2015 NAIC quarterly  
3 statement manuals.

4 It's just simply adopting the most recent  
5 accounting practices and procedure manuals and  
6 adopting the quarterly statements and the NAIC  
7 annual statements instructions consistent with  
8 national standards.

9 GOVERNOR SCOTT: Is there a motion on the  
10 item?

11 CFO ATWATER: So moved.

12 GOVERNOR SCOTT: Is there a second?

13 ATTORNEY GENERAL BONDI: Second.

14 GOVERNOR SCOTT: Any comments or objections?

15 (NO RESPONSE).

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

18 COMMISSIONER MCCARTY: Item Number 7 is  
19 request for approval for final adoption of proposed  
20 amendments to the NAIC Financial Condition  
21 Examiner's Handbook. This adopts the most recent  
22 NAIC Financial Condition Examiner's Handbook rules  
23 governing examinations for Florida companies  
24 consistent with the national model.

25 GOVERNOR SCOTT: Is there a motion on the

1 item?

2 CFO ATWATER: So moved.

3 GOVERNOR SCOTT: Is there a second?

4 ATTORNEY GENERAL BONDI: Second.

5 GOVERNOR SCOTT: Any comments or objections?

6 (NO RESPONSE).

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

9 COMMISSIONER MCCARTY: Thank you, Governor.  
10 That concludes our agenda.

11 GOVERNOR SCOTT: Thanks, Kevin.

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# State of Florida Financial Services Commission

## Fiscal Year 2016-2017 Legislative Budget Request & Legislative Proposals

Kevin M. McCarty, Insurance Commissioner  
Office of Insurance Regulation

August 5, 2015

## Office Mission and Vision

### Mission Statement

To promote a ***stable and competitive insurance market for consumers.***

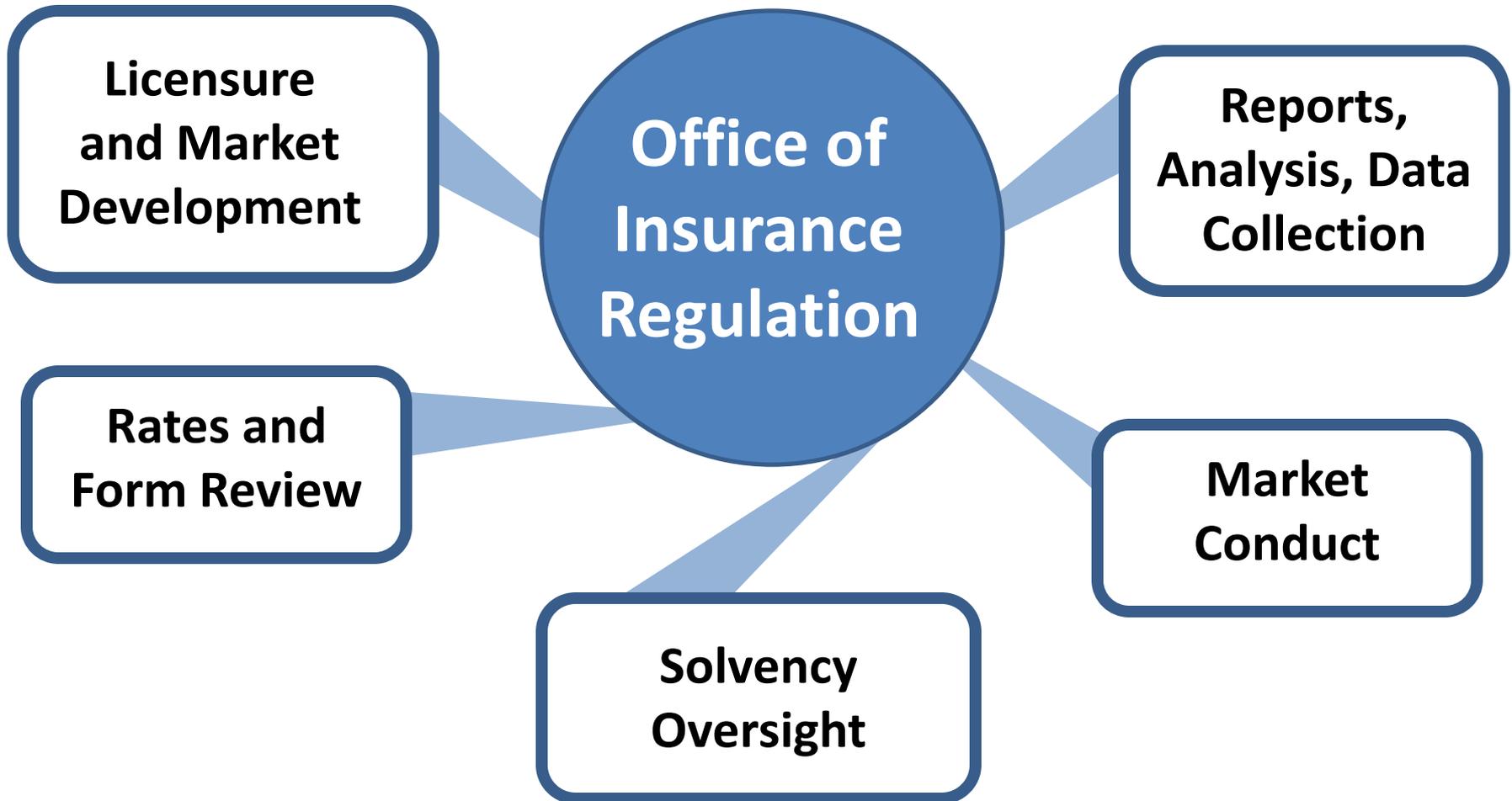
### Vision

The (Office) envisions a robust and competitive insurance market while ***maintaining protections for the insurance-buying public.***

## Office Goals

- Goal 1.** Promote insurance markets that offer products to meet the needs of Floridians with fair, understandable coverage that is priced in a manner that is adequate, but not excessive or unfairly discriminatory.
- Goal 2.** Protect the public from illegal, unethical insurance products and practices.
- Goal 3.** Monitor the financial condition of licensed insurance companies and take action to address financial issues as early as reasonably possible to prevent unnecessary harm to consumers.
- Goal 4.** Operate in an efficient, effective and transparent manner.

## Office Functions



## Office Business Units

### Property and Casualty

- **Financial Oversight** – Monitors the financial condition of property & casualty insurers by conducting financial examinations and ongoing financial analysis.
- **Product Review** – Reviews property and casualty contracts and insurance policy forms & rate filings received from insurance companies and related entities. Performs actuarial reviews of insurance company rates and underwriting rules.

### Life and Health

- **Financial Oversight** – Monitors the financial condition of life & health insurers by conducting financial analysis and on-site examinations.
- **Product Review** – Reviews life and health contracts and insurance policy forms & rate filings received from insurance companies, HMOs, and related entities. Performs actuarial review of health insurance company rates.

## Office Business Units (Continued)

### **Business Development/Company Admissions**

- Receives and coordinates the reviewing of applications for new company licensure and new lines of business.

### **Legal Services**

- Provides counsel to the Office, handles litigation services in State & Federal courts, and works with insurance examiners on regulatory matters.

### **Market Investigations**

- Conducts examinations and investigations of insurance companies and related parties to ensure compliance with the Florida Insurance Code.

### **Market Research/Technology**

- Ensures the efficiency in the collection of insurance industry data to provide insurance market reports. Responsible for enhancements and maintenance for computer and technology applications.

## **Budget – Fiscal Year 2015-16**

- Team of 292 Employees (Down 7.5% from 314 employees in FY 2008-09)
- Total Budget of \$31,849,115
- Exclusively funded by the Insurance Regulatory Trust Fund (IRTF). No General Revenue is utilized for the Office budget.
- The Office is administratively housed within the Department of Financial Services (DFS) for some administrative and technology support services.

## OIR Budget – Fiscal Year 2015-16

<b>Appropriation Category</b>	<b>Amount</b>
<b>Salaries and Benefits (292 FTE)</b>	\$19,993,117
<b>Other Personal Services</b>	\$ 265,169
<b>Expenses (includes \$1 million for office building rent to DMS)</b>	\$ 2,559,164
<b>Operating Capital Outlay</b>	\$ 35,000
<b>Contracted Services</b>	\$ 1,430,726
<b>Florida Public Hurricane Model - Maintenance &amp; Support to FIU</b>	\$ 632,639
<b>Florida Public Hurricane Model – Year 3 Enhancements (<i>Non-recurring</i>)</b>	\$ 1,700,000
<b>Property &amp; Casualty Examinations (budget authority only)</b>	\$ 4,276,763
<b>Life &amp; Health Examinations (budget authority only)</b>	\$ 650,000
<b>Lease/Purchase/Equipment</b>	\$ 27,403
<b>Risk Management Insurance</b>	\$ 181,293
<b>Transfer to DMS (HR Contract)</b>	\$ 97,841

## **Fiscal Year 2016-17 - Legislative Budget Request**

The Office of Insurance Regulation is not submitting any additional funding requests for FY 2016-17.

- Office is requesting a ‘Continuation Budget’
- No new positions or additional funding requested
- Office budget is exclusively funded by the Insurance Regulatory Trust Fund

## **2016 Legislative Initiatives**

### **Health Maintenance Organization Solvency Modernization**

- Application of Risk-Based Capital Standards to HMOs
- Application of Writing Ratios to HMOs

### **Risk Management Analytical Tools**

- Adoption of Own Risk & Solvency Assessment (ORSA) standards for insurers
- Adoption of Corporate Governance Annual Disclosure for insurers

### **Health Insurance Protections for Consumers**

- Protection from out-of-network “surprise” medical and emergency services bills

## **Contact Information:**

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