



FILED

JAN 13 2023

INSURANCE REGULATION
Docketed by: OT

OFFICE OF INSURANCE REGULATION

IN THE MATTER OF:

CASE NO.: 302958-22

FLORIDA SURPLUS LINES SERVICE OFFICE
_____ /

ORDER

THIS CAUSE came on for consideration upon the submission by the FLORIDA SURPLUS LINES SERVICE OFFICE (“FSLSO”) of its proposed \$7,312,800 operating budget for the year 2023, which was submitted to the FLORIDA OFFICE OF INSURANCE REGULATION (“OFFICE”) on October 27, 2022. Following a complete review of the record, and upon consideration thereof, and being otherwise fully advised in the premises, the OFFICE hereby finds as follows:

1. The OFFICE has jurisdiction over the subject matter and parties herein.
2. The Legislature created the FSLSO as a not-for-profit association charged with permitting orderly access to insurance coverages that are not otherwise available to Florida consumers. § 626.921(1), Fla Stat. The FSLSO is a self-regulating organization that collects service fees from agents, pursuant to Section 626.9325, Florida Statutes, and remits premium taxes levied against surplus lines policies to the Florida Department of Financial Services, pursuant to Section 626.932, Florida Statutes. § 626.921(3)(c) and (f), Fla. Stat.

3. The FLSO operates under a Plan of Operations that is subject to continuous review by the Office and must submit its annual budget and service fee to the Office for approval. § 626.921(3)(e) and (f), Fla Stat.

4. The service fee paid by the insured may be no more than 0.3% of the total gross premium of each surplus lines policy or document reported to the FLSO. § 626.921(3)(f), Fla. Stat. The 2023 operating budget retains the current service fee of 0.06 percent.

5. The FLSO's 2023 budget proposal (attached as Exhibit A) includes:

(a) Descriptions of year over year adjustments in each budget category;

(b) Operations budget of \$7,312,800, which includes:

i. An increase in the salaries budget line from \$3,055,765 to \$3,181,680, or 4 percent. This includes funding for a base salary for all approved staff positions, incentive pay for filled positions, staff promotions, recruitment, retention and temporary/part-time staff expenses. Also included in this budget line is funding for a performance-based merit pay pool of \$78,859 or 3 percent of the 2022 base salaries for filled positions. Additionally, \$48,000 is budgeted for potential intern positions as part of a partnership with the Florida State University Risk Management and Insurance Department.

ii. An increase in the legal, accounting, and other professional fees budget line from \$207,600 to \$487,730, or 135 percent. The increase is attributed to the potential litigation costs, completion of a biannual cyber audit, and completion of a triannual compensation

study. The budgeted funds include costs for legal, legislative, accounting, consulting, auditing, and tax services.

- (c) Capital budget of \$3,165,050 which includes:
- i. An increase in the NextGen Technology Platform budget line from \$1,828,461 to \$2,765,000, or 51 percent. In 2019, the FLSO began the NextGen strategic initiative to re-develop their technology platform and move it to the “next generation” of technology, database structure, applications, programming tools and techniques, security protocols and practices, and advancements in cloud computing. To complete NextGen, it has become necessary to engage a new vendor, Accenture. The total 2-year costs to complete the project were quoted at \$5.88 million with first year costs listed at \$2.65 million.
 - ii. New State System Implementation budget line decreased from \$350,000 to \$100,050, or -71 percent. Marketing of the [Surplus Lines Automation Suite \(SLAS\)](#) system to additional states is ongoing. If there are no new state implementations, no funds will be expended.
 - iii. Tenant Buildout budget line increased from \$100,000 to \$165,000, or 65 percent. With the non-renewal of the existing tenant’s lease, this funding will cover estimated costs associated with securing new tenants which consist of preparing the space to meet tenant needs based upon market indicator related to buildout pricing in

Tallahassee and commissions based upon a commission rate of 6 percent on five years of total rental payments.

iv. Equipment Replacement budget line decreased from \$190,000 to \$25,000 or -87 percent. The Board established this line item to cover the cost of equipment that has reached the end of its useful life. This funding varies each year based upon the number and type of equipment needing to be replaced.

(d) Estimated revenues of \$12,504,291 comprised of:

- i. Surplus Lines Automation Suite (technology suite that collects and allocates taxes for multi-state transactions) revenues of \$3,167,838;
- ii. Service fee revenues of \$7,888,470, based upon projected premium and retaining the current 0.06 percent rate fee;
- iii. Total building revenue of \$60,000; and
- iv. Investment income of \$1,333,500.

IT IS THEREFORE ORDERED THAT:

6. The FLORIDA SURPLUS LINES SERVICE OFFICE's Year 2023 proposed operating and capital budget, as submitted to the OFFICE on October 27, 2022, is hereby APPROVED.

DONE and ORDERED this 13th day of January, 2023.

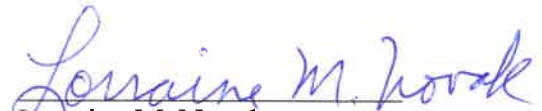


Anoush Brangacci
Commissioner or Designee
Office of Insurance Regulation

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Order has been furnished by certified mail on this 13th day of January, 2023, to:

Gary Pullen
Executive Director
Florida Surplus Lines Service Office
1441 Maclay Commerce Drive, Suite 200
Tallahassee, FL 32312



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FLORIDA OFFICE OF INSURANCE REGULATION
NOTICE OF ADMINISTRATIVE RIGHTS

Pursuant to Sections 120.569 and 120.57, Florida Statutes, and Chapter 28-106, Florida Administrative Code, you have the right to request a proceeding to contest this action by the Office of Insurance Regulation (Office) by filing a petition. Your petition must be in writing and directed to:

Anoush Arakalian Brangaccio
General Counsel
200 East Gaines Street
Tallahassee, FL 32399-4206

The petition must be transmitted by U.S. Mail or hand-delivered. Petitions transmitted by facsimile transmission or electronic mail will not be accepted for filing. Your petition challenging this action must be received by the Office at the above address not later than twenty-one (21) days from the date on which you receive this notice. Any document received by the Office before 5:00 p.m. shall be filed as of that day but any document received after 5:00 p.m. shall be filed as of 8:00 a.m. on the next regular business day. If you do not timely file a petition, your right to a proceeding shall be deemed waived and the Office's agency action will be final.

If you desire to challenge this agency action and do not dispute the material facts as found by the Office, you may request a proceeding pursuant to Sections 120.569 and 120.57(2), Florida Statutes. A petition for an administrative proceeding not involving disputed issues of material fact must comply with the content requirements of Section 120.569(1), Florida Statutes, and Rule 28-106.301, Florida Administrative Code.

If you desire to challenge this agency action and dispute the material facts as found by the Office, you may request a proceeding pursuant to Sections 120.569 and 120.57(1), Florida Statutes. A petition for an administrative proceeding involving disputed issues of material fact must comply with the content requirements of Section 120.569(1), Florida Statutes, and Rule 28-106.201, Florida Administrative Code.

A petition that is not in substantial compliance with the applicable rules and statutes will be dismissed.

Any request for an administrative proceeding received prior to the date of this notice shall be deemed abandoned unless timely renewed in compliance with the guidelines as set out above.

Mediation under Section 120.573, Florida Statutes, is not available for this agency action.