

Presentation to the Florida Financial Services Commission



Florida Office of Insurance Regulation (Office)

Commissioner David Altmaier

September 20, 2016

Presentation Agenda

Performance Measures & Market Update

- Hurricane Hermine Update
- Property & Casualty Market
- Life & Health Market

Legislative Budget Request

- Fiscal Year 2016-2017 Budget
- Fiscal Year 2017-2018 OIR Proposal

2017 Legislative Session

- Office Priorities
- Areas of Interest

Office Objectives

How do we define success?

Promote markets offering products with fair, understandable coverage at adequate, not excessive/unfairly discriminatory rates.

Protect the public from illegal, unethical insurance products and practices.

Monitor insurer financial condition and act on issues as early as possible to prevent harm to consumers.

Operate in an efficient, effective and transparent manner.

We continue to define success as being synonymous with our mission which is “promoting a stable and competitive insurance market for consumers.”

Performance Measures Detail

Fiscal Year & Fourth Quarter 2015-2016

OIR Performance Measures

Objective		Fiscal Year Total		4th Quarter	
		Result	Score	Result	Score
1	Applications for a new certificate of authority and new types of insurance added to an existing certificate of authority within 90 days	100%	5	100%	5
2	Life and health form and rate filing reviews completed within 45 days	99.9%	5	99.9%	5
3	Property and casualty form filing reviews completed within 45 days	100%	5	100%	5
4	Property and casualty rate filing reviews completed within 90 days	99.8%	5	100%	5
5	Market conduct exams with violations in which the Office requires companies to remediate	100%	5	100%	5
6	Financial exams of domestic insurers completed within 18 months of the "as of" exam date	100%	5	100%	5
7	Life and health priority financial examinations of domestic insurers completed within 18 months of the "as of" exam date	100%	5	100%	5
8	Property and casualty priority financial examinations of domestic insurers completed within 18 months of the "as of" exam date	100%	5	100%	5
9	Priority financial analyses completed within 60 days	100%	5	100%	5
10	Non-priority financial analyses completed within 90 days	99.9%	4	100%	5
Overall Score		4.90		5.00	

Note: Scoring is based on the scale adopted by the Financial Services Commission, with 1 being lowest and 5 being highest, and each measure of equal weight.

Property & Casualty

Activities, Accomplishments, and Opportunities

Selected Activities & Accomplishments

- 570,080 Citizens Property Insurance Corp. policies have been approved for take-out from January-November 2016
- Held public hearing on the rate filing from the National Council on Compensation Insurance (NCCI) to address proposed rate impacts associated with two Florida Supreme Court decisions
 - 15% *Castellanos v. Next Door Company*
 - 2.2% *Westphal v. City of St. Petersburg*
 - 1.8% for updates to the Health Care Provider Reimbursement Manual
- Personal Injury Protection (PIP) insurance study report
- Title insurance data call to title agencies and companies with 1,656 total responses

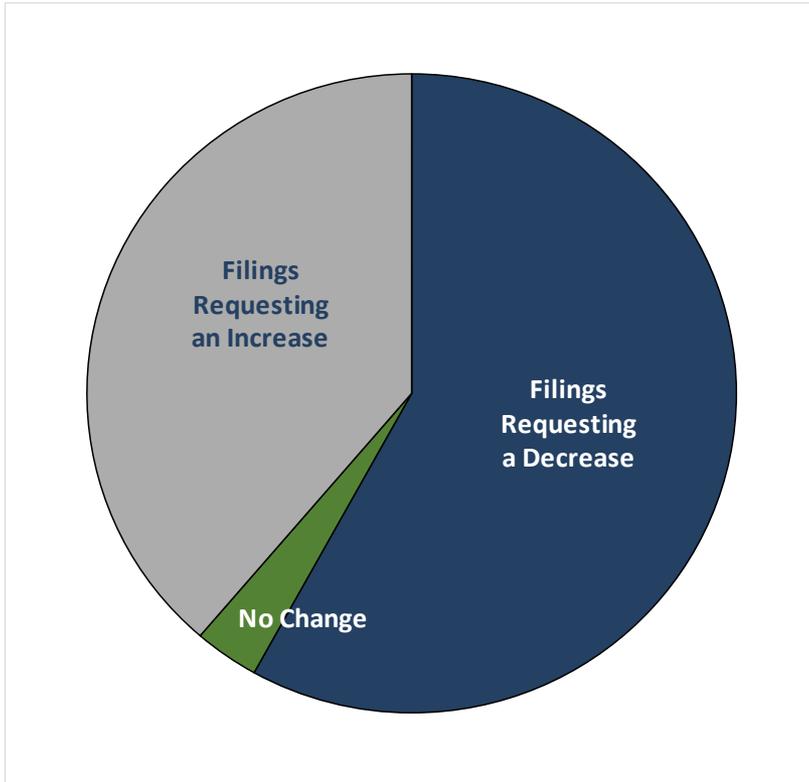
Opportunities

- Impact of third-party claims statewide on homeowners insurance rates
- Court cases affecting workers' compensation insurance
- Fostering a private flood insurance market
- Adapting to new business models (e.g. ridesharing, home-sharing)
- Trade secret protections preventing the public's access to company information available through the Quarterly & Supplemental Reporting (QUASR) system online
- Continued soft reinsurance market

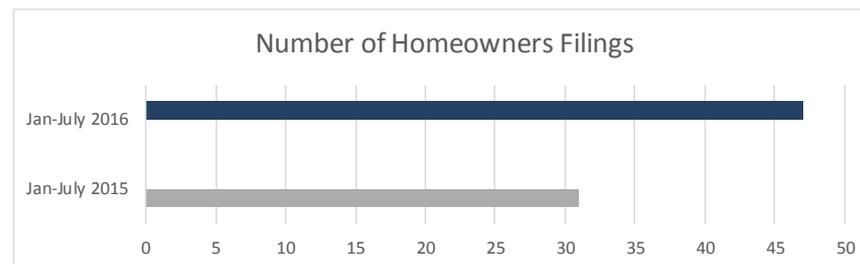
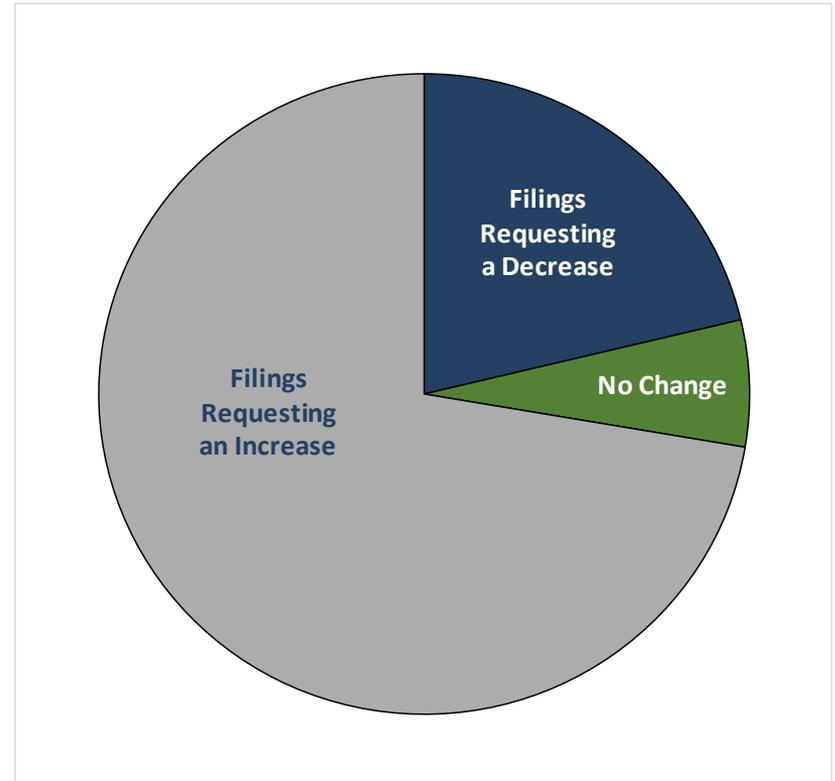
Homeowners

Proportional View of Requested Rate Changes 2015-2016

Rate Filings Jan-July 2015



Rate Filings Jan-July 2016

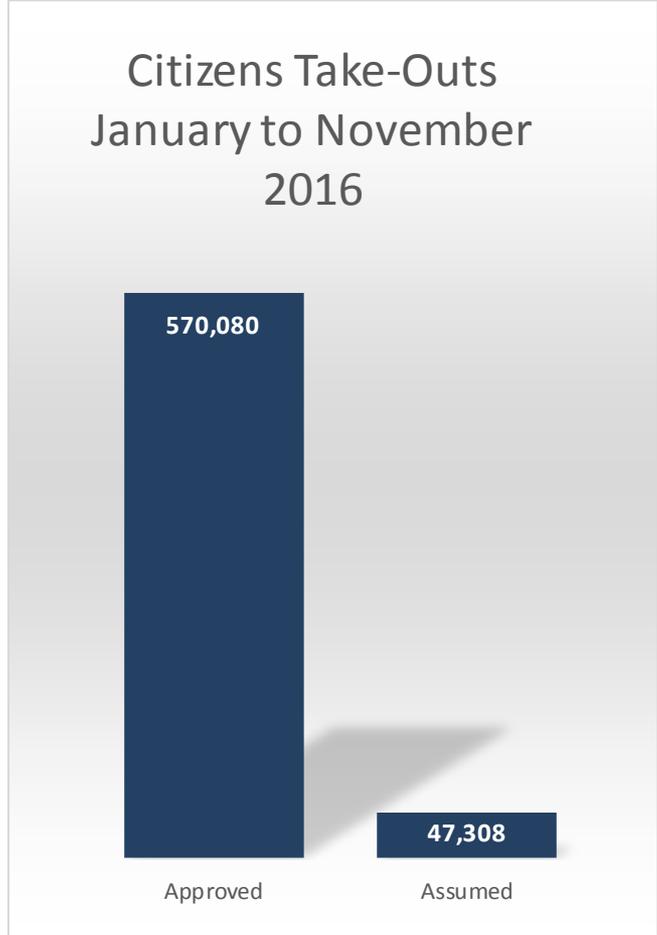


Citizens Property Insurance Corp

Take-Outs Approved and Assumed January to November 2016

Citizens Policy Take-Outs

	Approved	Assumed
January	130,534	19,424
February	75,115	11,529
March	71,500	2,481
April	66,500	3,351
May	81,500	3,108
June	19,535	6,197
July	15,000	1,218
August		
September	15,000	
October	25,650	
November	69,746	
Total	570,080	47,308



Life & Health

Activities, Accomplishments, and Opportunities

Selected Activities & Accomplishments

- Per federal guidance, the Office received 15 individual and 15 small group PPACA-compliant health insurance rate filings for the 2017 plan year and proceeded to review the filings for compliance with state laws.
- Held two long-term care insurance rate hearings in August due to the potential for significant impacts to Florida policyholders.

Long-Term Care

	Increases Proposed	# Policyholders
Met Life	20-95%	22,796
Unum	0-114%	45,666

Opportunities

- Working with the health insurance industry to navigate through significant shifts in market and regulatory dynamics
- Balancing consumer protections with maintaining a robust and competitive market
- Working to find solutions for seniors facing Long-Term Care risk
- Protecting consumers from emergency medical transportation balance billing, especially air transport
- Enhancing claims-paying capacity for Health Maintenance Organizations (HMOs)
- Moving from a formulaic to a dynamic, principles-based approach to life insurer solvency

Long-Term Care

Portion of Direct Premiums from Long-Term Care Business

National Long-Term Care Top 25* by Total LTC Earned Premium							
Rank	Company	NAIC Code	Total LTC Earned Premium ¹	Total National Direct Premium ²	LTC % of Total Premium	LTC Market Share	Recent Avg Rate Requested
1	Genworth Life Insurance Company	70025	\$2,461.3 M	\$3,309.8 M	74.4%	22%	18%
2	John Hancock Life Insurance Company (USA)	65838	\$1,542.9 M	\$20,189.9 M	7.6%	14%	17%
3	Metropolitan Life Insurance Company	65978	\$753.2 M	\$32,865.5 M	2.3%	7%	62%
4	Northwestern Long Term Care Insurance Company	69000	\$551.5 M	\$560.2 M	98.4%	5%	-
5	Unum Life Insurance Company Of America	62235	\$530.9 M	\$4,393.7 M	12.1%	5%	48%
6	Continental Casualty Company	20443	\$497.9 M	\$4,058.9 M	12.3%	4%	32%
7	Transamerica Life Insurance Company	86231	\$461.5 M	\$17,590. M	2.6%	4%	108%
8	Bankers Life And Casualty Company	61263	\$450. M	\$2,158.1 M	20.9%	4%	33%
9	The Prudential Insurance Company Of America	68241	\$382.6 M	\$22,009. M	1.7%	3%	29%
10	New York Life Insurance Company	66915	\$259.7 M	\$13,866.5 M	1.9%	2%	4%
11	Mutual Of Omaha Insurance Company	71412	\$256.6 M	\$1,172.1 M	21.9%	2%	11%
12	Genworth Life Insurance Company Of New York	72990	\$227.2 M	\$426.4 M	53.3%	2%	-
13	Metlife Insurance Company USA	87726	\$224.6 M	\$9,620.2 M	2.3%	2%	7%
14	State Farm Mutual Automobile Insurance Company	25178	\$215.3 M	\$23,535.4 M	0.9%	2%	25%
15	Massachusetts Mutual Life Insurance Company	65935	\$212.3 M	\$20,741.7 M	1.0%	2%	-
16	Riversource Life Insurance Company	65005	\$203.6 M	\$6,533.9 M	3.1%	2%	43%
17	Allianz Life Insurance Company Of North America	90611	\$186.5 M	\$11,298.7 M	1.7%	2%	20%
18	John Hancock Life Insurance Company	93610	\$177.5 M	\$613.5 M	28.9%	2%	13%
19	Senior Health Insurance Company Of Pennsylvania	76325	\$129.1 M	\$129.1 M	100.0%	1%	25%
20	Medamerica Insurance Company	69515	\$89.3 M	\$89.6 M	99.7%	1%	30%
21	Union Security Insurance Company	70408	\$80.4 M	\$1,033.6 M	7.8%	1%	116%
22	United Of Omaha Life Insurance Company	69868	\$76.7 M	\$4,023.8 M	1.9%	1%	-
23	Ability Insurance Company (FKA Medico Life)	71471	\$74.5 M	\$76.1 M	98.0%	1%	36%
24	First Unum Life Insurance Company	64297	\$66.5 M	\$418.8 M	15.9%	1%	-
25	Berkshire Life Insurance Company Of America	71714	\$65.5 M	\$521.1 M	12.6%	1%	-

1. Data taken from Long-Term Care Experience Reporting Form 2 (Summary) for all Life, Health, and P&C filers with the NAIC and the results are in \$Millions.

2. Data taken from Exhibit 1, Part 1 for life filers and the Underwriting and Investment Exhibit, Part 2 for health and P&C filers and the results are in \$Millions.

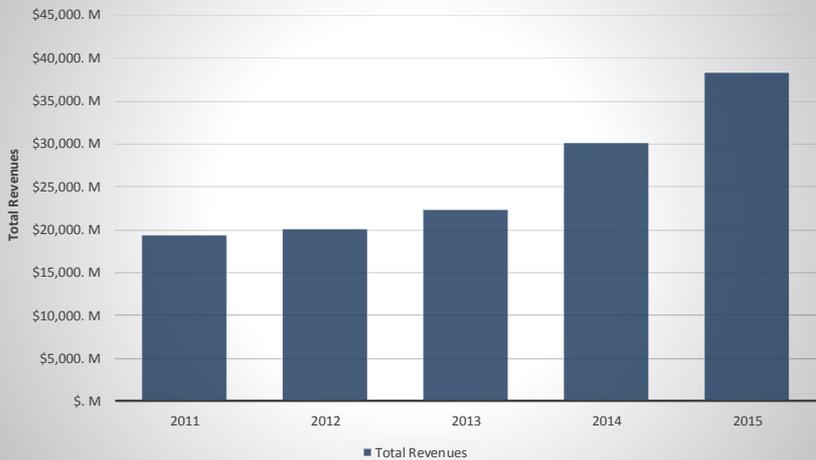
* The top 25 companies make up roughly 91% of the entire national market and those companies in bold italics are still selling in the state of Florida per the CY 2015 GAP Report.

** - Indicates that the company has not requested rate changes on existing products in Florida.

Domestic HMOs

Income Statement Data 2011-2015*

Total Revenues 2011-2015



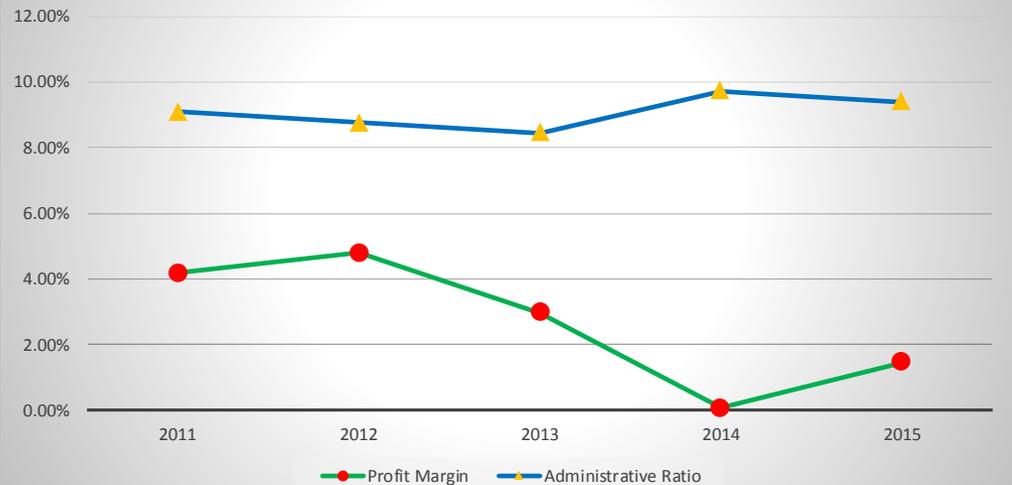
Loss Ratio¹

2011	82.9%
2012	82.0%
2013	84.4%
2014	86.8%
2015	85.8%

% Increase 3.6%

Our domestic HMOs have experienced a challenging environment over recent years. As revenues have continued to climb, profits have been significantly reduced. This is in part due to increasing expenses, medical costs, and the implementation of the Affordable Care Act.

Profit Margin, Administrative Ratio²
2011-2015



- Data taken from the Five Year Historical exhibit for each domestic HMO.
- 1. Loss ratio is defined as the sum of medical related expenses divided by revenues
- 2. Administrative ratio is defined as the sum of administrative expenses divided by revenues



Office Budget – Fiscal Year 2016-2017

- Team of 292 Employees (Down 7.4% from a peak of 315 employees in FY 2007-08)
- Total Budget of \$30,906,841
- Exclusively funded by the Insurance Regulatory Trust Fund - no General Revenue is utilized for the Office's budget
- The Office is administratively housed within the Department of Financial Services for some administrative and technology support services

Office Budget

FY 2016-2017 and FY 2017-2018

Legislative Appropriation Category	OIR Proposal	
	FY 2016-2017	FY 2017-2018
Salaries and Benefits	\$ 19,959,767	\$ 21,488,526
Financial Examinations (Pass-Through)	\$ 4,926,763	\$ 4,926,763
* Property & Casualty Examinations (\$3,501,763)		
* Life & Health Examinations (\$1,425,000)		
Expenses (includes \$1.1 million for office building rent to DMS)	\$ 2,481,072	\$ 2,491,293
Contracted Services	\$ 1,430,726	\$ 1,430,726
Florida Public Hurricane Model - Maintenance & Support to FIU	\$ 632,639	\$ 632,639
Florida Public Hurricane Model – Year 4 Enhancements (Non-recurring)	\$ 850,000	\$ -
Other Personal Services	\$ 290,169	\$ 290,169
Risk Management Insurance	\$ 112,446	\$ 128,297
Operating Capital Outlay	\$ 98,000	\$ 98,000
Transfer to DMS (HR Contract)	\$ 97,856	\$ 94,605
Lease/Purchase/Equipment	\$ 27,403	\$ 27,403
Total	\$ 30,906,841	\$ 31,608,421

Legislative Budget Request - FY 2017-2018

Actuarial Services

- Additional Property & Casualty Actuary
- Reclassification of 8 Actuaries to Sr. Actuary
- Reclassification of 8 Positions to Sr. Actuarial Analyst

Request: \$488,651

Staffing Needs

- Reclassification of Positions - Property & Casualty Financial Oversight
- Reclassification of Positions – Life & Health Financial Oversight
- Additional Rate – Other

Request: \$748,829

2017 Legislative Issues

- Third Party Property Claims
- Modernizing Capital Standards for Health Plans
- Continuing Care Retirement Communities
- Long-Term Care
- Eliminating redundant and/or obsolete statutory language

- Workers' Compensation
- Personal Automobile Insurance