

Meeting of the Financial Services Commission

Presentation by
Commissioner Kevin M. McCarty

April 14, 2015



Organization of Presentation

I. What We Do

II. How We Do It

III. Next Steps



I. What We Do

Office Mission and Vision

Mission

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.***



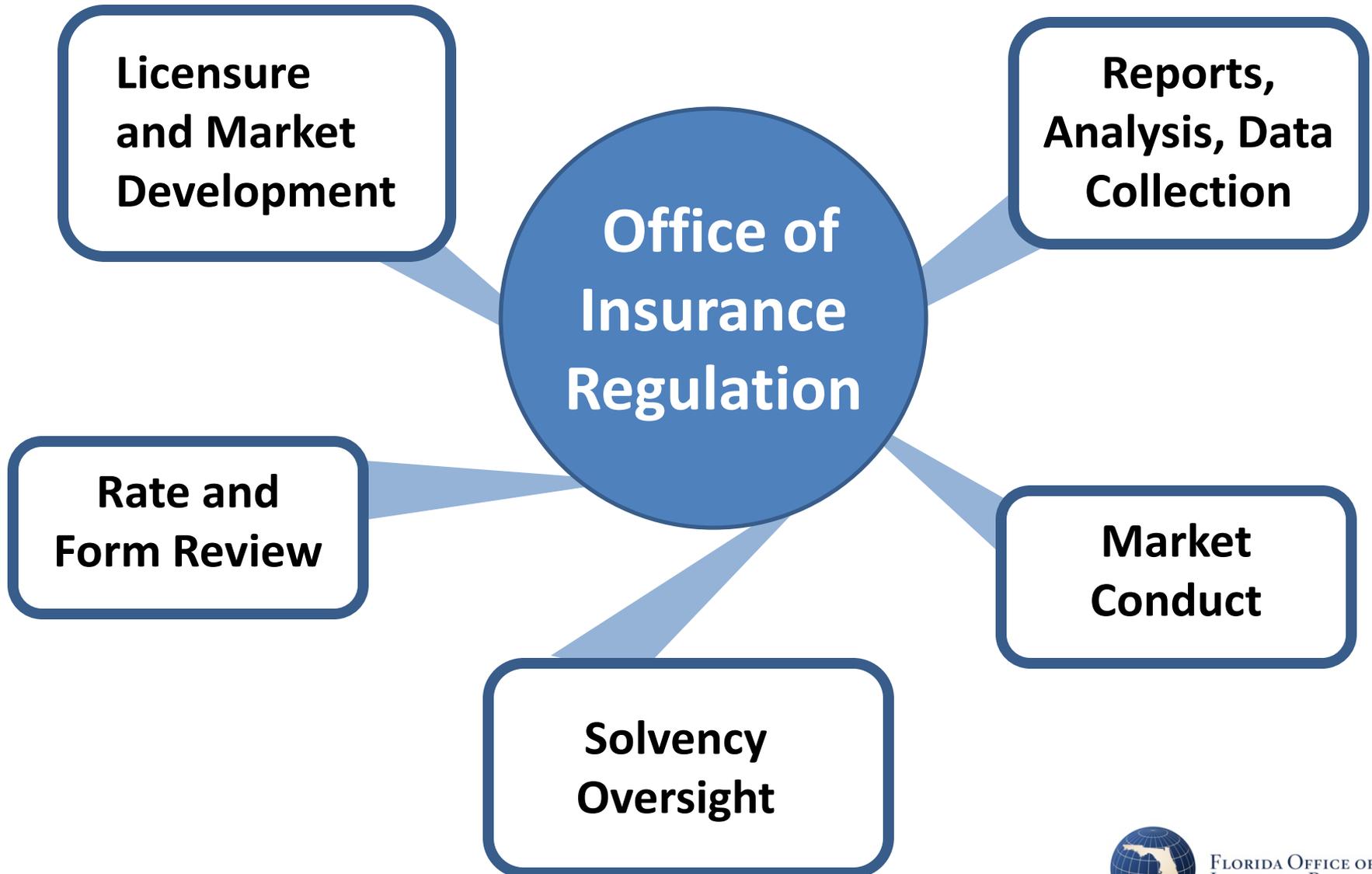
Office Goals

- 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.

Note: Goals are from Office of Insurance Regulation Long Range Program Plan, Fiscal Years 2015-16 through 2019-20, September 2014.



Office Functions



Delegation of Authority

- As reflected in the minutes of the February 25, 2003 meeting of the Financial Services Commission, the following authority is delegated to the Office:
 - Authority to initiate rulemaking with final proposed rules to be brought to the Commission prior to adoption. The FSC retained authority for final adoption, emergency rules and denials of petitions to initiate rulemaking. Also, FSC retained authority for any denials of written proposals for lower cost regulatory alternatives per 120.541. *Note, in practice, based on a rule challenge case at DOAH several years ago, the Office brings rules to the FSC twice. Once for initial publication and again for final adoption.*
 - Authorization to transfer rules of the former Department of Insurance and to make technical changes. *This delegation has been accomplished and is obsolete.*



Evidence of Taxpayer Value

CONSUMER PROTECTION

Prevention:

- Licensure background checks
- Senior products/ad materials review
- Rate adequacy determinations
- Policy forms for legal compliance

Remediation

- Consumer recoveries (\$117M in CY 2013/14)
- Discriminatory drug practices/HIV
- Post-claims underwriting
- Correcting errors in charging filed and approved rates; refunds

MARKET DEVELOPMENT

- Over \$3B in workers' comp premium savings for employers since 2003
- PIP rates down 13.6% on average since 2012
- Increase of 16,000+ insurance jobs (2010-13)
- Average compensation for insurance workers is \$63,577

- Domestic property insurer surplus up 87% since 2010
- 27 new P & C insurer entrants and 11 L & H/ HMO/PLHSO entrants in CY 2013/14
- Citizens: 1M+ policies approved for take-out
- Title insurer redomestication

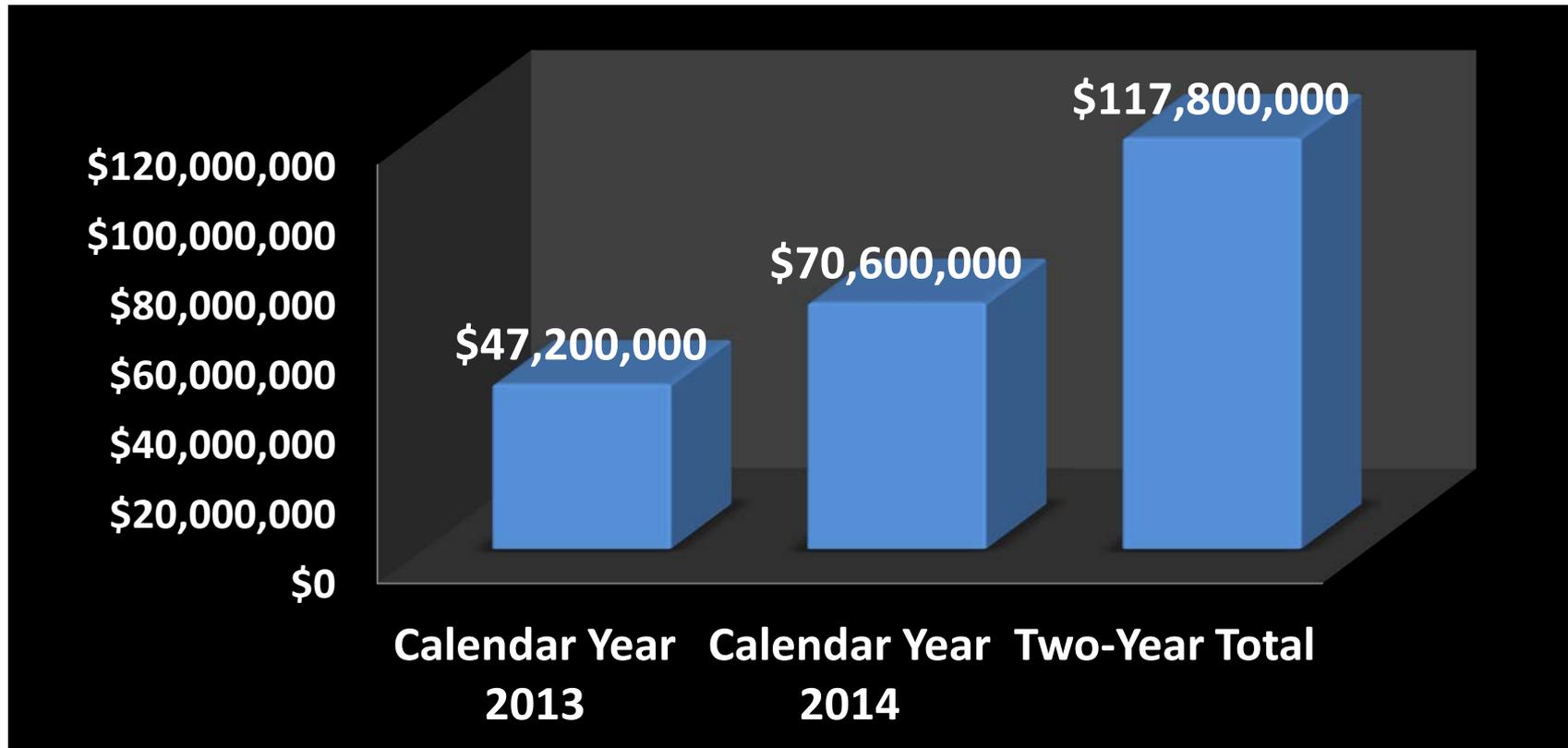
REGULATORY EFFICIENCY

- Lower regulatory costs than peer states
- Combined Filings Project
- Forms Certification Pilot Project
- State productivity awards

- Low administrative costs
- Near-universal online transactions
- Return on NAIC investment
- National regulator awards



Office Recoveries for Florida Consumers CY 2013 and 2014



Note: Recoveries of this magnitude are NOT typical. Life insurance claims settlement cases from 2009 to 2014 account for most of these dollars.



II. How We Do It

Policyholder Value Expectation



COST:

Cost of regulation to consumers =
25¢ for every \$1,000 of premium

BENEFIT:

Insurance coverage from licensed companies using policy forms and rates that comply with Florida law and with the financial resources to pay claims.



Office Budget

Budget (FY 14-15):

\$30.7 million

Staffing (FY 14-15):

288

full-time equivalent employees.
Down 8% from **314** employees
in FY 2008-09

Funding source:

Insurance industry

- Industry Fees
- Agent Fees
- Surplus Lines Tax

No General Revenue Funds

All from Insurance Regulatory TF

Cost of regulation:

As reported by NAIC, Florida's cost of regulation per \$1,000 of premium is **less than the national average and lowest among the four most populous states** (Texas, New York, Florida, California)*

Note: Budget and staffing figures from State of Florida, General Appropriations Act, FY 2014-15.

*NAIC 2014 Insurance Department Resources Report (IDRR). Calculated by NAIC using state budget numbers from FY 2012-13, and premium numbers from CY 2013. Budget numbers reflect total state budget for insurance regulation, including the insurance functions of the Department of Financial Services. Florida's total insurance regulation investment for this purpose is \$80 million.



Leveraging Florida's Regulatory Investment Through the NAIC

Office Dues: **\$151,000 for FY 2014-15**

Benefitting Florida taxpayers, policyholders and companies

Regulatory cost savings including systems for:

- Company licensure
- Financial analysis
- Asset valuation
- Data base management

PLUS

- Training/publications
- Accreditation review

Millions of dollars in economic benefits as NAIC meeting host:

\$22 million

2004-2014

Events planned for 2016/2019 will generate an additional \$8 million

Policy and administrative infrastructure:

- Professional support (e.g., portfolio manager, asset manager, L&H reserve consulting)
- Consumer representation
- Research and amicus briefs on major issues



Insurance Sector Contribution to the Growth of the Florida Economy

2013 Insurance Market

\$20.2 billion

insurance sector contribution to FL GDP (2.5% of total FL GDP)*

\$12.4 billion

total compensation to insurance industry workers

194,299

total insurance-related jobs

\$63,577

average compensation for insurance workers

16,000+

net increase in insurance jobs from 2010 through 2013 (9.4% job growth)

*GDP=Gross domestic product for state.

Source: All figures are from the U.S. Bureau of Economic Analysis (BEA). Note that insurance sector GDP is estimated assuming year-over-year growth equivalent to the Finance and Insurance sub-industry category.



LRPP Performance Measures

Long Range Program Plan (LRPP) Performance Measures	Legislative LRPP Timeframes	LRPP Standard
Percentage of complete applications for a new certificate of authority	Processed w/in statutorily required timeframes	98%
Percentage of life and health form and rate filing reviews	Completed w/in 45 days	90%
Percentage of property and casualty form and rate filing reviews	Forms—Completed w/in 45 days Rates—Completed w/in 90 days	90%
Percentage of market conduct examinations with violations in which the Office takes enforcement action	N/A	85%
Percentage of financial examinations of domestic insurers	Completed w/in 18 months of the "as of" exam date	98%
Percentage of priority financial analyses	Completed w/in 60 days	98%
Percentage of non-priority financial analyses	Completed w/in 90 days	95%
Administrative costs as a percentage of total agency costs	N/A	10%
Administrative positions as a percentage of total agency positions	N/A	10%



2014 Actual Performance: Company Applications

The Office processed 430 applications in an average of 44.7 days in CY 2014.

Statutory Timeframe Before Filing is Deemed Approved	Number of Filings Processed*	% Processed Within Statutory Timeframes
45 Days (Continuing Care Retirement Community)	20	100%
90 Days (HMO, Permits, Acquisitions, Warranty, Donor Annuity, Surplus Lines, TPA)	374	100%
180 Days (Life & Health and Property & Casualty Insurers)	36	100%
Total	430	100%

*Processed includes Approved, Denied, Withdrawn, Incomplete and Listed



2014 Actual Performance: Form and Rate Filings: Life & Health

Life and Health Form and Rate Filings Processed by the Office CY 2013 and 2014

Status	Forms			Rates	
	CY 2013	CY 2014		CY 2013	CY 2014
Total Processed	4,739	4,090		1,983	1,875
% Within 30 days	76.5%	84.3%		57.4%	73.1%
% Within 45 days	96.6%	99.6%		79.4%	98.6%
Withdrawn Filings	227	211		126	98
% Withdrawn	4.8%	5.2%		6.4%	5.2%
Disapproved Filings	215	273		114	144
% Disapproved	4.5%	6.7%		5.7%	7.7%

Note: Shaded areas reflect statutory timeframes.

Source: 2014 Financial Services Commission Statistics Report, Florida Office of Insurance Regulation



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2014 Actual Performance: Form and Rate Filings: Property & Casualty

Property and Casualty Form and Rate Filings Processed by the Office CY 2013 and 2014

Status	Forms			Rates	
	CY 2013	CY 2014		CY 2013	CY 2014
Total Processed	3,916	3,581		4,742	4,743
% Within 30 days	52.4%	47.4%		81.0%	81.7%
% Within 45 days	65.9%	99.9%		84.5%	85.6%
% Within 90 days	N/A	N/A		96.3%	99.6%
Withdrawn Filings	462	665		552	518
% Withdrawn	11.8%	18.6%		11.6%	10.9%
Disapproved Filings	75	383		94	118
% Disapproved	1.9%	10.7%		2.0%	2.5%

Note: Shaded areas reflect statutory timeframes.

Source: 2014 Financial Services Commission Statistics Report, Florida Office of Insurance Regulation



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2014 Actual Performance: Company Financial Reviews and Exams

Financial Reviews and Examinations Conducted by the Office, CY 2014

Authority Category Group	Reviews		Exams		Total	
	#	Timely*	#	Timely	#	Timely
Total Life and Health	2,435	99.7%	19	100.0%	2,454	99.7%
Priority	79	100.0%	--	--	--	--
Non-Priority	2,356	99.8%	--	--	--	--
Total Property and Casualty	4,652	99.9%	12	100.0%	4,664	99.9%
Priority	60	100.0%	--	--	--	--
Non-Priority	4,592	99.9%	--	--	--	--
Total Specialty	682	99.6%	12	100.0%	694	99.6%
Priority	81	98.0%	--	--	--	--
Non-Priority	601	99.8%	--	--	--	--
TOTAL	7,769	99.8%	43	100.0%	7,812	99.8%

*"Timely" refers to time requirements in NAIC accreditation standards for applicable priority.

Source: Property and Casualty, and Life and Health Financial Oversight Business Units, Florida Office of Insurance Regulation.



Reports, Analyses and Data Collection

- Performance Reports:
 - Governor's Office Reports (weekly, monthly, quarterly, annually)
 - FSC Reports (bi-weekly, year-in-review)
- [Annual Reports](#) (Office, Various Lines)
- [Long-Range Program Plan](#)
- Bill Analyses
- [New Entrants Report](#)
- Legislative Presentations
- [Industry-related Reports](#) (numerous)
- Data Calls
- [Fast Facts](#)



III. Next Steps

Additional Performance Measure Recommended

Performance Measure	Current Statutory Timeframe	Proposed Operational Timeframe	Standard
Applications for a new certificate of authority for Life & Health and Property & Casualty	Processed within 180 days	Processed within 90 days	98%



Specific Priorities for 2015

- Health insurance/HMO solvency
- Market development/capital investment in Florida
- Grow Florida's access to global capital
- Property insurer stress testing transparency
- Complete life settlement claims cases
- Prescription drug pricing for serious illnesses
- Title insurance data call and rate review
- PPACA rate review
- Cyber security
- Flood issues
- Monitor workers' compensation cases pending before Florida Supreme Court



Opportunities for Stakeholder Input

- Host business development conference
- Hold public hearings on matters of public interest
- Provide opportunity for public comment on rate filings via website
- Participate in industry/consumer forums such as the Financial Services Roundtable, Geneva Association, U.S. trades
- Hold pre-filing conferences and consultations
- NAIC meetings/industry and consumer input
- IAIS stakeholder meetings
- Make active use of social media for receiving feedback
- Host informal meetings with insurer management on solvency issues/market conditions; interested parties on market issues
- Legislative and Editorial Board visits/NCSL and NCOIL
- Congressional visits/testimony



Stakeholder Feedback

“Commissioner McCarty has been a consumer leader and insurance innovator... .” *Consumer Federation of America, January 2015.*

“...it’s important to note that Florida’s insurance market has undoubtedly stabilized... . The OIR has ... streamlined the administrative process to make it easier for more companies to do business in Florida. And most importantly, they have carried out their core mission, which is to ensure that consumers are protected. This is what insurance market stability looks like.” *R Street Institute, January 2015.*

“In all of the years Old Republic National Title Insurance Company operated in Minnesota, we never had the state insurance commissioner visit with us once. We haven’t even begun operating (our HQ) in Florida and Commissioner McCarty has come to our new office here to visit. I can’t tell you how happy we are to have moved to Florida!” *Old Republic executive, July 2014*

“I know our companies feel better knowing that there are a few U.S. regulators like you up to the challenge both here and at home with “Team USA” was well as globally at the IAIS.” *American Insurance Association, November 2014*

“I appreciate your offer to provide resources to our businesses so that they can become successful and, help bring jobs to Florida.” *Florida physician, 2011.*

“Your commitment to a stable, market-driven regulatory focus enables (our) members to concentrate on customer needs without undue administrative burdens.” *PCIA, October 2013.*

“Our members and staff were honored, pleased and reassured to know that Florida’s small businesses are important to you. Thank you again for your time and support of Florida’s small businesses.” *NFIB, February 2015.*

“We appreciate your leadership on the major international and domestic financial issues important to our industry. Without question, understanding the complexity of these policy matters is important to the long term growth and success of our member companies.” *Property and Casualty Insurers Association of America, 2011.*

