

FLORIDA OFFICE OF  
INSURANCE REGULATION

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Financial Services Commission  
**Office of Insurance Regulation**

**Transition Manual**

**December 2010**

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## **PART I THE OFFICE OF INSURANCE REGULATION**

The Florida Legislature created the Office of Insurance Regulation (Office) in 2003:

"The Office of Insurance Regulation, which shall be responsible for all activities concerning insurers and other risk bearing entities, including licensing, rates, policy forms, market conduct, claims, issuance of certificates of authority, solvency, viatical settlements, premium financing, and administrative supervision, as provided under the insurance code or chapter 636. The head of the Office of Insurance Regulation is the Director of the Office of Insurance Regulation, who may also be known as the Commissioner of Insurance Regulation."

--Section 20.121,(3)(a)1, F.S.

The Commissioner is appointed by, and reports to, the Financial Services Commission. The Commission is comprised of the Governor, the Attorney General, the Chief Financial Officer, and the Commissioner of Agriculture. The Commission serves as agency head for purposes of rulemaking pursuant Sections 120.536-120.565, F.S. Commission action is taken by majority vote. The Director (Commissioner) of Insurance Regulation is considered the agency head for purposes of final agency action for all areas within the regulatory authority delegated to the Office.<sup>1</sup>

The Office is, for purposes of administrative, personnel, and technology support, housed within the Department of Financial Services. Office funding is appropriated directly by the Legislature from the Insurance Regulatory Trust Fund (IRTF), funded by insurance company licensing fees, fines that may be levied for non-compliance with provisions of the Insurance Code.

### **Vision**

The Office envisions a robust and competitive insurance market that maintains consumer protection and provides protection for the Florida insurance buying public.

### **Mission Statement**

To ensure that insurance companies licensed to do business in Florida are financially viable; operating within the laws and regulations governing the insurance industry; and offering insurance products at fair and adequate rates which do not unfairly discriminate against the buying public.

### **Insurance Regulation and the Department of Financial Services**

The Office's interaction with insurance regulatory responsibilities assigned to the Department of Financial Services (DFS) occurs at several regulatory intersections. Consumer complaints received by the DFS Division of Consumer Services may constitute patterns of company practices in violation of the Insurance Code and are referred to the Market Investigations unit for investigation. In turn, Market Investigations examinations may discover potential fraudulent actions that are referred to and worked with the law enforcement personnel of the DFS Division of Insurance Fraud. In some instances, such investigations involve insurance agents licensed by the DFS Division of Agent and Agency Services and Office staff will work with the DFS to assist

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<sup>1</sup> Section 20.121,(3)(c), F.S.

in making cases with the Division's Bureau of Agent Investigations. In instances where an insurance company financial condition has significantly deteriorated to the point of insolvency, the Office will refer a company to the DFS Division of Rehabilitation and Liquidation.

### **Administrative Overview**

As previously noted, the Office is administratively housed with DFS. In statute, that relationship is expressed in this excerpt of Section 20.121, F.S., emphasis provided:

**Section 20.121, F.S.** Department of Financial Services.--

**(3) FINANCIAL SERVICES COMMISSION.**--Effective January 7, 2003, there is created within the Department of Financial Services the Financial Services Commission, composed of the Governor, the Attorney General, the Chief Financial Officer, and the Commissioner of Agriculture, which shall for purposes of this section be referred to as the commission. Commission members shall serve as agency head of the Financial Services Commission. **The commission shall be a separate budget entity and shall be exempt from the provisions of s. 20.052.** Commission action shall be by majority vote consisting of at least three affirmative votes. **The commission shall not be subject to control, supervision, or direction by the Department of Financial Services in any manner, including purchasing, transactions involving real or personal property, personnel, or budgetary matters.**

(e) *Administrative support.*--The offices shall have a sufficient number of attorneys, examiners, investigators, other professional personnel to carry out their responsibilities and administrative personnel as determined annually in the appropriations process. **The Department of Financial Services shall provide administrative and information systems support to the offices.**

Pursuant to this provision, the Office develops and presents its budget requests directly to the Executive Office of the Governor and the Florida Legislature. The Office has developed performance measures and standards to assess the performance of its activities in support of its budget requests.

With respect to the Office's interaction with DFS in matters involving administrative support, the Office has inherited the responsibility to directly manage its personnel matters – i.e., to recruit, advertise, and hire personnel -- subject to DFS personnel office review for compliance with required state agency hiring and personnel policies and procedures.

With respect to the Office's interaction with DFS in matters involving information systems support, the Office seeks independent and project specific appropriations for technology initiatives and upgrades. The Office has direct liaison with DFS technology support staff and it is the DFS Division of Information Systems that provides the Office with standard desktop, network, and programming assistance for integrated computer systems in use by both the Office and DFS.

## **Insurance Company Regulation – Overview**

An insurance company's decision to enter the Florida marketplace may well begin with the Office's Business Development and Company Admissions unit. From this office, an insurance company can obtain general information about the business climate in Florida, become acquainted with the requirements of making an application for a Certificate of Authority (COA) to transact the business of insurance in this State, and examine detailed, public information about Florida's markets for an insurance product.

The Company Admissions Section which handles company licensure and company acquisition filings. After licensure, a COA is granted for those lines of business for which the company will write insurance coverage, and the new company begins its interaction with the core units of the Office charged with regulatory oversight of Florida's insurance industry.

## **Financial Oversight**

The Office is charged with the responsibility for review of the financial books and records of insurance companies and related entities to ensure that insurance companies remain financially viable and are in compliance with Florida law.

The Office's professional financial examiners conduct quarterly and annual reviews of each company's financial statements. The monitoring of company financial status includes the tasks of conducting actuarial reviews, field examinations and analyses of financial statements and reports. As required by law, periodic on-site financial examinations are conducted to assure compliance and verify that accurate information has been submitted pursuant to statute and administrative rule regulation. In addition to the monitoring of established companies, reviews are conducted of all new applicants desiring entrance to the Florida marketplace; and specific, targeted reviews are undertaken under a variety of circumstances warranting enhanced review, including when there are any material changes in ownership of carriers domiciled in Florida. The financial oversight offices also participate in multi-state financial examinations under the auspices of the National Association of Insurance Commissioners (NAIC).

With respect to national accreditation of state insurance regulatory functions, the Office participates in the NAIC's Financial Regulation Standards and Accreditation Program. The objective of the accreditation program is to provide consistent solvency regulation of multi-state insurance companies with an emphasis on developing minimum solvency laws and regulation standards, effective and efficient financial analysis and examination processes, and appropriate organizational and personnel practices. In 2008, an independent review team reviewed the Office and awarded the Office its fourth consecutive accreditation.

## **Insurance Product Review**

In addition to financial oversight, a second core function of the Office's insurance regulatory role is that of product review – review and approval of insurance product forms and rates. Form filings include policy forms (contracts), which can be new products or changes to existing products, and may in some product lines include applications and marketing materials. Rate filings are requests from an insurer to increase, decrease, or maintain current rates associated with specific policy forms. Policy forms and rates receive rigorous review by Office staff to determine compliance with Florida Statutes and to ensure that the products are offered at a fair and adequate price, that premiums are reasonable in relation to the benefits they provide, and

that they do not unfairly discriminate against segments of the public.

Florida Statutes establishing filing requirements and Office approval for products to be marketed in Florida are intended to provide a stabilizing effect on rates – to avoid dramatic rate changes and to encourage carriers to keep rate changes closely aligned with underlying cost changes over time. The statutes intend to facilitate objective competition in a rate and benefits/coverage environment that best meets the needs of Florida's insurance consumers.

### **Market Investigations**

The Market Investigations Unit conducts examinations and investigations of insurers and related parties regarding business practices and patterns of alleged violations of the Florida Insurance Code. The unit is comprised of four sections: Property and Casualty Section; Life and Health Section; Unauthorized Entities Section; and Market Analysis Section.

The Property and Casualty and Life and Health Sections of the unit conduct examinations and investigations of the business practices of authorized Florida insurers. The Unauthorized Entities Section investigates allegations of unauthorized and illegal insurance activity. The Market Analysis Section identifies trends and analyzes patterns of insurer data related to industry or marketplace issues which may arise from a pattern of consumer complaints, financial trending, and other business environment developments. The findings of market conduct examinations and investigations may result in administrative action, the imposition of fines, and can require corrective action in order to protect insurance consumers from unlawful or harmful business practices.

It is important to note, however, that the role of Market Investigations is multi-purpose – i.e., the unit is driven not only by its investigative role, but engages in the opportunity to provide technical assistance and corrective guidance as the unit interacts with insurance companies. Most apparent in its business-friendly relationship with new companies is providing advice and counsel on the best practices to ensure continuing compliance with Florida Statutes and administrative rules. The goal of the unit is to create a “partnership in regulation” environment that works to the benefit of companies, the Office, and Florida's insurance consumers.

### **Legal Services**

The attorney, paralegal, and administrative staff of the Office's Legal Services Unit provides legal advice and counsel to the Office, under the direction and supervision of the General Counsel. The Legal Services unit represents the Office in state and federal courts, informal administrative hearings, hearings at the Division of Administrative Hearings, proceedings and cases pending in any other forum. The Legal Services Office also reviews applications for new companies, works with the examiners on regulatory issues, and handles the issuance of rules, orders, and other legal documents produced by the Office.

### **Regulatory Division: Life and Health – Property and Casualty**

The regulation of life and health insurance, property and casualty insurance and specialty insurance products requires different financial, actuarial and regulatory expertise. The Office is thus divided into Life and Health Product Review and Financial Oversight business units and Property and Casualty Product Review and Financial Oversight business units. In 2010, the Office merged the regulation of specialty insurance products into the appropriate business units

to streamline processes and provide additional resources to the business units. Specialty insurance products include auto, home and service warranties, premium finance companies, legal expense insurance, third party administrators, continuing care retirement communities, donor annuities and viatical settlement providers.

### **The Office of Inspector General**

The Office of Inspector General is charged with the responsibility to conduct financial and program audits, management reviews, business and technical consultation engagements, and risk assessment methodologies appropriate for the activities of the Office. The Inspector General reports directly to the Commissioner of Insurance Regulation.

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

The primary role of the Business Development and Company Admissions (BDCA) unit is to facilitate the regulatory process for companies and to streamline the many steps companies must take to comply with the Florida Insurance Code. The goal of this effort is to retain companies, while attracting new insurers and products to increase competition that ultimately benefits Florida's consumers. Another goal of the unit is to identify financially fit, highly rated companies not writing in Florida, communicate to them the positive aspects of the Florida marketplace, and encourage them to expand or domesticate in Florida. As required by statute, this outreach to the marketplace is a program that has been developed within the existing resources of the Office.

Initially, the BDCA unit worked with Enterprise Florida and other economic development councils throughout the state to promote the benefits of expanding or moving lines of business to Florida and facilitating the regulatory process for established and new insurance companies. This involved travel in and outside of the state of Florida. However, due to significant budget reductions, the Office has curtailed this type of travel.

The BDCA has played a proactive role in promoting the opportunities available to insurance companies in the Florida marketplace and in light of current economic conditions, continues its outreach without travel and within the existing resources of the Office. In addition, the unit continuously reviews and where necessary, modifies certain of the Office's website information to accommodate the ever-changing statutory and business requirements in Florida's insurance market. BDCA makes every effort to assist companies that have submitted applications for licenses or amendments to licenses throughout the process.

The BDCA works closely with companies to submit applications via an online system called I-Apply. The intent of this system is to decrease application processing time, thereby increasing speed to market of new insurance products for consumers and bringing enhanced competition to Florida's marketplace. The system does not reduce the scrutiny given to new insurance company applications, but enhances and organizes the information so that decisions may be made quickly and based on complete information.

Since the creation of the Office in 2003, the number of entities regulated by the Office has increased from approximately 3,400 to 3,972.

### **Market Research & Technology**

The Market Research and Technology Unit serves as the data clearinghouse for the collection and dissemination of public insurance industry data. This unit is comprised of two areas that support the Office in the oversight and development of Florida's insurance markets.

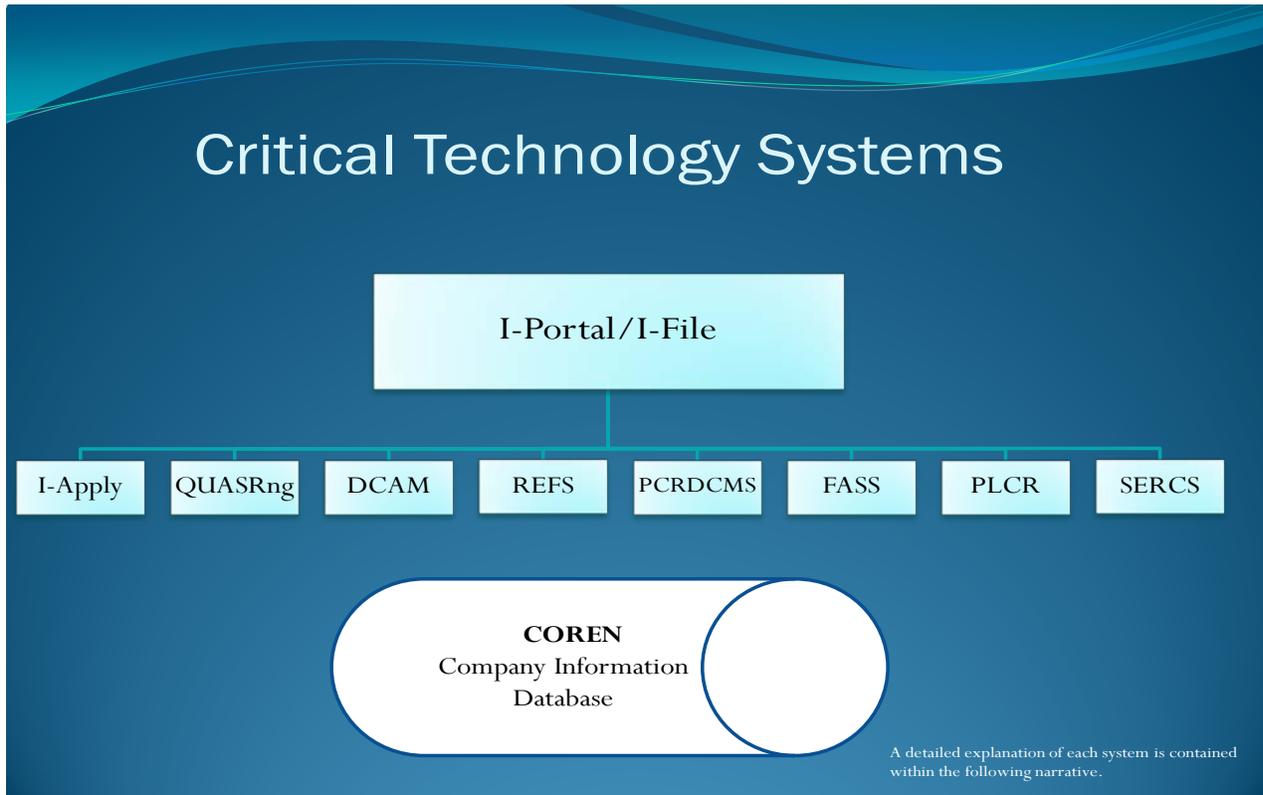
The primary purpose of the Market Research Unit is to ensure efficiency and transparency in the collection and validation of data that is collected from regulated entities. This section provides the data to satisfy public record requests, legislatively mandated reports and internal business unit requests.

The Technology Unit's primary role is to support the Office in the day-to-day maintenance and development of computer applications. This unit works very closely with technical staff augmentation vendors and with the Department of Financial Services/Division of Information Systems to meet the needs of internal and external users by ensuring that systems are functioning properly.

## Technology Achievements

The Office has developed one of the most advanced regulatory technology systems in the country – boasting comprehensive electronic insurance company form, rate and data filing systems with a corresponding structure of internal electronic management tools.

The Office makes insurance data it collects available to the public at [www.floir.com](http://www.floir.com).



The Office's Internet Portal and I-File (I-Portal/I-File) are critical to insurance company filings, as well as the Office's ability to meet its mission. The I-Portal was opened in July of 2002 to act as an umbrella for all Office Internet business processes and is the central location for insurance companies to conduct business with the Office by submitting filings through I-File. Each year, the I-File system is modified to implement significant legislative changes and technology enhancements. I-Portal/I-File has decreased insurance company response time and the speed at which new products or rates are brought to the market.

The following section details many of the critical systems that are housed within the I-Portal/I-File.

### I-Apply

The Office implemented I-Apply during 2007-2009 to allow for insurance companies to electronically submit company applications. The system has decreased application processing time, increased the speed-to-market of new insurance products for consumers and enhanced competition to Florida's marketplace. The system does not reduce the scrutiny given to

insurance company applications, but organizes the information so that decisions may be made quickly and based on complete information.

#### Quarterly and Supplemental Reporting System Next Generation (QUASRng)

Insurance companies writing personal and commercial residential policies are required to report quarterly data to the Office. In 2008, the Office launched the newest revision of the Quarterly and Supplemental Reporting System (QUASR) -- the Quarterly and Supplemental Reporting System Next Generation (QUASRng). First established in 1996, the original purpose of QUASR was to help the Office monitor the state's moratorium prohibiting insurers from cancelling or non-renewing personal and commercial residential policies subsequent to Hurricane Andrew in 1992.

Since its inception, QUASR has been instrumental in assisting the Office in analyzing the Florida property insurance marketplace by providing market share data from companies writing personal and commercial residential policies and in assisting the Office in monitoring the influence of the residual market.

In 2009, the Office launched a new public QUASRng Website that includes prepared reports by Policies in Force, Structure Exposure, Premiums Written, Non-renewed Policies, Cancelled Policies and New Policies Written. A comprehensive database is also available to the public to directly query QUASRng statistical data for Florida's personal and commercial residential marketplace.

#### Data Collection and Analysis Modules (DCAM)

The DCAM system is housed within the Office's I-Portal and it administers both ad hoc and standardized data collection events including, but not limited to, informational documents, surveys, questionnaires and numeric data. This system provides the Office with quicker access to important company data.

In 2008, DCAM handled the Florida Legislature's Office of Program Policy Analysis and Government Accountability's (OPPAGA) Long-Term Care Partnership Survey. DCAM is also used annually to facilitate the data collection survey for the Report on Life Insurance Limitations Based on Travel to Foreign Countries.

Additionally, each year DCAM is prepared to administer the collection of data for damage caused by a catastrophic event, such as a tropical storm or hurricane.

In August 2010, the Office activated DCAM to collect sinkhole claims data from insurance companies for the years 2006 – 2010. The data collection concluded during the fall of 2010. The objective of the sinkhole data call was to obtain specific information about sinkhole claims on a claim level basis so that trends and other data elements could be analyzed.

In May 2011, DCAM is scheduled to administer the Office's Annual Reinsurance Data Call. Each year, the Office conducts a Reinsurance Data Call to determine whether insurers writing property risks in Florida will be able to meet their policy obligations in the event of one or more

catastrophic events during the hurricane season.

#### Electronic Document Management System (EDMS)

Established in 2002, EDMS was designed to allow the Office to internally process form and rate filings electronically. EDMS captures company filings and provides a workflow process for business unit staff involved in form and rate reviews. The Financial Analysis and Monitoring Electronic Data Management System (FAME), as well as the Property and Casualty Rate Data Collection and Management System (PCRDCMS) utilize EDMS as an internal management tool (refer to the following summaries for detail).

#### Regulatory Electronic Filing System (REFS)

REFS was launched in 2006 to allow insurance companies to submit all financial-related documentation via the I-Portal/I-File, including various agreements, reinsurance documents, dividend requests, and all other requests and correspondence with the Property and Casualty and Life and Health Financial Oversight business units.

REFs interfaces with the Financial Analysis and Monitoring Electronic Data Management System (FAME), which captures insurance companies financial statements and other financial-related documents and automatically indexes filed documents into a workflow system for electronic review and routing to internal supervisors and examiners.

#### Property and Casualty Rate Data Collection and Management System (PCRDCMS)

To meet the changing needs of the insurance industry and changes in technology, the Office identified the need to replace the existing rate collection and rate management systems for the property and casualty lines of business and to expand the I-File system to incorporate filings in the commercial insurance market. In 2006 and early 2007, the Office developed a new property and casualty rate data collection and management solution and expanded the capabilities of I-File.

PCRDCMS allows for the collection and review of rate data for several lines of business. There are two components – a collection mechanism through I-File and an internal management component through the Electronic Data Management System (EDMS). PCRDCMS also incorporates the Filing Assembly and Submission System (FASS) within I-File. FASS is a secure online application (via I-Portal) that enables an I-File user to submit an electronic form and rate filing instead of mailing hardcopy filings to the Office. FASS uses filing component lists as a tool for users to accurately complete a filing according to Florida Law.

#### Professional Liability Claims Reporting System (PLCR) and Medical Malpractice Financial Information Closed Claim Database and Rate Filings Report

The Office collects closed claims data from medical and legal professionals, as well as for officers and directors of insurers. The data is utilized to prepare an annual report detailing the medical malpractice insurance market in Florida. The report provides a review of the profitability and solvency characteristics of the medical malpractice insurers doing business in Florida, a review of rate filings received by the Office during the year, and a review of the characteristics

of the medical malpractice closed claims required to be filed with the Office. The data can be found at <http://www.floir.com/Liability/index.aspx> within the Professional Liability Claims Reporting (PLCR) System.

### Small Employers Rate Collection System (SERCS)

The Small Employers Rate Collection System (SERCS; also known as RCS) is utilized to gather small-group health coverage rate data for insurance company rate filings.

The consumer Website interface is called the Small Employer Sample Rate Search (SESRS). It allows small business owners to input information including county, deductible range, coverage type (e.g., HMO, PPO, etc.), plan type (basic, standard, high-deductible) and one-life group availability.

### Company and Related Entities Navigator (COREN) and a Technical Upgrade from .ASP platform to .Net platform

COREN was designed to be the cornerstone of the Office's business applications and provides information to over 700 users and interfaces with multiple Office and DFS applications/systems.

COREN is the centralized interactive database that contains insurance company information regulated by the Office. All information pertaining to companies including, but not limited to, contact information, Website, email address, licensing information, lines of business, domiciliary state, National Association of Insurance Commissioners (NAIC) data, Federal Employer Identification Number (FEIN), internal Office assigned financial examiner, addresses, AM Best's Rating, company officers, company history and list of major transactions, and some links to financial data. CORE has three main functions: to view, edit and issue reports based on company information contained within the database.

Implemented in 1998, the original CORE was developed using the .ASP platform. As technology has advanced over the years the need to upgrade COREN has become a priority. The re-write of COREN application code into standard .NET architecture is a necessity. This project will commence in January 2011 and is slated to end in June 2012. The upgrade will improve performance, security, stability, scalability and the ability to implement enhancements, and improved report generation.

### **Technology Initiatives**

The following highlights additional significant technology initiatives.

#### [www.ShopAndCompareRates.com](http://www.ShopAndCompareRates.com)

In 2007, the "Shop and Compare Rates," Website was launched to assist consumers comparing homeowners' insurance rates throughout Florida. "Shop and Compare Rates" is an interactive tool available online at [www.ShopAndCompareRates.com](http://www.ShopAndCompareRates.com). The program assists consumers with comparing homeowners' insurance rates in all 67 Florida counties. By clicking on each county, a consumer will see a pop-up window with a representative sample of companies and rates for insuring a typical Florida home. The list of insurers is sorted from the lowest to highest

premium.

#### Life and Health Medicare Supplement Rate Management System (MediGap)

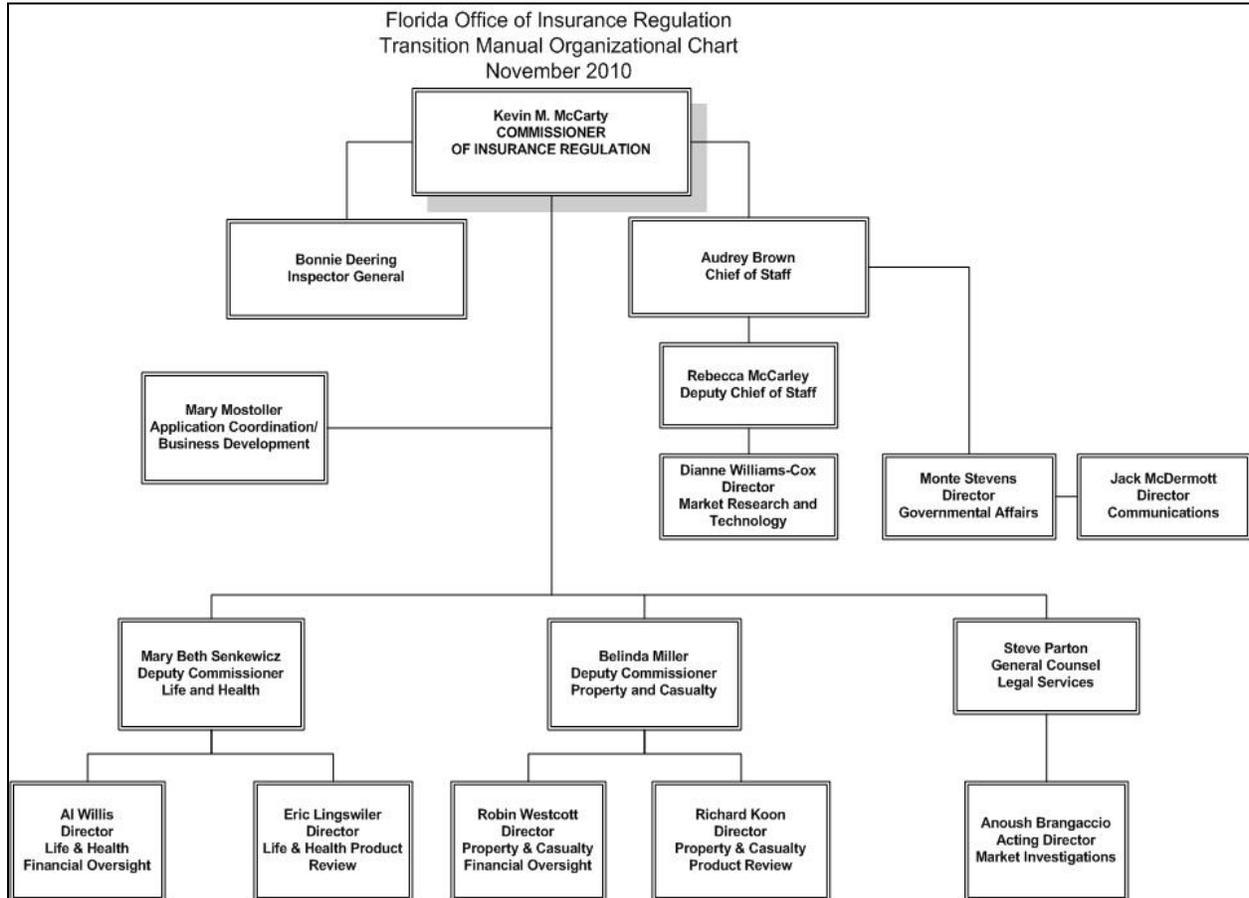
In 2007, the Office developed a Medicare Supplement rate collection system to provide accurate, current rate pricing and availability of Medicare supplement insurance plans for seniors, consumers and their families to enable them to make more informed health coverage purchasing decisions and to enable the Office to quickly organize carrier-submitted data for useful analysis for its stakeholders.

The Office has developed a system to efficiently collect rate information from insurers and provide a Website for consumers, with which they can enter their demographic statistics and obtain prices for different plans and from different carriers.

#### Oracle 10G Upgrade

In November 2009, a significant upgrade was executed for a nearly 10-year old relational database management system called Oracle 8i (launched by Oracle in 1999) to Oracle 10g (launched by Oracle in 2007). This upgrade affected the majority of the Office's systems. Over a three month period, all systems' technical code was frozen and only well-documented emergency deployments were executed. Once the upgrade from Oracle 8i to 10g was in effect, the Office's technology and business unit staff tested the impacted systems to ensure they were operating properly. The upgrade has been completed successfully.

## Organizational Chart



## **Legislative Achievements**

### Florida Public Hurricane Model

The Public Model, housed at Florida International University (FIU), was created in 2001 to be the first public, transparent model of its kind in the United States. It is the work product of the state university system and included large contributions of resources from FIU, the University of Florida and The Florida State University. The current version of the Public Model meets the standards of the Florida Commission on Hurricane Loss Projection Methodology and is used by the Office of Insurance Regulation and Citizens Property Insurance Corporation as a benchmark for rate filings. The State Board of Administration uses the Public Model and the other approved models to establish reimbursement rates for the Florida Hurricane Catastrophe Fund. The Office runs most residential rate filings through the Public Model. Every assumption and method of the Public Model is open to public inspection, which gives greater transparency to the rate review process.

### Implementation of HB 1A (2007)

In January 2007, the Legislature convened for a special session focused exclusively on the availability and affordability of property insurance. The resulting legislation (HB 1A) required the Office to, among other things, develop and implement a "presumed factor" by which insurance rates were to be lowered in exchange for the state assuming increased risk through expansion of the Florida Hurricane Catastrophe Fund. The resulting presumed factor filings decreased insurance rates by a statewide average of 15.9%.

### Federal Natural Catastrophe Legislation

Commissioner McCarty has been a consistent advocate for a Federal Catastrophe Plan aimed at fortifying the nation from financial ruin as a result of natural disasters. Under the Leadership of former US Representative Ron Klein (D-West Palm Beach) the US House passed HR 2555, the Homeowners Defense Act of 2009, which had bi-partisan support from every member of the Florida delegation. In addition to HR 2555, there have been numerous other legislative initiatives to address National Catastrophe exposure. The office will continue to support efforts to create a national disaster plan.

### Funding for Insurers' Financial Examinations

The Office successfully lobbied for statutory changes which allowed for financial exams of insurance companies to be outsourced. Prior to 2007, all examinations conducted by the Office were done by state employees at a significant cost to taxpayers. The statutory changes made in HB 1549 also allow insurers to be billed directly for the cost of the exam, allowing for streamlined payment for these services. The outsourcing of these examinations has resulted in cost savings and has brought Florida in compliance with national standards established by the National Association of Insurance Commissioners.

### Discount Medical Plan Organizations

The Discount Medical Plan Organization enabling legislation charged the Office with the

responsibility to regulate products sold in the Discount Medical Plan industry. Prior to the enactment of a regulatory structure in this industry, the Department of Financial Services, Division of Consumer Services, received over 1,000 consumer complaints per year. Through the legislative changes and implementation efforts of the Office, consumer complaints have decreased by 90%.

### Long-Term Care Insurance

In 2005, the Office conducted a comprehensive study of Long-Term Care (LTC) Insurance in an effort to find solutions to rate increases on older LTC policies and to enhance sales on newer adequately priced products. The collected feedback from the study, private insurers, consumers and the regulators as well as from the 2005 public hearing ultimately led to the Long-Term Care Insurance market reforms of 2006. The Florida Legislature approved a senior protection bill, HB 947 (Ch. 2006-254), which makes Long-Term Care Insurance (LTC) more affordable, available, and marketable. The law is designed to restore confidence in the LTC market and increase overall sales to seniors which have declined in recent years due to problems in the market. The legislation establishes a Long-Term Care Partnership Program with Medicaid, which provides seniors incentives to purchase more affordable Long-Term Care Insurance, by allowing them to protect their personal assets in an amount equal to the benefits provided by their policy from Medicaid spend-down requirements.

In closed blocks of business, the law protects seniors by limiting the amount of a rate increase applicable to in-force long term care policies and provides a non-forfeiture benefit on lapse as well as an incontestability provision. As a result, seniors will know that their insurer did a thorough job of reviewing their application and will be protected from post-claim underwriting or any frivolous allegations of fraud when applying for benefits. Seniors and their families are protected from excessive rate increases in the future that result from an insurer choosing to close a block of business and sending it into a rating "death spiral."

In the event of justifiable rate increases, seniors now have options to reduce benefits or cancel their policy but at least walk away with a paid up policy equal to the amount of premiums already paid. This is currently available to seniors that purchased a LTC policy after March 2003; however, at that time, the Legislature did not include the same protections to policies already in force.

### Life Insurance, Intent to Travel

This Legislation makes it an unfair trade practice to use travel plans in underwriting life insurance policies unless the insurer can prove that it is based on sound actuarial principles and actual or reasonably anticipated experience and provides a process to make exceptions to the law using the rulemaking authority of the Florida Financial Services Commission. Under the legislation, the Office is required to review all applications that are denied based on travel in market conduct examinations and triple the fines for such violations.

The law prevents insurance companies from unfairly discriminating against people who travel outside the country. The measure prohibits charging higher rates or refusing coverage to those applying for insurance solely on the basis of that individual's past lawful foreign travel experiences or solely on the basis of the individual's future lawful foreign travel plans (unless

the insurer can provide justification as to why the travel has an adverse effect on the insured's health or life expectancy).

## **Florida's National Leadership Role**

### The National Association of Insurance Commissioners (NAIC)

The National Association of Insurance Commissioners (NAIC) is the organization of insurance regulators from the 50 states, the District of Columbia and the five U.S. territories. The NAIC provides a forum for the development of uniform insurance regulatory policy, when uniformity is appropriate.

State insurance regulators created the NAIC in 1871 to address the need to coordinate regulation of multi-state insurers. The first major step in that process was the development of uniform financial reporting by insurance companies.

Since then, new legislative concepts, new levels of expertise in data collection and delivery, and a commitment to even greater technological capability have moved the NAIC forward into its role as a multidimensional, regulatory support organization.

With offices in Kansas City, Missouri, New York and Washington, D.C., the NAIC staff provides invaluable support and information to insurance regulators, companies and consumers.

The mission of the NAIC is to assist state insurance regulators, individually and collectively, in serving the public interest and achieving insurance regulatory goals in a responsive, efficient and cost effective manner, consistent with the wishes of its members.

### Florida and the NAIC

Florida has exercised leadership within the NAIC by serving as Chair or Vice Chair of significant standing committees and continues to be actively involved in several key committees of the NAIC. The Office is an active participant in the NAIC Commissioner McCarty currently serves as Vice President of the organization. In 2011, he will serve as President-Elect and in 2012, President of the NAIC.

Florida chairs the NAIC's Senior Issues Task Force, which deals with issues such as Medicare, Medicare supplement insurance, and long-term care insurance that affect so many of Florida's senior population. In addition, Florida chairs the International Insurance Relations Committee, which is responsible for strengthening the international insurance regulatory system and providing a forum for cooperative efforts among state insurance regulators, international regulators, and multi-national associations of regulators on issues of mutual interest.

Florida has been active in recent years in the areas of Catastrophe Insurance, the Solvency or Financial Oversight committees, as well as many national market conduct issues that have resulted in millions of dollars being returned to consumers. Participation in NAIC activities has put Florida in the forefront of many issues that are critical to the ability of the Office to understand and influence insurance markets.

### International Insurance Regulation

Commissioner McCarty has elevated Florida's international presence by serving as a United States representative on the International Association of Insurance Supervisors' (IAIS) Executive and Technical Committees, as well as the Joint Forum, a key group of leading international regulators from the insurance, banking and securities sectors.

The Joint Forum works collaboratively with the Financial Stability Board – an international body of financial ministers and central bank governors from countries with the largest economies in the world. As Chair of the International Insurance Relations (G) Committee of the NAIC, Commissioner McCarty is working with European leaders to achieve a transitional equivalence for Europe's Solvency II requirements. Gaining EU equivalency is critical for the United States in order to prevent an exodus of capital. Without equivalency, American companies would be required to post additional collateral to operate in Europe.

### National Conference of State Legislators (NCOIL)

Historically, the Office participated in the National Conference of Insurance Legislators (NCOIL). However, due to severe budget cuts, the Office restricts travel to NCOIL meetings to only those meetings where the Office is presenting to a committee at NCOIL.

NCOIL consists of state legislators from around the country that serve in leadership positions or are active members of the committees responsible for insurance and banking in their respective legislative houses. NCOIL assists legislators in making informed decisions on insurance issues that affect their constituents and improves the quality of state legislation by providing interaction and open dialogue with elected legislative officials from around the country. When attending an NCOIL meeting, Office staff participate in and attend committee meetings, special subcommittee meetings, roundtable discussions, and general sessions.

NCOIL and the NAIC have made recent efforts to improve collaboration and communication of insurance issues affecting the states through Legislative Liaison committees.

## The Florida Insurance Marketplace Snapshot, September 2010

Regulated Entities as of June 30, 2010

The Office regulated a total of 3,972 insurance entities.

Life & Health Insurers	828
Property & Casualty Insurers	1,448
Specialty & Other Entities	1,524
Surplus Lines	172

Excludes advisory organizations and rating organizations.

### Overview of Insurance Premium in Florida

Calendar Year 2009

Admitted	
Property & Casualty	\$38.5 billion
Life & Health	\$64.6 billion
Other	\$0.9 billion
Total	\$104.0 billion
Surplus Lines Market*	\$3.9 billion
Citizens Property Insurance	\$2.4 billion
Residual Markets**	\$0.03 billion

Total Written Premium	\$110.3 billion
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\*Surplus Lines Companies write unique risks that often include high value residential and commercial properties.

\*\*Residual markets are entities that sell coverage for consumers who cannot obtain coverage through private companies in Florida.

**Florida Domestic Insurance Companies as of June 30, 2010**

Authority Category	Authorities
Property & Casualty	133
Third Party Administrators	94
Service Warranty Associations	70
Premium Finance Companies	56
Continuing Care Retirement Communities	54
Motor Vehicle Service Organizations	60
Health Maintenance Organizations	37
Risk Purchasing Groups	43
Life & Health	18
Self-Insurance Funds	207
Other*	400
Total Domestic Authorities**	1,172
Total Domestic Companies***	1,120

\*The "Other" category is predominately donor annuities (281).

\*\* Companies are given "authority" to write multiple kinds of insurance (e.g., a company may simultaneously be a Health Maintenance Organization and a Third Party Administrator). Therefore, the number of authorities exceeds the number of companies.

**Top 20 Personal Residential Writers in Florida Policies as of December 31, 2009**

	Policies
1 Citizens Property	975,500
2 State Farm Florida	765,998
3 Universal Property & Casualty	536,692
4 St. Johns	195,613
5 USAA	157,020
6 Castle Key (Allstate)	150,094
7 ASI Assurance	129,179
8 Homewise Preferred	115,646
9 Florida Peninsula	114,609
10 Nationwide	112,738
11 Royal Palm	112,520
12 Universal	97,712
13 United Property & Casualty	93,094
14 Liberty Mutual	88,792
15 American Integrity	87,657
16 American Strategic	86,997
17 Tower Hill Prime	81,644
18 Southern Fidelity	81,570
19 Florida Family	81,467
20 Sunshine State	76,633

**Top 20 Personal Automobile Writers in Florida Premium for Calendar Year 2009**

(Premium in millions)

1 State Farm Mutual	\$2,360
2 GEICO General	\$953
3 Progressive American	\$686
4 Allstate Property & Casualty	\$664
5 Allstate Insurance	\$594
6 Progressive Select	\$542
7 GEICO Indemnity	\$510
8 Government Employees	\$344
9 USAA	\$333
10 Allstate Fire & Casualty	\$266
11 USAA Casualty	\$237
12 Allstate Indemnity	\$168
13 Direct General	\$166
14 Depositors Insurance	\$160
15 State Farm Fire & Casualty	\$159
16 Security National	\$143
17 Mercury	\$142
18 Metropolitan Casualty	\$130
19 Progressive Express	\$128
20 Liberty Mutual	\$127

Source: National Association of Insurance Commissioners' I-Site. Premiums is direct premium written and includes private passenger auto, other auto liability and auto physical damage.

### Life & Annuity Writers in Florida Premium for Calendar Year 2009

	(Premium in millions)
1 John Hancock Life	\$1,555
2 Lincoln National Life	\$1,264
3 Metlife Investors USA	\$ 998
4 Transamerica Life	\$ 982
5 Jackson National	\$ 975
6 Metropolitan Life	\$ 941
7 New York Life	\$ 898
8 Massachusetts Mutual	\$ 851
9 Allianz Life	\$ 849
10 Prudential Annuities	\$ 832

### Accident & Health Writers in Florida Premium for Calendar Year 2009\*

	(Premium in millions)
1 Blue Cross & Blue Shield	\$6,168
2 Humana Medical Plan	\$4,569
3 UnitedHealthcare	\$4,423
4 Aetna Health	\$1,988
5 Wellcare of Florida	\$1,412
6 UnitedHealthcare of Florida	\$1,301
7 AvMed	\$1,068
8 Careplus Health Plans	\$ 992
9 Coventry Health Care	\$ 771
10 Health Options	\$ 674

\*Accident and Health premium dollars represent all lines of accident and health insurance: major medical, limited benefit, Medicare supplement, long-term care, etc.

Source: National Association of Insurance Commissioners' I-Site

### World/States Premium Comparison

Rank	Country/State	Premium in Millions
	United States	\$1,139.8
	Japan	506.0
	United Kingdom	309.2
	France	283.1
	Germany	238.4
	Italy	169.4
	China	163.1
	California	114.8
	Netherlands	108.1
	New York	104.6
	Canada	98.8
	South Korea	92.0
	Spain	82.8
	Texas	77.6
	<b>Florida</b>	<b>75.2</b>
	India	65.1
	Taiwan	63.7
	Australia	60.3
	Brazil	48.8
	Switzerland	48.5
	Pennsylvania	46.8
	Illinois	46.6
	Ireland	44.6
	New Jersey	41.3
	Belgium	40.5

\*Total Premium includes Property & Casualty Premium, Life Premium, and some Health premium. Excludes Health Maintenance Organization data.

Source: Insurance Information Institute 2010 Fact Book (based on 2008 data).

**Enforcement Actions Fiscal Year 2009-2010**

Financial/Regulatory	
Certificates of Authority Suspended	6
Certificates of Authority Revoked	13
Administrative Fines	
Life & Health Product Review	\$6,000
Property & Casualty Product Review	\$128,500
Specialty Product Administration	\$1,359,600
Market Conduct/Investigations	\$603,750
Life & Health Financial Oversight	\$117,600
Property & Casualty Financial Oversight	\$79,700
Surplus Lines	\$2,500
Bad Check Service Fees	\$305
Attorneys' Fees	\$559,426
Total Administrative Fines	\$2,857,381
Total Consumer Refunds*	\$39,215,494
Public Hearings	
Rate Hearings	7
Other Hearings	3
Rule Hearings/Workshops	13

\*Consumer refunds represent monies returned to consumers due to activities of the Market Investigations business unit.

**Regulatory Activities Fiscal Year 2009-2010**

Financial Reviews (Desk Audits)	
Life & Health	2,491
Property & Casualty	4,513
Specialty	2,067
Market Conduct	
Market Conduct Examinations	82
Market Conduct Investigations	1,164
Financial Field Examinations	
Life & Health	14
Property & Casualty	63
Specialty	91

Form and Rate Filings Processed

Business Unit	Files	Time to Process
Life & Health	7,565	20 Days
Property & Casualty	10,002	44 Days
Total	17,567	Average 34 Days

Applications

Statistics

In Fiscal Year 2009-2010, the Office processed 561 company applications, which were processed in an average of 46 days. These applications were either approved, denied, withdrawn or deemed incomplete. In addition, 848 investigations of Officers and Directors were completed in an average of 61 days.

**Historical Budget Overview**

	FY 2004-2005	FY 2005-2006	FY 2006-2007	FY 2007-2008	FY 2008-2009	FY 2009-2010	FY 2010-2011
FTE	302	305	311	315	314	300	290
OIR Budget	\$23,777,384	\$21,623,102	\$24,150,645	26,939,144	\$24,966,951	\$28,003,462*	\$28,141,641*

\*Fiscal Year 2009-2010 and 2010-2011 Budget includes a special category of \$4,701,763 in budget authority for the outsourcing of some financial examinations. This is budget authority only. The Insurance Regulatory Trust Fund (Trust Fund) acts as a pass-through and insurers pay the cost of the examination back to the Trust Fund; therefore it is revenue neutral.

## FY 2010-11 Budget Overview

Full-Time Employees	290
Total Budget*	\$28,141,641

100% of the budget is derived from the Insurance Regulatory Trust Fund.

\*FY 2010-2011 Budget includes a special category of \$4,701,763 in budget authority for the outsourcing of financial examinations. The Insurance Regulatory Trust Fund acts as a pass-through and insurers pay the cost of the examination to the Trust Fund; therefore, it is revenue neutral.

Operating Costs (Fiscal Year 2010-2011)	
Regulatory	89%
Administration	11%

Position Allocation (Fiscal Year 2010-2011)	
Regulatory	88%
Administration	12%

Revenue Collected (Fiscal Year 09-10)*	
Insurance Premium Tax**	\$667,900,000
Examination Cost Assessments	\$7,991,412
Fees	\$1,436,845
Penalties/Fines	\$2,857,381

\*Office revenue is deposited into the Insurance Regulatory Trust Fund.

\*\*Insurance premium taxes are collected by the Florida Department of Revenue.