



REPRESENTING  
**ALEX SINK**  
CHIEF FINANCIAL OFFICER  
STATE OF FLORIDA

## Long Range Program Plan

Department of Financial Services

Tallahassee

September 30, 2010

Jerry L. McDaniel, Director  
Office of Policy and Budget  
Executive Office of the Governor  
1701 Capitol  
Tallahassee, Florida 32399-0001


JoAnne Leznoff, Council Director  
House Full Appropriations Council  
221 Capitol  
Tallahassee, Florida 32399-1300

David Coburn, Staff Director  
Senate Policy and Steering Committee on Ways and Means  
201 Capitol  
Tallahassee, Florida 32399-1300

Dear Directors:

Pursuant to Chapter 216, Florida Statutes, our Long Range Program Plan (LRPP) for the Department of Financial Services is submitted in the format prescribed in the budget instructions. The information provided electronically and contained herein is a true and accurate presentation of our mission, goals, objectives and measures for the Fiscal Year 2011-12 through 2015-16. The submission has been approved by Alex Sink, Chief Financial Officer.

Sincerely,

  
Stephanie D. Iliff, Director  
Office of Strategic Planning

FLORIDA DEPARTMENT OF FINANCIAL SERVICES  
Stephanie D. Iliff • Director  
Human Resource Management & Strategic Planning  
200 East Gaines Street • Tallahassee, Florida 32399-0300 • 850.413.2014  
stephanie.iliff@myfloridacfo.com  
Affirmative Action • Equal Opportunity Employer



# **Department of Financial Services**

## **Long-Range Program Plan**

**2011 - 2016**

*Alex Sink*

*Chief Financial Officer*

## **AGENCY MISSION AND GOALS**

### **MISSION**

**To safeguard the people of Florida and the state's assets through financial accountability, education, advocacy, fire safety and enforcement.**

### **VISION**

**The Department of Financial Services is to be known as the most ethical, professional and pro-active state agency in Florida.**

# GOALS

## **ACCOUNTABILITY**

*Goal 1: The department will be a vigilant steward of the state's resources.*

## **TRANSPARENCY**

*Goal 2: The department will widely publish and promote access to its public information.*

## **MANAGING RISK**

*Goal 3: The department will establish processes that reduce risk in its financial, information and operational systems.*

## **PROTECTING CITIZENS**

*Goal 4: The department will protect the health, safety and welfare of the public.*

## **OPERATIONAL EFFICIENCIES**

*Goal 5: The department will strive for excellence by promoting and encouraging continuous improvement.*

## **WORKFORCE**

*Goal 6: The department will provide a workplace environment that is conducive to attracting and retaining quality employees.*

## **OUTREACH AND EDUCATION**

*Goal 7: Our customers will receive accurate and timely information which they can rely on to protect themselves and their assets.*

## TRENDS AND CONDITIONS STATEMENTS

### ORGANIZATIONAL OVERVIEW

*Article IV, Section 4(c), Florida Constitution. The chief financial officer shall serve as the chief fiscal officer of the state, and shall settle and approve accounts against the state, and shall keep all state funds and securities.*

The statewide elected Chief Financial Officer (CFO) heads the Department of Financial Services (referred to in this text as “DFS” or “department”), consisting of thirteen divisions and one program. The CFO is supported by the Office of the Chief of Staff.

The CFO is also a member of the Financial Services Commission, along with the Governor, Attorney General and Commissioner of Agriculture. The Commission is the agency head for two offices receiving administrative and information systems support from the department: the Office of Financial Regulation (OFR) and the Office of Insurance Regulation (OIR). These two offices develop their own long-range program plans separate from the department.

### PRIMARY RESPONSIBILITIES BASED ON STATUTES

<b>Programs and Statutes</b>	<b>Description</b>
<u>Office of the Chief Financial Officer and Administration</u>	Serves DFS and its stakeholders with necessary support. <ul style="list-style-type: none"> <li>➤ Division of Legal Services</li> <li>➤ Division of Information Systems</li> <li>➤ Division of Administration</li> <li>➤ Office of the Inspector General</li> <li>➤ Chief of Staff</li> <li>➤ Office of the Insurance Consumer Advocate</li> </ul>
<i>Office of the Inspector General</i>  S. 20.055, F.S.	The Office of the Inspector General is established to provide a central point for coordination of and responsibility for activities that promote accountability, integrity and efficiency in government. Responsible for: <ul style="list-style-type: none"> <li>➤ Review and evaluate internal controls necessary to ensure the fiscal accountability</li> <li>➤ Conduct financial, compliance, electronic data processing, and performance audits</li> <li>➤ Monitor the implementation of the agency’s response to any report on the agency issued by the Auditor General or by the Office of Program Policy Analysis and Government Accountability</li> <li>➤ Develop long-term and annual audit plans based on the findings of periodic risk assessments</li> <li>➤ Initiate, conduct, supervise, and coordinate investigations designed to detect, deter, prevent, and eradicate fraud, waste, mismanagement, misconduct, and other abuses</li> <li>➤ Prepare an annual report summarizing the activities of the office during the immediately preceding state fiscal year</li> </ul>

<b>Programs and Statutes</b>	<b>Description</b>
<p><u>Treasury</u> (<i>Division of Treasury</i>)</p> <p>Ch. 17 and 280, F.S.</p>	<p>Ensures that state monies, employee deferred compensation contributions, state and local governments' public funds on deposit in Florida banks and savings associations, and cash and other assets held for safekeeping by the CFO are adequately accounted for, completely invested, and protected.</p> <p>Responsible for:</p> <ul style="list-style-type: none"> <li>➤ deposit security (collateral management)</li> <li>➤ funds management and investment</li> <li>➤ deferred compensation (supplemental retirement program)</li> </ul>
<p><u>Financial Accountability for Public Funds</u> (<i>Division of Accounting and Auditing</i>)</p> <p>Ch. 17 and 717, F.S.</p>	<p>Promotes financial accountability for public funds throughout state government and provides Florida's citizens with comprehensive information about how state funds are expended. Responsible for:</p> <ul style="list-style-type: none"> <li>➤ providing the public with timely, accurate, and comprehensive information on the financial status of the state, its component units, and local governments</li> <li>➤ audit of disbursements and other financial transactions</li> <li>➤ state employee payroll services</li> <li>➤ recovery and return of unclaimed property</li> </ul>
<p><u>Fire Marshal</u> (<i>Division of State Fire Marshal</i>)</p> <p>Ch. 633, F.S.</p>	<p>Assures statewide fire safety. Responsible for:</p> <ul style="list-style-type: none"> <li>➤ licensing and inspections</li> <li>➤ arson investigations</li> <li>➤ professional standards, training and state certification</li> <li>➤ forensic laboratory services</li> </ul>
<p><u>State Property and Casualty Claims</u> (<i>Division of Risk Management</i>)</p> <p>Ch. 284, F.S.</p>	<p>Ensures that state agencies are provided quality insurance coverage at reasonable rates. Provides to all state agencies:</p> <ul style="list-style-type: none"> <li>➤ self-insurance program with coverage for workers compensation, general liability, property insurance and others</li> <li>➤ claims handling services</li> <li>➤ technical assistance in loss prevention and managing risks</li> </ul>
<p><u>Licensing and Consumer Protection</u> (<i>Division of Rehabilitation and Liquidation</i>)</p> <p>Chapter 631, F.S.</p>	<p>Court-appointed receiver for insurers placed in receivership. Responsible for:</p> <ul style="list-style-type: none"> <li>➤ rehabilitation – take actions necessary to correct the conditions that necessitated the receivership</li> <li>➤ liquidation – maximize the value of the assets of the liquidated company and distribute the assets equitably</li> </ul>
<p><u>Licensing and Consumer Protection</u> (<i>Division of Agent and Agency Services</i>)</p> <p>Chapters 624, 626, 627, 632, 634, 635, 636, 641, 642, and 648, F.S.</p>	<p>Protects the public by licensing individuals and entities and investigating alleged violations of law. Responsible for:</p> <ul style="list-style-type: none"> <li>➤ licensing and appointment of individuals and entities authorized to transact insurance in Florida</li> <li>➤ investigating alleged violations of the Florida Insurance Code</li> </ul>

<b>Programs and Statutes</b>	<b>Description</b>
<u>Licensing and Consumer Protection</u> <i>(Division of Insurance Fraud)</i>  S. 626.989, F.S.	Protects Florida citizens, businesses and consumers from persons who commit financial and insurance fraud. Responsible for: <ul style="list-style-type: none"> <li>➤ investigating suspected insurance and financial fraud</li> <li>➤ issuing public information announcements</li> <li>➤ training for insurers to help deter and combat fraud</li> </ul>
<u>Licensing and Consumer Protection</u> <i>(Division of Consumer Services)</i>  S. 20.121(2)(h), F.S.	Provides education, information and assistance to consumers for all products or services regulated by DFS or the Financial Services Commission. Responsible for: <ul style="list-style-type: none"> <li>➤ providing information to consumers about insurance-related topics</li> <li>➤ serves as a mediator between consumers and insurance companies</li> </ul>
<u>Licensing and Consumer Protection</u> <i>(Division of Funeral, Cemetery and Consumer Services)</i>  Ch. 497, F.S.	Protects consumers from illegal practices in the death industry. Responsible for: <ul style="list-style-type: none"> <li>➤ licensing and regulation of death care businesses and professionals</li> <li>➤ investigations and mediation for customer complaints</li> <li>➤ continuing education</li> </ul>
<u>Workers' Compensation</u> <i>(Division of Workers Compensation)</i>  Ch. 440, F.S. S. 20.121, F.S.	Regulates employers, insurers, and health care providers, educates and informs all stakeholders of their rights and responsibilities, compiles and monitors system data, holds parties accountable for meeting their obligations. Responsible for: <ul style="list-style-type: none"> <li>➤ auditing insurers to ensure they provide prompt and accurate benefit payments to injured workers</li> <li>➤ ensuring that employers secure workers' compensation coverage</li> <li>➤ collecting trust fund assessments</li> <li>➤ assisting injured workers in obtaining benefits that are due</li> <li>➤ collecting proof of coverage, medical, and claims data</li> <li>➤ resolving reimbursement disputes between health care providers and insurers</li> </ul>

## ***METHODOLOGY***

The department leadership team met in planning sessions in order to create the initial long range program plan. Seven goal areas were selected: accountability, transparency, managing risk, protecting citizens, operational efficiencies, workforce and outreach and education. These became the basis for the mission statement and for all subsequent planning documents. The plan has been reviewed and updated as necessary for fiscal years 2011-2016.

Major sources of revenue for Florida, including sales tax and documentary stamp taxes have been limited due to declining home sales and consumer spending. In addition, the tightening credit market is also putting a strain on Florida's economy. The Chief Financial Officer views the enforcement and financial accountability programs under this department to be critical for protecting taxpayers and consumers of financial and insurance products. Under the current economic conditions, these programs become even more essential to protecting the public from fraud, waste and abuse of tax dollars and fraud and abuse in the financial and insurance industries.

The priorities of the department discussed in this plan provide the framework for the development of the Legislative Budget Request for fiscal year 2011-12; including the proposed recurring reductions to the department's operating budget as required in the Legislative Budget Request instructions.



## **ADDRESSING AGENCY PRIORITIES**

### **ACCOUNTABILITY**

***Goal 1: The department will be a vigilant steward of the state's resources.***

The Chief Financial Officer is required by the Florida Constitution to “*serve as the chief fiscal officer of the state, and settle and approve accounts against the state*” (Art. IV, Sec. 4 (c)). In order to accomplish this, the CFO is responsible for verifying that dollars are spent legally and that Floridians receive the services for which they pay. The CFO is responsible for statewide investigations of allegations of fraud, waste, or abuse involving State of Florida property and money. The CFO’s ability to fulfill her responsibility is affected by the state’s spending practices and adequate management controls. The CFO also has statutory responsibility for investigating allegations of fraud, waste, or abuse involving State of Florida’s property and money (Chapter 17.04, F.S.).

The CFO is committed to improving the contracting process to enhance state government efficiency and effectiveness. Too many state contracts lack quantifiable and measurable deliverables, clearly defined work statements, and performance standards reported routinely in order to justify payment.

***Division of Accounting and Auditing: Bureaus of Accounting, Auditing and State Payrolls*** (Ch. 17, F.S.) The Division of Accounting and Auditing is responsible for the accounting, auditing and reporting of the state’s financial information and the fiscal integrity of that information. State government decision makers and the public rely on the Division for understanding what the state is buying and whether it is receiving what it paid for.

The state’s financial information system, the Florida Accounting Information Resource System (FLAIR) has hampered the state’s efficiency and effectiveness; it is run on an outdated system, lacking the flexibility and capabilities of current technology. FLAIR caters to each individual agency need rather than operating in a standardized environment. The Division plans to assemble a workgroup for the purpose of reviewing and standardizing financial business processes as a prelude to the implementation of a successor financial and cash management system.

***Division of Accounting and Auditing: Bureau of Local Government.*** This bureau is responsible for performing financial reviews of the County Clerks of Circuit Court Offices, pursuant to Section 28.36(8), the establishment of a uniform classification of accounts for Local Governments, and the review and compilation of financial information from the Local Government’s Annual Financial Reports, pursuant to Sections 218.32 and 218.33 F.S. The Bureau implemented an E-Reporting system to collect, store, and report financial information from the Local Governments in November 2007 and is in the process of developing performance measures to improve Local Government’s financial reporting to the Department.

***Division of Accounting and Auditing: Office of Fiscal Integrity.*** The Office is responsible for investigating allegations of fraud, waste, or abuse involving State funds. The Office expertise is used in assisting the Division with enhancing internal controls to prevent fraud or abuse of state funds. The Office conducts preliminary investigations and when appropriate submits evidence to the State Attorney’s Office for prosecution. Many of the investigations have led to the arrest and conviction of the principal party or parties involved.

**Division of Accounting and Auditing: Bureau of Unclaimed Property.** Currently, the Chief Financial Officer holds unclaimed property accounts valued at more than \$1 billion, mostly from dormant accounts in financial institutions, insurance and utility companies, securities and trust holdings. In addition to money and securities, unclaimed property includes tangible property, such as watches, jewelry, coins, currency, stamps, historical items and other miscellaneous articles from abandoned safe deposit boxes. Proceeds from auctions and unclaimed financial assets are deposited into the State School Fund, where it is used for public education. The state provides this service at no cost to those who claim their property. No statute of limitations applies to claims and owners can claim their property at any time.

For businesses holding unclaimed property and for individuals who may have unclaimed property to claim, the Bureau seeks to increase public awareness of the law (Ch. 717, F.S.). Not all institutions required by statute to report unclaimed property do so. Also, many persons who are owners of unclaimed property either are not aware or are solicited unnecessarily by firms that charge for retrieving the property. The Bureau continually works to improve efficiencies in receiving unclaimed property from holders, and in returning the funds to rightful owners.

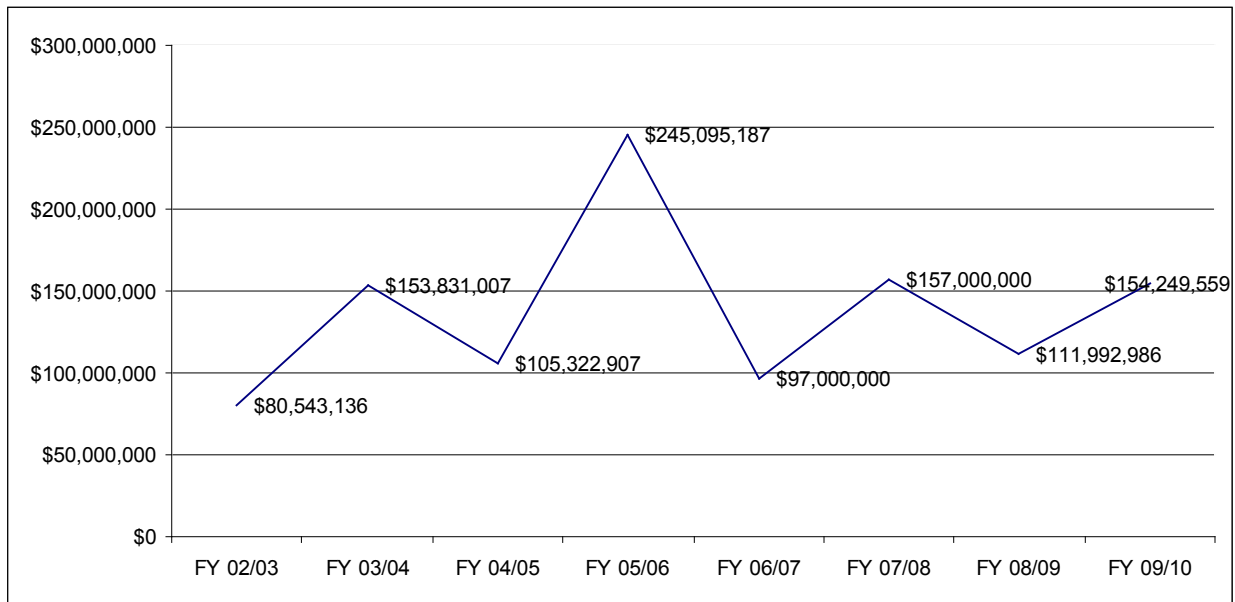


Figure 1-BUP. Unclaimed property receipts (net amounts) transferred to State School Fund.

Pursuant to Section 717.123, F.S., unclaimed property receipts, until claimed, are deposited into the State School Fund, and appropriated for education (Figure 1-BUP).

The **Division of Risk Management** is authorized to administer the State Risk Management Trust Fund (Ch. 284, F.S.) and to handle claims on behalf of state agencies for casualty and property lines of insurance coverage (Table 1-RM). The Division has 105 employees, of whom approximately 90% are dedicated to claims handling services for workers' compensation; general liability; automobile liability; federal civil rights; employment discrimination; court-awarded attorney fees; and property coverage. With the addition of 3 newly funded positions, the loss prevention program will have 10 staff to provide loss prevention service and training to state insured entities. Two of those are administrative support staff.

<b>Claim type</b>	<b>Number of claims filed in FY 2009-2010</b>
Workers' compensation	14,872
General and auto liability	2,378
Federal civil rights	238
Employment discrimination	345
Property	156
<b>Total</b>	<b>16,959</b>
Average number of claims handled per employee in FY2009-2010	253

*Table 1-RM. Number of claims filed by claim type in FY2009/2010*

While the number of claims received by the Division has remained constant, with the exception of property claims during the 2004 and 2005 hurricane seasons, claim complexity and severity have increased. External forces, such as catastrophic natural events; legislation; excess property market availability; case law; and unlimited exposure and actuarial unpredictability of federal civil rights cases have impacted claims handling and adjusting. To meet the challenges of these emerging trends, and to properly adjust claims, the Division intends to improve the efficiency of claims handling and customer communication.

The number of workers' compensation claims occurring in FY 2009/2010 increased by 7.5% compared to the number occurring in FY 2008/2009. The total claims payments in FY 2009/2010 were 9.2% higher than the total claims payments in FY 2008/2009. The increase in claims payments was due to an increase in the number of claims and increased medical costs.

To provide managerial and actuarial information on loss payments and timely payments to claimants and vendors, claims are paid using a risk management information system that accumulates payment information in a relational database. An adjuster authorized claims related payments and the Division's financial section pays the claim.

Approximately 60,000 transactions in the form of check or automated clearing house (ACH) transaction are issued each fiscal year. Payments are made through the State Risk Management Trust Fund (SRMTF) that maintains a \$4,000,000 balance. The SRMTF is part of the consolidated revolving account maintained by the Division of Treasury. The Revolving Fund is replenished as needed from the Division's operating fund maintained in FLAIR. Excess operating funds are invested in an account maintained by the Division of Treasury. Large claim payments that could cause the SRMTF to exceed its authorized balance, or claim payments made to other state agencies, are processed through FLAIR.

Workers' compensation medical payments are paid by a contractor that provides medical case management services through funds advanced to the contractor pursuant to Sec. 284.33, Florida Statutes. The contractor is required to provide an annual examination of the advanced funds activities by an independent CPA firm as well as a SAS (Statement on Auditing Standards)-70 audit. The contractor provides weekly information on payments made from the advanced funds, and is reimbursed for those payments through FLAIR. In FY2009/2010 the Division has utilized a consultant to ensure the state's workers' compensation medical case management contractor is providing contractually required services and funds advanced to the contractor are used appropriately while maximizing value to the State.

***Division of Administration: Bureau of Financial and Support Services.*** The Bureau of Financial and Support Services provides extensive training to staff on how to properly submit vouchers for payment and the importance of ensuring all vouchers are submitted to the Division of Accounting and Auditing for payment within 20 days of the transaction date. Year-end training is provided on an annual basis to all Divisions which include information on the importance of submitting invoices for payment in a prompt manner. Communication is forwarded to Division Directors for non-compliant invoices so as to ensure future invoices are submitted in a timely manner.

***Division of Treasury*** ensures that state monies, employee deferred compensation contributions, state and local governments' public funds on deposit in Florida banks and savings associations, and cash and other assets held for safekeeping by the Chief Financial Officer are adequately accounted for, invested and protected.

***Division of Treasury: Bureau of Funds Management.*** The weighted average daily balances of investment holdings for the period July 1, 2009 through June 30, 2010 was \$16.097 billion in investments. The funds used to purchase Treasury Investments are provided by the State's general revenue, trust funds and Special Purpose Investment Account participants.

During the fiscal year, the Treasury was able to provide positive earnings (net of realized losses) each month during the period with a low gross annualized earnings rate of 1.910% in February 2010 and a high gross annualized earnings rate of 3.466% in November 2009. The average gross annualized earnings were 2.549%.

The value of each dollar invested with the Treasury (fair value factor) was at its low in July 2009 of .9927. Since then, the fair value factor has climbed to a value of 1.0116 as of June 30, 2010. A factor greater than 1.0000 provides that the market value of the Pool's investments is greater than the funds invested in the Pool.

***Division of Treasury: Bureau of Collateral Management.*** Florida has 196 Qualified Public Depositories with over \$20 billion in public money on deposit. These deposits are protected by more than \$15.6 billion in pledged assets and a shared contingent liability managed by the Bureau. Due to the current overall economy in the Florida financial industry, the bureau has increased the monitoring of the state's Qualified Public Depositories. Analysis and oversight is more frequent and more in depth than it has been in the past. In the first 27 years of the program there were four QPD failures. In calendar year 2009 there were 8 and in the first 9 months of 2010 there have been 15 failures with more expected before year end. Each failed institution was acquired by a new institution and all public deposits transferred to the new owners. We will continue a program of increased monitoring to more accurately gauge the appropriate collateral requirements for these depository institutions.

***Division of Rehabilitation and Liquidation:*** Pursuant to Chapter 631, F.S., the department acts as the court-appointed receiver for Florida insurance companies ordered into receivership. Based on a fifteen-year average workload, four insurers are placed in receivership each year, primarily in the areas of life, health, and property and casualty insurance. During FY2009-10, the department became receiver of seven insurers – five property and casualty companies; one title insurance company and one warranty company. As a result of statute and court orders, the division handles rehabilitation and liquidation proceedings on behalf of the department.

The number of insurers entering receivership in any one year depends on factors that are outside the division's control, including financial condition, management competency, market conditions or fraud. Based on trends across all industry segments, the division expects that insurers will be

placed in receivership at or near the same rate of four per year over the next five years. Absent a catastrophic event in the property insurance market, no major increase in the number of receiverships is expected from this industry segment. The division focuses on maximizing the value of the estate of an insurer in receivership for the claimants.

***Division of Accounting and Auditing: Bureau of Auditing.*** This bureau seeks to improve state agency compliance with disbursement standards by ensuring that agency contracts have sufficient requirements to support and document (1) the scope of work and measureable deliverables (2) remedies for non-performance, and (3) the statutory requirements in Ch. 215, 216, and 287 F.S., and (4) the federal grant reporting requirements from the Office of Management and Budget.

***Division of Administration: Bureau of General Services.*** The department completed a review of its contracting procurement process and has implemented improvements with three areas of emphasis in DFS procurement operations: equity, integrity and efficiency. A Contract Management Life Cycle and Procurement Guide was developed as a handbook for anyone in the department who manages contracts, procures or assists in procurement. The department also implemented a resource with duties as the Contract Administration Manager who serves to perform quality assurance, monitoring activities, and mentoring throughout the procurement and contract life cycle with an intended outcome of executing contracts that consistently meet accountability standards.

## **TRANSPARENCY**

***Goal 2: The department will widely publish and promote access to its public information.***

***Division of Administration:*** The Division has implemented a New Public Records Process. This process has an Agency Public Records Process Owner who oversees all DFS Public Record Requests. Divisions and Offices have established Public Record Coordinators and Alternates who process all public record requests in their Division or Office. These requests are documented and tracked in the DFS on-line tracking system. Multidivisional and certain other requests are centrally coordinated through the Division of Administration Public Records Office. Beginning in 2010 a measurement and performance (metrics) report was implemented. Both the on-line tracking system and metrics report are continually evaluated for improvement. In order to publish and promote access to DFS public information, FAQs (Frequently Asked Questions) and links to public information resources are being published to the DFS Internet and Intranet sites. A public documents portal which contains links to DFS documents available on-line is under development.

## **MANAGING RISK**

***Goal 3: The Department will establish processes that reduce risk in its financial, information and operational systems.***

***Division of Risk Management:*** With the rising cost of claims in all lines of coverage, especially workers' compensation, the Division began concentrating efforts to prevent claims in 2008. Since that time, the Division expanded the safety program to a loss prevention program. Currently, 10 positions are dedicated to assisting the Division's 48 insured agencies and universities develop comprehensive loss prevention programs. Two of those positions are support staff. The 5 agencies with the highest claims cost and claims frequency were identified in early 2009 and the CFO visited 4 of the 5 agency heads to offer loss prevention services. Since that time, the Departments of Children and Families (DCF), Juvenile Justice (DJJ), and Corrections (DOC), and the Agency for Persons with Disabilities (APD) have engaged loss

prevention consulting services. Loss prevention staff has visited facilities and offices around the state associated with DCF, DOC, and APD. In addition, loss prevention staff has visited several university campuses and one DCF contractor's facility. The purpose of the visits was to tour the facilities to get a better understanding of risks associated with claims; review the facilities' loss prevention programs, and build rapport. Many other activities have been taken to provide loss prevention consultative services.

The loss prevention also is taking a high level approach to meeting the needs of the Division's 48 insureds. Loss Prevention Standards have been written and provided to all insureds. The Loss Prevention Standards are designed to assure each agency engages all of the components of a comprehensive loss prevention program, while assuring development of programs that address individual agency unique business needs. The largest cost driver in a workers' compensation claim is indemnity benefits for time lost from work due to a work place injury. Working with a small group of agency and university participants, the loss prevention program has published return to work program guidelines for use by all insureds and has recently held a statewide webinar workshop on the guidelines. The Interagency Council for Loss Prevention has been reenergized and agency participation has been expanding, including the development of an Executive Steering Committee and several other advisory committees. Much more work is needed to drive down claims frequency and costs and plans are in place to do that.

***Division of Information Systems:*** The Division of Information Systems (DIS) plans, develops, manages and operates the information technology (IT) resources and services for the Department of Financial Services (DFS), Office of Financial Regulation (OFR) and Office of Insurance Regulation (OIR). These entities rely heavily on information, IT resources and services for the efficient and effective management of its operations.

DIS is committed to decreasing operational risk, increasing information security, improving communications with internal and external customers, and increasing the overall operational effectiveness of DIS by implementing the Information Technology Infrastructure Library (ITIL) V3 framework of best practice processes. ITIL is the most widely accepted approach to IT Service Management in the world. The benefits of ITIL can be significant. However, it takes time, planning and commitment to change an organization's practices in order to reap the benefits of an improved way of operating.

The ITIL Best Practice & Business Model Implementation project will analyze and implement best practice processes in five core areas within the Division. They are 1) Service Strategy; 2) Service Design; 3) Service Transition; 4) Service Operation; 5) Continual Service Improvement. Implementation will align IT with business unit goals, include standardization and documentation of processes, and the identification of Key Performance Indicators (KPIs).

These KPI's will be incorporated into Operating Reports that provide managers with a tool to measure actual performance. It will also help them manage more effectively, and give them the ability to prioritize continuous improvement efforts. Additionally, the managers within DIS will gain a better understanding of the demand being placed on the human resources due to work activities and major projects already scheduled, and enable them to more accurately estimate availability for future projects and improve customer service.

***Office of the Inspector General (OIG):*** The Office of Inspector General develops a long-term and annual audit plan based on the findings of a periodic risk assessment. In carrying out its auditing duties and responsibilities, the Office of Inspector General reviews and evaluates internal controls necessary to ensure the fiscal accountability of the state agency. The Office of

Inspector General conducts financial, compliance, electronic data processing, and performance audits and prepares audit reports of the findings.

## PROTECTING CITIZENS

**Goal 4: The Department will protect the health, safety and welfare of the public.**

**Division of Insurance Fraud:** Pursuant to sec. 626.989, F.S., the Division of Insurance Fraud is charged with investigating and establishing criminal cases against all persons and entities violating the state's insurance fraud and workers' compensation fraud statutes, insurance and workers' compensation federal codes and other related statutes.

The Coalition Against Insurance Fraud (CAIF), a national alliance of consumer groups, insurance companies and government agencies, recognizes Florida's Division of Insurance Fraud as a national leader in the fight against insurance fraud, continuously ranking in the top of all benchmark standards set by the Coalition. During Fiscal Year 2009/2010, the Division of Insurance Fraud made 1,042 arrests (includes arrests in which the Division assisted other agencies); presented 1,234 cases for prosecution, and cleared 706 cases by convictions. The Division received 12,820 referrals during Fiscal Year 2009/2010.

When taking into account court-ordered victim restitution, the Division generates revenue in excess of its budget on an annual basis. For the fiscal year 2009/2010, the Division's budget was \$17M. In contrast, the Division secured \$63M in court ordered restitution, accounting for no less than \$3.70 in restitution dollars returned on every dollar spent funding the Division.

The Division has experienced continued growth in the number of insurance fraud related referrals over a ten year span; between FY 1999/2000 and 2009/2010, referrals increased 66 % (Figure 1-IF).

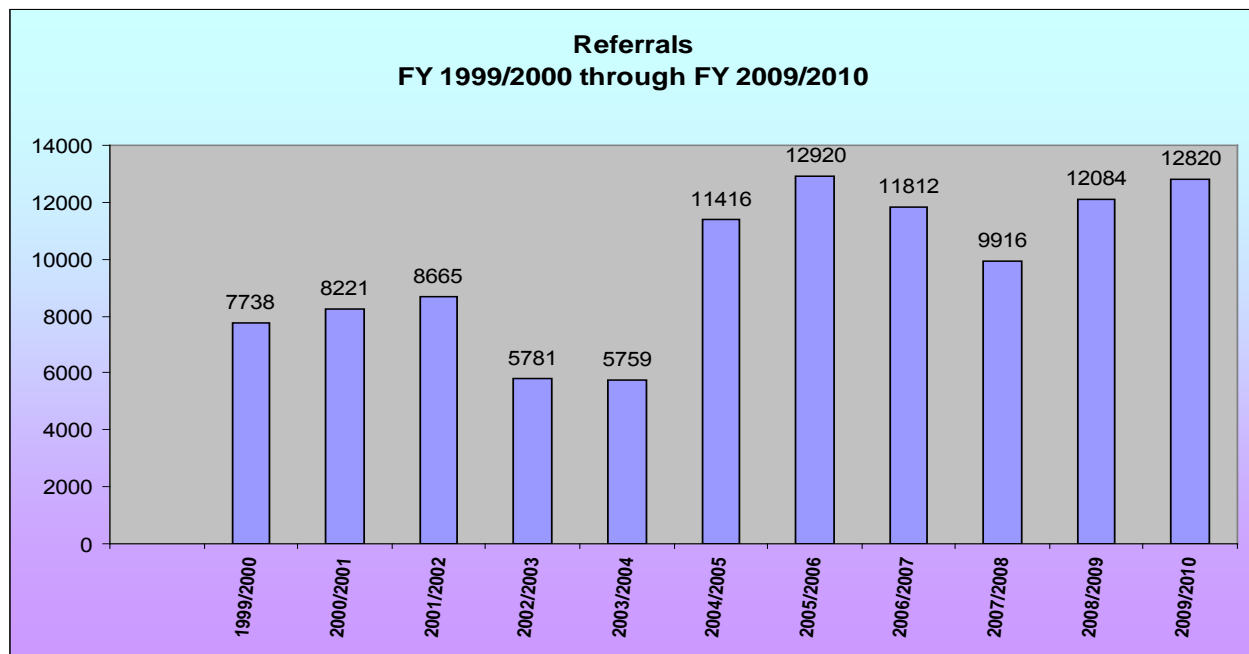


Figure 1-IF. Number of reported insurance fraud referrals received between FY1999/2000 and FY2009/2010. The Division experienced a 66% increase during the 10 year period: from 7,738 referrals received in FY 1999 to 12,820 received in FY 2009/2010.

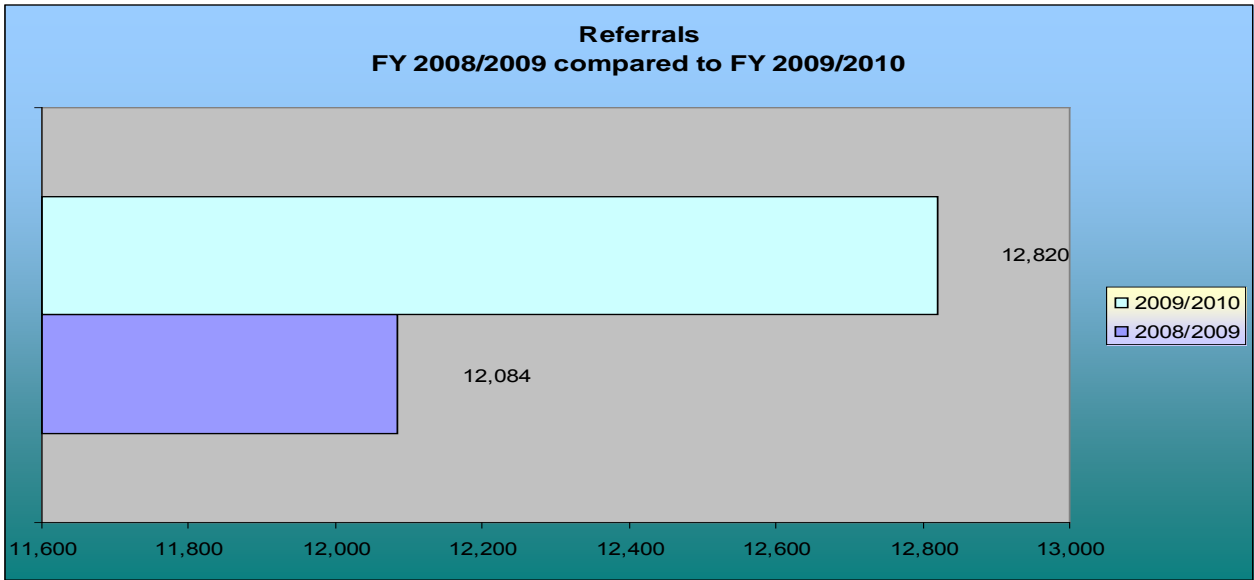


Figure 2-IF. Referrals increased by 6% between FY 2008/2009 and FY 2009/2010.

Moreover, the Division continues to see increases in the number of convictions, which have increased by 83% over the past 10 years (Figure 3-IF). Legislation mandating prison terms for those convicted of certain insurance fraud related offenses is certainly a contributing factor, wherein defendants are increasingly willing to plea bargain.

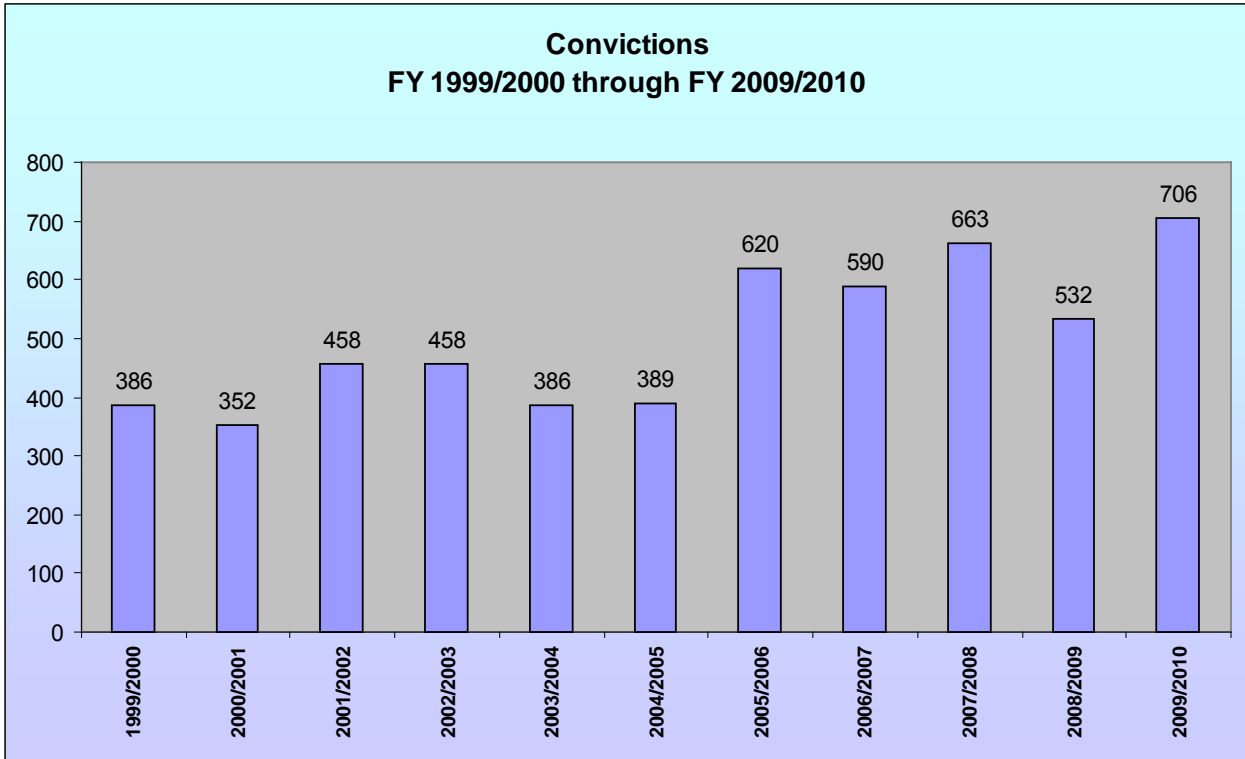


Figure 3-IF. Convictions have increased by 83% over the past 10 years.

Physical and electronic surveillance, while more expensive than other investigatory methods, produces evidence that otherwise might not be attainable. Investigators working on staged auto accidents, workers’ compensation premium fraud in check cashing stores, clinic fraud, and other complex cases requiring tactical investigative strategies, use surveillance as a routine practice. Thirty-two (32) % of the arrests made by Division detectives during Fiscal Year 2009/2010 were



the result of Personal Injury Protection (PIP) fraud cases; certainly the use of surveillance in such complex cases has contributed to the Division's success (*Figure 4-IF*).

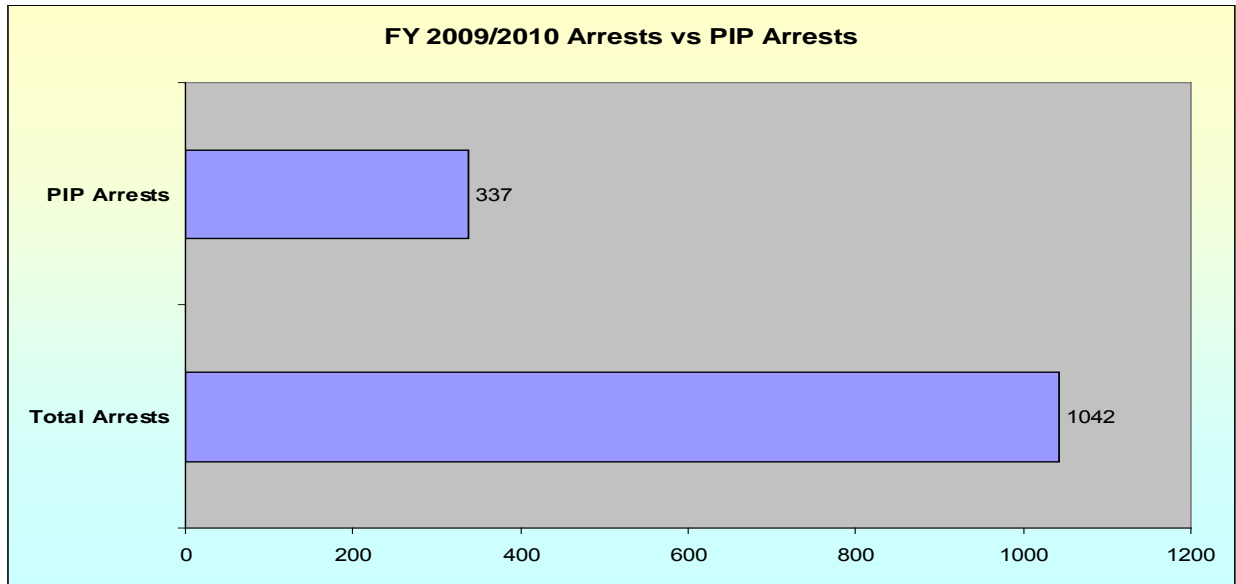


Figure 4-IF. PIP arrests compared to all arrests for FY 2009/2010.

The addition of dedicated prosecutors undoubtedly contributed to an increase in convictions between FY 2008/2009 and FY 2009/2010; Division cases presented for prosecution increased by 26% (from 982 to 1,234) and convictions increased by 33% (from 532 to 706).

The Division's PIP fraud investigative efforts are enhanced through active participation with Medical Fraud Task Force headed up by the National Insurance Crime Bureau (NICB). Attendees include NICB agents, local, state, and federal law enforcement officers, and members of the insurance industry. The development of the Bureau of Crime Intelligence and Analytical Support has contributed to greater participation by the Division; Crime Intelligence Analyst Supervisors and Crime Intelligence Analysts from ten (10) field offices across the state attend task force meetings regularly and contribute to joint task force initiatives.

Workers' Compensation fraud continues to be a problem in Florida, accounting for nearly 27% of the Division's arrests. The Division plays an active role in the Florida Workers' Compensation Task Force in order to stay abreast of emerging issues.

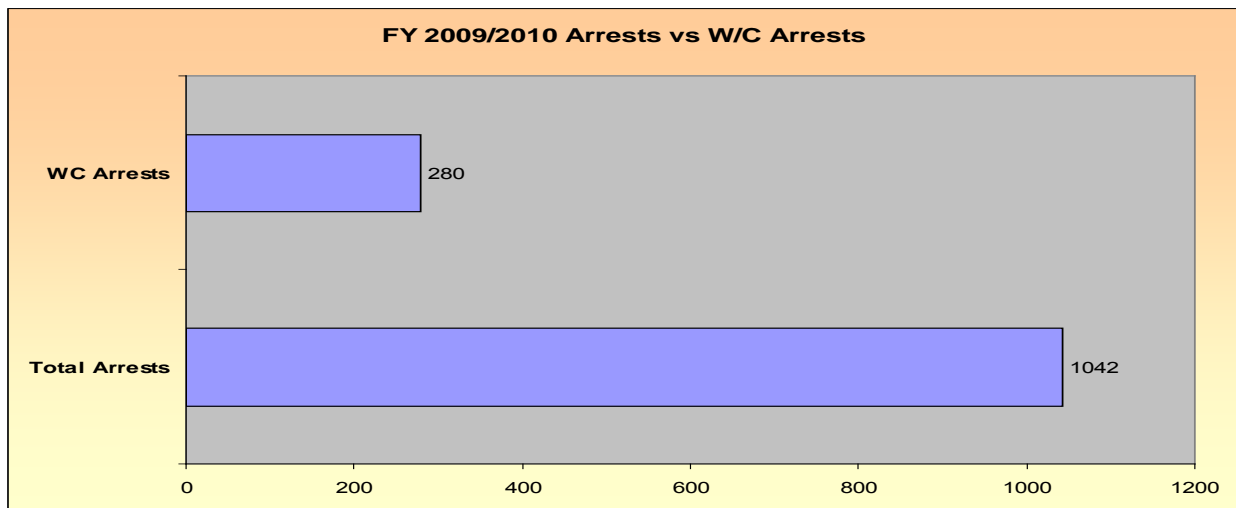


Figure 5-IF. W/C arrests compared to all arrests for FY 2009/2010.

The Department of Financial Services Law Enforcement Academy for sworn members and the implementation of a field training officer program have contributed to improved beginner skill sets across the state for newly hired detectives. And, in-service training for Crime Intelligence Analysts coupled with attendance to the Florida Law Enforcement Analyst Academy training program served as key catalysts in the ongoing efforts to increase the professionalism of the Crime Intelligence Analysts and improved utilization across the Division.

In spite of the 1,042 record arrests during FY 2009/2010, which represents an increase of 25% over Fiscal Year 2008/2009, and an increase of 85% over the past 10 years (between FY 1999/2000 and FY 2009/2010) (*Figure 6-IF*), of primary concern is the Division’s ability to develop each of these cases so that prosecutors can obtain convictions leading to prison sentences, a condition the department believes is a deterrent to others contemplating similar crimes.

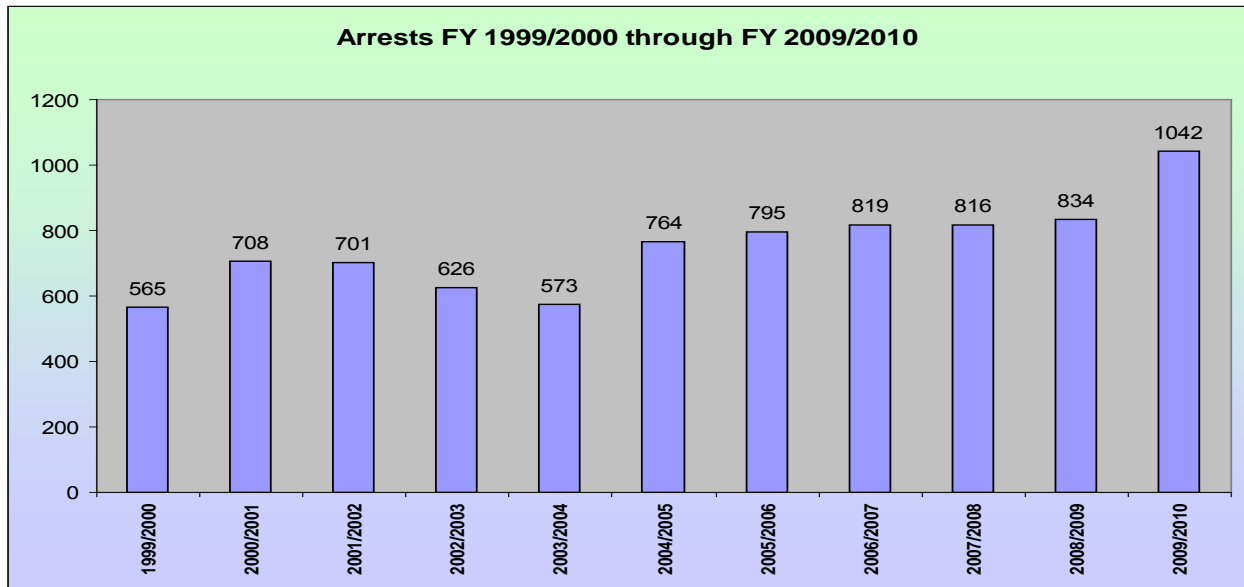


Figure 6-IF. Arrests increased 80% from FY 1998/1999 to FY 2008/2009.

**Division of State Fire Marshal: Bureau of Fire and Arson Investigations.**

The Bureau of Fire and Arson Investigations (BFAI) is the law enforcement bureau of the Division of State Fire Marshal. The Bureau is responsible for initial investigation of the origin and cause of fires and explosions, criminal investigative duties associated with fires and/or explosions, and the reports relative to explosions or explosive devices and other law enforcement activities, as required by law (633.03, F.S.). BFAI is also a member of the State Emergency Response Team; responding to natural and manmade disasters statewide. Additionally, BFAI is an active member of the seven Florida Regional Domestic Security Task Forces.

The Bureau continues an overall increase in arrests for arson and other related crimes in the past five years (*Figure 1-BFAI*). Arrests have been projected to increase since the State Fire Marshal implemented Rule 69A-61.001, F.A.C. in August 2003. This rule requires the local fire department/law enforcement agency to conduct a preliminary fire cause investigation prior to requesting assistance from the State Fire Marshal. The Bureau now concentrates on solving the fires most likely caused by arson.

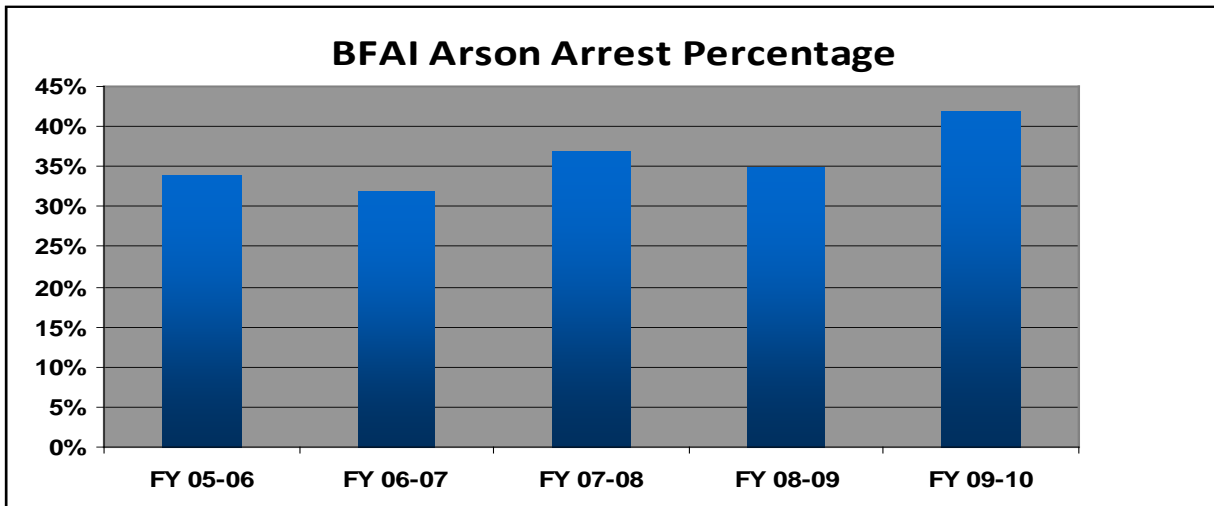


Figure 1-BFAI

Thirty-five to fifty percent of the fires/explosions investigated by this agency are determined to be arson fires. Twenty to thirty percent of these fire cases are cleared by arrest. Many conditions have an impact on the crime of arson or explosions and their investigation:

**Economic** - In times of economic uncertainty, local fire and police agencies employing fire investigative units seek ways to decrease spending by minimizing or eliminating specialized units. This trend is ongoing and affects many fire service agencies statewide. Small, Medium and Large Fire Service and law enforcement agencies have eliminated their Arson Investigation Units and referred these investigations to the Bureau.

As economic trends move downward, some desperate individuals respond to the financial pressure by using fire to destroy property and gain insurance pay-outs. The National Association of Realtors has stated that home prices in Florida continue to plunge. Home foreclosures continue to increase. The State Fire Marshal has a concern that falling home prices and increasing foreclosures provide a motive for fraud, liquidating property, dissolving a business or destroying unprofitable inventory through arson.

**Technological** - New materials and synthetics used in building and furnishings react with fire differently than traditional natural materials, requiring up-to-date research into the determining fire cause and origin. The public sector, given its budget constraints, is less likely to have modern state-of-the-art technology available. This technology includes laboratories with the ability to re-create specific scenarios, fire modeling templates, and information presentation technology for displaying evidence in trials.

**Terrorism** – Terrorist activity continues to increase throughout the world. Fire and explosives are two of the weapons in the terrorist’s arsenal. These tools are used not only for the primary goal of inflicting human life and property loss against their enemies, but also to increase media exposure that brings attention to their extremist ideology. To increase the damage and subsequent media coverage, many times the terrorists will use a second explosive device that is timed to explode several minutes after the first explosion has detonated to intentionally, kill, maim and injure the initial explosion survivors as well as responding law enforcement, fire service and emergency medical personnel. In a recent national survey of over fifty bomb squads, the Bureau’s squad ranked twelfth in the number of Explosive Ordinance Disposal (EOD) call-outs. Among other State Police EOD units, the Bureau’s EOD Unit ranks second in EOD callouts. Over 42% of all Bureau EOD call-outs turn out to be live explosives. The FBI and ATF have reported Florida as second in the nation in explosive events.

The Florida Advisory Committee on Arson Prevention has reported that “arson for profit” is one of the fastest growing crimes in the country. Arson cases require extensive investigations, involving proof that the fire was intentionally set as well as tracking the fire setters and determining their motives.

***Division of State Fire Marshal: Bureau of Forensic Fire and Explosives Analysis. (Sections 633.01, 633.03, 633.101 and 633.111, F.S.)*** The Bureau of Forensic Fire and Explosives Analysis (BFFEA) is the only state crime laboratory performing forensic analysis of fire and explosion evidence. Since FY2005-2006, the number of items processed per year has increased an average of 2.24% per year.

In raw numbers comparing the last fiscal year to the fiscal year five years ago, FY2009-2010 had 13.28% more samples processed than in FY2005-2006 (13488 versus 11697). For that period the number of full-time positions has remained the same at 10. Compared to the immediate past fiscal year of FY 2008-2009, the Bureau saw a 3.89% increase in the number of evidence samples, analyses, and images processed (13488 versus 12963).

Other trends are a direct affect of the budgetary problems experienced throughout the State. The five Sheriff’s/Regional Laboratories (Broward Co., Indian River Co., Metro-Dade, Pinellas Co., and Palm Beach Co.) have to consider reducing or eliminating various services. Broward Co. Laboratory has already eliminated it’s trace section and now all fire debris and explosives cases will be submitted to BFFEA. The impact is currently unknown as to how this will increase the workload. Budget reduction exercises also will require the cancelation of service contracts for equipment, the reduction of expenses and supplies, and the potential additional loss of personnel.

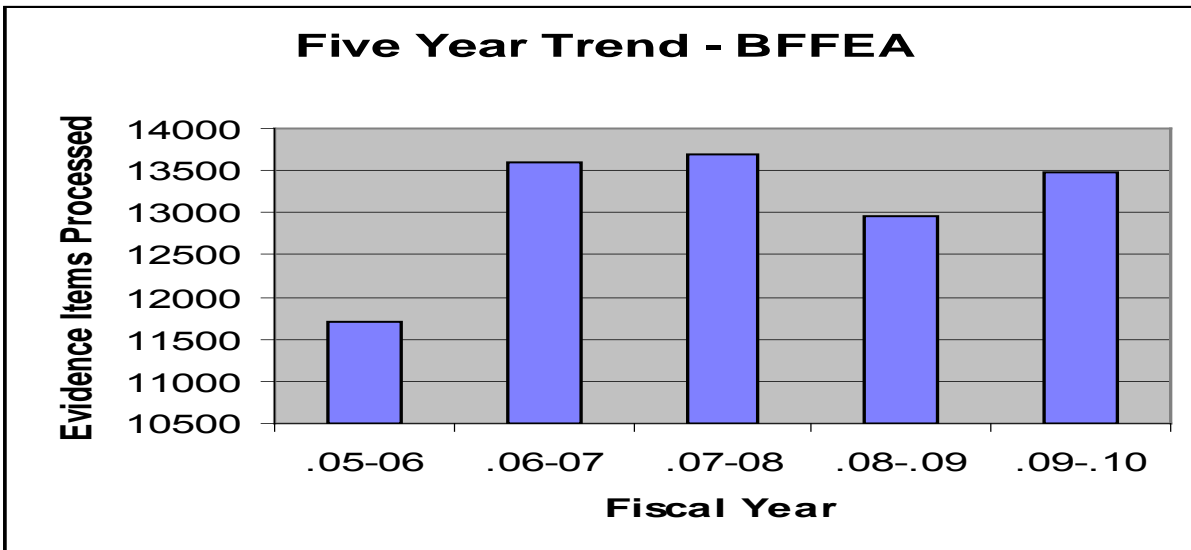


Figure 1-BFFEA. Evidence samples, analyses and images processed from FY2005-2006 to FY2009-2010.

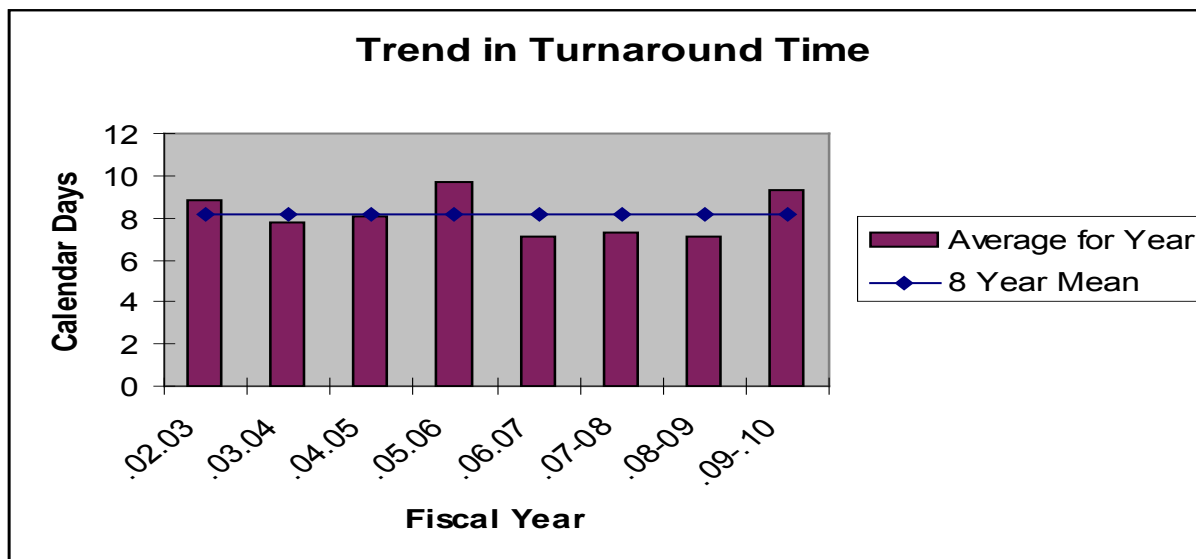


Figure 2-BFFEA. Average turnaround time for sample processing from FY2003 to FY2010.

The Bureau average turnaround time for completed sample analyses for the past eight years is a mean of 8.15 calendar days (Figure 2-BFFEA). The measured average for the past fiscal year is above that mean.

Scientific, accreditation and forensic requirements for laboratories continually increase. These require upgrades and updates to laboratory processes, procedures, personnel, and equipment. The process requiring the greatest effort in FY2009-2010 was achieving accreditation for the Bureau under the forensic laboratory overlay of the International Standards Organization’s 17025 standard. The requirements for accreditation increased the number of reviews, checks, and controls over evidence and testing processes and impacted the Bureau’s turnaround time and were factors in causing it to increase. Another factor has been the loss of an analyst in late 2009 and training of a replacement. It is not known what long term affects the increased accreditation requirements will have on turnaround time. From conversations with other laboratories, we can expect a general increase in turnaround, but the exact amount is not known. The transfer of one of the Bureau’s personnel to another Bureau in 2010 will also have a negative impact on the Bureau’s ability to process work in a timely manner.

**Division of State Fire Marshal: Bureau of Fire Prevention.** The Bureau of Fire Prevention administers the compliance and enforcement services of the division under Section 633.085, F.S., as follows:

- establishing fire safety, and life safety codes and standards for statewide application
- reviewing construction documents and performing inspections of all state-owned and certain state-leased buildings
- inspection of high and low pressure boilers in places of public assembly, and
- licensure and regulation of fire equipment dealers, fire protection contractors, explosives and construction mining industries, and registration of fireworks manufacturers, wholesalers, retailers, and seasonal retailers.

Field inspections of state-owned buildings are conducted annually for compliance with the Florida Fire Prevention Code. Figure 1-BFP exhibits the growth in the number of state-owned buildings inspected by the Bureau beginning in FY2004 through FY2009. In FY2009, Fire Protection Specialists conducted 16,552 High Hazard, Recurring, and Construction building inspections. Construction inspections including underground and above ground fire mains,

installation and performance testing of fire protection systems and fire rated construction assemblies are required for each new building.

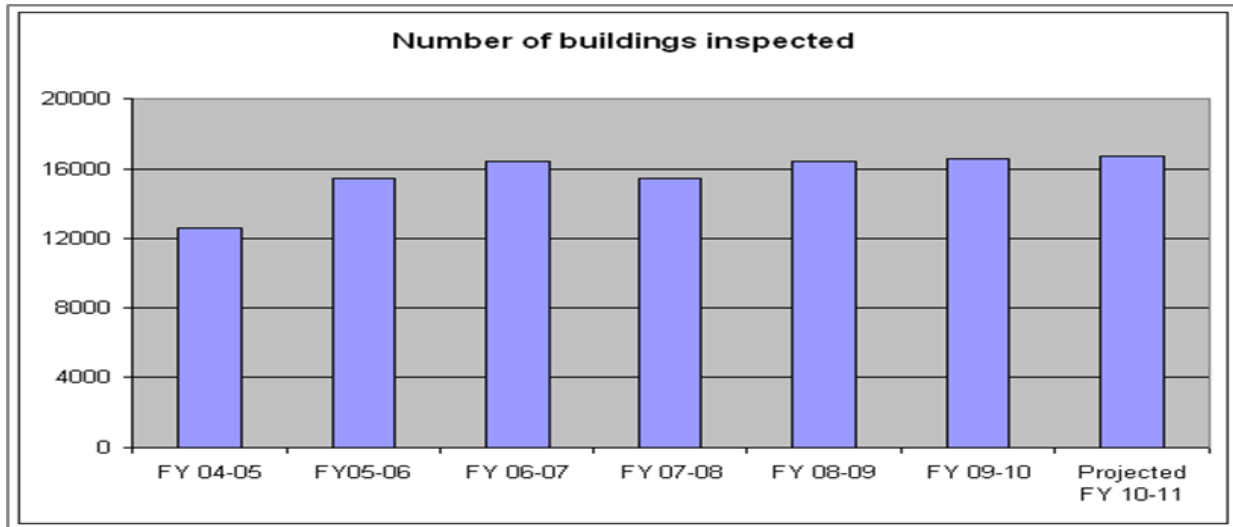


Figure 1-BFP. Number of buildings inspected by fiscal year from FY2003 to FY2009, with the projected inspections for FY2010.

Any reductions in revenue generated at the local level can be expected to have an impact on the State Fire Marshal's workload. If local governments determine they are unable to fully fund their own fire safety programs, particularly in the area of school inspections, the State Fire Marshal is statutorily required to assist with these inspections.

For the Boiler Safety Program, technology enhancement to its data management system has eased forms distribution and web access for the public as well as records access for field inspection staff. Additional enhancements are necessary to fully convert the boiler licensing program to a fully automated web-based system. Scanning technology deployed in the Program has reduced storage space and may consequently reduce rent cost. Similar technology is being reviewed for the use from other sections within the bureau to reduce substantial storage space required by the Records Retention Schedules Program maintained by the Secretary of State.

All four functional areas of the Bureau; Plans Review, Inspection, Regulatory Licensing and Boilers will benefit from a proposed updated database to permit increased internal and external access, and significantly enhance communications between the regional offices' staff and the Bureau. The proposed solution will be fully web-based, permits the receipt of fees, electronic invoicing and electronic access to inspection reports eliminating the need for US Mail distribution.

Electronic transmission of construction documents can significantly reduce the time required for decision making as well as improving access to data necessary for field review. This capability is presently being used in a limited capacity.

**Division of Funeral, Cemetery and Consumer Services:** The Division regulates approximately 9,500 death-care industry licensees of various types. Over a thousand new applications for licenses are received each year. Most of these applications require checking criminal and disciplinary history backgrounds. Many applications require assuring compliance with detailed educational, technical training, and internship requirements. Many license categories require administration of a test for licensure, and an inspection of proposed facilities. Over 1,300 licensees must have their facilities inspected every year by Division staff. Over 500 licensees must maintain trust accounts regarding preneed sales and/or cemetery care and maintenance

funds, and the Division is charged with conducting periodic examinations of these trusts and related records, to assure compliance with the law. Consumers and fellow licensees file complaints against licensees, and the Division is required to investigate complaints, and where appropriate, prepare and support legal proceedings against licensees. The Division is also charged with investigating and taking action against unlicensed activity.

When the Division was created in 2004, it was estimated that 35 staff would be needed, and the legislature approved that number of FTE positions. However, due to funding limitations, the Division has never been able to fill more than 25 of those positions and due to budget reductions the Legislature in 2010 reduced allowed staffing to 23 FTEs. Therefore the Division has been and remains challenged to prioritize and focus on the most essential elements of its regulatory responsibilities.

Yearly, the Division staff members field hundreds of calls from consumers, licensees, public officials, media, and other agencies. The Division does not have staff members solely devoted to handling such calls. Rather, in addition to their daily workload, staff members handle these calls as they come into the Division. Because many of the calls involve consumer complaints related to a deceased family member or loved one, these calls often involve individuals who may be emotionally stressed or agitated due to the particular facts of their situation. Thus, staff members have to take special care to handle these calls in a manner that addresses consumer complaints in an appropriate and reasonable manner.

Unique in DFS, the Division does not make the final regulatory decisions in most cases. Instead, the Division does the ground work and presents the results and recommendations to the state Board of Funeral, Cemetery, and Consumer Services, for its decisions. Under the Chapter 497 regulatory scheme, the Division and the Board are partners in the regulatory process. The requirement that all applications for licensure go through the Board, combined with the fact that the Board meets once a month, presents a recurring challenge to the Division in dealing with applicants who want their license applications ruled on as quickly as possible.

***Division of Workers' Compensation: Bureau of Data Quality and Collection and Bureau of Monitoring and Audit.*** The division's labor-intensive, paper-driven claims reporting process was inefficient for both the insurance industry and the state. Insurers used hard copy files to submit paper claim forms, which in many cases created reporting delays. Communications necessary to reconcile claim and indemnity payment issues were performed only by postal mail or telephone. As a consequence, the division's access to data was delayed along with its ability to timely monitor and analyze the payment of benefits and to promptly assist workers with legitimate workers' compensation claims.

The division previously instituted an electronic data performance system for all medical and benefit data in the Bureau of Monitoring and Audit (the Centralized Performance System), and an electronic medical data reporting system in the Bureau of Data Quality and Collection (the Medical Data System). These two systems have significantly increased data reporting timeliness, accuracy and efficiency to better serve customers, and to closely monitor case activity.

The Medical Data System collects medical data that transfers seamlessly to the Centralized Performance System, which also provides customized performance feedback reports to customers. The Centralized Performance System electronically reviews and analyzes the First Report of Injury (DWC-1) data and all workers' compensation medical billing data for timely payment and filing requirements. The system is an interactive, web-based process, which allows stakeholders to respond to performance feedback in real-time.

As a result of improved system information and performance, 100% of all medical bills submitted are being examined for timely disposition via the EDI data collection method. The division now holds insurers more accountable for timely data filing and accurate benefit payment than it could by reviewing hard-copy documents. Additionally, the electronic medical reporting system allows the division data to become promptly transparent to stakeholders, industry, and the public.

In addition to the medical EDI data initiative, an indemnity Claims EDI mandate was adopted by administrative rule in January 2007 that required Florida's insurance community to begin phasing in the electronic reporting of First Reports of Injury or Illness, Notices of Denials, Claim Cost Reports, and Notices of Action/Change beginning November 2007, using the national standard IAIABC Claims EDI Release 3 format. This project involved coordination with many states and workers' compensation claim administrators through the International Association of Industrial Accident Boards and Commissions (IAIABC). Florida has chaired the national EDI Claims committee which developed the current EDI transactions, and is currently an appointed member of the IAIABC EDI Council. Fiscal Year 2009-2010 resulted in a 40% increase for a total of 98% of these reports being filed with the Division using the R3 EDI Claims formats, as compared to the previous fiscal year during which 58% of these reports were filed electronically.

The Division has created a Claims EDI Data Warehouse which provides information to claim administrators about their electronic filings. Through the warehouse, an electronic Report Card can be generated that identifies the number and percentage of accepted and rejected transactions. The Top 5 Reject Errors are summarized in this report to assist the claim administrators in resolving system-related issues and identify areas of needed training. Additionally, monthly electronic reports are generated for insurers that identify past due filings, resulting in improvement in missing information. The Division's EDI Team provides ongoing education and technical assistance to claim administrators via training sessions, Webinars and numerous teleconferences. In Fiscal Year 2009-2010, the EDI Team responded to 27,047 emails to educate claim administrators on proper EDI filing requirements. In FY 2009-2010, the industry reached a milestone of 95% timely payment of the initial indemnity benefit. This is the acceptable statutory performance standard for insurers. This is a positive result of efficiencies gained from the implementation of EDI and the monitoring tools provided through the Centralized Performance System.

EDI has allowed the PT section to develop more comprehensive analytical and query tools to audit permanent total workers' compensation claims. Prior to EDI, the PT section manually reviewed the numerous paper form filings associated with PT claims. As a result of the EDI transformation, the PT section has been able to implement an automated initial claims review and analysis process. Reports are generated identifying claims with potential benefit miscalculations and data inaccuracies. This enables the PT section's specialists to focus on those cases where information indicates that the injured worker may not be receiving the correct amount of compensation.

By leveraging electronic data submissions and implementing new processes, the PT Section has significantly increased its productivity ultimately resulting in the injured and disabled workers receiving their payments more timely and accurately. In FY 2009-2010, the PT Section audited 31,176 claims transactions and obtained \$2,873,482 in past due benefits, penalties, and interest to 61 injured workers, which is a 102% increase in the number of claims transactions analyzed and a 118% increase in benefits obtained for injured workers over the prior year.

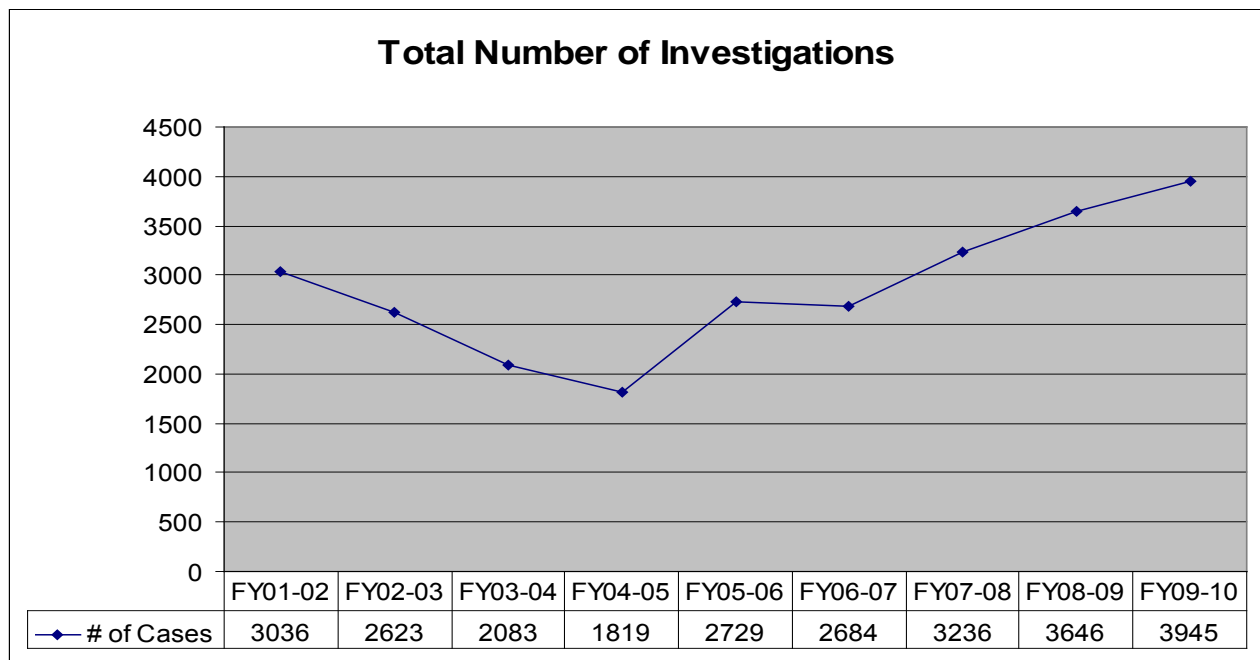
In addition, during FY 2009-2010, the PT Section implemented a new initiative to contact insurers about delinquent electronic claim cost transactions for PT claimants, which resulted in



reducing the number of pending delinquent claim cost transactions due to the Division from 6,100 transactions to 2,034, a decrease of 67%. The changes to data collection and analysis have allowed the Bureau to provide early and immediate intervention to correct inaccuracies and ensure that proper benefit payments are being provided to injured workers.

Additionally, the division implemented Rule 69L-24, F.A.C., Insurer Standards and Practices, effective 1/12/10 to establish uniform guidelines under which the Department of Financial Services, Division of Workers' Compensation, will monitor, audit, and investigate regulated entities to ensure compliance with statutory obligations under Chapter 440, Florida Statutes, including requirements to provide timely payment of workers' compensation benefits to injured workers, to timely pay medical bills to providers, and to timely report workers' compensation data to the Department. The purpose and effect is also to establish uniform guidelines for timely and accurate data reporting and penalties for non-compliance.

**Division of Agent and Agency Services: Bureau of Investigation.** In FY 2009-2010, the Bureau received complaints against licensees, insurance agencies and unlicensed persons that resulted in 3,945 investigations being opened; 3,492 investigations were completed. Eight hundred ninety-five (895) investigations resulted in formal disciplinary action such as license suspension or revocation, including restitution and administrative fines and costs. The investigations were handled by 56 investigators located in Tallahassee and 9 field offices.



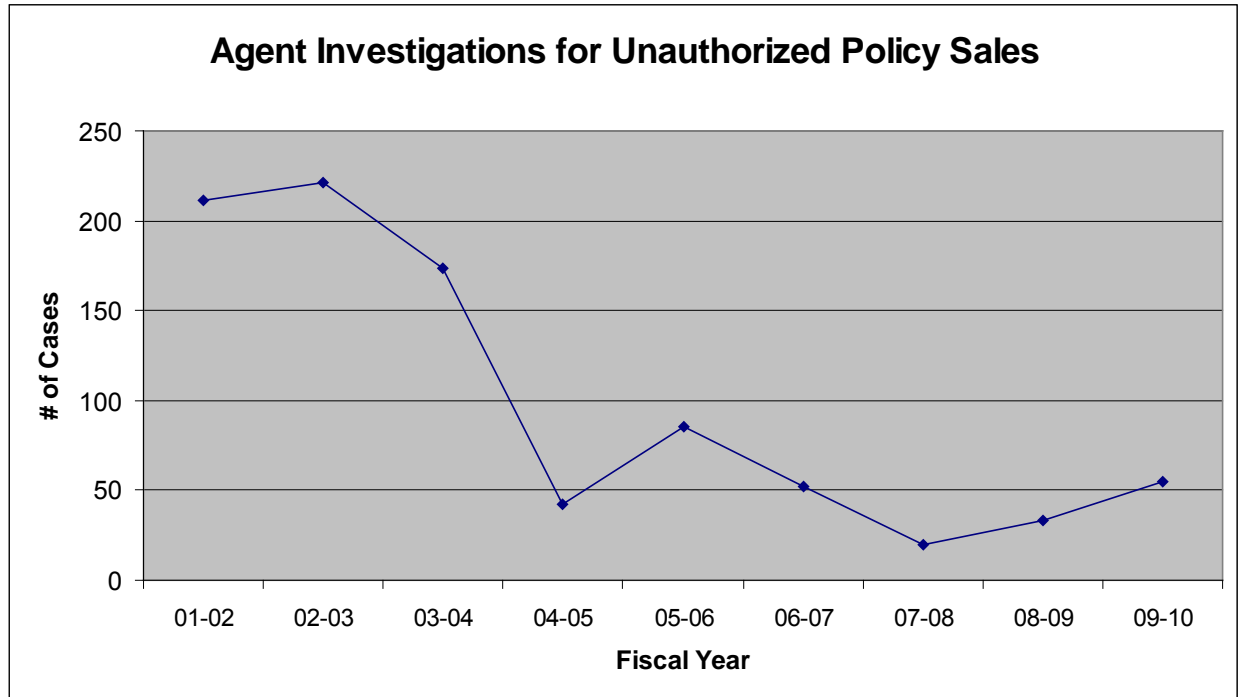
Although we have realized a slight decrease in the number of complaints and investigations opened regarding senior citizens, they continue to be targeted by unscrupulous agents' deceptive practices in annuity sales. In FY 2007-2008, 284 investigations were opened relating to the senior annuity market, and in FY 2008-2009, 267 investigations were opened, and in FY 2009-2010, 232 investigations were opened. Seniors have also recently been targeted by agents to participate in Stranger Owned Life Insurance (STOLI) transactions. In FY 2009-2010, the bureau opened 13 investigations related to STOLI's. These are transactions where an agent promotes the purchase of a large life insurance policy by a senior for the sole purpose of later reselling the policy to an investor. STOLI transactions are legal in Florida; however, misrepresentation and lack of disclosure on insurance applications are beginning to generate

inquiries and complaints against selling agents. The division expects this trend to continue to increase its workload.

The majority of active title investigations involve title insurance agents and agencies failing to fulfill their fiduciary responsibilities to Florida consumers or title insurer. Investigations involved allegations that proper premiums were not forwarded to title insurer; escrow funds of consumers were not suitably protected, and the agent failed to disburse funds from a closing accurately and timely.

In FY 2009-2010, 1,264 title investigations were opened. Of those investigations, 1,025 were relating to title surcharges or surety bonds. The remaining 239 investigations, 38 (16%) were for fraudulent and deceptive practices, 72 (30%) were misappropriation of fiduciary funds and 46 (19%) were escrow violations.

During the past 20 years, the Department has seen 2 peak periods of sales of unauthorized health insurance products in Florida. The cycle appears to run every 8-10 years and we are beginning to see an increase in this activity. The last peak was during FY 2002-2003, when we opened 221 investigations against agents who sold insurance policies on behalf of insurance companies not authorized by the Office of Insurance Regulation (OIR) to sell policies in Florida. During FY 2009-2010, we opened 55 investigations a 275% increase from FY 2007-2008. The sale of once undetected unauthorized insurance policies often results in consumers suffering significant financial harm. Most unauthorized insurance companies are unable to pay claims or are set up with no intention of ever paying claims, only to pocket premiums paid by consumers. We take pro-active measures to deter the practice by using public warnings to agents and consumers and taking swift action against violators.



The Bureau requires investigators with both insurance knowledge and transactional experience in order to effectively protect consumers from fraudulent schemes. However, talented investigators have been leaving for better paying jobs. For example, in FY 2002-2003, the Bureau saw a turnover of 15 investigators; 4 in FY 2003-2004; 7 in FY 2004-2005; 15 in FY 2005-2006; 8 in FY 2006-2007; 6 in FY 2007-2008; 5 in FY 2008-2009; and 8 in FY 2009-2010. Even within the

department, the Bureau has experienced significant competition for investigators. Investigators in the Office of Financial Regulation (OFR) have an average salary of \$45,415 as compared to the Bureau's average of \$35,504, a 22% gap. The Bureau's investigators comprise 4 pay grades, ranging from pay grade 20 to pay grade 26. The majority (71%) are pay grade 20. OFR's investigators comprise 3 pay grades ranging from pay grade 21 to pay grade 25. The majority (58%) are pay grade 25.

**Division of Agent and Agency Services: Bureau of Licensing.** In FY 2009-2010, the Bureau of Licensing received 100,818 new applications for insurance licenses;

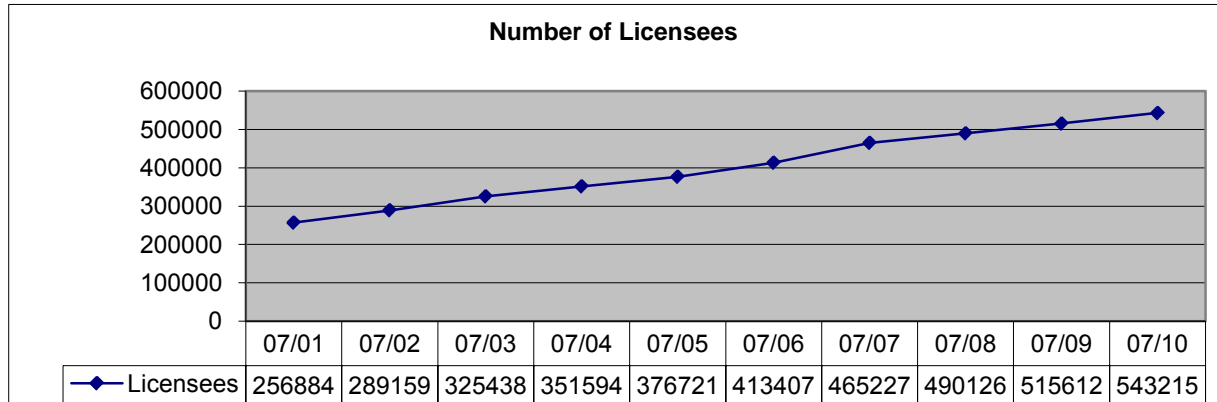


Figure 1-AAS. Licensee Population (Individuals & Firms)

Assisted and monitored 308,063 licensees with at least one active appointment and 235,830 licensees not required to be appointed or not holding an active appointment; and processed 1,692,345 appointment actions (new, renewals and terminations). New licenses issued during FY 2009-2010 totaled 60,340. Florida has a total of 747,076 insurance licenses issued, with many licensees having more than one license. Almost every year license types are either newly added or requirements are changed by the Legislature. The Bureau continues to adapt and improve computer systems to implement these changes. In September 2009, technology was implemented changing the frequency and method with which we communicate with licensees. Email is being used instead of paper and traditional mail, saving approximately \$350,000 annually. With the implementation of the electronic communication process, there has been a slight decrease in telephone calls from applicants checking on application status. We expect further decreases. Further, the Bureau identified a secure way to issue licenses electronically. This began July 1, 2010 and is estimated to save \$420,000 in contract services costs.

The Bureau of Licensing is responsible for overseeing the examination process for insurance representative licensing and annually reviews the content of these examinations. Twenty-three types and classes of licenses require examination prior to licensure; approximately 24,983 examinations were administered in FY 2009-2010. The Bureau staff also approves and monitors pre-licensing and continuing education providers, courses, and instructors. In FY 2009-2010, 23,119 course offerings were approved and included 20,860 continuing education courses and 2,259 pre-licensing courses. There were 3,202 new courses approved in FY 2009-2010.

**Division of Legal Services:** Service of process on insurers has been historically done by hard copy, in duplicate to the Department's Service of Process Office, totaling five million pages per year. In the past two and one half (2.5) million pages per year were forwarded by postal mail from the department. The division scans its copy of the 2.5 million pages for records retention. Since we can scan the documents and serve electronically, the division is again proposing a statutory amendment in the 2010 Legislative Session to change the statutory required submission

to one copy of the process. This change will reduce by one half the number of pages submitted to the division and also reduce the handling time associated with reviewing, managing, filing, shipping and storing the extra copy of documents.

The division proposes to provide more efficient service and reduce operational costs by electronically transmitting notification and availability of documents to the insurers. Electronic delivery of the process can reduce the number of copies to one set and therefore the number of pages by one half; it can also provide same day availability to insurers. Currently, the average time to set up and prepare to serve process by certified mail to the insurer is 24-48 hours, which would be reduced by more than half. The mail delivery time of 3-5 days would be eliminated. The division met its goal of providing access of electronic notification and availability to at least 55% of all insurers by July 1, 2010.

The service of process workload is predicted to continue rising and by reducing the volume of documents, handling time, postage and paper expense, the improvements should not only allow the division to keep pace with the extra work, but assure the insurers are notified in the most expedient and efficient manner possible. This will also benefit the plaintiffs, consumers and courts by allowing extra response or settlement time, prior to or in lieu of further litigation.

## **OPERATIONAL EFFICIENCIES**

***Goal 5: The Department will strive for organizational excellence by promoting and encouraging continuous improvement.***

***Division of Consumer Services:*** While Consumer Services continues to maintain a high level of professionalism among its staff, there are several conditions we address on an ongoing basis. The division has a high turnover rate due to employee burnout and the lack of competitive salaries. Management is challenged to develop alternative work schedules and establish new helpline programs which provide workload diversity. Continuing education classes, within a limited budget allocation, are promoted for personal growth and advancement. Additionally, due to the complex and ever-changing nature of the insurance and financial sectors, helpline specialists are required to receive lengthy and frequent training to assure that they have the necessary expertise to advise consumers. Each year the insurance industry introduces many new sophisticated products which require insurance specialists to gain new product knowledge. Over the years the division has developed several internal subject matter experts in areas such as health insurance, annuities, commercial property and title insurance. These experts assist specialists on complex insurance issues and oversee the development of educational materials and presentations. The division makes a considerable effort to identify new industry trends and products for purposes of identifying possible regulatory issues. It is extremely important the division maintains educational skills that match this ever changing industry.

***Division of Information Systems*** (DIS) plans, develops, manages and operates the information technology (IT) resources and services for the Department of Financial Services (DFS), Office of Financial Regulation (OFR) and Office of Insurance Regulation (OIR). These entities rely heavily on information, IT resources and services for the efficient and effective management of its operations.

DIS seeks to provide a reliable and cost effective technical infrastructure that allows DFS, OFR and OIR to achieve their goals and objectives. However, resource retention is a huge challenge for DIS. The quality of IT services is impacted by DIS's inability to attract and keep a skilled IT workforce. In the past DIS has lost employees to the private sector, universities or other state agencies, all willing to pay an average of 30% more in salaries than DIS was able to offer as displayed in *Table DIS-1*.

DIS seeks to provide exceptional service but has found that, in the highly competitive technology market, it has limited ability to recruit, attract, hire or retain employees with needed skills. It is difficult to provide adequate, much less exceptional, customer service while losing valuable employees. As seen in *Table DIS-1*, DIS loses out not only to the private sector but also to other state agencies. Consequently, DIS must hire technical expertise from the private sector.

DIS has found vendor outsourcing for technological development and maintenance to be expensive, difficult to manage and often unsuccessful. For example, DIS's options are limited to contracting with outside organizations at greater cost, rather than being able to fill state positions with applicants who have the essential and critical skills needed in a modern technology setting. DIS conducted a study to review the benefits of using FTE replacement versus augmented staff contracting. The study concluded that the Department could potentially recognize a cost savings by using FTE replacement in lieu of augmented staff contracting.

DIS Section	DFS Salary	Approximate salary employee left for	Difference	Private/State	Percent increase
Application Design	\$39,949	\$50,000.00	\$10,051.00	Private	25%
Distributed Infrastructure	\$39,358	\$55,000.00	\$15,641.68	Private	40%
Distributed Infrastructure	\$41,439	\$65,000.00	\$23,561.00	Private	57%
Distributed Infrastructure	\$37,203	\$60,000.00	\$22,797.00	Private	61%
Distributed Infrastructure	\$43,512	\$80,000.00	\$36,488.00	Private	84%
Distributed Infrastructure	\$36,314	\$60,000.00	\$23,686.00	Private	65%
Distributed Infrastructure	\$58,605	\$90,000.00	\$31,395.00	Private	54%
Financial Application	\$40,900	\$63,000.00	\$22,100.00	Private	54%
Mainframe Infrastructure	\$55,000	\$70,000.00	\$15,000.00	University	27%
Office of the Director	\$86,402	\$104,999.96	\$18,597.56	University	22%
Application Design	\$51,949	\$57,145.00	\$5,196.00	State	10%
Application Design	\$49,164	\$54,000.00	\$4,836.00	State	10%
Distributed Infrastructure	\$47,655	\$70,000.00	\$22,345.00	State	47%
Distributed Infrastructure	\$49,728	\$59,159.00	\$9,431.00	State	19%
Distributed Infrastructure	\$39,358	\$60,000.00	\$20,641.68	State	52%
Financial Application	\$27,800	\$38,000.00	\$10,200.00	State	37%
Financial Application	\$35,400	\$41,000.00	\$5,600.00	State	16%
Financial Application	\$31,400	\$35,000.00	\$3,600.00	State	11%
Office of the Director	\$98,117	\$100,940.00	\$2,823.34	State	3%
Office of the Director	\$82,224	\$87,000.00	\$4,775.75	State	6%
Programming Design	\$46,767	\$56,000.00	\$9,233.00	State	20%
Programming Design	\$47,090	\$55,300.00	\$8,210.00	State	17%
Programming Design	\$36,439	\$46,836.00	\$10,397.00	State	29%
TOTALS	\$1,121,774	\$1,458,379.96	\$336,606.01		30%

*Table DIS-1. Loss of DIS expertise displayed by DFS salary, competing salary and competing employer.*

**Office of Strategic Planning:** In October 2008, the Department created the Office of Strategic Planning to focus on evaluating and improving Agency performance. Achieving high performance in the workplace often depends on our ability to identify and correct problems as well as recognize and share innovative ideas. It is especially critical for us to manage our limited

resources efficiently and effectively to achieve the best results possible for the citizens we serve. This office reports directly to the Chief of Staff and works with all DFS managers and employees. The office's focus includes the following:

- Research and data analysis;
- Business process mapping and management;
- Performance measurement, benchmarking, survey design and analysis;
- Enterprise project management;
- Problem-solving methodologies;
- Learning & Development;
- Strategic planning to include the Department's Long Range Program Plan (LRPP).

The Office of Strategic Planning currently employs 8 full-time employees.

The Office of Learning & Development (L&D) is organizationally located within the Office of Strategic Planning. L&D provides training and development for improving employee competencies in four key areas: 1) Leadership, 2) Technology, 3) Organizational Improvement, and 4) Personal Growth. Activities include:

- Design, development, delivery and evaluation of training courses;
- Facilitation;
- Classroom and meeting space reservations;
- Leadership development;
- New Employee Orientation;
- Basic Supervisory Training Program;
- Administration of the Department's internship program;
- Maintenance of the Department's training intranet hub;
- Learning-oriented performance consulting;
- Customized consulting services.

Learning events are conducted on a group or individual basis by classroom, online or distance delivery to maximize the assistance and promotion of job skills. All programs are designed and delivered to maximize the assistance and promotion of job skills. Last fiscal year L&D conducted more than 240 individual classes, hosted over 70 online events and provided more than 1000 special project consulting hours for the department. The office also coordinated the use of training rooms for more than 400 meetings for the department and other agencies and served approximately 3,000 total employees, including 16 from other agencies. L&D currently employs 4 full-time employees.

***Office of the Inspector General (OIG):*** The OIG's mission is "to promote integrity, accountability and process improvement within the Department." The OIG vision statement is: "to provide objective fact-based perspectives to the DFS team. We want to be: championed by our customers, benchmarked by our counterparts and dedicated to quality in our products and services." This vision statement reflects the priority the Office of Inspector General places on identifying and evaluating key internal controls as a standard part of each engagement. We believe this perspective helps the Department improve the activities DFS performs on behalf of the citizens.

The staff of the Office of the Inspector General routinely interfaces with citizens who have issues they need to have addressed by government. Although these concerns do not usually fall into the typical inspector general misconduct categories, staff members make sure consumer complaints are routed to the appropriate entity either within the Department, or within the Enterprise, for a thorough review.

## **WORKFORCE**

***Goal 6: The Department will provide a workplace environment that is conducive to attracting and retaining quality employees.***

### ***Office of Strategic Planning: Learning and Development***

The department considers its full-time and temporary employees to be its most valuable resource. Even though the department cannot compete with the private sector in certain areas of recruitment and retention, the department can take proactive measures to help improve the quality and effectiveness of its workforce. These include developing an aggressive recruitment process that will seek out and attract quality candidates and providing a workplace environment that is conducive to retaining quality employees. With this in mind, the Department established the Academy of Leadership and Excellence Program. This Program strives to be recognized as the benchmark internship program in Florida state government for identifying, recruiting and retaining new talent and building careers in public service. The Academy provides real-world work experience, professional development, and career opportunities in public service for Florida's best and brightest university students. Students receive substantive and challenging work assignments from their assigned mentor and have their work evaluated on a professional level. The inaugural class of 2008 consisted of 18 university students from FSU and FAMU who were assigned within 11 divisions across the Department. Students have paid positions and are required to work at least 20 hours a week. All students must maintain above a 3.0 GPA and be a junior, senior or a graduate student. Future opportunities will be open to all state university students.

In addition, the department has implemented a leadership development program which is a component of the Department's Professional Excellence Program. The program encourages candidates to participate in a four-tiered leadership development program designed to cultivate a diverse network of proven leaders and rising stars. The four tiers are: Emerging Leaders, Leadership Foundations, CFO Fellows and Executive. These programs will continue improving upon existing supervisory training. The Professional Excellence Program is coordinated by the Office of Learning and Development, established in 2008 to proactively address the quality and effectiveness of its workforce.

***Division of Insurance Fraud:*** The Division of Insurance Fraud established an aggressive recruitment campaign over the past three fiscal years which brought much success to the Division. By virtue of this campaign, a long term hiring pool was established for statewide selection of candidates – which was used to fill vacancies in virtually every office across the state. And, through this campaign, applicants were required to apply only once, by which they could be considered for employment in all offices in which there were vacancies. The advertisement was open for a period of six (6) months, which also negated the need for repeated advertising.

This campaign had an immediate necessary impact; the Division was saturated with applicants seeking employment – specifically those willing to accept positions where available and willing to relocate if necessary. This tactic was especially successful because of the increased unemployment rate in Florida and budget cuts in peer agencies across the state; *the number of vacancies for sworn law enforcement officers with the Division of Insurance Fraud decreased by 33% between FY 2008/2009 and 2009/2010*

Additionally, a more expeditious and accurate background screening process was established to accommodate this recruitment campaign so that qualified applicants could be placed in vacant positions more quickly, but without compromising any of the necessary elements of thorough

background monitoring. Past experiences with long awaited background checks often resulted in lost applicants who were recruited by other agencies. Applicants were hired more quickly than ever before over the past fiscal year and background investigations were both thorough and precise.

However, this campaign did raise some challenges for the Division. One the greatest challenges was the sheer volume of responses, as it was not uncommon for a statewide pool to generate receipt of 3,000 or more applications (of which no more than approximately 10% on average would ultimately become final candidates for employment). Therefore, the initial screening process was labor intensive and monopolized much of the time of the staff in the Professional Standards and Training Section of the Division as well as the Division's Human Resources liaison and other administrative personnel.

Perhaps the greatest challenge facing the Division with the hiring process is related to the polygraph examination (an element of the background investigation). Regardless of the encouragement to be "truthful in all things," persons applying for sworn law enforcement positions remain reluctant to be forthcoming with information they believe may tarnish their reputation or preclude them from employment with the agency. They elect instead to be hesitant or even untruthful, which renders a deceptive test result. Such a result is unacceptable in the law enforcement environment – as it speaks to one's credibility – and certainly so in an environment where fraudulent or untruthful statements are often the cause for criminal prosecution.

While this campaign has been successful, the time and labor intensive efforts of the initial screening process, as well as the numerous staffing hours that it has diverted from other tasks have been carefully reviewed and an alternative approach has been adopted: short-term advertisements by region *in lieu of statewide long-term advertisements*. This will be helpful in 1) reducing the volume of applications received for any particular advertisement and 2) create a more precise pool conducive to specific geographic areas.

Employee retention is always of great concern, and the talent within the sworn component of the Division of Insurance Fraud is certainly deserving of competitive salaries, which is the most significant key to retention. Certainly it is our goal to retain this talent which returned increases in all areas of measured performance over the past fiscal year: *an increase of 25% in the number of arrests, 33% in the number of convictions, and 82% increase in the amount of court ordered restitution between FY 2008/2009 and FY 2009/2010.*

***Division of Administration:*** The Division of Administration provides administrative support to the department, the Office of Insurance Regulation (OIR), and the Office of Financial Regulation (OFR). The department, including both OIR and OFR, has 2745.5 full time equivalent positions and averages 200 temporary employees annually, depending upon budget and need. The Division of Administration operates with 110.5 of these positions. Additionally, for FY 2011, DFS/OFR/OIR has a total combined budget of \$302,114,026. DFS has 35 leases statewide for a total of 754,517 square feet and owns two facilities: State Fire Marshal Arson Lab and the Fire College.

The department has been through a number of reorganizations and mergers in the recent past. In 2002, the Division of Workers' Compensation within the Department of Labor was moved to the Department of Insurance. In 2003, the Department of Insurance merged with the Department of Banking and Finance, to create the current Department of Financial Services. Business processes from three different entities were merged into one agency. The department continually reviews its business processes in order to ensure efficient use of human, operational and financial resources.



***Division of Administration: Bureau of Human Resource Management.*** Human Resource Management (HR) provides leadership in a contemporary human resource program while continually striving to enhance the services provided by HR. HR administers a comprehensive program that includes recruitment, staffing, career enhancement, talent planning, classification and pay, attendance and leave, grievances and appeals, labor relations, Affirmative Action/EEO, records, payroll, benefits, Employee Assistance Program, employee relations, and performance reviews. Over the last fiscal year HR processed 785 hiring appointments, 2,525 classification or organization changes, 2,301 performance reviews, and 135 employee/labor relations cases. The office currently employs 15 full-time employees.

HR recognizes that private sector employers utilize professional headhunters when recruiting for key positions and are able to offer more competitive benefit packages than State government, e.g. relocation costs paid by private sector employers. In addition, an increased number of private sector employers are funding workplace environment enhancements, e.g. daycare, health and fitness facilities, etc. This gives the private sector an edge in attracting and recruiting qualified minority candidates. HR acknowledges that the Department should identify functional areas and positions where enhanced recruitment efforts are needed. Moreover, it is necessary to identify subject matter experts to assist with recruiting efforts and define attributes of quality candidates while identifying sources of qualified candidates.

The Department views its Affirmative Action goals in terms of overall minority and female representation. We do not set aside a specific number of jobs for minorities and females; rather, we are seeking to reach or exceed the minority percentages reflected on the Florida Statewide Available Labor Market Analysis. The Department is committed to the policy of Equal Employment Opportunity and to our Affirmative Action efforts. In addition, an Equal Opportunity Report is published quarterly in an effort to be aware of our minority representation.

## **OUTREACH AND EDUCATION**

***Goal 7: Our customers will receive timely, helpful and accurate information which they can rely on to protect themselves and their assets.***

In the Office of Program Policy Analysis and Government Accountability Report 06-51, the department ranked second to the Department of Agriculture and Consumer Services call center (FY2005) in the number of consumer complaint calls. The department received about 20% of all consumer complaint calls made to all state agency call centers that year.

Not all calls, obviously, are for complaints. The Divisions of Consumer Services, Agent and Agency Services and Workers' Compensation all have call centers that have licensing, educational and advocacy purposes. Other divisions, specifically Rehabilitation and Liquidation, Funeral and Cemetery Services and Insurance Fraud depend upon the Consumer Services Helpline for their consumer calls.

***Division of Consumer Services (DCS):*** The mission of the Division of Consumer Services is to provide information and educate consumers, offer advocacy through the effective handling of consumer complaints and identify regulatory trends to better protect consumers.

Over the last 5 years, our Division has proactively served more than one million customers with this mission in mind. We primarily accomplish our mission by answering consumers' questions and taking requests for help through our toll-free consumer helpline. Our efforts are

supplemented with help to consumers through our online Consumer Helpline, Insurance Library and various community outreach programs.

The division strives to provide personal service to each individual calling the Helpline within two minutes regardless of the fluctuation in the number of calls. The division also conducts a continuous audit program to ensure a high level of service and information is provided to consumers.

In addition to serving as advocates for Florida consumers with companies and individuals regulated by the Office of Insurance Regulation, we also work to uncover trends in the insurance marketplace to help better protect insurance consumers. Regulatory referrals are regularly sent to the divisions of Agent & Agency Services and Fraud, as well as the Office of Insurance Regulation.

During the 2004 and 2005 hurricane seasons, an additional critical service was identified and met – we assisted hurricane victims through their insurance claim and recovery processes. We achieved this, in part, by setting up claim recovery sites in affected areas with insurance company personnel and Consumer Services staff working to provide that personal link between the consumer and their insurance company.

In addition, Consumer Services promotes public policies and legislative actions which ensure that consumers receive the full benefits and services as stated in their financial contracts and insurance policies.

While Consumer Services continues to maintain a high level of professionalism among its staff, there are several conditions we address on an ongoing basis. The division has a high turnover rate due to employee burnout and the lack of competitive salaries. Additionally, due to the complex and ever-changing nature of the insurance and financial sectors, helpline specialists are required to receive lengthy and frequent training to assure that they have the necessary expertise to advise consumers.

***State Fire Marshal: Bureau of Fire Standards and Training (BFST).*** The BFST governs 37 Certified Firefighter Training Centers located throughout the state with an additional 7 centers under construction or in the planning stages; we ensure that the facilities, the curriculum, and the instructors comply with state statutes and administrative codes. The Bureau also administers the Fire Safety Inspector and Special Fire Safety Inspector Certifications (sec. 633.081, F.S.).

The Bureau operates the Florida State Fire College located near Ocala, providing extensive training for paid and volunteer firefighters (*Figure 1-BFST*). Each firefighter trained results in a cascade of transactions, including responses to inquiries and data collection to update files. As the transactions have increased annually, over 50% in eight years for both types of exams, the Bureau has initiated automation of many of its processes through web-based applications in order to increase its efficiency. Fiscal year 2007-08 resulted in almost 20% less examinations but no significant difference in the travel to and from the various test sites.

<b>Fiscal Year</b>	<b>Total Exams</b>	<b>Firefighter II Exams</b>	<b>Retention Exams</b>
2000-01	4898	2349	32
2001-02	6313	3651	61
2002-03	6447	3888	70
2003-04	7885	4623	97
2004-05	9765	5586	64
2005-06	8429*	3353*	92
2006-07	10,096	4840	111
2007-08	8,173	3381	126
2008-09	8824	3526	181
2009-10	8618	3270	159

*Figure 1-BFST. Ten year trend for examinations conducted by the Bureau of Fire Standards and Training. Retention exams reflect persons who have reached the end of their three year certification window without being employed and are therefore retesting to maintain their certification. \* During summer and fall 2005, the state and regional hurricane activity reduced BFST ability to deliver tests and training.*

As predicted, property tax changes have reduced local governmental revenues; the Fire College has seen the impact in the actual numbers of examinations given. However, this has not resulted in a significant decrease in the number of remote deliveries required to accommodate the candidates. Currently, many local fire departments send trainees to local community colleges; but, with a likely reduction in firefighter training funds, the less-costly Fire College classes will be much more attractive. More demand for classes will impose a severe workload strain as the Fire College is currently canceling classes for lack of qualified instructors and will be forced to rely more on OPS or contract delivery of classes as demand dictates. Moreover, each Fire College trainee imposes additional workload demands in the form of queries, applications, file searches and verifications. In addition, new national standards have caused the Bureau to employ new administrative code that will result in practical testing for Firefighter I increasing the delivery of practical examinations by an estimated 20 to 30 per cent.

When the Department of Labor and Employment Security was dismantled in 2002, Florida's firefighters were left without health and safety administrative rules or an oversight body. The State Fire Marshal (SFM) addressed the void by providing two fulltime employees and developing emergency rules to establish itself as the regulatory authority. The Bureau of Fire Standards and Training's role is largely confined to investigations into complaints and line-of-duty deaths. The Bureau would like to accomplish more, specifically in the areas of inspection and accreditation. For example, firefighter line-of-duty deaths are anticipated to correlate with failure to follow best safety practices. However, the Bureau does not have the resources to collect and analyze the data needed to study preventive strategies.

The Bureau has formerly had six programs for certification accredited by the National Board on Professional Firefighter Qualifications ("Pro Board") and, in some cases far exceeded their minimum requirements. Several additional programs have been submitted for accreditation and are currently under review. In addition, the Florida Live Fire Training Program is being recommended for accreditation as the first such program in the nation.

***Office of the Insurance Consumer Advocate (ICA)*** in the CFO's office is responsible for finding solutions to insurance issues facing Floridians, calling attention to questionable insurance practices, promoting a viable insurance market responsive to the needs of Florida's diverse population and assuring that rates are fair and justified.

The ICA strives to maintain a balance between a viable, competitive insurance market with the fiscal capacity to fulfill obligations to policyholders and consumers' needs for accessible, affordable insurance products that protect their lives, their health and their property. Tapping into market reports, along with some 500,000 inquiries made annually to the Department of Financial Services statewide consumer helpline, the ICA is able to identify, first hand, market trends affecting Floridians. The ICA also meets with various other agencies in order to identify market trends. This data empowers the ICA to seek early and proactive resolution of business practices that may adversely affect Floridians, as well as to assist in expansion of those beneficial to the consumer. Although the ICA will usually refer any inquiries that come into its office to the Division of Consumer Services, the Office will handle specific consumer inquiries that are time sensitive, very complicated or appear to be indicative of emerging trends. Florida law authorizes the ICA to represent consumer interests in regulatory proceedings regarding all insurance activities conducted under jurisdiction of the Department of Financial Services and the Office of Insurance Regulation. The ICA also examines rate and form filings to assure rate changes are justified and fairly apportioned and that policies clearly and accurately reflect coverage provided. Lastly, the ICA participates in proceedings affecting insurance consumers in the Florida Legislature.

***Division of Treasury: Bureau of Deferred Compensation.*** The bureau provides information, education and guidance regarding the availability of the state employee deferred compensation plan, its available investment options and their corresponding performance. The deferred compensation program (Internal Revenue Service Code, section 457), provides a way for employees to supplement retirement income by investing in a variety of instruments on a tax-deferred basis. Participating employees make their own investment decisions based upon their retirement needs, time horizons and risk tolerance. The Bureau has a broad range of investment options with varying degrees of risk and return that offer:

- a variety of reasonable investment options
- essential information and
- minimal administrative costs

The Bureau's objective is to assist state employees in achieving financial security in their retirement years. Two trends have had an impact on the robustness of Florida's Deferred Compensation Program. First, as baby boomers hit retirement age and government downsizes its employed workforce, the number of participants decrease, reducing the pool of available funds. Recently, state retirees have also been moving their deferred compensation accounts to accounts with higher fees recommended by private financial planners. Not only is the state's pool of assets available for investment reduced, but the leaving retirees may be disserved by lower net returns from private advisors. Secondly, when the economy trends downward, most recently in the housing and mortgage sectors, participants are likely to decrease or stop deferrals if they have increased living costs and are wary of investing.

In order to address these concerns, the Bureau of Deferred Compensation is stepping up its marketing and educational efforts. The Bureau will be encouraging participants to increase their deferrals and non-participants to sign up in order for both of these groups of employees to meet their financial retirement goals.

## ***TASK FORCES, STUDIES AND INITIATIVES***

### **Safeguard Our Seniors Task Force**

In September 2008, the Department established the Safeguard Our Seniors Task Force to review and recommend solutions to better protect Florida seniors against financial fraud, with an immediate focus on annuity fraud. The task force includes senior advocacy, legal, investigative, consumer, regulatory and industry representatives. In 2009, proposed legislation was submitted that increased the penalty for agents who defraud senior investors to a third degree felony and establishes better disclosures and protections upfront for seniors who invest in annuities products. The legislation was approved unanimously by the Florida Senate but was not heard in committee in the Florida House. The legislation was approved unanimously by the Florida Senate but was not heard in committee in the Florida House. CFO Sink's 2010 legislation was signed into law by Governor Crist and enacts the following safeguards:

- Increases the financial penalty for the willful act of “twisting” or “churning” of an annuity to a maximum of \$75,000, which is intended to be a strong disincentive to this unlawful behavior.
- Limits the period of a surrender charge for an annuity sold to a senior consumer (age 65 or older) to 10 years and limits the surrender charge to 10 percent.
- Extends the “free look” period for the purchase of an annuity by a senior consumer from 14 to 21 days.
- Authorizes the Department of Financial Services to require an agent to make monetary restitution to a senior consumer harmed by a violation of the insurance code under certain circumstances.
- Includes a third party marketer that aids and abets an insurance agent in the violation of the insurance code involving an annuity sale to a senior consumer as an affiliated party of the insurance agent, bringing that marketer under the regulatory authority of the department.
- Gives the department authority to take license disciplinary action against an agent who has been disciplined under his or her securities broker-dealer license or a related license.
- Prohibits the department from issuing a license to a former licensee who has had his or her license revoked resulting from the solicitation or sale of an insurance product to a senior consumer.
- Extends the prohibition on a life insurance agent being the beneficiary of a life insurance policy by including the agent's family members within the prohibition and by prohibiting the agent from serving as a guardian, trustee, or having power of attorney over the insured.
- Requires an insurer to provide a cover sheet attached to the policy when an annuity is issued informing the purchaser about the free look period and about how to contact the insurer and the department if they have questions about the annuity.
- Allows the use of video depositions in administrative hearings involving a senior consumer and requires compliance with the Rules of Civil Procedure.

### **Florida Housing Help Initiative**

The Florida Housing Help Initiative was inspired by CFO Alex Sink's Financial Action Team (FACT) to assist Floridians facing foreclosure. Since this initiative began in 2009, CFO Sink and the Department of Financial Services have held 129 Florida Housing Help workshops across the state with nearly 13,000 homeowners attending. These workshops are done in partnership with community organizations, local elected officials and lender representatives, and are designed to provide on-sight information, counseling, and even home loan modification to Floridians.

## Wireless Communications Cost Efficiency Team

In January 2009, CFO Alex Sink formed the Wireless Communications Cost Efficiency Team, and in May they offered recommendations for a more responsible approach to device assignment and services based on employee usage history. Their recommendations led to the disconnection of 116 BlackBerrys, 56 cellular phones, and 40 aircards that did not meet the newly established criteria. Additional cost savings were realized by matching employee usage to the most appropriate vendor, lowering monthly costs for air cards, and reducing unused services. The Department of Financial Services (DFS) will realize savings of over \$210,000 in state-paid annual wireless costs by implementing the recommendations of CFO Sink's Wireless Communications Cost Efficiency Team's report. These cost-cutting measures represent a 37% reduction in annualized costs for the Department's wireless communications.

## Contract Renegotiation and Reform Initiative

In January 2009, CFO Alex Sink launched a Contract Renegotiation and Reform Initiative in the Department of Financial Services following a legislative directive. All Division Directors were asked to re-evaluate their existing contracts and attempt to renegotiate the contracts to save taxpayer dollars. From January to September the Department has saved over \$300,000. Savings were generated by Department of Financial Services' employees working with individual vendors to lower contract costs. The Department of Financial Services has other renegotiations currently pending that can result in further savings. CFO Sink's recommendations include:

- Authorize state agencies to increase the use of electronic payments and receipts to reduce costs and increase efficiency.
- Require all contract managers to attend accountability in state contracting training conducted by the CFO's Department of Financial Services.
- Require that contracts include clear statements of work and deliverables to ensure the state is getting what's being paid for.
- Authorize the CFO to establish procedures for state agencies to ensure contract services are rendered in accordance with contract provisions prior to invoicing for payment.
- Require an analysis to ensure that non-competitive procurements are reflective of fair market value.
- Require that agreements with grantees of state and federally funded grants include clear statements of work and deliverables.

## Get Lean Florida

Last year, CFO Alex Sink expanded the state's "Get Lean Florida" program to include a new, interactive web site, [www.GetLeanFlorida.com](http://www.GetLeanFlorida.com), providing Floridians with another method to anonymously suggest ways to improve the efficiency and cost-effectiveness of state government. The Get Lean web site also allows the Department of Financial Services' staff to alert state agencies when suggestions or tips are received and to track suggestions and responses. The Get Lean web site is advertised through posters in government offices, public libraries, senior citizen centers, hospitals and other locations. The Get Lean Florida program still includes the toll-free hotline, 1-800-Get-Lean. Monthly reports are provided to the Florida Legislature as required by statute.

## CREW Initiative- Office Supply Savings

In November 2009 the CFO launched the Commodities Review and Efficiency Workgroup (CREW) initiative under the sponsorship of Chief Of Staff Tammy Teston and management of Director of Administration Diana Flagg. The goal of CREW was to reduce office supply expenditures (Object Code 380000 – Office Supplies Consumable) by at least \$200,000 from the FY 08-09 total of \$699,572. The Workgroup was comprised of representatives from every DFS Division and Office. The Committee met weekly to review DFS Office Supply spending patterns, review office supply best practices (including ‘green’ practices), receive testimony and information from office supply companies and to discuss ‘next steps’. Subcommittees were formed to look into specific areas.

Early on the Committee recommended a moratorium for all office supply purchases except those identified as ‘mission critical’, along with other measures, to immediately reduce expenditures. This moratorium was placed into effect by the CFO on January 26, 2010. Accompanying the implementation of the moratorium the CFO directed DFS to utilize certain best practices CREW had identified and to make use of the “CFO Depot”, a DFS office supply sharing and swapping site, which was created and maintained by DFS internal resources.

The Committee continued to meet weekly and in March 2010 issued a report detailing on-going and proposed new measures and actions to reach the CFO goal and to promote a “reduce-reuse, recycle” culture in DFS. The CFO noted that if other state agencies took the same actions as DFS in regard to office supplies over \$14,000,000 could be saved statewide. Since then, the CREW initiative has attracted interest from other state agencies and even a federal agency, NASA.

In June 2010 CREW recognized that the CFO’s office supply savings goal had not only been met but was exceeded by a wide margin of over \$40,000. DFS FY 09-10 office supply expenditures were reduced by nearly 35%, or \$240, 457 as opposed to FY 08-09 expenditures.

The Chief of Staff has directed that the savings measures identified by CREW will continue in effect and that office supply purchasing, while no longer subject to a moratorium, should continue to be for ‘mission critical only’ office supplies. The CFO Depot, which saved over \$15,000 in FY 09-10, continues to be utilized. DFS intends to permanently reduce office supply expenditures through the CREW measures the CFO has implemented.

## Florida’s Checkbook

In May 2009, CFO Alex Sink unveiled Florida’s Checkbook, a web portal that allows Florida taxpayers to view all the tools CFO Sink has online to increase transparency and accountability for government spending in one easy-to-find location. At [MyFloridaCFO.com/Transparency](http://MyFloridaCFO.com/Transparency), citizens can view information such as finance reports, fund balances, state and local receipts and disbursements, and contracts in an ongoing effort to increase accountability and openness when it comes to how Floridians’ tax dollars are being spent. Florida’s Checkbook also links to the Sunshine Spending web site, a joint initiative by CFO Sink and Governor Crist that details all state payment received by vendors since 2005. All sites on Florida’s Checkbook were created using existing resources, with no additional tax dollars spent to create or maintain them. Tools like Florida Financials and Sunshine Spending are updated nightly.

## Increased Federal Funding Report

In January 2009, the Florida Legislature requested that the Office of CFO Alex Sink prepare a report and recommendations to maximize federal funding to the State of Florida. In preparing the report, CFO Sink's office not only researched existing structures, governing statutes, and state-by-state comparisons, but also reached out to every state agency individually in regards to their performance and thoughts on programming or budgetary obstacles. The report found that Florida ranks 45<sup>th</sup> in the nation in per capita federal grants funding and identified several ways that Florida could enhance and improve its draw down of federal funds. The report laid out ten preliminary suggestions for enhancing coordination among key state agencies and increasing awareness of the federal grant process. The report was submitted to the Senate President and House Speaker on March 3, 2009.

## Financial Literacy Council

The Financial Literacy Council was established by the Florida Legislature in July 2006. This 9-member panel is made up of professionals with various areas of expertise, including banking, real estate, and insurance. In the last year, the Financial Literacy Council has continued to promote and support financial literacy education in our high schools, participated in Florida Saves Events, and worked with the Florida Prosperity Campaign and other organizations to increase the financial stability of Floridians. Along with other partners, the Council has become effective in promoting CFO Sink's goals of safeguarding Floridians' financial health and providing them the tools and resources to do so.

## FLAIR Task Force

A Task Force, chaired by the CFO, was formed to develop a strategic business plan for a successor financial and cash management system and to also draft legislation to implement a standardized statewide financial and cash management system. Both the strategic business plan and draft legislation have been completed and presented to the Governor, the President of the Senate, and Speaker of the House of Representatives in February of 2009.

## Enterprise Risk Management

A series of both internal and external audits highlighted the need for the Department to better manage the risks facing each division and the Department as a whole. The Internal Controls Project addressed the immediate areas of concern and also laid a foundation for establishing a culture of identifying and understanding the risks that our business processes face as well as the controls necessary to effectively manage those risks.

Business process documentation exercises have further confirmed the need to allocate resources to managing the Department's risks. To continue what the Internal Controls Project began, the Department finds it essential to develop an Enterprise Risk Management (ERM) program. Ideally, this responsibility would fall under a DFS Compliance Office with staff dedicated to supporting every division/office in this capacity.

A framework for the ERM program is under development. Associated activities of the office would include but would not be limited to the following:

- Identifying all of the Department's business processes
- Establishing a framework context
  - Business process relationships, organizational objectives and strategies



- Establish the Department’s risk appetite
- Identify risks at a business unit level
- Analyze risks / Assign values to them
- Integrate risks
  - Create a Department portfolio of risks to better understand and manage them
- Treat/Exploit risks
- Monitor, Report, and Review

This program will also assist the Department in strengthening its compliance with Section 215.86, F.S., which requires that state agencies establish and maintain management systems and controls that promote and encourage compliance; economic, efficient, and effective operations; reliability of records and reports; and safeguarding of assets.

It is of critical importance for the Department to fully understand and properly manage the risks facing its processes, and without dedicating resources to addressing them in a comprehensive, analytical manner, the Department will fall short of both its capabilities and responsibilities.

### Information Technology Governance

The Department of Financial Services’ (DFS) vision of leveraging information technology to enhance the efficiency and effectiveness of the Agency’s operation requires an IT oversight capability, or governance, that ensures equal and proper involvement of all Agency Divisions, including DFS Divisions, the Office of Financial Regulation (OFR), and the Office of Insurance Regulation (OIR), in IT planning and the investment decision-making process.

"Governance" is the process of securing user community input on such issues as direction, establishing priorities, reviewing technology decisions, and providing effective user communication in systems development and daily IT operations. The governance process is meant to involve those individuals, organizations and interests served by the technology resource in meaningful and significant participation.

The functions of Division of Information Systems (DIS) are somewhat unique when weighed against those of most divisions within the DFS. They encompass many technology-driven activities that, at times, more closely resemble research and development efforts than the procedural or statutory activities. DIS is established to provide technology-based services to all Divisions within the DFS. Because it is a service and customer oriented organization, it must receive continual feedback from the user community concerning direction and performance.

Because of its technical nature, provision of information technology services requires unique control methods that would normally not be applied to any other Agency function. These controls must ensure that the best interests of the Agency are served and, at the same time, ensure that the services offered to users are relevant and cost effective. This form of control is best applied through the use of an “IT Governance” structure.

In order to exercise proper oversight in the planning, acquisition and deployment of information technology, a three-tiered governance structure was implemented in April 2010. The highest level is the Information Technology Executive Board. Reporting to the Board is the Chief Information Officer (CIO). Reporting to the CIO will be five Information Technology Functional Working Groups.

## Enterprise Governance

In October of 2008 the Department of Financial Services established the Office of Strategic Planning which was charged with the development of a comprehensive strategic plan, the coordination and implementation of learning activities, and the facilitation and support of our project portfolio. In order to effectively facilitate and support the Department's project portfolio an Enterprise Governance process should be established.

Enterprise Governance in essence is an overarching system that seeks to align priorities, funding, and resources and elevates decision making, and accountability to the appropriate levels. The Department's goal is to transition into a Governance model that would encompass the enterprise as a whole which involves not only information technology projects, but also includes business projects. These add significant business value and include initiatives related to cost savings, performance improvement, and compliance with governmental mandates and audit requirements. In this model the established IT Governance process would now become a component of the overall Enterprise Governance model. As budgets continue to be tightened it is paramount that the Department be strategic in its spending and focus on value creation.

## State Risk Management Program Initiatives

CFO Alex Sink redesigned the risk management program and reorganized staff to enhance the focus on loss prevention and control. This was initially accomplished without adding additional staff. The program researched other risk management programs to obtain information on best practices, and implemented several practices.

Program initiatives included communicating directly with agency heads regarding loss prevention matters to raise top management awareness, and strengthening relationships with State agency top management to help enhance their risk management programs. This included providing semi-annual agency —report cards|| to agency heads that show agency trends relating to frequency of claims and claims cost, and reporting worker injury or agency operation claims directly to agency heads that may need review to prevent future claim losses. The program changed the premium assessment calculation methodology to reward State agencies that reduce claims cost and frequency. This was implemented for the 2009-2010 fiscal year. The program worked closely with agencies to develop meaningful, minimum standards for agency risk management programs, including using risk assessment standards for an agency to identify and address its risks. Using these standards, the program will review state agency performance in implementing risk management programs, focusing on the agencies with the most claims. The program is assisting agencies in developing strategies to address high claim program areas, and engaging risk management consulting firms to provide direct “hands on” assistance, with a focus on the top “most costly” agencies.

The program initiated a case management program for workers' compensation claims to provide appropriate, timely medical care to an injured worker and close management of the care to assure the worker stays at work as much as possible. The program transitioned to a new telephonic medical case management model that emphasizes triage of all claims, criteria based medical treatment with an emphasis on function instead of objective symptoms, and the importance of keeping employees at work. A comparison of claim results after using the new approach compared to prior claim results reflect substantial decreases in number of claims involving lost time from work, in the number of weeks of lost time from work, in the indemnity (lost salary) benefits paid to injured workers, and in the average length of disability per claim.

The program also initiated receiving employment discrimination claims earlier in the process in an effort to resolve claims prior to litigation and reduce claim costs. These claims are now reported when the state agency files their response to the FCHR/EEOC charge of discrimination which allows working with the state agency in resolving the claim prior to litigation. In the past, the program generally did not become involved until a lawsuit was filed. The program is also now assigning agencies specific adjustors to develop relationships with agency staff and better understand agency operations, allowing adjustors to identify high claims areas and provide prevention feedback. The program developed a system to assure statewide clinician coverage for post exposure prophylaxis for injured workers exposed to human blood or body fluids—a major workers' compensation injury exposure. The program has improved collection of data to provide better underwriting information to the insurance carriers providing coverage to State property, assuring the State is being charged an accurate amount on its property premium. The program has increased the use of ACH transactions, saving the costs of bank charges and providing more efficient customer service. Program claims staff worked with Department of Children and Families to identify and resolve cases at the earliest possible time; reduce litigation costs and fees; and provide timely services to clients. As a result of this joint effort, some 156 cases were resolved during FY06/07 and FY07/08. Claims staff was included in a Davis Productivity Award titled —Litigation Reduction Plan".

### Span of Control

Florida CFO Alex Sink today announced new reforms to streamline middle management in her agency, creating greater efficiency and saving \$8 to \$10 million a year. At a press conference announcing her changes, CFO Sink called on other agencies in state government to adopt her reforms, which could save the state as much as \$277 million.

“Government efficiency doesn't have to be an oxymoron -- not if you take a businesslike approach to managing our state,” said CFO Sink. “Too often in government, the rule seems to be ‘bigger is better’, but in business, I learned that smarter is better. By streamlining middle management we can make government more efficient, more effective and save millions of taxpayer dollars.”

CFO Sink announced that as agency managers resign or retire, the positions will be eliminated, and the structure will be reengineered using existing staff to cut unnecessary layers in government. The achievement of a 7:1 employee to manager ratio will put the Department in line with best business practices and save an estimated \$8 to \$10 million annually and as much as nearly \$300 million if adopted throughout state government.

With the current budget shortfall facing the state, CFO Sink emphasized the need for a smart, businesslike approach to waste cutting. By streamlining management jobs, funding for essential services for the citizens of Florida and frontline positions will be protected.

“Streamlining middle management will save millions of dollars, make government more effective, and protect our teachers, police officers, and employees who are on the frontlines serving the people of Florida,” CFO Sink continued. “This smart, common-sense streamlining would allow the state to save almost \$300 million, and at a time when Florida is stretched thin it's something that should be done statewide.”

CFO Sink has been an outspoken watchdog on behalf of Florida's taxpayers. Because of common-sense cost saving and efficiency measures taken by CFO Sink, her Department of Financial Services saved over \$5 million in 2009 alone. Other waste cutting measures include

consolidating the Department's 11 consumer call centers into 2 call centers, renegotiating existing contracts, and cutting Department wireless costs by 37 percent.

### Public Assistance Fraud (PAF) Transition Project

During the 2010 session, the Florida Legislature enacted CS/CS/SB 1484 a bill requiring that changes be made in how the State of Florida administers Medicaid. The majority of the bill addresses the administration of Medicaid reform and Medicaid managed care within the Department of Health and the Agency for Health Care Administration. Those provisions that are specific to the Department of Financial Services (DFS) require that:

- the Medicaid and Public Assistance Fraud Strike Force be established within DFS and hold its organizational meeting by March 1, 2011;
- the Chief Financial Officer prepare model interagency agreements that address Medicaid and public assistance fraud;
- the Division of Public Assistance Fraud be established within DFS, transferring responsibility for this function from the Florida Department of Law Enforcement (FDLE);
- the Divisions of Insurance Fraud and Public Assistance Fraud in DFS be collocated with the Medicaid Fraud Control Unit if possible; and
- positions dedicated to Medicaid managed care fraud (under the auspices of the Attorney General's office) be collocated with the Division of Insurance Fraud.

The PAF Transition Project refers to the endeavor that is being undertaken by the Departments of Financial Services and Law Enforcement to transfer the personnel, resources and functions of the Public Assistance Fraud program by January 1, 2011, as required in this legislation.

None of the bill analyses (by the Health and Human Services Appropriations Committee or the Policy and Steering Committee on Ways and Means) address the provisions of the bill that are pertinent to this transfer or the other requirements that impact DFS. As a result, there has been no analysis of the fiscal or operational impacts of these legislated mandates on DFS.

Based upon transition activities to date, it appears that DFS will require some additional general revenue to cover the costs of moving, establishing necessary IT infrastructure and providing vehicles. However, work is still underway to define all those related costs.

Additional information about the transition can be found on the web at <http://www.myfloridacfo.com/paftrans/>.



# Department of Financial Services

## Performance Measures and Standards – LRPP Exhibit II

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Office of Chief Financial Officer and Administration	Code: 43010000
Service/Budget Entity: Executive Direction and Support Services	Code: 43010100

<b>Approved Performance Measures for FY 2010-11 (Words)</b>	<b>Approved Prior Year Standard FY 2009-10 (Numbers)</b>	<b>Prior Year Actual FY 2009-10 (Numbers)</b>	<b>Approved Standards for FY 2010-11 (Numbers)</b>	<b>Requested FY 2011-12 Standard (Numbers)</b>
Administrative costs as a percent of total agency costs	4.43%	4.07%	5.00%	5.00%
Administrative positions as a percent of total agency positions	4.93%	5.75%	6.00%	6.00%

## LRPP Exhibit II - Performance Measures and Standards

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Office of Chief Financial Officer and Administration	Code: 43010000
Service/Budget Entity: Legal Services	Code: 43010200

<b>Approved Performance Measures for FY 2010-11 (Words)</b>	<b>Approved Prior Year Standard FY 2009-10 (Numbers)</b>	<b>Prior Year Actual FY 2009-10 (Numbers)</b>	<b>Approved Standards for FY 2010-11 (Numbers)</b>	<b>Requested FY 2011-12 Standard (Numbers)</b>
Percent of closed files involving allegations of statutory violation that were successfully prosecuted	88%	96%	92%	92%

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Office of Chief Financial Officer and Administration	Code: 43010000
Service/Budget Entity: Information Technology	Code: 43010300

<b>Approved Performance Measures for FY 2010-11 (Words)</b>	<b>Approved Prior Year Standard FY 2009-10 (Numbers)</b>	<b>Prior Year Actual FY 2009-10 (Numbers)</b>	<b>Approved Standards for FY 2010-11 (Numbers)</b>	<b>Requested FY 2011-12 Standard (Numbers)</b>
Information technology costs as a percent of total agency cost	4.21%	9.98%	4.21%	4.21%
Information technology positions as a percent of total agency positions	3.33%	4.73%	3.33%	3.33%
System design and programming hourly cost	\$60	\$32.00	\$60	\$60
Percent of scheduled hours computer and network are available	99.95%	99.20%	99.95%	99.95%
Percent of customers who returned a customer service satisfaction rating of at least four (4) on a scale of one (1) to five (5) on surveys	85%	96%	95%	95%



**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Office of Chief Financial Officer and Administration	Code: 43010000
Service/Budget Entity: Consumer Advocate	Code: 43010400

<b>Approved Performance Measures for FY 2010-11 (Words)</b>	<b>Approved Prior Year Standard FY 2009-10 (Numbers)</b>	<b>Prior Year Actual FY 2009-10 (Numbers)</b>	<b>Approved Standards for FY 2010-11 (Numbers)</b>	<b>Requested FY 2011-12 Standard (Numbers)</b>
Percentage of referred cases responded to and/or transferred within 10 days of receipt.	N/A	100%	90%	90%
Percentage of rate filings subject to public hearing which were reviewed by our office.	N/A	100%	95%	95%

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Office of Chief Financial Officer and Administration	Code: 43010000
Service/Budget Entity: Information Technology- <b>FLAIR Infrastructure</b>	Code: 43010500

Approved Performance Measures for FY 2010-11 (Words)	Approved Prior Year Standard FY 2009-10 (Numbers)	Prior Year Actual FY 2009-10 (Numbers)	Approved Standards for FY 2010-11 (Numbers)	Requested FY 2011-12 Standard (Numbers)
Percent of scheduled hours computer and network is available	N/A	100.00%	99%	99%

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Treasury	Code: 43100000
Service/Budget Entity: Deposit Security	Code: 43100200

<b>Approved Performance Measures for FY 2010-11 (Words)</b>	<b>Approved Prior Year Standard FY 2009-10 (Numbers)</b>	<b>Prior Year Actual FY 2009-10 (Numbers)</b>	<b>Approved Standards for FY 2010-11 (Numbers)</b>	<b>Requested FY 2011-12 Standard (Numbers)</b>
Maximum administrative unit cost per \$100,000 of securities placed for deposit security service purposes	\$20	\$7.08	\$20	\$20
Number of analyses performed on the financial condition of qualified public depositories and custodians, and securities held for regulatory collateral deposit	5,420	10,445	5,420	5,420
Number of account actions taken on regulatory collateral deposit accounts	39,116	60,924	39,116	39,116

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Treasury	Code: 43100000
Service/Budget Entity: State Funds Management and Investment	Code: 43100300

Approved Performance Measures for FY 2010-11 (Words)	Approved Prior Year Standard FY 2009-10 (Numbers)	Prior Year Actual FY 2009-10 (Numbers)	Approved Standards for FY 2010-11 (Numbers)	Requested FY 2011-12 Standard (Numbers)
Ratio of net rate of return to established national benchmarks for: (I) Internal liquidity investments	1	2.39	1	1
Ratio of net rate of return to established national benchmarks for: (II) Internal bridge investments	1	0.69	1	1
Ratio of net rate of return to established national benchmarks for: (III) Internal intermediate investments	1	0.71	1	1
Ratio of net rate of return to established national benchmarks for: (IV) Medium term external portfolio	1	1.52	1	1
Number of cash management consultation services	30	30	30	30
<b>New Measure:</b> Percentage of all agency Concentration Account and Credit Card Account deposit transactions to be matched and credited within 4 days of the bank deposit date.	N/A	N/A	N/A	86%

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Treasury	Code: 43100000
Service/Budget Entity: Supplemental Retirement Plan	Code: 43100400

Approved Performance Measures for FY 2010-11 (Words)	Approved Prior Year Standard FY 2009-10 (Numbers)	Prior Year Actual FY 2009-10 (Numbers)	Approved Standards for FY 2010-11 (Numbers)	Requested FY 2011-12 Standard (Numbers)
Number of new participants in the State Deferred Compensation Plan over previous year	600	600	600	600
Percentage increase in deferred compensation contributions over previous year	2%	2%	2%	2%

## LRPP Exhibit II - Performance Measures and Standards

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Financial Accountability for Public Funds	Code: 43200000
Service/Budget Entity: State Financial Information and State Agency Accounting	Code: 43200100

Approved Performance Measures for FY 2010-11 (Words)	Approved Prior Year Standard FY 2009-10 (Numbers)	Prior Year Actual FY 2009-10 (Numbers)	Approved Standards for FY 2010-11 (Numbers)	Requested FY 2011-12 Standard (Numbers)
<b>Revise Measure:</b> Percent of vendor payments issued via electronic funds transfer (EFT) <b>excluding one time payments</b>	26%	31%	29%	29%
Percent of payroll payments issued via electronic funds transfer (EFT)	90%	97%	95%	95%
Percent of retirement payments issued via electronic funds transfer (EFT)	83%	87%	83%	83%
Number of Post-Audits and Management Review Completed	n/a	n/a	12	12
Number of Clerk of the Circuit Court Financial Reviews conducted	n/a	n/a	33	33
Percentage of compliance with the Statewide Financial Statements Compliance Checklist	n/a	n/a	90%	90%
Percentage of warrants outstanding at 3 months that are stale dated after 12 months	n/a	n/a	47%	47%

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Financial Accountability for Public Funds

Code: 43200000

Service/Budget Entity: Recovery and Return of Unclaimed Property

Code: 43200200

Approved Performance Measures for FY 2010-11 (Words)	Approved Prior Year Standard FY 2009-10 (Numbers)	Prior Year Actual FY 2009-10 (Numbers)	Approved Standards for FY 2010-11 (Numbers)	Requested FY 2011-12 Standard (Numbers)
<b>Revise Measure:</b> Percent of the total dollar amount of claims paid to the owner in the fiscal year compared to the total dollar amount of returnable accounts reported/received in the prior fiscal year. (Claims paid as a percent of all dollars in accounts received) <b>Revise to:</b> Percent of the total dollar amount of claims paid during the current fiscal year, compared to the prior year's receipts.	75%	63%	75%	<b>Adjust Standard</b> 55%
<b>Revise Measure:</b> Percent of the total number of claims paid to the owner in the fiscal year compared to the total number of returnable accounts reported/received in the prior fiscal year. (Number of claims paid as a percent of all accounts) <b>Revise to:</b> Percent of the total number of claims paid to the owner in the fiscal year compared to the total number of accounts reported/received in the prior fiscal year. (Number of claims paid as a percent of all accounts.)	22%	23%	22%	<b>Adjust Standard</b> 20%
Number / dollar value of owner accounts processed	450,000 / \$163 million	1,373,363 / \$196,121,831	450,000 / \$163 million	450,000 / \$163 million
Number of claims paid / dollar value of claims paid	120,000 / \$90 million	292,864 / \$185,235,000	120,000 / \$90 million	120,000 / \$90 million
Percent of claims processed within 45 days from date received (cumulative total)	n/a	n/a	80%	80%
Percent of increase in the number of holders reporting unclaimed property this fiscal year compared to the number of holders reporting last fiscal year.	n/a	n/a	10%	10%

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Fire Marshal	Code: 43300000
Service/Budget Entity: Compliance and Enforcement	Code: 43300200

<b>Approved Performance Measures for FY 2010-10 (Words)</b>	<b>Approved Prior Year Standard FY 2009-10 (Numbers)</b>	<b>Prior Year Actual FY 2009-10 (Numbers)</b>	<b>Approved Standards for FY 2010-11 (Numbers)</b>	<b>Requested FY 2011-12 Standard (Numbers)</b>
Number of fire related deaths occurring in state owned properties required to be inspected	0	0	0	0
Percent of mandated regulatory inspections completed	100%	100%	100%	100%
Number of recurring inspections completed	7,200	7,036	7,200	7,200
Number of high hazard inspections completed	6,700	7,234	7,200	7,200
Number of construction inspections completed	1,500	2,147	1,500	1,500
Number of mandated regulatory inspections completed	550	798	605	605
Percent of fire code inspections completed within statutory defined timeframes	100%	100%	100%	100%
Percent of fire code plans reviews completed within statutory defined timeframes	100%	100%	100%	100%
Number of boiler inspections completed by department inspectors	3,500	3,721	4,200	4,200
Number of construction plans reviewed	700	706	700	700
Number of entity requests for licenses, permits and certifications processed within statutorily mandated time frames	7,603	11,216	8,000	8,000



## LRPP Exhibit II - Performance Measures and Standards

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Fire Marshal	Code: 43300000
Service/Budget Entity: Fire and Arson Investigations	Code: 43300300

Approved Performance Measures for FY 2010-11 (Words)	Approved Prior Year Standard FY 2009-10 (Numbers)	Prior Year Actual FY 2009-10 (Numbers)	Approved Standards for FY 2010-11 (Numbers)	Requested FY 2011-12 Standard (Numbers)
Percent of closed fire investigations successfully concluded, including by cause determined, suspect identified and/or, arrested or other reasons	80%	78.90%	80%	80%
Percent of arson arrests resulting in conviction	87%	57.60%	87%	87%
Percent of closed arson investigations for which an arrest was made in Florida	18%	46.50%	18%	18%

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Fire Marshal	Code: 43300000
Service/Budget Entity: Professional Training and Standards	Code: 43300400

<b>Approved Performance Measures for FY 2010-11 (Words)</b>	<b>Approved Prior Year Standard FY 2009-10 (Numbers)</b>	<b>Prior Year Actual FY 2009-10 (Numbers)</b>	<b>Approved Standards for FY 2010-11 (Numbers)</b>	<b>Requested FY 2011-12 Standard (Numbers)</b>
Percent of above satisfactory ratings by supervisors of students' job performance from post-class evaluations of skills gained through training at the Florida State Fire College	90%	88.00%	90%	90%
Challenges to examination results and eligibility determination as a percent of those eligible to challenge	less than 1%	less than 1%	less than 1%	less than 1%
Number of students trained and classroom contact hours provided by the Florida State Fire College	4,200/ 220,000	5,683/197,444	5,500/175,000	5,500/175,000
Number of examinations administered	5,500	8,012	8,000	8,000
Percent of Fire College students passing certification exam on first attempt	82%	75.00%	85%	85%
Percent of Student Satisfactory Evaluations of the Florida State Fire College Facility and Services	85%	90%	85%	85%
Percent of Students Rating Training Received at the Fire College Effective in Improving their Ability to Perform Assigned Duties	85%	85%	85%	85%
Number of Florida State Fire College Certification Programs Submitted for National Accreditation or Re-accreditation	8	22	8	8

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Fire Marshal	Code: 43300000
Service/Budget Entity: Fire Marshal Administrative and Support Services	Code: 43300500

Approved Performance Measures for FY 2010-11 (Words)	Approved Prior Year Standard FY 2009-10 (Numbers)	Prior Year Actual FY 2009-10 (Numbers)	Approved Standards for FY 2010-11 (Numbers)	Requested FY 2011-12 Standard (Numbers)
Administrative costs as a percent of program agency costs	5.70%	4.30%	5.70%	5.70%
Administrative positions as a percent of total program positions	3.40%	2.40%	3.40%	3.40%
<b>Revise Measure:</b> Number of evidence sample analyses / examinations processed and imaging services provided <b>Revise To: The number of items analyzed chemically plus the number of imaging items processed.</b>	6,500/11,488	10,455/13,488	6,500/12,000	<b>Adjust Standard</b> 13,000
To import 100% of incident data submitted by Florida fire departments within the calendar year.	N/A	N/A	100%	100%

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: State Property and Casualty Claims	Code: 43400000
Service/Budget Entity: Self-Insured Claims Adjustment	Code: 43400100

Approved Performance Measures for FY 2010-11 (Words)	Approved Prior Year Standard FY 2009-10 (Numbers)	Prior Year Actual FY 2009-10 (Numbers)	Approved Standards for FY 2010-11 (Numbers)	Requested FY 2011-12 Standard (Numbers)
Average operational cost per claim worked (1)	\$160	\$234.64	\$239.00	Adjust Standard \$2,131.01
Number of workers' compensation claims requiring some payment per 100 FTE employees	5.7	4.5	5.7	5.7
Average cost of workers' compensation claims paid	\$5,229	\$6,674	\$5,229	\$5,229
Percent of liability claims closed in relation to liability claims worked during the fiscal year	49%	53.5%	49%	49%
State employees' workers' compensation benefit cost rate, as defined by indemnity and medical benefits, per \$100 of state employees' payroll as compared to prior years	\$1.33	\$1.31	\$1.20	Adjust Standard \$1.33
Percent of indemnity and medical payments made in a timely manner in compliance with DFS Rule 4L-24.021, F.A.C.	95%	98%	95%	95%
Average cost of tort liability claims paid	\$8,900	\$9,378	\$9,651	\$9,651
Average cost of federal civil rights liability claims paid	\$37,000	\$27,120	\$44,226	\$44,226
Average cost of property claims paid	\$3,300	\$4,600	\$3,300	Adjust Standard \$4,600
Risk services training and consultation as measured by the number of training units (1 unit = 8 hours) provided and consultation contacts made (2)	180	39,662	180	Adjust Standard 25,815
Number of workers' compensation claims worked	25,500	23,603	22,000	22,000
Number of liability claims worked	5,430	5,203	5,430	5,430
Number of workers' compensation claims assigned for litigation during the current fiscal year	500	455	421	421
Number of state property loss/damage claims worked	275	75	275	Adjust Standard 75

(1) The number reported for FY 09-10 is based on the cashflow for "Operating Expenses" only; the number requested for FY 11-12 is based on the cashflow projected for "Total Operating Expenditures"

(2) The approved standard for FY 09-10 & FY 10-11 was based only on the Safety Academy. However, the number reported for FY 09-10 and the number requested for FY 11-12 includes all training provided by the Loss Prevention Program.

## LRPP Exhibit II - Performance Measures and Standards

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Licensing and Consumer Protection	Code: 43500000
Service/Budget Entity: Insurance Company Rehabilitation and Liquidation	Code: 43500100

Approved Performance Measures for FY 2010-11 (Words)	Approved Prior Year Standard FY 2009-10 (Numbers)	Prior Year Actual FY 2009-10 (Numbers)	Approved Standards for FY 2010-11 (Numbers)	Requested FY 2011-12 Standard (Numbers)
<b>Revise Measure:</b> Percentage of companies with only class 3 or higher claims closed within 2 years after all <b>asset collection activity, including</b> litigation, is concluded and all objections have been resolved	n/a	100.00%	90%	90%
Percent of appraised value of assets liquidated for real property	90%	100.00%	90%	90%
Percent of appraised value of assets liquidated for personal property	75%	100.00%	75%	75%

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Licensing and Consumer Protection	Code: 43500000
Service/Budget Entity: Licensure, Sales Appointment and Oversight	Code: 43500200

<b>Approved Performance Measures for FY 2010-11 (Words)</b>	<b>Approved Prior Year Standard FY 2009-10 (Numbers)</b>	<b>Prior Year Actual FY 2009-10 (Numbers)</b>	<b>Approved Standards for FY 2010-11 (Numbers)</b>	<b>Requested FY 2011-12 Standard (Numbers)</b>
Percent of licensees disciplined	N/A	N/A	7%	7%
Percent of applications processed within 7 working days	N/A	N/A	90%	90%
Percent of licensees complying with continuing education requirements	N/A	N/A	75%	75%
Percent of investigations completed within 130 days	N/A	63.00%	60%	Adjust Standard 65%
Percent of satisfaction of Customer Contact Center services	N/A	N/A	90%	90%
Percent of completed investigations recommended for formal action that result in an action.	N/A	78.00%	55%	Adjust Standard 75%

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Licensing and Consumer Protection	Code: 43500000
Service/Budget Entity: Insurance Fraud	Code: 43500300

<b>Approved Performance Measures for FY 2010-11 (Words)</b>	<b>Approved Prior Year Standard FY 2009-10 (Numbers)</b>	<b>Prior Year Actual FY 2009-10 (Numbers)</b>	<b>Approved Standards for FY 2010-11 (Numbers)</b>	<b>Requested FY 2011-12 Standard (Numbers)</b>
Percent of insurance fraud cases presented for prosecution by law enforcement investigators	1%	18%	1%	1%
Number of insurance fraud investigations completed (not including workers' compensation cases)	1,100	10,121	1,100	1,100
Number of worker's compensation insurance fraud investigations completed (not including general fraud investigations)	400	1,805	400	400
Number of cases presented for prosecution	750	1,234	750	750
Dollar amount of restitution ordered by the court as a percent of the amount recommended by the Department for fraud investigations, by year ordered	70%	78%	70%	70%
Dollar amount of recommended orders of restitution, per case	\$30,000	\$51,103	\$30,000	\$30,000

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Licensing and Consumer Protection	Code: 43500000
Service/Budget Entity: Consumer Assistance	Code: 43500400

<b>Approved Performance Measures for FY 2010-11 (Words)</b>	<b>Approved Prior Year Standard FY 2009-10 (Numbers)</b>	<b>Prior Year Actual FY 2009-10 (Numbers)</b>	<b>Approved Standards for FY 2010-11 (Numbers)</b>	<b>Requested FY 2011-12 Standard (Numbers)</b>
Percent of consumer activities that result in quality service	N/A	80%	95%	95%
Percentage of consumers satisfied with the service provided	N/A	74%	75%	75%
Percentage of phone calls answered within two minutes	N/A	86%	90%	90%



## LRPP Exhibit II - Performance Measures and Standards

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Licensing and Consumer Protection	Code: 43500000
Service/Budget Entity: Funeral and Cemetery Services	Code: 43500500

Approved Performance Measures for FY 2009-10 (Words)	Approved Prior Year Standard FY 2009-10 (Numbers)	Prior Year Actual FY 2009-10 (Numbers)	Approved Standards for FY 2010-11 (Numbers)	Requested FY 2011-12 Standard (Numbers)
Percentage of investigations submitted to probable cause panel in which the panel agrees with the Division's probable cause recommendation.	N/A	87.50%	90%	90%
<b>Request Deletion:</b> Percentage of investigations completed within 150 days of initiation	N/A	N/A	80%	<b>Request Deletion</b>
Percentage of establishments and cemeteries inspected per fiscal year	N/A	100%	100%	100%
Percentage of financial examinations with deficit findings that resulted in deficits being corrected, initiation of an investigation or disciplinary action being taken against the licensee.	N/A	100%	95%	95%
Percentage of cemetery inspections with findings that resulted in improved care and maintenance and/or more accurate burial records, initiation of an investigation or disciplinary action being taken against the cemetery.	N/A	100%	95%	95%
Percentage of funeral establishment inspections with health and safety findings that resulted in corrective action, initiation of an investigation or disciplinary action being taken against the establishment.	N/A	100%	95%	95%

## LRPP Exhibit II - Performance Measures and Standards

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Workers' Compensation	Code: 43600000
Service/Budget Entity: Workers' Compensation	Code: 43600100

Approved Performance Measures for FY 2010-11 (Words)	Approved Prior Year Standard FY 2009-10 (Numbers)	Prior Year Actual FY 2009-10 (Numbers)	Approved Standards for FY 2010-11 (Numbers)	Requested FY 2011-12 Standard (Numbers)
Percent of first indemnity payments made timely	90%	94.3%	95%	95%
Number of claim files reviewed annually	59,000	85,301	86,000	86,000
Number of employer investigations conducted	55,000	33,235	30,000	30,000
Number of disputes resolved for injured workers by the Employee Assistance Office	N/A	1,771	2,600	Adjust Standard 1900
Percentage of disputes resolved for injured workers by the Employee Assistance Office	40%	73%	55%	Adjust Standard 65%
Number of reimbursement requests (SDF-2) audited	5,200	2,624	5,200	5,200
Number of reimbursement requests (SDF-2) paid	6,500	941	1,743	1,743



# Department of Financial Services

## Assessment of Performance for Approved Performance Measures – LRPP Exhibit III

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Office of Chief Financial Officer and Administration

**Service/Budget Entity:** Legal Services/43010200

**Measure:** Percent of closed files involving allegations of statutory violation that were successfully prosecuted

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
88%	98.4%	Over	23.8%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** The Division has performed above standard for past few years.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Office of Chief Financial Officer and Administration

**Service/Budget Entity:** Information Technology/43010300

**Measure:** Information Technology Costs as Percent of Total Agency Cost

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
4.21%	9.98%	Over	+ 5.77%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

DIS continues to identify opportunities for process improvements to further improve this measure.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

Data for this measure is provided from DFS budget office.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services  
**Program:** Office of Chief Financial Officer and Administration  
**Service/Budget Entity:** Information Technology/43010300  
**Measure:** Information Technology Positions as a Percent of Total Agency Positions

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
3.33%	4.73%	Over	+ 1.40%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

DIS acknowledges that this measure was approved by the senate in 2006-2007. However, DIS has requested an explanation as to how this standard was established and what parameters were used to arrive at the percentage.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

Data for this measure was provided from the DFS budget office.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services  
**Program:** Office of Chief Financial Officer and Administration  
**Service/Budget Entity:** Information Technology/43010300  
**Measure:** System design and programming hourly costs

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
\$60	\$32	Under	- 47%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

DIS hourly rate is nearly half the approved standard. DIS relies on state employees for system design and programming and less IT services from 3<sup>rd</sup> party contractors.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

DIS identified all resources including programmers, supervisors, and the bureau chief that participate in system design and programming for the Bureau of Enterprise Applications. DIS does not rely on external contractors and vendors which generally charges more per hourly rate. Costs were provided by DIS Budget Office.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services  
**Program:** Office of Chief Financial Officer and Administration  
**Service/Budget Entity:** Information Technology/43010300  
**Measure:** Percent of scheduled hours computer and network are available

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
99.95%	Non-FLAIR: 99.20%	Non-FLAIR: Under	Non-FLAIR: - .75%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

Results were manually calculated for Non-FLAIR mainframe applications. Automated tools used to calculate computer and network availability.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input checked="" type="checkbox"/> Technology |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify)      |

**Recommendations:**

DIS continues to identify opportunities for process improvements to further improve this measure.



## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Office of Chief Financial Officer and Administration

**Service/Budget Entity:** Information Technology/43010300

**Measure:** Percent of customers who returned a customer service satisfaction rating of at least four (4) on a scale of one (1) to five (5) on surveys

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
95%	96.04%	Over	+1.04%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

DIS developed and automated customer surveys from the Remedy Helpdesk application. Remedy sends surveys via email to resolved helpdesk calls and records the results. Per DIS request, OPB approved standard change to 95%.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input checked="" type="checkbox"/> Technology |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify)      |

**Recommendations:**

Data for this measure is provided on a quarterly basis. Data was retrieved from DFS Digital Dashboard.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Office of Chief Financial Officer and Administration

**Service/Budget Entity:** Consumer Advocate/43010400

**Measure:** Percentage of referred cases responded to and/or transferred within 10 days of receipt.

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
N/A	100%	N/A	N/A

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Personnel Factors | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities         | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect  | <input type="checkbox"/> Other (Identify)  |

**Explanation:** Our staff is very familiar with the companies and their operations. This familiarity allows our staff to quickly bring a resolution to these cases. Additionally, all call for assistance are responded to the day they are received.

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:** There are no external factors that have affected our performance measures this year. However, implementation of Federal Healthcare reforms may affect our ability to meet this number in the future as our staff will not be as familiar with new problems that arise in the industry.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:** Management seeks to maintain our excellent level of service by ensuring that our staff is familiar with any new trends and insurance laws. This will allow our staff to quickly respond to any consumer inquiries.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services  
**Program:** Office of Chief Financial Officer and Administration  
**Service/Budget Entity:** Consumer Advocate/43010400  
**Measure:** Percentage of rate filings subject to public hearing which were reviewed by our office.

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
N/A	100%	N/A	N/A

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input checked="" type="checkbox"/> Staff Capacity |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training         |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)          |

**Explanation:** Our staff has the capacity to review all rate filings which require a public rate hearing. This is due to the infrequent need for rate hearings on insurance matters.

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:** There are currently no external factors which affect our performance.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Training | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel           | <input type="checkbox"/> Other (Identify) |

**Recommendations:** Our office will continue to review all property and casualty rate filings. However, with an anticipated increase in health insurance rate filings, our office has begun training an actuary to specialize in these rate filings.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Office of Chief Financial Officer and Administration

**Service/Budget Entity:** Information Technology/43010500 - FLAIR

**Measure:** Percent of scheduled hours computer and network is available

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
99.95%	FLAIR: 100%	FLAIR: Over	FLAIR: + .05%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

Actual performance results were manually calculated for FLAIR mainframe applications.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

Automated software monitoring tools are available for purchase to calculate computer and network availability.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Treasury

**Service/Budget Entity:** Deposit Security/43100200

**Measure:** Maximum administrative unit cost per \$100,000 of securities placed for deposit security service purposes.

**Action:**

- |   |  |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
\$20	\$7.08	Under	- 64.6%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:** Because of the continuing decline in the financial institutions in the Public Deposit Program (Chapter 280, Florida Statutes) we have experience a tremendous increase in pledged security transactions. Our collateral under program management has increased from a yearly average of \$5 billion dollars to over \$15 billion dollars. Once the financial climate begins to improve we expect these transactions to normalize at a much lower level and the work load to decrease

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Treasury

**Service/Budget Entity:** Deposit Security/43100200

**Measure:** Number of analysis performed on the financial condition of qualified public depositories and custodians and securities held for regulatory collateral deposit.

**Action:**

- |   |  |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
5,420	10,445	Over	92.7%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:** Because of the continuing decline in the financial institutions in the Public Deposit Program (Chapter 280, Florida Statutes) we have experience a tremendous increase in pledged security transactions. Our collateral under program management has increased from a yearly average of \$5 billion dollars to over \$15 billion dollars. Once the financial climate begins to improve we expect these transactions to normalize at a much lower level and the work load to decrease.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Treasury

**Service/Budget Entity:** Deposit Security/43100200

**Measure:** Number of account actions taken on regulatory collateral deposit accounts.

**Action:**

- |   |  |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
39,116	60,924	Over	55.7%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:** Because of the continuing decline in the financial institutions in the Public Deposit Program (Chapter 280, Florida Statutes) we have experience a tremendous increase in pledged security transactions. Our collateral under program management has increased from a yearly average of \$5 billion dollars to over \$15 billion dollars. Once the financial climate begins to improve we expect these transactions to normalize at a much lower level and the work load to decrease.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** Financial Accountability for Public Funds

**Service/Budget Entity:** State Financial Information and State Agency Accounting/43200100

**Measure:** Percent of vendor payments issued via electronic funds transfer (EFT) – **Revise To** – Percent of vendor payments issued via electronic funds transfer (EFT), **excluding one-time payments.**

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input checked="" type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input type="checkbox"/> Deletion of Measure            |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
29%	31%	Over	2%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

This revision is to improve the measure. The elimination of a one time payment will accurately reflect the effectiveness of the state utilizing Electronic Funds Transfer (EFT) for regular payments. It is not cost effective to establish an EFT for a one time payment.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**



## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** Financial Accountability for Public Funds

**Service/Budget Entity:** Recovery and Return of Unclaimed property/43200200

**Measure:** Percent of the total dollar amount of claims paid to the owner in the fiscal year compared to the total dollar amount of returnable accounts reported/received in the prior fiscal year. (Claims paid as a percent of all dollars in accounts received) **Revised to:** Percent of the total dollar amount of claims paid during the current fiscal year, compared to the prior year's receipts

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input checked="" type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input type="checkbox"/> Deletion of Measure            |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
75%			

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission |  |

**Explanation:**

The Bureau proposes simplifying the calculation by no longer reducing total claims to "returnable" claims. Instead the proposal will be to measure the dollar amount of claims paid during the fiscal year, compared to the total dollar amount received in the prior fiscal year - as well as changing the standard from 75% to 55%. The measure is based on statistics compiled over the past five Fiscal Years, where the Bureau averaged 55%.

The deadline for holders to submit their annual unclaimed property reports is April 30. Because the reporting deadline is near the end of the fiscal year, claims for those funds do not begin to arrive until the following fiscal year, or later.

Although a record number (303,000) of claims were paid in FY 09/10, the number was less than 75% of the amount of returnable accounts received in FY 08/09. This is due to the large number of low-dollar accounts received, less than \$25, but not claimed. Amounts <\$25 and less make up approximately one-half of the accounts received. However the average amount claimed in FY 09/10 was \$619.62.

**Management Efforts to Address Differences/Problems** (check all that apply):

Training

Technology

Personnel

Other (Identify)

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Financial Services

Program: Financial Accountability for Public Funds

Service/Budget Entity: Recovery and Return of Unclaimed property/43200200

Measure: Percent of the total number of claims paid to the owner in the fiscal year compared to the total number of returnable accounts reported/received in the prior fiscal year. (Number of claims paid as a percent of all accounts) **Revise to:** Percent of the total number of claims paid to the owner in the fiscal year compared to the total number of accounts reported/received in the prior fiscal year. (Number of claims paid as a percent of all accounts)

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input checked="" type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input type="checkbox"/> Deletion of Measure            |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
22%	23%	Over	1%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission |  |

**Explanation:**

The Bureau proposes simplifying the calculation by no longer reducing total claims to “returnable” claims. Instead the proposal will be to measure the number of accounts paid (in claims) during the fiscal year, as compared to the total number of accounts received in the prior fiscal year, as well as changing the standard from 22% to 20%. This measure is based in statistics compiled over the past five Fiscal Years, where the Bureau averaged 20%, seldom claimed, greatly influences this measure.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** Financial Accountability for Public Funds

**Service/Budget Entity:** Recovery and Return of Unclaimed Property/43200200

**Measure:** Number/dollar value of owner accounts processed.

**Action:**

- |   |  |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
450,000/ \$163 million	1,373,363/ \$196,121,831	+923,363/ +\$33,121,831	305% 49%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission |  |

**Explanation:**

Increase efforts in holder education and compliance combined with an overall increase in general awareness of unclaimed property requirements have resulted in more accounts and more funds being reported to the Bureau. Also, technological advances and increased usage of electronic reporting by holders of unclaimed property facilitates the reporting of more individual accounts when compared to manual processes used in the past.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** Financial Accountability for Public Funds

**Service/Budget Entity:** Recovery and Return of Unclaimed Property/43200200

**Measure:** Number of claims paid/dollar value of claims paid.

**Action:**

- |   |  |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
120,000/ \$90 million	292,864/ \$185,235,000	+162,864/ +\$95,235,000	236% 206%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission |  |

**Explanation:** Higher numbers of accounts and dollars being reported to the Bureau result in higher numbers of claims and higher dollar value of claims paid. Additionally improvements in the bureau's proactive notification, as well as lowering the threshold of proactive notifications below the statutorily required level of \$250, have resulted in higher numbers of claims paid. Technological advances such as document imaging and workflow enhancements to the Unclaimed Property Management of Information System, the fast track claims process, and the increased public awareness of the program achieved through earned media and other outreach efforts have resulted in a higher volume of claims paid.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Fire Marshal

**Service/Budget Entity:** Compliance and Enforcement/43300200

**Measure:** Number of construction inspections completed

**Action:**

- |   |  |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
1,500	2,147	Over	43%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:** Construction inspections are completed by the fire protection specialists as the customers request the inspection.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:** The size and complexity of the buildings as well as agency priorities directly affect the number of inspections requested and completed.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** State Fire Marshal

**Service/Budget Entity:** Compliance and Enforcement/43300200

**Measure:** Number of regulatory inspections completed

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input checked="" type="checkbox"/> Adjustment of GAA Performance Standards          |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
550	798	Over	45%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input type="checkbox"/> Personnel Factors                      | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities                   | <input type="checkbox"/> Level of Training           |
| <input checked="" type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

The number of regulatory inspections there will be at the beginning of a year is variable. The number of mandated regulatory inspections in this measure should be based upon the total activity for the previous year, which could increase or be reduced based on licensing fluctuation within the industry. Regulatory inspections are conducted periodically upon renewal of certain industries' licenses and upon new applications for licensure.

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:**

See above.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

The numbers of inspections will fluctuate but the GAA Standard will always be based upon the total activity for the previous year, this should allow for consistency within the numbers.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** State Fire Marshal

**Service/Budget Entity:** Compliance and Enforcement/43300200

**Measure:** Number of entity requests for licenses, permits, and certifications processed within statutorily mandated time frames

**Action:**

- |   |  |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
7,603	11,216	Over	47%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input checked="" type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster                  |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:**

Data for this measure is recorded as applicant detail and taken from each application received. The data is entered into the Regulatory Licensing System (RLS). Data produced provides the following detail:

- The number of applications received within a month.
- The number of licenses issued by the Regulatory Licensing Staff within a month.
- The number of renewals issued within a month.
- The number of denials issued within a month.

RLS does not have the functionality to determine whether an application was processed within the statutorily mandated time frame.

Moreover, data for this measure will fluctuate from fiscal year to fiscal year. Chapter 633, Florida Statutes, provides that the five classifications of fire protection system contractors shall be required to renew their licenses on a two



year cycle. Fire Equipment Dealers and Permit holders renew their authorities on a two year cycle as well.

As the number of licenses processed varies from month to month, the measurement of licenses processed within the statutorily mandated time frame must be calculated by determining the number of licenses issued, denied, or renewed within a month as RLS does not have the functionality to determine whether an application was processed within the statutorily mandated time frames.

**Management Efforts to Address Differences/Problems** (check all that apply):

Training

Technology

Personnel

Other (Identify)

**Recommendations:**

Efforts are being made to procure a licensing system to replace RLS which will include the functionality to track whether an application has been processed within the statutorily mandated time frames.

Absent the procurement of such a system, a revision to the performance measure itself is being recommended.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Fire Marshal

**Service/Budget Entity:** Fire & Arson Investigations/43300300

**Measure:** Percent of closed arson investigations for which an arrest was made in Florida

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
18%	42.5%	Over	+24.5%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** More arson arrests were made by BFAI Detectives

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:** 18% is the current national average used for this performance standard by Fire Investigative Agencies nationwide. During this time period our agency exceeded the national average. Arson arrests by BFAI exceed the national average.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Fire Marshal

**Service/Budget Entity:** Fire & Arson Investigations/43300300

**Measure:** Percent of arson arrests resulting in conviction

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
87%	57.6%	Under	(-29.4%)

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Personnel Factors | <input checked="" type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities         | <input checked="" type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect  | <input type="checkbox"/> Other (Identify)             |

**Explanation:** BFAI works hard to properly prepare and present Arson Cases to State Attorneys.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input checked="" type="checkbox"/> Legal/Legislative Change                 | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:** Many times, prosecutors do not understand the scientific results of the cause and origin of fires. Therefore due to heavy prosecution workloads, prosecutors have difficulty presenting Arson Cases. Juries have difficulties understanding the scientific facts of fire and arson investigation.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input checked="" type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:** Due to the science involved in determining the origin and cause of fires, Arson Investigations are difficult to prosecute. BFAI will work to increase awareness of Prosecutors concerning the elements and evidence needed for successful Arson prosecutions. BFAI will continue to prepare and present Arson investigations to the State Attorneys. BFAI will continue to provide Arson Investigation training at State Attorney meetings and training sessions.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** Fire Marshal

**Service/Budget Entity:** Professional Training and Standards/43300400

**Measure:** Number of Students Trained and classroom contact hours provided by the Florida State Fire College

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input checked="" type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure            |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
4,200/220,000	5,683/197,444	+1483/-22,556	+35%/-10%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Personnel Factors | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities         | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect  | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** Several classes had to be cancelled for lack of a qualified instructor due to personnel shortages; many of our class offerings are shorter than the traditional 40 hours, resulting in more students and less contact hours.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Resources Unavailable                    | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:** Loss of instructor position will create greater reliance on OPS instruction.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |   |   |
|---|---|
| <input type="checkbox"/> Training             | <input type="checkbox"/> Technology       |
| <input checked="" type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:** Creative Hiring and scheduling to accommodate OPS instruction. Change Standard to reflect student base of 5,500 with contact hours of 175,000.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** Fire Marshal

**Service/Budget Entity:** Professional Training and Standards/43300400

**Measure:** Number of Examinations Administered

**Action:**

- |   |  |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
5,500	8,696	Over	58%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input type="checkbox"/> Personnel Factors                      | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities                   | <input type="checkbox"/> Level of Training           |
| <input checked="" type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** Certification Examinations continue to escalate in number and will increase again in the coming year due to changes in Florida Administrative Code requiring additional testing for Firefighter I.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input checked="" type="checkbox"/> Legal/Legislative Change                 | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:** Firefighter I practical testing will result in an additional increase in the coming year.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |   |   |
|---|---|
| <input type="checkbox"/> Training             | <input type="checkbox"/> Technology       |
| <input checked="" type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:** Creative Hiring and scheduling to accommodate OPS Field Examiners to deliver testing. Change standard to reflect 8,000 as approved base.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** Fire Marshal

**Service/Budget Entity:** Professional Training and Standards/43300400

**Measure:** Percent of Fire College Students passing certification exam on first attempt.

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
82%	75%	Under	-7%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:** Recent history suggests appropriate measure of 88%

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Fire Marshal

**Service/Budget Entity:** Professional Training and Standards/43300400

**Measure:** Number of Florida State Fire College Certification Programs Submitted for National Accreditation or Re-Accreditation

**Action:**

- |   |  |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
8	22	Over	14

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** Recertified existing programs and expanded to include 14 additional fire service professional qualifications

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Fire Marshal

**Service/Budget Entity:** Fire Marshal Administrative and Support Services/43300500

**Measure:** Number of evidence sample analysis/examinations processed and imaging services provided. Revise to: The number of items analyzed chemically plus the number of imaging items processed.

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input checked="" type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure            |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
6,500/11,488	10,455/13,488	Over	+17.4%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input type="checkbox"/> Personnel Factors                      | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities                   | <input type="checkbox"/> Level of Training           |
| <input checked="" type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

Prior measures were based on a complicated separation of evidence processing and image processing functions. As all functions affect evidence, last year's request was to roll these into a single measure which would be more accurate. The "Approved Standard" was based on the old method of estimation and does not closely approximate the actual number of total items processed. The current measure uses two similar factors that need to be combined. The first factor in the standard "6,500" is the number of items of evidence analyzed chemically. The second factor in the standard, "11,488", is the number of items of evidence analyzed chemically plus the number of imaging items processed. The measure would be more meaningful if the first factor were eliminated and only the second factor, "the number of items of evidence analyzed chemically plus the number of imaging items processed" were used.

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:**



Trend is to see an increase in items to be processed an average of 2.15% per year (based on previous five years)

**Management Efforts to Address Differences/Problems** (check all that apply):

Training

Technology

Personnel

Other (Identify)

**Recommendations:**

Request 'right-sizing' and correction of measures.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** State Property and Casualty Claims

**Service/Budget Entity:** Self-Insured Claims Adjustment / 43400100

**Measure:** Average Operational Cost Per Claim Worked

**Action:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input checked="" type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure            |
| <input checked="" type="checkbox"/> Adjustment of GAA Performance Standards          |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
\$160	\$235	Over	+46.9%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

N/A

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:**

The majority of our claims are workers' compensation claims, and the number of new claims incurred each year has been decreasing over the last several years. This is a positive development for the State because it should lead to a reduction in the amount paid for this type of claim. However, our operating costs will increase as salaries and benefits increase and as the Division begins handling claims that were previously outsourced and paid from non-operating categories in an effort to reduce overall claim costs. This increase in operating costs and decline in the number of claims worked will cause this outcome measure to increase over time.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

We requested the standard for this measure for FY08-09 to be increased to \$239 but were not approved. This measure does include the operating categories "Human Resource Outsourcing " and "Contracted Services" which were new in FY07-08. Also, beginning with FY10-11, \$41 million of contracts that were previously paid out of the Non-Operating Loss Payments category have been moved to Operating. The result of this will be a substantial increase in the Average Operational Cost per Claim Worked for future fiscal years.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** State Property and Casualty Claims

**Service/Budget Entity:** Self-Insured Claims Adjustment/43400100

**Measure:** Average cost of workers' compensation claims paid

**Action:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input checked="" type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure            |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
5,229	6,674	Over	+27.6%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:** This outcome measure looks at claims costs after four years of development. Several factors contributed to the increased claim cost including hypertension/heart disease presumption claims primarily from the Department of Corrections; increased litigation following the Murray decision; and escalating medical cost especially in pharmaceuticals.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:** Change the standard for FY 2011-2012 to \$6,874.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** State Property and Casualty Claims

**Service/Budget Entity:** Self-Insured Claims Adjustment / 43400100

**Measure:** State employees' workers' compensation benefit cost rate, as defined by indemnity and medical benefits, per \$100 of state employees' payroll as compared to prior years

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input checked="" type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure            |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
\$1.33	\$1.31	Under	(2%)

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:** Medical and pharmaceutical costs are rising, both of which are not under the control of the state.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** State Property and Casualty Claims

**Service/Budget Entity:** Self-Insured Claims Adjustment/43400100

**Measure:** Average Cost of Tort Liability Claims Paid

**Action:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input checked="" type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure            |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
\$8,900	\$9,378	Over	+5.4%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** The claims we examine for this measure occurred 4 years prior to the year we report the average to allow for claim development and maturity. The claims we report on in FY 09/10 occurred in FY 05/06. This average is the total amount paid for claims occurring in FY 05/06 as of 6/30/10 divided by the number of claims on which a payment was made. If the total amount paid for tort claims remains steady or increases from year to year but the number of claims that occur and require a payment decreases, the average cost per claim paid will increase. In FY 05/06, the bureau received 275 fewer claims overall than in FY 04/05. The total amount of money paid for tort claims each year has either increased or remained steady so if there is a decrease in the number of claims on which a payment is made, there will be an increase in the average cost which is what occurred in the FY 09/10 reporting year. We requested this standard be increased to \$9,651 for FY 08/09 based on our projections but the standard remained \$8,900 for FY 08/09 and FY 09/10. We believe \$9,651 has been approved for FY 10/11 and we have requested \$9,651 for FY 11/12.

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:** The Division of Risk Management (DRM) and the claim adjusters in State Liability Claims (SLC) have minimal control over these averages. The major factors are how many claims occur and the severity of these claims.

Our loss prevention/loss control efforts can theoretically reduce the number and severity of claims, but ultimately it depends on actions taken or not taken by state agencies. After a claim occurs, adjusters in SLC can affect the cost of a claim by completing the investigation and evaluation of the claim quickly and trying to resolve the claim prior to litigation. Mediation is an effective tool to resolve claims prior to trial which can reduce claim cost. Quality claim investigations, retention of quality defense attorneys, negotiating skills of the adjusters and defense attorneys, and accurate evaluation of claims are some additional factors that can reduce the average cost of claims for which we have some control.

These measures are more of an indicator as to how the agencies are operating their programs than how DRM is performing, but as noted, DRM can have an effect on these averages. We have a strong interest in reducing these averages and therefore need to track these averages regardless of whether they are included in a performance measure.

There are also external factors, for which we have no control, that affect the average claim cost. Some of these factors are: inflation; increased jury verdicts; increased settlement expectations; increased legal fees and expenses; and legislative changes increasing exposures covered by our program or claims costs. The 2010 Legislature raised the sovereign immunity limits on tort claims and we estimate this increase will cost us over \$3M more each year to pay tort claims beginning in FY11/12. Further, the new Medicare reporting requirements are going to increase the cost of our tort settlements.

**Management Efforts to Address Differences/Problems** (check all that apply):

Training

Technology

Personnel

Other (Identify)

**Recommendations:**

As noted, this average is difficult to predict as Risk Management has minimal control over the average cost of claims. We will continue to try and estimate this average as best we can, request a realistic standard and meet the approved standard.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** State Property and Casualty Claims Program

**Service/Budget Entity:** State Self-Insured Claims Adjustment

**Measure:** Average Cost of Property Claims Paid

**Action:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input checked="" type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure            |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
\$3,300	\$4,600	Over	+39%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

The State of Florida has always been impacted by hurricanes. The time span between notable hurricane losses varies; such that ten years may pass without a significant hurricane loss. The average cost of regular claims might spike slightly due to very few claims (Down to 75 this year). The impact of one major hurricane in one year will affect the average cost of property claims paid in a significant way.

The Property Section has begun to use an evidence-based method of reviewing lightning claims, which should result in a lower per claim amount paid. Also, the Legislature has approved funding for loss mitigation and hurricane hardening for our more vulnerable coastal areas.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |



**Recommendations:**

Since hurricanes cannot be prevented, the best solution to lessen the average cost of each loss is training and protection. Our insurance training process includes sections on protecting the loss site from additional damages from exposure to rain and heat that can follow a hurricane event. Also, if multiple hurricanes strike the state in a short period of time, the Division will retain contracted adjusters to assist the field assigned property staff to quickly identify the scope of these losses, thus prevention the growth of the loss due to failure to cover-up and protect from non-hurricane related damages.

We recommend that the current standard of \$3,300 average cost of property claim per year be increased to \$4,600.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** State Property and Casualty Claims

**Service/Budget Entity:** Self-Insured Claims Adjustment/43400100

**Measure:** Number of Liability Claims Worked

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input checked="" type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure            |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
5,430	5,203	Under	-4.2%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** The number of claims worked is the sum of the number of claims on hand at the beginning of the fiscal year (backlog or pending) plus new claims received (entered) during the fiscal year. This is a measure of the amount of work performed or workload. Risk Management has minimal control over how many claims we receive each year. We have more control over how many claims are in our backlog or pending count at the start of the fiscal year but the ability to close claims is mostly determined by the severity of the claims we receive which we cannot control. It is difficult to estimate this measure as we cannot control the numbers used to calculate the measure.

The primary reason we did not meet this standard for FY 09/10 (we missed by 227 claims) was that we received 223 fewer claims in FY 09/10 than we did in FY 08/09. Further, in September 2008, we requested this measure be revised to 5,181 based on our projections but the standard was not changed and left at 5,430.

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:** The number of claims worked is the sum of the number of claims on hand at the beginning of the fiscal year (pending) plus new claims received (entered) during the fiscal year. A key component of this measure is the number of new claims received. The Bureau has minimal control over the number of new claims received during a fiscal year. We can control to some extent the number of pending claims at the start of the fiscal year but this is mostly determined by the severity of claims received which we cannot control.

**Management Efforts to Address Differences/Problems** (check all that apply):

- Training
- Personnel

- Technology
- Other (Identify)

**Recommendations:** As noted above, the Bureau has minimal control over the two key components of this measure – the number of new claims received and the severity of these claims. Therefore, no management efforts are required. The fewer claims received is really a positive development for the State of Florida as it means fewer claims are being filed and less money paid than would be paid otherwise. Also, the bureau strives to reduce the number of pending cases which reduces the number of claims worked. This measure provides valuable information to management about the amount of worked performed. We will continue to do our best to request realistic standards and meet the approved standards.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** State Property and Casualty Claims Program

**Service/Budget Entity:** State Self-Insured Claims Adjustment

**Measure:** Number of state property loss/damage claims worked

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input checked="" type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure            |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
275	75	Under	-73%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

Due to the fact that there were no major hurricanes to hit the State of Florida the actual claims received was much lower than anticipated. As a result we are lowering our number of claims requested. The property section also began to use a very stringent evidence-based method of reviewing lightning loss claims, which have historically been the most common type of property claim filed with the Division, and provided training to state agencies and universities on how to file lightning claims. The more stringent review of lightning claims and associated agency training resulted in fewer claims requests being accepted as viable claims.

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:**

In addition to the internal factors mentioned above, the state simply did not incur the number of property losses usually incurred in a year's time. No catastrophic losses were reported.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

We recommend that the current standard of 275 claims worked per year be reduced to 75, and we will continue to monitor the number of claims worked per fiscal year.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Licensing and Consumer Protection

**Service/Budget Entity:** Insurance Company Rehabilitation and Liquidation/43500100

**Measure:** Percentage of companies with only class 3 or higher claims closed within 2 years after all **asset collection activity, including litigation**, is concluded and all objections have been resolved

**Action:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input checked="" type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure            |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
90%	100%	Over	10%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:** Court cases involving litigation to collect assets and objections filed by claimants in the receivership are controlled by the judicial system; the Department as receiver has no control over the time that those matters may take to be resolved. Upon further review of this measure, the Department determined that revision was needed to this portion of the measure to better reflect that the Department needs to complete all asset collection activity, including litigation, prior to making final distributions and closure of a receivership, particularly for receiverships involving workers' compensation claims in which full reinsurance recovery may take a number of years following the resolution of litigation, claims issues, etc. For this reason, the Department is proposing the following highlighted revisions to this portion of the measure: **"closed within 2 years after all **asset collection activity, including litigation**, is concluded and all objections have been resolved."**

**Management Efforts to Address Differences/Problems** (check all that apply):

Training

Technology

Personnel

Other (Identify)

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Licensing and Consumer Protection

**Service/Budget Entity:** Insurance Company Rehabilitation and Liquidation/43500100

**Measure:** Percent of appraised value of assets liquidated for real property

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
90%	100%	Over	10%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |   |   |
|---|---|
| <input type="checkbox"/> Resources Unavailable                                  | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                               | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                               | <input type="checkbox"/> Other (Identify)       |
| <input checked="" type="checkbox"/> This Program/Service Cannot Fix The Problem |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission    |   |

**Explanation:** The validity of the measure is strongly dependent on the accuracy of the appraisal. Also, there may be a lag time between the appraisal and the contract for sale, the court approval and the closing, during which market conditions may fluctuate. This may result in a significantly higher or lower sale price than the appraisal.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**



## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Licensing and Consumer Protection

**Service/Budget Entity:** Insurance Company Rehabilitation and Liquidation/43500100

**Measure:** Percent of appraised value of assets liquidated for personal property

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
75%	100%	Over	25%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |   |   |
|---|---|
| <input type="checkbox"/> Resources Unavailable                                  | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                               | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                               | <input type="checkbox"/> Other (Identify)       |
| <input checked="" type="checkbox"/> This Program/Service Cannot Fix The Problem |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission    |   |

**Explanation:** The validity of the measure is strongly dependent on the accuracy of the appraisal. Also, there may be a lag time between the appraisal and the sale during which market conditions may fluctuate. This may result in a significantly higher or lower sale price than the appraisal. These inventories typically include personal computers (hardware and software) and other office equipment that rapidly depreciate or become obsolete due to changes in technology. Due to the long periods of time between the appraisal and the sale of the inventories these factors may result in inventories being sold for less or more than the appraisal value.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services  
**Program:** Licensing and Consumer Protection  
**Service/Budget Entity:** Licensure, Sales Appointment and Oversight/43500200  
**Measure:** Percent of investigations completed within 130 days

**Action:**

- |   |  |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure   | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure    | <input type="checkbox"/> Deletion of Measure |
| <input checked="" type="checkbox"/> Adjustment of GAA Performance Standards |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
NA	63%	NA	NA

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** There were 3492 completed investigations in FY2009-2010 with 2200 completed within 130 days, which represents 63% of completed cases. We have established Performance measures that we feel will increase the percent of cases completed within 130 from 60% to 65% next fiscal year.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input checked="" type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:** These efforts are continuing to yield better results. Raise the 2010-11 standards of 60% to 65% for FY2001-2012

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Licensing and Consumer Protection

**Service/Budget Entity:** Licensure, Sales Appointment and Oversight/43500200

**Measure:** Percent of completed investigations recommended for formal action that result in an action

**Action:**

- |   |  |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure   | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure    | <input type="checkbox"/> Deletion of Measure |
| <input checked="" type="checkbox"/> Adjustment of GAA Performance Standards |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
N/A	78%	N/A	N/A

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other  |

**Explanation:** There were 1151 investigative cases submitted to the Division of Legal Services for administrative action this past fiscal year (2009-2010), with 898 agents or entities being formally disciplined. Although the division plays a key role in successful administrative action due to the quality of the investigative cases submitted, we have no control over when or if administrative action will be taken as that is a function of the Division of Legal Services. We are aware that this is an overall process measure, not just a division measure.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:** This division continues to make good investigative cases and the team of attorneys working with us has done a better job working with investigators to ensure the cases are quality and are moving.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input checked="" type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

These efforts are continuing to yield better results. Raise the 2010-11 standard of 55% to 75% for FY 2011-2012.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Licensing and Consumer Protection

**Service/Budget Entity:** Insurance Fraud/43500300

**Measure:** Number of insurance fraud investigations completed (not including workers compensation cases)

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
1,100	10,121	Over	820%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

The procedure changed for Opening cases.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

Continue to monitor the increases above the standard.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Licensing and Consumer Protection

**Service/Budget Entity:** Insurance Fraud/43500300

**Measure:** Number of insurance fraud investigations completed (not including general fraud investigations)

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
400	1,805	Over	351%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

The procedure changed for Opening cases.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

Continue to monitor the increases above the standard.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services  
**Program:** Licensing and Consumer Protection  
**Service/Budget Entity:** Funeral and Cemetery Services/43500500  
**Measure:** Percentage of investigations completed within 150 days of initiation.

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
N/A	N/A	N/A	N/A

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

Due to inability to track this measure as a result of IT limitations, it is recommended that this measure be deleted.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Workers' Compensation

**Service/Budget Entity:** Workers' Compensation/43600100

**Measure:** Percent of First Indemnity Payments Made Timely

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
90%	94.3%	Over	+4.3%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input type="checkbox"/> Personnel Factors                      | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities                   | <input type="checkbox"/> Level of Training |
| <input checked="" type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

A new performance standard of 95% was requested and has been approved for FY 2010-2011.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services  
**Program:** Workers' Compensation  
**Service/Budget Entity:** Workers' Compensation/43600100  
**Measure:** Number of Claim Files Reviewed Annually

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
59,000	85,301	Over	+30.7%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input type="checkbox"/> Personnel Factors                      | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities                   | <input type="checkbox"/> Level of Training |
| <input checked="" type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

A new performance standard of 86,000 was requested and has been approved for FY 2010-2011.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**



## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services  
**Program:** Workers' Compensation  
**Service/Budget Entity:** Workers' Compensation/43600100  
**Measure:** Number of Employer Investigations Conducted

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
55,000	33,235	Under	(40%)

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input type="checkbox"/> Personnel Factors                      | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities                   | <input type="checkbox"/> Level of Training |
| <input checked="" type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

A request to modify the standard for FY 2009/2010 was submitted; however the request was not approved. Subsequently, the Division submitted another request to modify the standard for FY 2010/2011. The request was approved. The actual performance results for FY 2009/2010 meet the approved modified standard of 30,000.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Workers' Compensation

**Service/Budget Entity:** Workers' Compensation/43600100

**Measure:** Number of disputes resolved for injured workers by the Employee Assistance Office

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input checked="" type="checkbox"/> Adjustment of GAA Performance Standards          |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
N/A*	1,771	N/A *	N/A*

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input type="checkbox"/> Personnel Factors                      | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities                   | <input type="checkbox"/> Level of Training |
| <input checked="" type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

This is a revised measure with an approved standard of 2,600 for fiscal year 2010-11; therefore, only actual performance results are provided. We are requesting a change in the standard to 1,900 to reflect a more realistic estimate.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Workers' Compensation

**Service/Budget Entity:** Workers' Compensation/43600100

**Measure:** Percentage of disputes resolved for injured workers by the Employee Assistance Office

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input checked="" type="checkbox"/> Adjustment of GAA Performance Standards          |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
40%	73%	Over	33%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input type="checkbox"/> Personnel Factors                      | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities                   | <input type="checkbox"/> Level of Training |
| <input checked="" type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

The Employee Assistance and Ombudsman Office (EAO) enhanced their computer system to effectively code and track disputed issues. The enhancement enables EAO the ability to capture specific data related to each dispute and its resolution. We are requesting a change in the standard to 65% to reflect a more realistic estimate.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Workers' Compensation

**Service/Budget Entity:** Workers' Compensation/43600100

**Measure:** Number of reimbursement requests (SDF-2) audited

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
5,200	2,562	Under	(50.73%)

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Personnel Factors    | <input checked="" type="checkbox"/> Staff Capacity |
| <input checked="" type="checkbox"/> Competing Priorities | <input type="checkbox"/> Level of Training         |
| <input type="checkbox"/> Previous Estimate Incorrect     | <input type="checkbox"/> Other (Identify)          |

**Explanation:** Staff capacity was reduced by the departure of one staff member and the addition of a replacement requiring training to reach performance expectation and the implementation of an off-set verification audit requirement which significantly increased the time needed to complete SDF-2 audits.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |   |  |
|---|--|
| <input type="checkbox"/> Training             | <input type="checkbox"/> Technology                  |
| <input checked="" type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:** A new staff member was appointed to supplement auditing capacity. Also, management is considering revising or eliminating certain audit procedures to increase productivity while preserving fiduciary duty.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Workers' Compensation

**Service/Budget Entity:** Workers' Compensation/43600100

**Measure:** Number of reimbursement requests (SDF-2) paid

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
6,500	941	Under	(85.52%)

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input type="checkbox"/> Personnel Factors                      | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities                   | <input type="checkbox"/> Level of Training           |
| <input checked="" type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** The standard was unchanged from prior years when there was insufficient revenue/spending authority to make all payments that had been approved. In March 2008, the backlog of approved reimbursements awaiting payment was eliminated. In total, there were far fewer payments possible than the standard states. The SDTF expects to never again have the capacity to meet the number of payments the standard demands. The standard has been revised downward for fiscal year 2010-2011.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:** The program has a fiduciary duty to pay the maximum number of reimbursements possible within the approved spending authority. In the current and future fiscal years, the number paid will be limited by the number of reimbursements approved during the year. The recent history of the SDTF shows that the stated standard is inaccurately high. The most effective response will be to provide accurate performance standard recommendations.



# Department of Financial Services

## Performance Measure Validity and Reliability—LRPP Exhibit IV

## **LRPP EXHIBIT IV: Performance Measure Validity and Reliability**

**Department:** Department of Financial Services

**Program:** Office of Chief Financial Officer and Administration

**Service/Budget Entity:** Legal Services/43010200

**Measure:** Percent of closed files involving allegations of statutory violation that were successfully prosecuted

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

Legal Services receives a variety of requests for legal assistance, including responding to requests for legal counsel on issues of statutory interpretation, prosecuting licensees for statutory violations, rulemaking, and a variety of other areas.

At the time of assignment to an attorney for handling, each request for legal assistance, including all requests for assistance concerning suspected violations of statutory or rule requirements, is entered into the Legal tracking system, a computer software system which tracks the case activities, progress and the ultimate disposition of all assignments.

The tracking system has a variety of data fields that enable management to identify the number of assignments made and the nature and final disposition of each assignment and to monitor the assigned attorney's handling of the assignment.

The tracking system can be used to determine the current status of each assignment, and is capable of generating reports providing relevant information.

### **Validity:**

The Department of Financial Services is responsible for the administration and enforcement of the statutes and administrative rules within its areas of responsibility (Section 8 Article II, Section 4 Article IV and Section 15 Article V of the State Constitution; Titles VI, VII and VIII: Chapters 11, 17, 20, 27, 48.151, 110, 112, 119, 120, 175, 185, 215, 216, 218, 219, 255, 270, 272, 280, 284, 287, 288, 440, 454, 494, 497, 516, 517, 520, 537, 559, 560, 607, 617, 620, 624-628, 630-634, 641, 642, 648, 651, 660, 665, 687, 716, 717, 768.28, 907 F.S.)

The percentage of statutory violations that result in discipline or corrective action will provide an indication of the effectiveness of the Department and of Legal Services in carrying out its statutory responsibilities.

**Reliability:**

It is recognized that not all instances of statutory violation of laws and rules will result in corrective action or discipline. For example, a violation may have occurred, but insufficient facts are available to meet the agency's burden of proof in establishing a violation. In other instances a violation may have occurred, but imposing discipline or requiring corrective action may not be necessary or warranted.

However, it is anticipated that due to the large volume of violations referred to Legal Services each year, the number of cases where disciplinary or corrective action is unnecessary or unwarranted as a percentage of the total number of violations received will be relatively low. Consequently, the percentage of violations referred for legal assistance which result in the imposition of discipline or implementation of corrective action will provide a reliable indication as to the effectiveness of Legal Services.

With respect to the reliability of the data, at the time each assignment is closed, an individual other than the assigned attorney is responsible for completing the final disposition data fields. Consequently, the individual assigned cannot improperly affect the data, which indicates that a violation referred to Legal Services resulted in disciplinary or corrective action.



## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Office of Chief Financial Officer and Administration

**Service/Budget Entity:** Information Technology/43010300

**Measure:** Information Technology Costs as a Percent of Total Agency Cost

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

Information technology cost represents approximately 9.98% of DFS total budget. The agency total budget is \$255,159,217 and DIS costs are \$25,472,498. Data was retrieved from DFS budget office.

### **Validity:**

The purpose of this measure is to determine what percentage of total agency costs are allocated to information technology. DIS believes the methodology used to calculate this measure is appropriate for the measure's intended purpose.

### **Reliability:**

Data for this measure is provided on a quarterly basis from the DFS budget office.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Department of Financial Services

Program: Office of Chief Financial Officer and Administration

Service/Budget Entity: Information Technology/43010300

Measure: Information Technology Positions as a Percent of Total Agency Positions

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### Data Sources and Methodology:

FTEs:

DFS: 2,745

DIS: 130

Based on the calculation formula (130 divided by 2,745), information technology positions account for 4.73% of the total agency positions.

### Validity:

### Reliability:

Data for this measure was provided by DFS budget office.

## **LRPP EXHIBIT IV: Performance Measure Validity and Reliability**

**Department:** Department of Financial Services

**Program:** Office of Chief Financial Officer and Administration

**Service/Budget Entity:** Information Technology/43010300

**Measure:** System design and programming hourly costs

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:**

DIS identified all resources including programmers, supervisors, and the bureau chief that participate in system design and programming for the Bureau of Enterprise Applications. DIS hourly rate is nearly half the approved standard. DIS relies on state employees for system design and programming. DIS does not rely on external contractors and vendors which generally charges more per hourly rate.

**Validity:**

The purpose of this measure is to determine system design and programming hourly cost. DIS believes the methodology used to calculate this measure is appropriate for the measure's intended purpose.

**Reliability:**

Costs were provided by DIS Budget Office.

## **LRPP EXHIBIT IV: Performance Measure Validity and Reliability**

**Department:** Department of Financial Services

**Program:** Office of Chief Financial Officer and Administration

**Service/Budget Entity:** Information Technology/43010300

**Measure:** Percent of scheduled hours computer and network is available

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

To determine the percent of scheduled hours computer and network is available, DIS made the following calculations. Percentages were separated by Non-FLAIR applications, network and databases.

Mainframe: 99.93% Non-FLAIR applications

Computer & Network: 99.77%

Databases: 97.90%

*Note: Unscheduled downtime was factored in the calculations for network, databases, non-FLAIR applications, etc.*

### **Validity:**

The purpose of this measure is to determine the percent of scheduled hours computer and network is available. DIS believes the methodology used to calculate this measure is appropriate for the measure's intended purpose.

### **Reliability:**

Results were automated and manually recorded and calculated for computer and network availability.

## **LRPP EXHIBIT IV: Performance Measure Validity and Reliability**

**Department:** Department of Financial Services

**Program:** Office of Chief Financial Officer and Administration

**Service/Budget Entity:** Information Technology/43010300

**Measure:** Percent of customers who returned a customer service satisfaction rating of at least four (4) on a scale of one (1) to five (5) on surveys

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

DIS developed and automated customer surveys from the Remedy Helpdesk application. Remedy sends surveys via email to resolved helpdesk calls and records the results. Per DIS request, OPB approved standard change to 95% from 85%.

### **Validity:**

The customer satisfaction survey rating scale is from one through five (1-5). DIS goal is to earn a rating of four (4) or better.

Scale spectrum:

- 1 - Poor
- 2 - Fair
- 3 - Satisfactory
- 4 - Very Good
- 5 - Excellent

### **Reliability:**

Data for this measure is provided on a quarterly basis. Data was retrieved from DFS Digital Dashboard.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Office of Chief Financial Officer and Administration

**Service/Budget Entity:** Consumer Advocate/43010400

**Measure:** Percentage of referred cases responded to and/or transferred within 10 days of receipt.

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

The data was collected from our internal system that is used to log consumer complaints. The following methodology was used to determine the applicable rates. Our office ran all cases that were received from July 1<sup>st</sup> 2009-June 30<sup>th</sup> 2010. This included all inquires received via telephone, fax, e-mail or through the ICA inbox. The total number of cases was 556 which required 2235 total days to close. Thus, each case is closed within an average of 4.02 days. Within this measure 100% of the total cases were responded to, and/or referred within 10 days.

### **Validity:**

These numbers are maintained by a senior manager in the office and logged into the office's internal tracking. We feel confident that the numbers are a good measure as they are verifiable by anyone in the office by logging on to the tracking system. Additional protections are provided by the fact that several people in the office actually process the cases so that each person could independently confirm the number of cases received and outstanding.

### **Reliability:**

These numbers are reliable because the each person who receives a case is immediately required to make contact with that individual and then log the case into the tracking system. Because cases are forwarded to staff members from either the Insurance Consumer Advocate or Senior Management Analyst cases cannot be hidden. Also, a review of the tracking system is performed each month to monitor the status of each case that was received. This process can be used each year as a comparative measure because the system will remain the same for the foreseeable future.

## **LRPP EXHIBIT IV: Performance Measure Validity and Reliability**

**Department:** Department of Financial Services

**Program:** Office of Chief Financial Officer and Administration

**Service/Budget Entity:** Consumer Advocate/43010400

**Measure:** Percentage of rate filings subject to public hearing which were reviewed by our office.

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

All data was sourced from either the Office of Insurance Regulation or internally from sources at the Office of the Insurance Consumer Advocate. The office performed its statutory duties of reviewing all rate filings requiring a public hearing and, where appropriate, decided to appear at those hearings. This policy is reflected in the data that follows. The total number of rate *filings* from OIR was 20,604 for 2009-10. Of these 11,589 were Property & Casualty with the remaining 9,015 being Life & Health. Of these rate filings six met the statutory requirements to require a public hearing. This office either reviewed or participated in all six hearings. Based on these numbers this office participated in (6/6) 100% of the rate *hearings*, .05% (6/11,589) of all property and casualty filings, and (6/20,604) .02% of all rate *filings*.

### **Validity:**

The validity of these numbers can be traced to OIR. OIR is required to publish reports on its activities and must ensure that their numbers are accurate. With respect to the public hearings, these are easily verified by checking public records as each public hearing is announced in the public. The efforts of this office can be verified by checking project lists. As each public hearing is announced this is added to the internal project list and assigned to a project team. This team must then coordinate with OIR and review the filing and determine if this office should intervene at the public hearing. On some occasions the office decided to intervene in others it did not.

### **Reliability:**

The numbers are reliable because OIR is required to keep a detailed list of all filings which must be verified in their department. This process will continue into the foreseeable future. The public rate filings will continue in the future and will continue to require public notice in the future. Thus, this office's ability to track how many rate hearings take place will continue. The measures that were taken this year will continue to be relevant in the future.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Department of Financial Services

Program: Office of Chief Financial Officer and Administration

Service/Budget Entity: Information Technology-FLAIR/43010500

Measure: Percent of scheduled hours computer and network are available

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### Data Sources and Methodology:

To determine the percent of scheduled hours computer and network is available, DIS made the following manual calculations. This year mainframe percentages were separated by FLAIR applications for the new FLAIR budget entity.

Mainframe: 100% FLAIR applications

*Note: FLAIR production scheduled online hours are 7:00AM to 7:00PM Monday – Saturday. FLAIR is down on holidays. FLAIR was available during all scheduled hours.*

### Validity:

Data provided for this performance measure was manually calculated.

### Reliability:

Results are manually recorded and calculated for computer and network availability hours. Purchasing automated software monitoring tools will provide a reliable method of collecting information and calculating the results.



## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Financial Services

Program: Treasury

Service/Budget Entity: State Funds Management & Investment/43100300

Measure: Percentage of all agency Concentration Account & Credit Card Account deposit transactions to be matched and credited within 4 days of the bank deposit date.

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### Data Sources and Methodology:

The Bureau of Funds Management is responsible for verifying deposits in Departmental FLAIR (accounting system) for state agencies that have deposited funds into the Treasury Concentration (bank) Account and Credit Card Account. Decreasing the time between bank deposit and Treasury verification allows the agencies quicker access to their fund balances in Central FLAIR for disbursing and investing. Agencies cannot spend the money deposited in the bank until they enter it into FLAIR and Funds Management staff verify it with appropriate bank information and release the deposit amounts to Central FLAIR.

Deposits cannot be verified by Treasury until the agency has entered the deposit transaction in FLAIR and allowed Treasury access to verify the deposit transaction. Nightly, our computer system loads a file of agency deposits processed by the bank and matches them against the Departmental FLAIR deposit entries. Entries are matched on agency, deposit amount, and deposit number. If the deposit match criteria are met on both the FLAIR and the bank information, the transactions are automatically updated with a verified status. Treasury staff manually verifies the transactions that are not automatically matched by the nightly computer system run.

A query is run monthly to determine the percentage of deposits that are verified within 4 days between the date the deposit is included in the bank information until the date the deposit is verified in FLAIR by Treasury staff.

**Validity:** The purpose of this measure is to assist agencies gain access to their funds in a timelier manner. It also assists Treasury identify areas in the process that can be improved.

**Reliability:** The query captures all deposits made the prior month and calculates the difference between the deposit date and verified date for each deposit.

All deposits with a variance of less than 5 “banking” days are averaged with the total deposits made.

The result is the percentage of deposits verified within 4 days of bank receipt.

**Historical Performance to Date – Standard: 86%**

<b>FY 2007-2008</b>		<b>FY 2008-2009</b>		<b>FY 2009-2010 To date</b>	
Running Average	80.34%	Running Average	83.92%	Running Average	86%
% of Standard	93.42%	% of Standard	97.58%	% of Standard	100%

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Department of Financial Services

Program: Fire Marshal

Service/Budget Entity: Fire Marshal Administrative and Support Services/43300500

Measure: Number of evidence samples analyses/examinations processed and imaging services provided. **Revise to: The number of items analyzed chemically plus the number of imaging items processed.**

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** The sources for the new measure are the same as for the old. This is the actual count of items analyzed and processed as totaled in the various processing databases and log sheets kept by the Bureau for all evidence handling processes which compose the workload (SQL\*LIMS, Access, MediaDex, Public Records Request Log, Digital Imaging Log, Video Processing Log).

**Validity:** The data from the sources are valid and can be checked by using individual case files or instrumental sequences/files to total the numbers of analyses or processing reported.

**Reliability:** The data to be reported reliably indicates the workload for the Bureau by summing the completed analytical and processing activities associated with the criminal evidence submitted to the Bureau.

## **LRPP EXHIBIT IV: Performance Measure Validity and Reliability**

**Department:** Department of Financial Services

**Program:** Licensing and Consumer Protection

**Service/Budget Entity:** Insurance Company Rehabilitation and Liquidation/43500100

**Measure:** Percentage of companies with only class 3 or higher claims closed within 2 years after all **asset collection activity, including litigation, is concluded and all objections have been resolved**

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

Pursuant to Chapter 631, F. S., the Division of Rehabilitation and Liquidation is responsible for marshaling the assets of insolvent companies and rehabilitating impaired companies as directed by the Court.

Companies are placed in Receivership for purposes of Rehabilitation, Liquidation or Conservation by an order of the Second Judicial Circuit Court in Leon County, Florida. The court-appointed Receiver performs rehabilitation and liquidation activity for companies in receivership until entry of a discharge order by the Court. The current measure is determined by counting the number of receiverships closed within the fiscal year which involve only class 3 or higher claims and comparing: 1) the number of those which closed within two years of the conclusion of litigation and claims objections to 2) the number of those which did not close within two years of the conclusion of litigation and claims objections.

**Validity:** The current measure is a recently approved revision to a former LRPP measure which required that the Department track the "ratio of companies in receivership discharged to the number of companies placed in receivership during the fiscal year." The Department requested the revision because it has no control over the number of companies placed in rehabilitation or liquidation during any year. Pursuant to Section 631.031, Florida Statutes, the Florida Office of Insurance Regulation has the statutory responsibility to notify the Department of Financial Services that grounds for receivership exist. The Department does not regulate companies prior to its appointment as Receiver and as such does not have any ability to prevent a receivership. Since the Department has some control over the number of receiverships which are discharged, however, the Department requested the revision to the currently worded measure with a standard of 90%. The current, recently revised measure was believed to provide a more accurate performance measure for the Division's closure rate of receiverships, particularly as the current measure removed elements of the prior measure that are beyond the control of the Division.

The following additional requirements were built into the current measure in an effort to provide a more accurate performance measure for the activities that are within the control of the Division:

**“only class 3 or higher claims”** – At this time, unless the Division has obtained a release from the federal government through the U.S. Department of Justice, it can only close companies in liquidation that only have funds available to pay class 3 and higher priority claims. This is a result of litigation in which the federal government has successfully argued its right to file a “super priority” claim (i.e., a Class 4 claim under Chapter 631, Florida Statutes) at any time, even after all the funds have been distributed and the receivership has been closed. Government claims (including those of the federal government) fall into the class 4 category and if the Department has already distributed receivership funds but the federal government later files a claim, the Department may be individually liable to pay the federal claim from state budget funds. In recent years, there have been federal congressional proposals to resolve this issue. Additionally, the Department and the U.S. Department of Justice have agreed upon a procedure for requesting releases from the federal government. However, until these issues are resolved or unless a release is obtained from the federal government through the indicated process, the Department as receiver cannot close receiverships in which there are sufficient funds to pay Class 4 or lower priority claims. The Department has no control over the length of time it takes for the federal government to agree to a release, even under the agreed upon procedure. Therefore, it is an invalid measure of performance to include receiverships that cannot be closed because of federal law which overrides Florida law and effectively takes away state control over the timing of the closing of those estates.

**“closed within 2 years after all litigation is concluded and all objections have been resolved”** – This portion of the revised measure provides greater validity because it measures the Department’s timely closing of a receivership from a point in time when the claims evaluation process (including any objections on claims evaluations) is concluded and there has been a final determination of litigated issues in the receivership. Up until that time, court cases involving litigation to collect assets and objections filed by claimants in the receivership are controlled by the judicial system; the Department as receiver has no control over the time that those matters may take to be resolved. Upon further review of this measure, the Department determined that revision was needed to this portion of the measure to better reflect that the Department needs to complete all asset collection activity, including litigation, prior to making final distributions and closure of a receivership, particularly for receiverships involving workers’ compensation claims in which full reinsurance recovery may take a number of years following the resolution of litigation, claims issues, etc. For this reason, the Department is proposing the following highlighted revisions to this portion of the measure: **“closed within 2 years after all asset collection activity, including litigation, is concluded and all objections have been resolved.”** The two year period of time remains a reasonable time period from the later of the completion of all asset collection activity or the resolution of claims objections to the closure of a receivership since this will allow ample time for final distribution(s) and wrap-up activities involving the receivership.

With the proposed revisions to the measure, the Division would report information on liquidations which:

- 1) Are closed during the fiscal year; and
- 2) Only involve distributions on Class 3 or higher claims.

The Division would use the following measurement method for the revised measure:

- 1) Determine which closures during the year only involve distributions on Class 3 or higher priority claims under Section 631.271, Florida Statutes;
- 2) For each such receivership, determine the last day of the month in which all asset collection activity, including litigation, was completed;
- 3) For each such receivership, determine the last day of the month in which all objections to the claims evaluation were resolved;
- 4) Using the later of the above dates, calculate 2 years from the date (this will be considered the "closing deadline month" for each receivership in determining whether or not a receivership met the 2 year closing deadline);
- 5) Percentage reported is calculated by dividing the number of receiverships with Class 3 or higher claims closed during the fiscal year that met the 2 year deadline by the total number of receiverships with class 3 or higher claims that were closed during the fiscal year.

**Reliability:** The Division of Rehabilitation and Liquidation maintains data on insurance entities that are in rehabilitation or liquidation. The data is supported by a signed court order and is considered very reliable.

The revision provides greater reliability for this performance measure as it provides for a measuring procedure that will yield the same results on repeated trials, and the data is complete and essentially error free. It is easily determined from the data currently maintained by the Department as to when asset collection activity, including litigation, is resolved since the Department as receiver currently tracks this information involving asset recovery in all receiverships. It is also easy to determine when all objections to the receiver's evaluation of claims have been resolved, and this data is also maintained by the Department. Claimants are entitled to a court hearing if they have filed an objection; those resolved without a court hearing involve a dated settlement agreement or equivalent correspondence. The two year time period from the date of conclusion of asset collection activity and resolution of objections to claim evaluations is also a very definitive period of time that provides for consistent measurement and accurate data.

## **LRPP EXHIBIT IV: Performance Measure Validity and Reliability**

**Department:** Department of Financial Services

**Program:** Licensing and Consumer Protection

**Service/Budget Entity:** Insurance Company Rehabilitation and Liquidation/43500100

**Measure:** Percent of appraised value of assets liquidated for real property

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

Pursuant to Chapter 631, Florida Statutes, the Division of Rehabilitation and Liquidation is responsible for marshaling the assets of insurance companies ordered into receivership by the Court.

Impaired or insolvent insurance companies are placed in receivership for purposes of conservation, rehabilitation, or liquidation by an order of the Second Judicial Circuit Court in Leon County, Florida. The Department of Financial Services as the court-appointed receiver coordinates and directs the receivership process until entry of a discharge order by the Court.

Upon entry of an order appointing the receiver, the company's records are reviewed to determine ownership of any real property. Title to any real property is recorded in the name of the Receiver in order to safeguard the property. An appraisal is then obtained. When the determination is made to sell the real property, it is listed with an agent or broker. The Court approves all sales before being finalized.

The percent of appraised value of assets liquidated by the department for real property is determined by dividing the total amount received from the sale of real property by the total amount shown on the appraisal report.

### **Validity:**

The validity of the measure is strongly dependent on the accuracy of the appraisal. Also, there may be a lag time between the appraisal and the contract for sale, the court approval and the closing, during which market conditions may fluctuate. This may result in a significantly higher or lower sale price than the appraisal.

### **Reliability:**

Different appraisers may arrive at different appraisal values for the same property, which limits repeatable results.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Department of Financial Services

Program: Licensing and Consumer Protection

Service/Budget Entity: Insurance Company Rehabilitation and Liquidation/43500100

Measure: Percent of appraised value of assets liquidated for personal property

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### Data Sources and Methodology:

Pursuant to Chapter 631, Florida Statutes, the Division of Rehabilitation and Liquidation is responsible for marshaling the assets of insurance companies ordered into receivership by the Court. Impaired or insolvent insurance companies are placed in receivership for purposes of conservation, rehabilitation, or liquidation by an order of the Second Judicial Circuit Court in Leon County, Florida. The Department of Financial Services as the court-appointed receiver coordinates and directs the receivership process until entry of a discharge order by the Court.

Upon entry of an order appointing the receiver, the company's records are reviewed to determine ownership of any personal property. Personal property is inventoried and tagged. Then an appraisal is obtained. When the determination is made to sell the personal property, the preferred method is by auction.

The percent of appraised value of assets liquidated by the department for personal property is determined by dividing the total amount received from the sale of inventory by the total amount shown on the appraisal report.

### Validity:

This measure assesses the service's ability to receive a fair price for inventory liquidated by dividing the total amount received from the sale by the appraised value.

The validity of the measure is strongly dependent on the accuracy of the appraisal. Also, there may be a lag time between the appraisal and the sale during which market conditions may fluctuate. This may result in a significantly higher or lower sale price than the appraisal. These inventories typically include personal computers (hardware and software) and other office equipment that rapidly depreciate or become obsolete due to changes in technology. Due to the long periods of time between the appraisal and the sale of the inventories these factors may result in inventories being sold for less than the appraisal value.

### Reliability:

Different appraisers may arrive at different appraisal values for the same property, which limits repeatable results.





# Department of Financial Services

## Associated Activity Contributing to Performance Measure – LRPP Exhibit V

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43010100 FY 2010-11 (Words)	Associated Activities Title
1	Administrative costs as a percent of total agency costs	ACT 0010 Executive Direction ACT 0030 Legislative Affairs ACT 0040 External Affairs (Consumer Advocate) ACT 0050 Cabinet Affairs ACT 0060 Inspector General ACT 0070 Communications/Public Information ACT 0080 Director of Administration ACT 0090 Planning and Budgeting ACT 0100 Finance and Accounting ACT 0110 Personnel Svcs/Human Resources ACT 0120 Training ACT 0130 Mail Room ACT 2150 Process State Employee Payroll
2	Administrative positions as a percent of total agency positions	ACT 0010 Executive Direction ACT 0030 Legislative Affairs ACT 0040 External Affairs (Consumer Advocate) ACT 0050 Cabinet Affairs ACT 0060 Inspector General ACT 0070 Communications/Public Information ACT 0080 Director of Administration ACT 0090 Planning and Budgeting ACT 0100 Finance and Accounting ACT 0110 Personnel Svcs/Human Resources ACT 0120 Training ACT 0130 Mail Room ACT 2150 Process State Employee Payroll

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43010200 FY 2010-11 (Words)	Associated Activities Title
3	Percent of closed files involving allegations of statutory violation that were successfully prosecuted	ACT0020 General Counsel <hr/> <hr/> <hr/>

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43010300 FY 2010-11 (Words)	Associated Activities Title
4	Information technology costs as a percent of total agency cost	ACT0300 Information Technology - Executive Direction
5	Information technology positions as a percent of total agency positions	ACT0300 Information Technology - Executive Direction
6	System design and programming hourly costs	ACT0320 Information Technology - Application Development/Support
7	Percent of scheduled hours computer and network is available	ACT0330 Information Technology - Computer Operations ACT 0340 Information Technology- Network Operations ACT 0350 Information Technology - Desktop Support
8	Percent of customers who returned a customer service satisfaction rating of at least seven (4) on a scale of one (1) to ten (5) on surveys - New Measure	ACT0300 Information Technology - Executive Direction ACT0330 Information Technology - Computer Operations ACT 0340 Information Technology- Network Operations ACT 0350 Information Technology - Desktop Support

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43010400 FY 2009-10 (Words)	Associated Activities Title
9	Percentage of referred cases responded to and/or transferred within 10 days of receipt.	<p>ACT 1040 Insurance Consumer Advocate-In Amendment</p> <p> </p> <p> </p> <p> </p>
10	Percentage of rate filings subject to public hearing which were reviewed by our office.	<p>ACT 1040 Insurance Consumer Advocate-In Amendment</p> <p> </p> <p> </p> <p> </p>

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43010500 FY 2010-11 (Words)	Associated Activities Title
11	Percent of scheduled hours computer and network is available.	ACT0330 Information Technology - Computer Operations

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43100200 FY 2010-11 (Words)	Associated Activities Title
12	Maximum administrative unit cost per \$100,000 of securities placed for deposit security service purposes	ACT 1210 Provide analysis on securities held for deposit and qualified public depositories ACT 1220 Process Transactions, account changes and audit functions.
13	Number of analyses performed on the financial condition of qualified public depositories and custodians, and securities held for regulatory collateral deposit	ACT 1210 Provide analysis on securities held for deposit and qualified public depositories
14	Number of account actions taken on regulatory collateral deposit accounts	ACT 1220 Process Transactions, account changes and audit functions.

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43100300 FY 2010-11 (Words)	Associated Activities Title
15	Ratio of net rate of return to established national benchmarks for: (I) Internal liquidity investments	ACT 1310 Investment of Public Funds   
16	Ratio of net rate of return to established national benchmarks for: (II) Internal bridge investments	ACT 1310 Investment of Public Funds   
17	Ratio of net rate of return to established national benchmarks for: (III) Internal intermediate investments	ACT 1310 Investment of Public Funds   
18	Ratio of net rate of return to established national benchmarks for: (IV) Medium term external portfolio	ACT 1310 Investment of Public Funds   
19	Number of cash management consultation services	Act 1320 Provide cash management services   



**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43100400 FY 2010-11 (Words)	Associated Activities Title
20	Number of new participants in the State Deferred Compensation Plan over previous year.	ACT 1410 Administer the state supplemental deferred compensation plan   
21	Percentage increase in deferred compensation contributions over the previous year.	ACT 1410 Administer the state supplemental deferred compensation plan   

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43200100 FY 2010-11 (Words)	Associated Activities Title
22	Percent of vendor payments issued via electronic funds transfer (EFT).	ACT 2110 Accounting and Reporting of State Funds ACT 2180 FLAIR and CMS Replacement Project
23	Percent of payroll payments issued via electronic funds transfer (EFT).	ACT 2150 Process State Employee Payroll
24	Percent of retirement payments issued via electronic funds transfer (EFT).	ACT 2120 Migrate current Accounts Payable Procedures to Electronic Commerce
25	Number of post-audits and management reviews completed.	ACT 2140 Conduct post-audits of major State Programs.
26	Number of Clerk of the Circuit Court Financial Reviews.	ACT 2190 Article V-Clerk of the Courts
27	Percentage of compliance with the Statewide Financial Statements Compliance Checklist.	ACT 2110 Accounting and Reporting of State Funds
28	Percentage of warrants outstanding at 3 months that are stale-dated after 12 months.	ACT 2110 Accounting and Reporting of State Funds

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43200200 FY 2010-11 (Words)	Associated Activities Title
29	Percent of the total dollar amount of claims paid to the owner in the fiscal year compared to the total dollar amount of returnable accounts reported/received in the prior fiscal year. (Claims paid as a percent of all dollars in accounts received)	ACT 2210 Collect Unclaimed Property ACT 2220 Process and Payment of Unclaimed Property  
30	Percent of the total number of claims paid to the owner in the fiscal year compared to the total number of returnable accounts reported/received in the prior fiscal year. (Number of claims paid as a percent of all accounts)	ACT 2210 Collect Unclaimed Property ACT 2220 Process and Payment of Unclaimed Property  
31	Number / dollar value of owner accounts processed	ACT 2220 Process and Payment of Unclaimed Property   
32	Number of claims paid / dollar value of claims paid	ACT 2220 Process and Payment of Unclaimed Property   
33	Percent of claims paid within 45 days from date received (cumulative total)	ACT 2220 Process and Payment of Unclaimed Property   
34	Percent of increase in the number of holders reporting unclaimed property this fiscal year compared to the number of holders reporting last fiscal year.	ACT 2220 Process and Payment of Unclaimed Property   

LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures		
Measure Number	Approved Performance Measures for 43300200 FY 2010-11 (Words)	Associated Activities Title
35	Number of fire related deaths occurring in state owned properties required to be inspected	ACT 3220 Perform Fire Safety Inspections
36	Percent of mandated regulatory inspections completed	ACT 3220 Perform Fire Safety Inspections
37	Number of recurring inspections completed	ACT 3220 Perform Fire Safety Inspections
38	Number of high hazard inspections completed	ACT 3220 Perform Fire Safety Inspections
39	Number of construction inspections completed	ACT 3220 Perform Fire Safety Inspections
40	Number of mandated regulatory inspections completed	ACT 3220 Perform Fire Safety Inspections
41	Percent of fire code inspections completed within statutory defined timeframes	ACT 3220 Perform Fire Safety Inspections
42	Percent of fire code plans reviews completed within statutory defined timeframes	ACT 3230 Review construction plans for fire code compliance
43	Number of boiler inspections completed by department inspectors	ACT 3240 Perform boiler inspections
44	Number of construction plans reviewed	ACT 3230 Review construction plans for fire code compliance
45	Number of entity requests for licenses, permits and certifications processed within statutorily mandated time frames	ACT 3210 License the fire protection industry

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43300300 FY 2010-11 (Words)	Associated Activities Title
46	Percent of closed fire investigations successfully concluded, including by cause determined, suspect identified and/or, arrested or other reasons	ACT 3310 Investigate Fires - accidental, arson and other   
47	Percent of arson arrests resulting in conviction	ACT 3310 Investigate Fires - accidental, arson and other   
48	Percent of closed arson investigations for which an arrest was made in Florida	ACT 3310 Investigate Fires - accidental, arson and other   

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43300400 FY 2010-11 (Words)	Associated Activities Title
49	Percent of above satisfactory ratings by supervisors of students' job performance from post-class evaluations of skills gained through training at the Florida State Fire College	ACT 3410 Provide state, local, and business professional training & education
50	Challenges to examination results and eligibility determination as a percent of those eligible to challenge	ACT 3410 Provide state, local, and business professional training & education
51	Number of students trained and classroom contact hours provided by the Florida State Fire College	ACT 3410 Provide state, local, and business professional training & education
52	Number of examinations administered	ACT 3421 Provide state, local, and business professional standards, testing and statutory compliance
53	Percent of Fire College students passing certification exam on first attempt	ACT 3410 Provide state, local, and business professional training & education
54	Percent of Student Satisfactory Evaluations of the Florida State Fire College facility and services.	ACT 3410 Provide state, local, and business professional training & education
55	Percent of students who rate training received at the Florida State Fire College effective in improving their ability to perform assigned duties.	ACT 3421 Provide state, local, and business professional standards, testing and statutory compliance
56	Number of Florida Certification Programs submitted for national accreditation or re-accreditation.	ACT 3410 Provide state, local, and business professional training & education

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43300500 FY 2010-11 (Words)	Associated Activities Title
57	Administrative costs as a percent of program agency costs	ACT 0010 Executive Direction   
58	Administrative positions as a percent of total program positions	ACT 0010 Executive Direction   
59	Number of evidence sample analyses / examinations processed and imaging services provided	ACT 3510 Provide forensic laboratory services   
60	To import 100% incident date submitted by Florida Fire Departments within the calendar year.	ACT 3520 Fire Incident Reporting   

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43400100 FY 2010-11 (Words)	Associated Activities Title
61	Average operational cost per claim worked	ACT 4110 Provide adjusting services on state workers' compensation ACT 4120 Provide adjusting services on state liability claims ACT 4130 Process property claims on state-owned buildings (structure & contents)
62	Number of workers' compensation claims requiring some payment per 100 FTE employees	ACT 4110 Provide adjusting services on state workers' compensation
63	Average cost of workers' compensation claims paid	ACT 4110 Provide adjusting services on state workers' compensation
64	Percent of liability claims closed in relation to liability claims worked during the fiscal year	ACT 4120 Provide adjusting services on state liability claims
65	State employees' workers' compensation benefit cost rate, as defined by indemnity and medical benefits, per \$100 of state employees' payroll as compared to prior years	ACT 4110 Provide adjusting services on state workers' compensation
66	Percent of indemnity and medical payments made in a timely manner in compliance with DFS Rule 4L-24.021, F.A.C.	ACT 4110 Provide adjusting services on state workers' compensation
67	Average cost of tort liability claims paid	ACT 4120 Provide adjusting services on state liability claims
68	Average cost of federal civil rights liability claims paid	ACT 4120 Provide adjusting services on state liability claims
69	Average cost of property claims paid	ACT 4130 Process property claims on state-owned buildings (structure & contents)
70	Risk services training and consultation as measured by the number of training units (1 unit = 8 hours) provided and consultation contacts made	ACT 4140 Provide risk services training and consultation
71	Number of workers' compensation claims worked	ACT 4110 Provide adjusting services on state workers' compensation
72	Number of liability claims worked	ACT 4120 Provide adjusting services on state liability claims
73	Number of workers' compensation claims assigned for litigation during the current fiscal year.	ACT 4110 Provide adjusting services on state workers' compensation
74	Number of state property loss/damage claims worked	ACT 4130 Process property claims on state-owned buildings (structure & contents)



**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43500100 FY 2010-11 (Words)	Associated Activities Title
75	Percentage of companies with only class 3 or higher claims closed within 2 years after all litigation is concluded and all objections have been resolved.	ACT 5110 Rehabilitate and/or liquidate financially impaired insurance companies
76	Percent of appraised value of assets liquidated for real property	ACT 5110 Rehabilitate and/or liquidate financially impaired insurance companies
77	Percent of appraised value of assets liquidated for personal property	ACT 5110 Rehabilitate and/or liquidate financially impaired insurance companies

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43500200 FY 2010-11 (Words)	Associated Activities Title
78	Percent of licensees disciplined.	ACT 5250 Investigate Agents & Agencies ACT 5240 Administration of education requirements (pre-licensing and continuing education) ACT 5210 Review Applications for licensure (qualification)
79	Percent of applications processed within 7 working days.	ACT 5210 Review Applications for licensure (qualification)
80	Number of licensees complying with continuing education requirements.	ACT 5420 Administration of education requirements (pre-licensing and Continuing Education)
81	Percent of investigations completed within 130 days.	ACT 5250 Investigate Agents & Agencies
82	Percent of satisfaction of Customer Contact Center services.	ACT 5210 Review Applications for Licensure (qualification) ACT 5240 Administration of education requirements (pre-licensing and Continuing Education)
83	Percent of completed investigations recommended for formal action that result in an action.	ACT 5250 Investigate Agents & Agencies

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43500300 FY 2010-11 (Words)	Associated Activities Title
84	Percent of insurance fraud cases presented for prosecution by law enforcement investigators	ACT 5310 Investigate insurance fraud (general) ACT 5320 Investigate workers' compensation insurance fraud _____ _____
85	Number of insurance fraud investigations completed (not including workers' compensation cases)	ACT 5310 Investigate insurance fraud (general) _____ _____
86	Number of worker's compensation insurance fraud investigations completed (not including general fraud investigations)	ACT 5320 Investigate workers' compensation insurance fraud _____ _____
87	Number of cases presented for prosecution	ACT 5310 Investigate insurance fraud (general) ACT 5320 Investigate workers' compensation insurance fraud _____ _____
88	Dollar amount of restitution ordered by the court as a percent of the amount recommended by the Department for fraud investigations, by year ordered	ACT 5310 Investigate insurance fraud (general) ACT 5320 Investigate workers' compensation insurance fraud _____ _____
89	Dollar amount of recommended orders of restitution, per capita	ACT 5310 Investigate insurance fraud (general) ACT 5320 Investigate workers' compensation insurance fraud _____ _____

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43500400 FY 2010-11 (Words)	Associated Activities Title
90	Percent of consumer activities that result in quality service.	ACT 5410 Respond to consumer requests for assistance ACT 5420 Provide consumer educational activities ACT 5430 Answer consumer telephone calls
91	Percentage of consumers satisfied with the service provided.	ACT 5410 Respond to consumer requests for assistance   
92	Number of telephone calls answered within 2 minutes.	ACT 5430 Answer consumer telephone calls   

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43500500 FY 2010-11 (Words)	Associated Activities Title
93	Percentage of investigations submitted to probable cause panel in which the panel agrees with the Division's probable cause recommendation.	ACT 5470 Examine and regulate licensees in the Funeral & Cemetery business (Chapter 497) to ensure regulatory compliance
94	Percentage of investigations completed within 130 days of initiation.	ACT 5470 Examine and regulate licensees in the Funeral & Cemetery business (Chapter 497) to ensure regulatory compliance
95	Percentage of establishments and cemeteries inspected per fiscal year.	ACT 5470 Examine and regulate licensees in the Funeral & Cemetery business (Chapter 497) to ensure regulatory compliance
96	Percentage of financial examinations with deficit findings that resulted in deficits being corrected, initiation of an investigation of disciplinary action being taken against the licensee.	ACT 5470 Examine and regulate licensees in the Funeral & Cemetery business (Chapter 497) to ensure regulatory compliance
97	Percentage of cemetery inspections with findings that resulted in improved care and maintenance and/or more accurate burial records, initiation of an investigation or disciplinary action being taken against the cemetery.	ACT 5470 Examine and regulate licensees in the Funeral & Cemetery business (Chapter 497) to ensure regulatory compliance
98	Percentage of funeral establishment inspections with health and safety findings that resulted in corrective action, initiation of an investigation or disciplinary action being taken against the establishment.	ACT 5470 Examine and regulate licensees in the Funeral & Cemetery business (Chapter 497) to ensure regulatory compliance

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43600100 FY 2010-11 (Words)	Associated Activities Title
99	Percent of first indemnity payments made timely	ACT 6110 Monitor and audit workers' compensation insurers to ensure benefit payments
100	Number of claim files reviewed annually	ACT 6110 Monitor and audit workers' compensation insurers to ensure benefit payments
101	Number of employer investigations conducted	ACT 6120 Verify that employers comply with workers' compensation laws
102	Number of disputes resolved for injured workers by the Employee Assistance Office	ACT 6130 Facilitate the informal resolution of disputes with injured workers,
103	Percentage of disputes resolved for injured workers by the Employee Assistance Office	ACT 6130 Facilitate the informal resolution of disputes with injured workers,
104	Number of reimbursement requests (SDF-2) audited	ACT 6140 Provide reimbursement for workers' compensation claims paid by insurance carriers on employees hired with preexisting conditions
105	Number of reimbursement requests (SDF-2) paid	ACT 6140 Provide reimbursement for workers' compensation claims paid by insurance carriers on employees hired with preexisting conditions

## **GLOSSARY OF TERMS AND ACRONYMS**

**Activity:** A unit of work which has identifiable starting and ending points, consumes resources, and produces outputs. Unit cost information is determined using the outputs of activities.

**Actual Expenditures:** Includes prior year actual disbursements, payables and encumbrances. Payables and encumbrances are certified forward at the end of the fiscal year. They may be disbursed between July 1 and September 30 of the subsequent fiscal year. Certified forward amounts are included in the year in which the funds are committed and not shown in the year the funds are disbursed.

**Appropriation Category:** The lowest level line item of funding in the General Appropriations Act which represents a major expenditure classification of the budget entity. Within budget entities, these categories may include: salaries and benefits, other personal services (OPS), expenses, operating capital outlay, data processing services, fixed capital outlay, etc. These categories are defined within this glossary under individual listings. For a complete listing of all appropriation categories, please refer to the ACTR section in the LAS/PBS User's Manual for instructions on ordering a report.

**Baseline Data:** Indicators of a state agency's current performance level, pursuant to guidelines established by the Executive Office of the Governor in consultation with legislative appropriations and appropriate substantive committees.

**BFFEA: Bureau of Forensic Fire and Explosives Analysis**

**Budget Entity:** A unit or function at the lowest level to which funds are specifically appropriated in the appropriations act. "Budget entity" and "service" have the same meaning.

**CAFR** – Comprehensive Annual Financial Report

**CIO** - Chief Information Officer

**CIP** - Capital Improvements Program Plan

**D3-A:** A legislative budget request (LBR) exhibit which presents a narrative explanation and justification for each issue for the requested years.

**Demand:** The number of output units which are eligible to benefit from a service or activity.

**DFS** – Department of Financial Services

**EOG** - Executive Office of the Governor

**Estimated Expenditures:** Includes the amount estimated to be expended during the current fiscal year. These amounts will be computer generated based on the current year appropriations adjusted for vetoes and special appropriations bills.

**FCO - Fixed Capital Outlay**

Fixed Capital Outlay: Real property (land, buildings including appurtenances, fixtures and fixed equipment, structures, etc.), including additions, replacements, major repairs, and renovations to real property which materially extend its useful life or materially improve or change its functional use. Includes furniture and equipment necessary to furnish and operate a new or improved facility.

**FLAIR - Florida Accounting Information Resource Subsystem**

Florida Advisory Committee on Arson Prevention (FACAP): A non-profit corporation, founded in 1975, made up of personnel from the Bureau of Fire and Arson Investigations, Division of State Fire Marshal; federal, county and city law enforcement officers throughout the state, fire service personnel, insurance representatives, private arson investigators, attorneys and others engaged, on a continuing basis, in eradicating arson in Florida.

**F.S. - Florida Statutes**

**GAA - General Appropriations Act**

**GR - General Revenue Fund**

High Hazard (building inspections): Any building or structure, containing combustible or explosive matter; where persons receive educational instruction; that is a non-private dwelling residence; or contains three or more floor levels.

Indicator: A single quantitative or qualitative statement that reports information about the nature of a condition, entity or activity. This term is used commonly as a synonym for the word “measure.”

Information Technology Resources: Includes data processing-related hardware, software, services, telecommunications, supplies, personnel, facility resources, maintenance, and training.

Input: See Performance Measure.

Interagency Advisory Council on Loss Prevention: Representatives from state agencies meet quarterly to discuss safety problems within Florida state government, to attempt to find solutions for these problems, and, when possible, to assist in the implementation of the solutions.

**IOE - Itemization of Expenditure**

**IT - Information Technology**

Judicial Branch: All officers, employees, and offices of the Supreme Court, district courts of appeal, circuit courts, county courts, and the Judicial Qualifications Commission.



**LAN** - Local Area Network

**LAS/PBS** - Legislative Appropriations System/Planning and Budgeting Subsystem. The statewide appropriations and budgeting system owned and maintained by the Executive Office of the Governor.

**LBC** - Legislative Budget Commission: A standing joint committee of the Legislature. The Commission was created to: review and approve/disapprove agency requests to amend original approved budgets; review agency spending plans; and take other actions related to the fiscal matters of the state, as authorized in statute. It is composed of 14 members appointed by the President of the Senate and by the Speaker of the House of Representatives to two-year terms, running from the organization of one Legislature to the organization of the next Legislature.

**LBR** - Legislative Budget Request: A request to the Legislature, filed pursuant to section 216.023, Florida Statutes, or supplemental detailed requests filed with the Legislature, for the amounts of money an agency or branch of government believes will be needed to perform the functions that it is authorized, or which it is requesting authorization by law, to perform.

Life Safety Code: Also known as NFPA 101, it is a publication of the National Fire Protection Association (NFPA). In 1998, the Florida Legislature mandated that NFPA 101 and NFPA 1, the Uniform Fire Code, be adopted by the Florida State Fire Marshal as the base codes for the Florida Fire Prevention Code. With the adoption of the 2006 edition of the Life Safety Code along with the State Fire Marshal's adaptations for Florida, it will be entitled NFPA 101—2006 Florida Edition. The entire Florida Fire Prevention Code is scheduled to become effective on October 1, 2008, to match the planned effective date for the Florida Building Code.

**L.O.F.** - Laws of Florida

Loss Payment Revolving Fund: A fund maintained in a controlled disbursement/positive payment bank account for claim-related payments to claimants and vendors for casualty and property lines of coverage.

**LRPP** - Long-Range Program Plan

Long-Range Program Plan: A plan developed on an annual basis by each state agency that is policy based, priority-driven, accountable, and developed through careful examination and justification of all programs and their associated costs. Each plan is developed by examining the needs of agency customers and clients and proposing programs and associated costs to address those needs based on state priorities as established by law, the agency mission, and legislative authorization. The plan provides the framework and context for preparing the legislative budget request and includes performance indicators for evaluating the impact of programs and agency performance.

**NASBO** - National Association of State Budget Officers

Narrative: Justification for each service and activity is required at the program component detail level. Explanation, in many instances, will be required to provide a full understanding of how the dollar requirements were computed.

National Fire Incident Reporting System: A national database that collects data nationwide on all fire incidences and provides reports to interested parties for development of local and national fire prevention policies.

National Fire Protection Association (NFPA): A private, non-profit corporation whose mission is “to reduce the worldwide burden of fire and other hazards on the quality of life by providing and advocating consensus, codes and standards, research, training, and education.” It has more than 81,000 U.S. and international members representing more than 80 national trade and professional organizations. NFPA drafts and publishes over 300 fire prevention codes and standards, and is an authoritative source on fire safety and public safety. Its codes and standards have been adopted by state and local governments, including the State of Florida.

Nonrecurring: Expenditure or revenue which is not expected to be needed or available after the current fiscal year.

**OPB** - Office of Policy and Budget, Executive Office of the Governor

Outcome: See Performance Measure.

Output: See Performance Measure.

Outsourcing: Means the process of contracting with a vendor(s) to provide a service or an activity. Management responsibility is transferred to the vendor for the delivery of resources and performance. Outsourcing includes everything from contracting for minor administration tasks to contracting for major portions of activities or services which support the agency mission.

Pass Through: Funds that the state distributes directly to other entities, e.g., local governments, without being managed by the agency distributing the funds. These funds flow through the agency’s budget; however, the agency has no discretion regarding how the funds are spent, and the activities (outputs) associated with the expenditure of funds are not measured at the state level. *NOTE: This definition of “pass through” applies ONLY for the purposes of long-range program planning.*

Performance Ledger: The official compilation of information about state agency performance-based programs and measures, including approved programs, approved outputs and outcomes, baseline data, approved standards for each performance measure and any approved adjustments thereto, as well as actual agency performance for each measure.

Performance Measure: A quantitative or qualitative indicator used to assess state agency performance.

- Input means the quantities of resources used to produce goods or services and the demand for those goods and services.
- Outcome means an indicator of the actual impact or public benefit of a service.
- Output means the actual service or product delivered by a state agency.

Policy Area: A grouping of related activities to meet the needs of customers or clients which reflects major statewide priorities. Policy areas summarize data at a statewide level by using the first two digits of the ten-digit LAS/PBS program component code. Data collection will sum across state agencies when using this statewide code.

Primary Service Outcome Measure: The service outcome measure which is approved as the performance measure which best reflects and measures the intended outcome of a service. Generally, there is only one primary service outcome measure for each agency service.

Privatization: Occurs when the state relinquishes its responsibility or maintains some partnership type of role in the delivery of an activity or service.

Process Mapping: Process mapping creates a workflow diagram intended to help clarify the steps in a series of routine, repeated activities. Diagramming is used to understand inputs received, activities conducted and outputs sent to a customer. Process maps are used to identify gaps and duplications as well as measure tasks and activities.

Program: A set of services and activities undertaken in accordance with a plan of action organized to realize identifiable goals and objectives based on legislative authorization (a program can consist of single or multiple services). For purposes of budget development, programs are identified in the General Appropriations Act by a title that begins with the word "Program." In some instances a program consists of several services, and in other cases the program has no services delineated within it; the service is the program in these cases. The LAS/PBS code is used for purposes of both program identification and service identification. "Service" is a "budget entity" for purposes of the LRPP.

Program Purpose Statement: A brief description of approved program responsibility and policy goals. The purpose statement relates directly to the agency mission and reflects essential services of the program needed to accomplish the agency's mission.

Program Component: An aggregation of generally related objectives which, because of their special character, related workload and interrelated output, can logically be considered an entity for purposes of organization, management, accounting, reporting, and budgeting.

Qualified public depositories: Banks, savings banks, or savings associations that are organized and exist under the laws of the United States, the laws of this state or any other state or territory of the United States. They have their principal place of business or a branch office in this state which is authorized under the laws of this state or of the United States to receive deposits in Florida. Qualified public depositories have deposit insurance under the provision of the Federal Deposit Insurance Act, as amended, 12 U.S.C. ss. 1811 et seq. and have procedures and practices for accurate identification, classification, reporting, and collateralization of public deposits. They

meet all the requirements of Chapter 280, F.S. and have been designated by the Chief Financial Officer as a qualified public depository.

Records Retention Schedules: Retention schedules identify agency records and establish minimum periods of time for which the records must be retained based on the records' administrative, fiscal, legal, and historical values. The Department of State administers Florida's Records Management Program which requires an inventory of records maintained by an agency and the identification of existing retention schedules or the establishment of new retention schedules.

Recurring (building inspections): Any building or structure not under the High Hazard definition.

Regional Domestic Security Task Forces: Each task force consists of representatives from law enforcement, fire rescue, health and medical and emergency management/regulatory. Each component plays a vital role in efforts to prevent a terrorist attack and, if necessary, responds immediately to and coordinates efforts at disaster sites.

Reliability: The extent to which the measuring procedure yields the same results on repeated trials and data are complete and sufficiently error free for the intended use.

Service: See Budget Entity.

Service of Process: All authorized insurers (insurance companies) registered to do business in the State of Florida are required to designate the Chief Financial Officer of Florida as their Registered Agent for Service of Process. These processes (Summons & Complaint or Subpoenas) may be delivered by personal service or mail.

Special Purpose Investment Account (SPIA): An optional investment program open to any entities established by the Florida Constitution or Florida Statutes. The Division of Treasury manages a fixed income investment operation for both general revenue and trust funds in the Treasury and funds of organizations participating in the Treasury SPIA.

Standard: The level of performance of an outcome or output.

Statement on Auditing Standards (SAS) No.70, Service Organizations: A service auditor's examination performed in accordance with SAS No. 70 (a recognized auditing standard developed by the American Institute of Certified Public Accountants (AICPA)) is widely recognized, because it represents that a service organization has been through an in-depth audit of its control objectives and control activities, which often include controls over information technology and related processes.

State Wide Cost Allocation Plan (SWCAP): The methodology used to allocate general and administrative costs to various programs, grants, contracts and agreements. The plan identifies costs associated with programs; describes the programs for which cost data is needed; includes the methodology for identifying program-specific costs; and displays the techniques used to accumulate cost data. Florida's SWCAP requires that each state agency and the judicial branch

include a prorated share of general and administrative costs, such as accounting, provided by central service agencies. For federal grants or contracts, these costs are reimbursable to the state pursuant to the provisions of U.S. Office of Management and Budget Circular A-87. DFS ensures that the SWCAP presents the most favorable allocation of central services costs allowable to the state by the federal government.

**SWOT** - Strengths, Weaknesses, Opportunities and Threats

**TCS** - Trends and Conditions Statement

**TF** - Trust Fund

**TRW** - Technology Review Workgroup

Unit Cost: The average total cost of producing a single unit of output – goods and services for a specific agency activity.

United States Fires Administration: Federal sub-agency that provides a clearing house for national fire issues and is the repository of the National Fire Incident Reporting System

Validity: The appropriateness of the measuring instrument in relation to the purpose for which it is being used.

**WAGES** - Work and Gain Economic Stability (Agency for Workforce Innovation)

**WAN** - Wide Area Network (Information Technology)



## OFFICE OF INSURANCE REGULATION

FINANCIAL SERVICES  
COMMISSION

**CHARLIE CRIST**  
GOVERNOR

**ALEX SINK**  
CHIEF FINANCIAL OFFICER

**BILL MCCOLLUM**  
ATTORNEY GENERAL

**CHARLES BRONSON**  
COMMISSIONER OF  
AGRICULTURE

**KEVIN M. MCCARTY**  
COMMISSIONER

September 30, 2010

Jerry L. McDaniel, Director  
Office of Policy and Budget  
Executive Office of the Governor  
1701 Capitol  
Tallahassee, Florida 32399-0001

Jo Ann Leznoff, Council Director  
House Full Appropriations Council on General Government & Health Care  
221 Capitol  
Tallahassee, Florida 32399-1300

David Coburn, Staff Director  
Senate Policy and Steering Committee on Ways and Means  
201 Capitol  
Tallahassee, Florida 32399-1300

Dear Directors:

Pursuant to Chapter 216, Florida Statutes, our Long Range Program Plan (LRPP) for the Office of Insurance Regulation is submitted in the format prescribed in the budget instructions. The information provided electronically and contained herein is a true and accurate presentation of our mission, goals, objectives and measures for the Fiscal Year 2011-12 through Fiscal Year 2015-2016. This submission has been approved by Kevin McCarty, Commissioner.

Should further information be required, please do not hesitate to contact me at (850) 413-5100.

Sincerely,

Audrey S. Brown  
Chief of Staff

• • •

AUDREY S. BROWN • CHIEF OF STAFF  
200 EAST GAINES STREET • TALLAHASSEE, FLORIDA 32399-0326 • (850) 413-5100 • FAX (850) 488-2348  
Website: [www.floir.com](http://www.floir.com) • [Audrey.Brown@floir.com](mailto:Audrey.Brown@floir.com)

Affirmative Action / Equal Opportunity Employer

**FINANCIAL SERVICES COMMISSION**

**OFFICE OF INSURANCE REGULATION**



**Long-Range Program Plan**

**FY 2011-12 through 2015-16**

September 2010

***Kevin M. McCarty***  
***Commissioner***

# **OFFICE OF INSURANCE REGULATION MISSION AND GOALS**

## **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 rates that are not excessive, inadequate, and which do not unfairly discriminate against the buying public.

## **Vision**

The Florida Office of Insurance Regulation envisions a robust and competitive insurance market while maintaining protections for the insurance-buying public.



## **AGENCY GOALS**

The Florida Office of Insurance Regulation (Office) has established the following goals as priorities. The paragraphs immediately following each goal describe the compelling trends and conditions that identify the goal as an Office priority. Additionally, significant legislation and technology initiatives related to the goals are referenced.

**GOAL #1: Influence insurance markets where possible to make available insurance products that offer fair, understandable coverage and are not priced in a manner that is discriminatory, excessive or inadequate for the coverage provided.**

The business units within the Office that contribute to this goal are Property & Casualty Product Review (PCPR) and Life and Health Product Review (LHPR).

The Office is responsible for the review of form and rate filings submitted by insurers and other insurance related entities. Form filings include policy forms (contracts), new products or changes to existing products. Rate filings are requests from the insurer to maintain, increase or decrease the rates of certain products. These policy forms and rates are reviewed by Office staff to determine their compliance with Florida Statutes and to ensure that the products are offered at a fair and adequate price and that they do not unfairly discriminate against the public. For Fiscal Year 2009-2010, the PCPR unit processed 10,002 form and rate filings in an average of 44 days. The LHFO unit processed 7,565 in an average of 20 days.

In 1995, the former Department of Insurance initiated a Filing and Compliance Symposium to provide a forum for insurance industry personnel to learn about the Office's electronic filing system (I-File), to be briefed on new legislation and current topics in the marketplace, and to discuss the basics about how companies can improve the quality of rate and form filings in order to facilitate more timely reviews and approvals. In 2008, more than 400 industry representatives attended the Symposium. Due to severe budget cuts, the Office is not hosting a symposium during the 2010-2011 Fiscal Year.

### **Significant Legislation**

#### 2010 House Bill 885 – Life Insurance

This bill makes changes to various aspects of life insurance and annuities sales:

- ⤴ Specifies circumstances under which an insurer is not required to send notice of replacement of a life insurance policy to the current user.
- ⤴ Allows coverage of spouses and dependent children under a group of life insurance policy up to the amount for which the employee is insured under the policy.
- ⤴ Bars the sale or transfer of annuities that were purchased as part of a settlement to satisfy Medicare secondary payer requirements to third parties that are not connected with the settlement.

- ⤴ Prohibits, for purposes of life insurance, the creation of a class of employees consisting solely of employees covered under the employer's group health plan.
- ⤴ Exempts certain inactive life insurance sales agents from the continuing education requirements currently required in order for an agent to maintain a license.

#### 2010 Senate Bill 2176 – Insurance

This bill amends the insurance “Rating Law,” to allow specified types of commercial lines insurance to be exempt from the rate filing and review requirements of s. 627.062(2), F.S. Provides that in order to exercise this exemption an insurer must notify the Office of any changes to rates for these exempted types of insurance within 30 days after the effective date of the change. It also specifies the information that must be included in the notice, and requires that underwriting files, premiums, and loss/expense statistics must be maintained by the insurer and subject to review by the Office.

Provides that commercial motor vehicle insurance covering a fleet of 20 or more vehicles is exempt from: s. 627.0651(1), F.S., requiring certain rate filing information; s. 627.0651(2), F.S., requiring the Office to review the rate filing; s. 627.0651(9), F.S., allowing the Office to require information necessary to evaluate the filing; and s. 627.0645, F.S., requiring annual rate filings. Prohibits an association, fund, or pool created to manage a risk management program or self insurance public entity from requiring its members to give more than a 45 day notice of the member's intention to withdraw from the association, fund, or pool.

#### ***Firefighters and Law Enforcement Officers***

- ⤴ Provides that a law enforcement officer, correctional officer, or correctional probation officer who suffers from tuberculosis, heart disease, or hypertension and departs from the prescribed course of treatment of his or her physician, and the departure is demonstrated to result in an aggravation of his or her condition, would lose a specified presumption for claims after July 1, 2010. The bill also specifies that only retirement coverage under claims made prior to leaving employment are eligible for a specified presumption. These provisions do not apply to state or local firefighters.
- ⤴ Provides a broader interpretation of workers' compensation benefits payable to off-duty deputy sheriffs to include, but not be limited to, providing security, patrol, or traffic direction for a private employer.
- ⤴ Authorizes a sheriff to include the sheriff's proportionate cost of workers' compensation premiums for the off-duty deputy sheriffs providing such off duty employment.

#### ***Medicare Supplement Policies***

- ⤴ Amends provisions relating to the regulation of Medicare supplement policies.
- ⤴ Revises provisions related to unfair methods of competition and unfair or deceptive acts to provide that this section does not prohibit a Medicare supplement insurer from providing a premium credit to an insured for using an in-network inpatient facility.

- ⤴ Expressly provides that an insurer offering Medicare supplement policy is not prohibited from entering into an agreement through a network with inpatient facilities that agree to waive the Medicare Part A deductible in whole or part.
- ⤴ The insurer's network agreement would not be subject to the approval of the Office and the insurer would not be required to file a copy of the agreement with the Office.
- ⤴ Requires an insurer to factor such a waiver of the Medicare Part A deductible and premium credit into the insurer's loss-ratio calculation and policy premium.

### ***Warranty Associations***

Streamlines much of the regulatory oversight that Office currently exercises over warranty associations. Among its key provisions, the bill:

- ⤴ Exempts, from regulation under the Florida Insurance Code, motor vehicle service agreements that are sold to non-consumers.
- ⤴ Provides that unlicensed activity by warranty associations is a first-degree misdemeanor.
- ⤴ Prohibits false, deceptive or misleading advertising by warranty associations.
- ⤴ Removes the requirement to submit warranty service agreements to the Office for approval; however, the bill provides that Office may order a form not to be used if it doesn't meet specified criteria.
- ⤴ Switches from quarterly to annual financial reports requirements for warranty associations.
- ⤴ Makes periodic Office examinations discretionary and provides factors to consider in choosing to conduct an examination.
- ⤴ Provides that there is no violation for knowingly overcharging if a motor vehicle service agreement company refunds any excess premium within 45 days.
- ⤴ Makes a failure to provide a complete sample copy of the terms and conditions of a service or warranty agreement prior to sale an unfair practice, but provides that this information may be provided online.
- ⤴ Broadens the definition of home warranty service agreements.
- ⤴ Allows premium increases in renewal home warranty contracts if supported by claims history or claims cost data.
- ⤴ Removes the Office's ability to require additional regular or special reports from home warranty associations.
- ⤴ Repeals the requirement for home warranty associations and motor vehicle service agreement companies to file rates with Office.
- ⤴ Requires that warranty contracts sold in Florida must be accompanied by a written disclosure to the consumer that the rate charged for the contract is not subject to regulation by the Office.

### ***Annuities Sales***

Makes several changes in the insurance code to enhance penalties for unethical annuities sales practices as well as provide certain consumer protections for seniors who purchase annuities contracts. The act makes the following changes:

- ⤴ Prohibits annuity sales agents from making a member of his/her family the beneficiary of an annuity if that annuity is sold to anyone other than another family member.

- ⤴ Strengthens the Department of Financial Services (DFS) ability to deny licensure to agents who have a history of financial misconduct involving seniors.
- ⤴ Requires more favorable annuity contract terms for seniors and requires sales agents to provide seniors with greater disclosures prior to the sale of an annuity contract.
- ⤴ Heightens administrative fines for deceptive annuity sales practices towards seniors and gives DFS the authority to order the selling agent to pay restitution to a senior who is harmed by a violation of this section.

## **Technology Initiatives**

### I-Portal & I-FILE

The Office has developed over the past few years, a system for insurance companies to make rate and form filings, and for the public to see the filings in real time over the internet. This system is superior to any used in any other state, and has actually been used for cooperative filings among California, Texas and Florida. By increasing the speed and efficiency of rate and form filing review, this system helps the Office meet public expectations of transparency, manage an enormous workload, and provide faster service for insurance companies who need rate and form changes to protect their solvency and bring innovative products to market.

In 2002, the design and implementation of an Internet portal (I-Portal) for submission of form and rate filings allowed our customers (the industry) to submit filings electronically, therefore eliminating the need to send copies of filings through the mail. These systems have increased our customer response time and the speed at which the industry is able to get new products or rates to the public. A company will go to the I-Portal and submit filings through I-File. With respect to on-going regulation, the Office plans to fully utilize current and developing electronic filing systems, which will improve production, efficiency, and monitoring. Each year, the I-FILE system is modified to implement significant legislative changes.

In 2010, House Bill 159 Guaranty Associations, was passed and allows for insurance companies to submit one informational filing statement for Florida Insurance Guaranty Association (FIGA) recoupments. Previously, insurers were required to submit filings under each of the sub lines of business in which they were applying a FIGA recoupment. The Office's I-File System was not developed to allow for one filing to cover multiple lines of business; therefore technical changes were implemented to allow companies to submit one filing statement rather than multiple statements.

Additionally, Senate Bill 2176 required the Office to implement technical changes to the I-File System to discontinue insurance companies' ability file auto, home and service warranty forms, as well as forms for several lines of commercial business. Technical changes were also made for warranty companies to only file annual financial statements rather than quarterly.

## **NAIC**

Many of the significant changes that affect insurers are decided at the National Association of Insurance Commissioners (NAIC). An annual report is developed there, as well as many national public policy issues. The Office is an active participant in the NAIC. Commissioner McCarty currently serves as Vice President of the organization. In 2011, he will be considered for election to the position of 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 between 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 front of many issues that are critical to the ability of the Office to understand and influence insurance markets.

To reach the Goal #1, the Office will continue to develop systems to more accurately assess market trends, and will need to continue to participate actively in the national and global regulatory environment that controls and shapes the Florida market. Some of the immediate issues involve a new level of federal involvement in insurance regulation as well as the potential shift to consistent international accounting and reporting standards. Florida is consistently on the front line in favor of insurance consumers who can be dramatically impacted by these changes.

## **Multi-State Review Program**

The Multi-State Review Program (MSRP) offers insurance companies the opportunity to submit an individual, online annuity contract filing simultaneously to member states. The founding states are Texas, California and Florida. Additional participating states are Nevada, Georgia and Louisiana. Annuity filers use Florida's online I-File system <https://iportal.fldfs.com/ifile/default.asp> to submit filings, which are subject to the combined annuity review standards and provide companies with a simultaneous product approval in all participating states.

Participating insurers see a noticeable increase in their product speed to market and a reduction in administrative costs. Each paperless submission offers insurers the opportunity to obtain approval in 60 days or less with an average review period of 35 days and reach over a quarter of the country's annuities market. Company participation in the MSRP is free (although some existing participating state filing fees may apply) and only requires an Internet connection.

**GOAL #2: Protect the public from illegal, unethical insurance practices.**

The Market Investigations Unit monitors the activities of the Florida insurance marketplace to detect and address unfair trade practices and other Insurance Code violations that pose a risk of harm to consumers.

Nationally, there has been a shift away from performing routine examinations of insurers at regular intervals. The current trend is to conduct target (issue specific) examinations or to collaborate with other regulatory jurisdictions utilizing multi-state examinations. Target examinations more efficiently address issues that may affect a large number of Floridians, while multi-state examinations more efficiently address issues that may affect consumers in numerous states. Florida continues to identify significant issues through market analysis, which is a review and analysis of information reported in financial statements, complaint data, through lawsuit activity and other data sources, to determine whether or not a particular practice may be adversely affecting consumers. This enables the Office to concentrate its efforts on those practices that have the most potential for public harm.

In the aftermath of the 2004-2005 hurricanes, the Market Investigations Unit focused on property insurance issues and the myriad of issues surrounding hurricane claim payments. While property insurance issues will remain important in the years to come, the Unit will also focus on issues affecting senior consumers. In particular, sales practices to senior consumers in the annuity marketplace have drawn attention in recent years and these practices warrant further review by regulators and the industry. In addition, the Unit will continue to focus on preventing the sale of unauthorized insurance products to consumers.

In the coming years, Market Investigations will continue to take a proactive approach and conduct numerous examinations in order to verify that data required to be submitted by insurance companies to the Office is timely and accurately reported. This is an important task as the Legislature and other policymakers rely on this data when making policy decisions.

Goals for the years 2011-2016 include refining processes and procedures in order to efficiently conduct investigations and examinations, timely report results, and takes appropriate administrative action to address violations of the Florida Insurance Code. During Fiscal Year 2009-2010, the Office collected \$4.2 million in fees, penalties and fines for violations of the insurance code.

Since the Cabinet Reorganization Act of 2002 and the creation of the Financial Services Commission, effective January 7, 2003, the Office has made significant efforts to provide restitution to Florida's policyholders. In Fiscal Year 2009-2010, the Office's Market Investigations unit efforts resulted in insurance company refunds exceeding \$39 million to Florida consumers.

**GOAL #3: Regulate the solvency of licensed insurance companies to address financial issues as early as possible to prevent unnecessary harm to consumers.**

The Office has the statutory responsibility of reviewing the financial books and records of insurance companies and related entities to ensure that they are financially viable and operating within the laws of Florida.

The activity of reviewing financial statements is divided into two areas of expertise: Life & Health Financial Oversight (LHFO), and Property & Casualty Financial Oversight (PCFO). In 2010, the Specialty Product Administration (SPA) business unit merged into PCFO and LHFO. Each unit performs analysis of financial statements and on-site examinations of financial records for entities transacting insurance business in Florida.

Most insurance companies are not exclusively operating in Florida, but may operate or even be domiciled in other states and do business in Florida. In order to effectively regulate the financial viability of entities transacting business in Florida, the Office must establish and maintain communication channels with other states, the NAIC, the industry and consumers. The financial health of the insurance industry remains an ever-changing landscape and continues to challenge the Office's responsibility for regulating the financial health of the industry in Florida.

The Office monitors the financial condition of all regulated entities through the use of internal financial analysis and on-site examinations. During financial analysis and examination of each regulated entity, a determination is made as to the quality of assets, adequacy of stated liabilities, general operating results to see if the condition of the company warrants continuation of its certificate of authority to operate in Florida.

In 2007, Section 624.316, Florida Statutes was amended to allow the Office to engage outside experts to conduct financial examinations and allow the Office to bill insurers for the cost of the examinations. Without this ability, the Office would not have been able to complete statutorily required examinations and would have needed a substantial increase in resources. A combination of trained staff and outside experts works most effectively in this area.

**Property & Casualty**

The financial health of the Florida homeowner's insurance marketplace is ever-changing and continues to face some serious challenges even without a hurricane in the past several years. In 2009, a majority of insurers operating in Florida reported significant underwriting losses as a result of non-catastrophic claims.

Property and Casualty insurers are continuing to be negatively impacted in part because of their reduced yields on investments, increases in fraudulent claims, and a soft market. A significant number of insurers have withdrawn from the residential property market and others have significantly curtailed writing. Insurers face challenges from the economic environment and the following cost drivers:

- Increased Reinsurance Costs;
- Replacement Cost Methodology;
- Fraud;
- Reported Sinkhole Claims; and
- Premium Reductions from the full Implementation of Mitigation Discounts

During the 2010 Florida Legislative session, the Office and the Florida domestic insurance industry supported changes included in S.B. 2044 which included increased surplus requirements and addressed some of these cost drivers. While S.B. 2044 passed the Florida Legislature, it was vetoed by the Governor. The Office will work with interested parties to pursue some of the issues that this legislation was designed to address.

In May of each year, the Office conducts a Reinsurance Data Call to determine whether insurers writing property risks in this state will be able to meet their policy obligations in the event of one or more catastrophic events during the hurricane season. In addition, the Office has initiated an examination of sink hole claims. The scope of the examination covers from 2006 to 2010 and relate specifically to homeowner claims filed in Florida on properties located in Florida. These efforts are part of continuing effort to improve the quantitative information available about the Florida property insurance market to enable better decisions by policyholders.

The Office remains committed to fostering and developing a robust competitive market for risk capital in Florida. The Office has initiated a systematic program to introduce a series of innovations that reflect recent developments in the risk transfer and capital markets. The objective is to reduce the friction the frictional cost to primary insurers of obtaining catastrophic risk finance, while at the same time ensuring that effective risk transfer using these mechanisms enhances the financial solvency of the primary insurers, for the benefit of Florida's property insurance policy holders. This is a long-term process. New markets and solvency frameworks take time to develop and expand. With continued effort and market acceptance, the end result will be a more stable insurance market in the state. Related objectives are as follows:

- ✧ Adapt the financial solvency oversight framework to reflect developments in the market with respect to legitimate effective risk transfer.
- ✧ Working with the legislative and executive branches, aid in creating market opportunities and structures to attract catastrophic risk finance capital.

## **Life & Health**

### New Federal Health Insurance Law

The Patient Protection and Affordable Care Act (PPACA) was passed by the U.S. Congress and signed by the president in March 2010. This new law requires,



among other things, that issuing carriers provide a rebate to consumers if the percentage of premiums expended for clinical services and activities that improve health care quality is less than 85% in the large group market and 80% in the small group and individual markets. The Office participated in a national effort, through the NAIC, to determine what activities can qualify as improving health care quality.

The following changes were effective September 23, 2010, and are applicable to a group health plan and a health insurance issuer offering group or individual health insurance coverage. Most policies issued on or after September 23, 2010, will have to comply with the reforms outlined below:

- Rescissions will be prohibited except for instances of fraud or intentional misrepresentation (also applicable to grandfathered plans and self-insured plans);
- Plans will be required to provide first-dollar coverage for a defined set of preventive medical services without cost to the policyholder or certificateholder (not applicable to grandfathered plans, applicable to self-insured plans);
- Plans may not establish lifetime limits on the dollar value of benefits; plans may only establish restricted annual limits prior to January 1, 2014, on the dollar value of Essential Health Benefits (also applicable to grandfathered plans and self-insured plans);
- Plans will be required to implement internal appeals and external review processes pertaining to coverage determinations and claims (not applicable to grandfathered plans, applicable to self-insured plans);
- Plans will be prohibited from imposing preexisting condition exclusions for children under age 19 (also applicable to grandfathered plans, except individual; applicable to self-insured plans);
- Plans that offer and provide dependent coverage of children shall continue to make such coverage available for an adult child until the child turns 26 years of age (also applicable to grandfathered plans and self-insured plans);
- Plans will be prohibited from requiring “preauthorization” for emergency health services. A patient cannot be penalized for visiting a hospital outside of the plan’s network for emergency services. The health plan cannot charge the patient a higher co-payment than if the emergency services were provided by an in-network hospital (not applicable to grandfathered plans, but applicable to self-insured plans);
- Plans may not require authorization or referral for female patients to receive obstetric or gynecological care from participating providers and must treat their authorizations as the authorization of a primary care provider (not applicable to grandfathered plans, but applicable to self-insured plans); and

- Plans must submit to the U.S. Secretary of Health and Human Services and State insurance commissioner and make available to the public the following information in plain language:
  - Claims payment policies and practices
  - Periodic financial disclosures
  - Data on enrollment
  - Data on disenrollment
  - Data on the number of claims that are denied
  - Data on rating practices
  - Information on cost-sharing and payments with respect to out-of-network coverage
  - Other information as determined appropriate by the Secretary.

The Office has worked with health carriers to ensure that these new consumer protections are contained in Florida health insurance policies.

### Health Flex Plans

Health Flex Plans (HFPs) are established in Section 408.909, Florida Statutes, with the intent to expand health care options for low-income uninsured state residents by encouraging health insurers, health maintenance organizations, health care provider sponsored organizations, local governments, health care districts or other public or private community-sponsored organizations to develop alternative approaches to traditional health insurance that emphasize coverage for basic and preventive health care services. The initial expiration date of the pilot program was July 2004; however, the 2008 Legislature extended the program to July 2013. The future of health flex plans is uncertain after January 1, 2014, when the full federal health insurance reforms go into effect and more comprehensive coverage will be required.

### CCRCs

Continuing Care Retirement Communities (CCRCs) present an ongoing issue of concern within the Office. CCRCs provide services to all segments of the senior population in Florida from those seeking an active lifestyle to those needing assistance with daily living. Included in these services are food, housing, transportation, social activities, wellness services, nursing care and personal services.

CCRCs serve a crucial need for the growing senior population in Florida. Economic conditions have proven a challenge for many of these entities. Seniors often use the proceeds from the sale of their homes to pay the required entrance fee. The depressed market conditions have left many prospective residents unable to afford the entrance fee due to the decline in value or the inability to sell their home. As a result, most entities have experienced declining occupancy rates. Entities have been responding by lowering fees to make CCRCs more affordable. However, this has led to lower revenue at many of the entities. As of August 31, 2010, there were 70 CCRCs with certificates of authority and 3 CCRCs with provisional certificates of authority in Florida.

CCRC legislation was passed during the 2010 Session. This legislation amended Chapter 651, Florida Statutes by:

- Requiring wait-list agreements to be submitted to the Office for approval prior to use;
- Increasing financial disclosures for providers with multiple facilities or have operations that are not part of a licensed CCRC;
- Changing the definition of when occupancy is deemed to occur;
- Changing the maximum allowable processing fee;
- Clarifying that entrance fees must be held in escrow during the seven-day rescission period unless requested by the resident;
- Requiring the provider to deliver to the president of the residents' council a copy of any quarterly reports, an annual summary of entrance fee collected and refunds made and a copy of Chapter 651, Florida Statutes, and Rule 690-193, Florida Administrative Code;
- Requiring the provider to give a copy of Section 651.071, Florida Statutes, to prospective residents;
- Changing the required examination period for accredited CCRCs from three years to five years; and
- Requiring the Office to provide annually a summary of financial information filed with the Office and a summary of complaints filed with the Department of Financial Services to the CCRC Advisory Council.

### STOLI and STOA

Viatical settlement providers present continuing issues of concern within the Office. These entities buy life insurance policies from the policy owner for an amount less than the death benefit of the policy and then resell the policy and death benefit to investors. The investor makes premium payments to keep the policy in force and expects to profit upon the death of the insured. While legislation was signed into law in Florida in 2005, making a "viatical settlement investment" subject to Florida's Securities and Investor Protect Act, many areas of concern remain. Among the more complex issues requiring attention are Stranger-Originated Life Insurance (STOLI) and Stranger-Originated Annuity (STOA) transactions.

In general, STOLI transactions involve a plan to initiate, or originate a life insurance policy for the benefit of investors who seek to profit by purchasing life insurance on a stranger. STOLI is a scheme designed to procure life insurance on individuals, often using fraudulent means such as misrepresentation, falsification, or omission of material facts in the life insurance application. This

may entail misrepresenting the true net worth of the proposed insured to obtain large face value life insurance policies. STOA's are similar in that an individual of poor health or terminally ill is paid to serve as annuitants on variable annuity contracts and after their death, the stranger collects the guaranteed minimum death benefit.

STOLI and STOA transactions are occurring in Florida and involve Florida seniors who are induced into obtaining insurance policies they otherwise would not buy or need. STOLI policies are procured in a manner that circumvents the insurable interest laws by allowing persons with no insurable interest in the life of the insured at the time of purchase to obtain a policy for which they could not directly apply.

#### STOLI and STOA Transactions Harm Seniors:

- Seniors may exhaust their life insurance purchasing capability and not be able to protect their own family or business.
- The incentives, especially cash payments, used to lure seniors to participate in STOLI and STOA schemes are taxable as ordinary income.
- Seniors may subject themselves or their estates to potential liability in the event the life insurance policy is rescinded by an insurer who discovers fraud.
- Seniors may encounter unexpected tax liability from the sale of the life insurance policy.
- The "free" insurance is not free and may be subject to tax based on the economic value of the coverage.
- Seniors have to give the purchaser, and subsequent purchasers, access to their medical records when they sell their life insurance policy in the secondary market so that investors know the health status of the insured. The investors want to know the "status" of their investment and how close they are to getting paid.
- STOLI may lead to an increase in life insurance rates for the over 65 population.

#### Medigap

Medicare Supplement insurance (Medigap) is a health policy sold by private insurance companies to fill the "gaps" in the federal Medicare coverage. Medigap policies help Florida's seniors pay some of the health care costs that traditional Medicare does not cover. There are more than 100 companies insuring over 674,000 Florida lives with Medigap coverage. These insurers generated nearly \$1.4 billion dollars in taxable premium payments in 2009. By concept and design, currently issued Medigap policies are standardized for easy benefit comparison by the consumer. Currently, there are 10 standardized Medigap

plans called “A” through “N.” Each plan, A through N, has a different set of benefits. Plan A covers only a basic set of benefits, while the remainder of the plans build on each other and provide more comprehensive coverage.

Beginning in 2009, Florida law was expanded to provide an open enrollment opportunity for those persons eligible for Medicare by virtue of disability or having end-stage renal disease (ESRD). Until 2015, insurers shall review experience for this class of individuals separately from the rest of the pool. After that time, carriers must pool the under age 65 issues with the rest of its Medigap business, but premiums for the disabled/ESRD will always be higher than the premiums for those 65 and older.

**GOAL #4: Expand and retain companies doing business in Florida and provide transparency of insurance related data.**

In 2005, the Office created the Business Development and Market Research unit (BDMR). The unit is segregated into two sections; Business Development/Company Admissions Unit which is responsible for the retention and expansion of insurance companies in the Florida marketplace, and the Market Research Unit that serves as the information clearinghouse for the collection and dissemination of public data for the Office. The Business Development/Company Admissions Unit also manages the company application process and is responsible for the coordination of licensure approvals by the Commissioner.

**Business Development/Company Admissions (BDCA)**

The primary role of the 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, and communicate to them the positive aspects of the Florida marketplace and incentivize 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 as the application goes through the various steps in acceptance and the review 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.

During this past year, the BDCA developed a User Guide to Online Company Admissions to assist insurance companies in completing and submitting their applications via I-Apply. The Guide provides step-by-step instructions for a successful submission. In addition, with the implementation of I-Apply and certain enhancements that were made within the Office's company information data system called Company and Other Related Entities (CORE), it became apparent that these systems had functionality that was never envisioned. The paper process for submitting and processing certain other insurance company transactions has now been automated. The implementation has resulted in costs savings by eliminating paper storage and imaging. In addition, this process has created a reliable mechanism to measure performance not previously captured.

Since the creation of the Office in 2003, the number of entities regulated by the Office has increase from approximately 3,400 to 3,971 (including surplus lines). In Fiscal Year 2009-2010, the insurance premium tax collected by the state of Florida was more than \$106 million (according to the 2010 NAIC Insurance Department Resources Report)

### **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.

The Office makes insurance data it collects available to the public on [www.floir.com](http://www.floir.com). Many of these web pages and databases continue to evolve over the years due to the legislative changes and technology enhancements.

Most notably, the development and use of the **I-Portal and I-File** is critical to company filings, as well as the Office's ability meet it mission (refer to Goal 1).

Below is a list of significant technology initiatives, systems and data collections the Market Research and Technology Business Unit administers and reports on each year:

#### **The Patient Protection and Affordable Care Act (PPACA)**

Due to the passage of The Patient Protection and Affordable Care Act (PPACA) the Office will be required, in the coming months and years, to make significant technological changes to I-File to capture more extensive rate filing data.

According to the federal law, the office will be required to post health insurance rate changes on a newly designed Website that is consumer friendly. In August 2010, the Office received approximately \$270,000 in grant funding from HHS to execute these enhancements. The Office plans to apply for additional federal grants that will be available through 2014.

#### **Medicare Supplement Rate Plan Update from 1992 to 2010**

Due to federal changes, the Medicare Supplement Rate Plans were required to be updated at the state level by June 1, 2010. System changes and enhancements to the public Website were made to bring the plan options into compliance.

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

The DCAM system is housed within 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. This data collection will conclude in the fall of 2010. And in 2011, DCAM is scheduled to administer the Office's annual reinsurance data call.

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

Section 624.424, Florida Statutes, directs the Office to quarterly collect data from companies writing personal and commercial residential policies. The Office publishes prepared reports on [www.flor.com](http://www.flor.com) by Policies in Force, Structure Exposure, Premiums Written, Non-renewed Policies, Canceled Policies and New

Policies Written. A comprehensive database of all QUASRng data is also available at the Office's Website.

**Annual Report on Life Insurance Limitations Based on Travel to Foreign Countries**

Section 626.9541(1)(dd), Florida Statutes, defines the conditions under which the refusal to issue life insurance, the refusal to continue existing life insurance, or the limitation on the amount of life insurance based on past or future lawful travel constitutes an unfair trade practice. Based on the data call sent to insurers this report includes, but is not limited to, the number of applications under which life insurance was denied, continuance was refused, or coverage was limited based on future travel plans, the number of insurers taking such action and the reason for taking such action.

**Accident and Health Gross Annual Premiums and Enrollment (GAP)**

Section 627.9175, F.S., states that each health insurer, prepaid limited health services organization, and health maintenance organization shall submit to the Office information concerning health and accident insurance coverage and medical plans being marketed and currently in force in Florida.

**Small Group: Accident and Health Quarterly Premiums and Enrollment; Managed Care; and Market Share Reports**

Pursuant to Section 627.6699, Florida Statutes, the Office collects data pertaining to:

- Small Employer Group Carrier estimates of earned premiums and membership enrollment.
- Managed Care financial and county enrollment data for (Health Maintenance Organizations/HMOs) and other managed care health insurers (Group and Individual).
- Summary data of Small Employer Group Health annualized premiums earned.

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

Section 627.912, Florida Statutes, requires the Office to collect closed claims data from medical and legal professionals, as well as officers and directors. This data is utilized to comply with the requirements of Section 627.912(6)(b)&(c), Florida Statutes, which directs the Office 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.

**Property and Casualty Calendar Year Experience Report (PCCY)**

Section 627.915(2), Florida Statutes, requires insurers transacting fire, homeowner's multiple peril, commercial multiple peril, medical malpractice, products liability, workers' compensation, private passenger automobile liability, commercial automobile liability, private passenger automobile physical damage, commercial automobile physical damage, officers' and directors'



liability insurance, or other liability insurance to report its calendar year experience for Florida business only (e.g., this includes, but is not limited to, direct premiums written, direct premiums earned, direct losses paid, acquisition costs, general expenses, etc.).

**[www.Shopandcomparerates.com](http://www.Shopandcomparerates.com)**

In 2007, Governor Crist's office and the Office of Insurance Regulation launched "Shop and Compare Rates," a Website that assists 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.

**Small Employer Sample Rate Search (SESRS)**

In June 2006, the Office launched a Website that provides Floridians the ability to compare and search the benefits and premiums for small employer health plans offered in the state. Small businesses can use the site to obtain a sample monthly cost to provide health insurance for their employees. The Small Employer Sample Rate Search (SESRS) website gives small employers the ability to view small group major medical health insurance rates for standard, basic and high deductible health plans currently available in the state. Small businesses can enter the number of employees in various categories and calculate an estimated monthly cost for their company.

In addition to searching for small group employer rates, the website has links for frequently asked questions on small employer health insurance, links to various health insurance consumer guides and information for consumers to request assistance for information on health insurance.

## AGENCY OBJECTIVES

**GOAL #1: Availability of insurance products that are not discriminatory, excessive or inadequately priced.**

OBJECTIVE 1A: Shorten the time it takes to make new products and services available.

OUTCOME: Percentage of rate and form reviews completed within 90 days

Baseline Year 2003-2004	FY 2011-2012	FY 2012-2013	FY 2012-2014	FY 2014-2015	FY 2015-2016
91%	92%	92%	92%	92%	92%

OBJECTIVE 1B: Shorten the time it takes to allow new companies to enter the market

OUTCOME: Maximum number of days from date of applications for a new certificate of authority initially submitted to the Office to the date the Office approves or denies the application pursuant to 120.80(9), F.S.

Baseline Year 2003-2004	FY 2011-2012	FY 2012-2013	FY 2012-2014	FY 2014-2015	FY 2015-2016
180	90	90	90	90	90

*NOTE: The statutory requirement is processing an application within 180 days of receipt by the Office; however, for the 20007-08 Fiscal Year, the average number of days to process an application was 55.*

**GOAL #2: Protect the public from unethical insurance practices.**

OBJECTIVE 2A: Ensure that allegations of unethical or fraudulent practices are acted upon.

OUTCOME: Percentage of market-conduct examinations that result in corrective action.

Baseline Year 2003-2004	FY 2011-2012	FY 2012-2013	FY 2012-2014	FY 2014-2015	FY 2015-2016
63%	75%	80%	80%	80%	80%

**GOAL #3: Financially viable companies.**

OBJECTIVE 3A: Review, monitor and respond quickly to correct companies that are not meeting the required financial standards.

OUTCOME: Percentage of companies meeting required financial standards

Baseline Year 2003-2004	FY 2011-2012	FY 2012-2013	FY 2012-2014	FY 2014-2015	FY 2015-2016
95%	96%	96%	96%	96%	96%

OBJECTIVE 3B: Timely review of company financial condition.

OUTCOME: Percentage of financial reviews completed within set standards.

Baseline Year 2003-2004	FY 2011-2012	FY 2012-2013	FY 2012-2014	FY 2014-2015	FY 2015-2016
90%	98%	98%	98%	98%	98%

**GOAL #4: Expand and retain companies doing business in Florida and provide transparency of insurance related data.**

OBJECTIVE 4A: Provide requested data to Cabinet, Legislature, state agencies and consumers in a timely manner.

OUTPUT 1: Number of legislative/public information requests completed.

OUTPUT 2: Number of project requests received.

OBJECTIVE 4B: Provide a user friendly website with pertinent regulatory information.

OUTCOME: Percentage increase in the number of website hits, from the baseline year.

Baseline Year 2005-2006	FY 2011-2012	FY 2012-2013	FY 2012-2014	FY 2014-2015	FY 2015-2016
303,610	1,050,000	1,102,500	1,157,625	1,215,506	1,250,000

OBJECTIVE 4C: Increase competition in the insurance market

OUTCOME: Number of new applications filed with the Office

Baseline Year 2005-2006	FY 2011-2012	FY 2012-2013	FY 2012-2014	FY 2014-2015	FY 2015-2016
567	689	723	760	760	760

**SERVICE OUTCOMES WITH PERFORMANCE PROJECTION TABLES**

**Program: Office of Insurance Regulation**

43900110 Compliance and Enforcement – Insurance

Authority: Chapters 20, 112, 120, 440, 624, 625, 626, 627, 628, 629, 630, 631, 632, 634, 635, 636, 641, 642, 648, 651 and 817, Florida Statutes and applicable rules of the Florida Administrative Code

Description: This service protects the public through regulatory oversight of company solvency, policy forms and rates, and market investigations performance.

Service Outcome: Percent of reviews (financial, form & rate, market investigations) completed within set standards.

FY 2011-2012	FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016
98%	98%	98%	98%	98%

43900120 Executive Direction and Support Services

Authority: Chapters 20, 186, 215, 216, 282, 283, and 287, Florida Statutes and applicable rules of the Florida Administrative Code.

Description: This service provides overall direction in carrying out the Office of Insurance Regulation’s statutory and administrative responsibilities. The Commissioner and support staff provide administrative support, leadership, direction and executive guidance in carrying out the Office’s statutory responsibilities.

Service Outcome: Administrative costs as a percent of total program costs

FY 2011-2012	FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016
Less than 12.6%	Less than 12.6%	Less than 12.6%	Less than 12.6%	Less than 12.6%

## **Trends and Conditions**

### **Property Insurance**

Despite efforts by the Office and the Legislature in recent years, the Florida property insurance market continues to pose a significant challenge. The residual market, the Citizens Property Insurance Corporation (Citizens), provides a viable alternative for property owners who cannot find coverage in the voluntary market or who cannot find coverage except at an exorbitant rate. Although its growth has been stable for the past year, Citizens remains the largest writer of new insurance policies in the Florida property market. This is not desirable in the long run. In addition, several national insurers that wrote in Florida have withdrawn or significantly curtailed writing insurance in Florida since Hurricane Andrew in 1992 and even more since the 2004-2005 hurricanes. On the positive side, Florida is still viewed by some investors as a good place to do business as is evidenced by the 29 new domestic property writers that have formed since 2006.

A goal of the Office is to find an equilibrium at which, despite our natural hurricane risk, Florida property is insurable at rates that its citizens can tolerate which do not produce excessive profits nor result in losses for insurers that may make insurance less affordable. Adding to the challenge in past years has been the growth in exposure resulting from real estate development. The Florida Hurricane Catastrophe Fund has estimated Florida's hurricane risk to exceed \$2 trillion. Insurers cannot attract enough new capital, and new insurers cannot form fast enough to fill all of this growing need for insurance capacity. With recent economic conditions, some of this growth may slow, but adding new real estate, particularly to coastal areas, exacerbates the issues in the property market.

Likewise, failure to remediate older real estate adds to Florida's property risk. It became immediately apparent after the 2004-2005 storms that older homes that are not mitigated for hurricane risk fare much poorer than newer, more fortified homes. Likewise, the older condominium structures and mobile homes are primarily insured by Citizens.

The Office believes that improving the property market requires dramatic change in several key areas:

1. Reduce the risk. This includes mitigation of existing structures and increased vigilance in the permitting of new structures.
2. Eliminate as much fraud as possible. Insurers cannot write in areas where fraud is uncontrolled. Efforts to address this will include funding for vigorous prosecution of fraud in both claims and premium/application fraud.
3. Make certain that the policyholder has access to good information and then enable policyholders to make selections of coverage levels according to their individual needs.

4. Allow insurers to provide limited coverage for older structures that are unmitigated, and mobile homes. Allow pricing structures that encourage mitigation.
5. Eliminate expense from the system where possible without reducing customer service. Property insurance companies may use 25-30% of premium dollars for agent commissions and administration. Typically, the producing agent receives about 10% depending on the policy. The rest of this expense is consumed by administration of policies, managing general agents, financing costs, and other related costs. These costs should be transparent to the policyholder to position the policyholder to make choices accordingly.

^ Obviously, all of these initiatives are not within the purview of the Office. But working with the Legislature and other state agencies, the Office intends to promote ideas that will help to make property insurance more available and more affordable. Its regulatory focus will be consistent with these efforts.

The Office plans to focus its resources on solvency regulation, and on improving information available to the policyholders and the public as funding allows. In addition, the Office plans to work to improve insurance products offered to the public and to continue the effort to require insurers to have rates that are adequate, but not excessive, and not unfairly discriminatory. The Office has also been, and will continue to be, an advocate for the mitigation of homes and businesses against hurricane damage, and will seek opportunities for the reduction of risk to the state's real property as a result of natural disasters. Particular emphasis will be placed on nurturing the newer insurers that have formed in this state and that have the potential to insure more of Florida's property risk in the voluntary, private insurance market.

The Office is also engaged in state and national efforts to strengthen the ability of the Citizens Property Insurance Corporation and the Florida Hurricane Catastrophe Fund to finance and pay hurricane claims.

### **Health Insurance**

Subjects of great concern both nationally and for the state of Florida is the rising cost and decreased availability of health insurance. In Florida alone there are 3.8 million people that do not have health insurance. Commissioner McCarty serves as the Chairman of the Florida Health Insurance Advisory Board (Board) and is responsible for appointing qualified, representative individuals to serve on the Board. The Board was established by the Florida Legislature in 1992 as the Small Employer Health Reinsurance Program for the purpose of promoting availability of health care coverage to small employers. At that time, the Board was primarily composed of representatives of health insurers licensed under chapter 624 or 641, Florida Statutes, who were tasked with facilitating standard and basic health benefit plans by providing reinsurance protection to small employer carriers and improving fairness and efficiency in Florida's small group health insurance market.

In 2005, the Legislature expanded the composition of the Board to include representatives of employers, an individual policyholder and a representative from the Agency for Health Care Administration (AHCA). The Board's responsibilities have also been expanded to serve in an advisory role to the Office of Insurance Regulation, AHCA, the Department of Financial Services, other executive departments and the Legislature on health insurance issues. Annually, the Board meets to fulfill their charges to issue a report on the state of the health insurance market in Florida and to hear testimony and make legislative recommendations for health care reforms.

The United States Congress has enacted sweeping health care reform. It remains to be seen, as the reforms are enacted over future years, whether it is a solution to the health care affordability crisis. The Office will monitor the effects of the federal legislation and its impacts on the numbers of uninsured and under insured.

### **Other**

There are many issues that can affect the affordability and availability of insurance to consumers. Affordability in some lines of insurance has improved dramatically. The workers compensation market is doing well, and has experienced reductions in claim costs and corresponding reductions in rates of more than 60% since 2003. Medical malpractice has also decreased since reforms in 2003.

## **GLOSSARY OF TERMS AND ACRONYMS**

Activity – A unit of work which has identifiable starting and ending points, consumes resources and produces outputs. Unit cost information is determined using the outputs of activities.

Actual Expenditures - Includes prior year actual disbursements, payables and encumbrances. The payables and encumbrances are certified forward at the end of the fiscal year. They may be disbursed between July 1 and September 30 of the subsequent fiscal year. Certified forward amounts are included in the year in which the funds are committed and not shown in the year the funds are disbursed.

Ad Hoc - For a specific purpose, case or situation

Appropriation Category – The lowest level line item of funding in the General Appropriations Act, which represents a major expenditure classification of the budget entity. Within budget entities, these categories may include: salaries and benefits, other personal services (OPS), expenses, operating capital outlay, data processing services, fixed capital outlay, etc. These categories are defined within this glossary under individual listings. For a complete listing of all appropriation categories, please refer to the ACTR section in the LAS/PBS User's Manual for instructions on ordering a report.

ARTS - Automobile Rate Tracking System

Baseline Data - Indicators of a state agency's current performance level, pursuant to guidelines established by the Executive Office of the Governor in consultation with legislative appropriations and appropriate substantive committees.

Budget Entity - A unit or function at the lowest level to which funds are specifically appropriated in the appropriations act. "Budget entity" and "service" have the same meaning.

CARFRA – Coordinating Advertising Rate and Form Review Authority

CCRC – Continuing Care Retirement Communities

CFO - Chief Financial Officer



CHIS – Comprehensive Health Information System

CIO - Chief Information Officer

CIP - Capital Improvements Program Plan

Citizens - Citizens Property Insurance Corporation

CMS – Centers of Medicare and Medicaid Services

CORE - Companies and Other Related Entities

CPM - Certified Public Manager

CTI - Computer Telephony Integration

D3-A – A legislative budget request (LBR) exhibit which presents a narrative explanation and justification for each issue for the requested years.

Demand - The number of output units which are eligible to benefit from a service or activity.

DOAH – Division of Administrative Hearings

EDMS - Electronic Document Management System

EOG - Executive Office of the Governor

Estimated Expenditures - Includes the amount estimated to be expended during the current fiscal year. These amounts will be computer generated based on the current year appropriations adjusted for vetoes and special appropriations bills.

F.A.C. - Florida Administrative Code

FAJUA - Florida Automobile Joint Underwriting Association

FAME – Financial Analysis and Monitoring Electronic Data Management System

FEMA - Federal Emergency Management Agency

FFMIS – Florida Financial Management Information System

Fixed Capital Outlay (FCO) - Real property (land, buildings including appurtenances, fixtures and fixed equipment, structures, etc.), including additions, replacements, major repairs, and renovations to real property which materially extend its useful life or materially improve or change its functional use. Includes furniture and equipment necessary to furnish and operate a new or improved facility.

FLAIR – Florida Accounting Information Resource Subsystem

F.S. - Florida Statutes

FSC - Financial Services Commission. Pursuant to Section 20.121(3), Florida Statutes, the FSC “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.” The FSC is comprised of the Governor and Florida Cabinet and contains the Office of Insurance Regulation and Office of Financial Regulation.

FTE - Full Time Equivalent

FWCJUA – Florida Workers’ Compensation Joint Underwriting Association

FWUA - Florida Windstorm Underwriting Association

FY - Fiscal Year

GAA - General Appropriations Act

GHIAB – Governor’s Health Information Infrastructure Advisory Board

GR – General Revenue Fund

HMO - Health Maintenance Organization

HR - Human Resource

ICHEIC - International Commission on Holocaust Era Insurance Claims

IG - Inspector General

Indicator - A single quantitative or qualitative statement that reports information about the nature of a condition, entity or activity. This term is used commonly as a synonym for the word “measure.”

Information Technology Resources - Includes data processing-related hardware, software, services, telecommunications, supplies, personnel, facility resources, maintenance, and training.

Input - See Performance Measure

IOE - Itemization of Expenditure

IP - Internet Protocol

IT - Information Technology

JAD - Joint Applications Development

Judicial Branch - All officers, employees, and offices of the Supreme Court, district courts of appeal, circuit courts, county courts, and the Judicial Qualifications.

LAN - Local Area Network

LAS/PBS - Legislative Appropriations System/Planning and Budgeting Subsystem. The statewide appropriations and budgeting system owned and maintained by the Executive Office of the Governor.

LAST - Legal Assignment Tracking system

Legislative Budget Commission (LBC) – A standing joint committee of the Legislature. The Commission was created to: review and approve/disapprove agency requests to amend original approved budgets; review agency spending plans; and take other actions related to the fiscal matters of the state, as authorized in statute. It is composed of 14 members appointed by the President of the Senate and by the Speaker of the House of Representatives to two-year terms, running from the organization of one Legislature to the organization of the next Legislature.

Legislative Budget Request (LBR)- A request to the Legislature, filed pursuant to section 216.023, Florida Statutes, or supplemental detailed requests filed with the Legislature, for the amounts of money an agency or branch of government believes will be needed to perform the functions that it is authorized, or which it is requesting authorization by law, to perform.

Long-Range Program Plan (LRPP) - A plan developed on an annual basis by each state agency that is policy-based, priority-driven, accountable, and developed through careful examination and justification of all programs and their associated costs. Each plan is developed by examining the needs of agency customers and clients and proposing programs and associated costs to address those needs based on state priorities as established by law, the agency mission, and legislative authorization. The plan provides the framework and context for preparing the legislative budget request and includes performance indicators for evaluating the impact of programs and agency performance.

LOF – Laws of Florida

LTC – Long Term Care

MAN – Metropolitan Area Network (Information Technology)

Medigap – Medial Supplement Insurance

MSRP – Multi State Review Program

NAIC - National Association of Insurance Commissioners

Narrative - Justification for each service and activity is required at the program component detail level. Explanation, in many instances, will be required to provide a full understanding of how the dollar requirements were computed.

NASBO - National Association of State Budget Officers

Nonrecurring - Expenditure or revenue which is not expected to be needed or available after the current fiscal year.

OCO - Operating Capital Outlay

OIR or Office – Office of Insurance Regulation

OITS - Office of Information Technology Services

OPB - Office of Policy and Budget, Executive Office of the Governor

OPS - Other Personal Services

Outcome - See Performance Measure

Output - See Performance Measure

Outsourcing - Describes situations where the state retains responsibility for the service, but contracts outside of state government for its delivery. Outsourcing includes everything from contracting for minor administration tasks to contracting for major portions of activities or services which support the agency mission.

Pass Through - Funds the state distributes directly to other entities, e.g., local governments, without being managed by the agency distributing the funds. These funds flow through the agency's budget; however, the agency has no discretion regarding how the funds are spent, and the activities (outputs) associated with the expenditure of funds are not measured at the state level. NOTE: This definition of "pass through" applies ONLY for the purposes of long-range program planning.

PBPB/PB2 - Performance-Based Program Budgeting

Performance Ledger - The official compilation of information about state agency performance-based programs and measures, including approved programs, approved outputs and outcomes, baseline data, approved standards for each performance measure and any approved adjustments thereto, as well as actual agency performance for each measure.

Performance Measure - A quantitative or qualitative indicator used to assess state agency performance.

- ⤴ Input means the quantities of resources used to produce goods or services and the demand for those goods and services.
- ⤴ Outcome means an indicator of the actual impact or public benefit of a service.

^ Output means the actual service or product delivered by a state agency.

Policy Area – A grouping of related activities to meet the needs of customers or clients which reflects major statewide priorities. Policy areas summarize data at a statewide level by using the first two digits of the ten-digit LAS/PBS program component code. Data collection will sum across state agencies when using this statewide code.

Primary Service Outcome Measure – The service outcome measure which is approved as the performance measure which best reflects and measures the intended outcome of a service. Generally, there is only one primary service outcome measure for each agency service.

Privatization - Occurs when the state relinquishes its responsibility or maintains some partnership type of role in the delivery of an activity or service.

Program - A set of activities undertaken in accordance with a plan of action organized to realize identifiable goals based on legislative authorization (a program can consist of single or multiple services). For purposes of budget development, programs are identified in the General Appropriations Act by a title that begins with the word “Program.” In some instances a program consists of several services, and in other cases the program has no services delineated within it; the service is the program in these cases. The LAS/PBS code is used for purposes of both program identification and service identification. “Service” is a “budget entity” for purposes of the LRPP.

Program Purpose Statement - A brief description of approved program responsibility and policy goals. The purpose statement relates directly to the agency mission and reflects essential services of the program needed to accomplish the agency’s mission.

Program Component - is an aggregation of generally related objectives which, because of their special character, related workload and interrelated output, can logically be considered an entity for purposes of organization, management, accounting, reporting, and budgeting.

Reliability - The extent to which the measuring procedure yields the same results on repeated trials and data are complete and sufficiently error free for the intended use.

Residual market premium - Insurance premium written by the insurer of last resort. In Florida, this would include Citizens Property Insurance Corp, the Florida Workers’ Compensation JUA and all other JUA residual market entities within the state.

SERFF - System for Electronic Form and Rate Filing

Service - See Budget Entity

Standard - The level of performance of an outcome or output.

STO - State Technology Office

SWOT - Strengths, Weaknesses, Opportunities and Threats

TCS - Trends and Conditions Statement

TF - Trust Fund

Tort Liability Claim - Tort is a wrongful act other than a breach of contract that injures another and for which the law imposes civil liability: a violation of a duty (as to exercise due care) imposed by law as distinguished from contract for which damages or declaratory relief (as an injunction) may be obtained.

TPA – Third Party Administrators

TRW - Technology Review Workgroup

UCAA – Uniform Certification of Authority Application

Unit Cost - The average total cost of producing a single unit of output – goods and services for a specific agency activity.

Validity - The appropriateness of the measuring instrument in relation to the purpose for which it is being used.

Viatical Settlement – is the sale of a life insurance policy to a licensed viatical settlement provider in return for a negotiated payment. This payment is usually represented as a percentage of the policy's face value.

WAGES – Work and Gain Economic Stability (Agency for Workforce Innovation)

WAN – Wide Area Network (Information Technology)

ZBB - Zero-Based Budgeting

## **Trends and Conditions**

### **Property Insurance**

Despite efforts by the Office and the Legislature in recent years, the Florida property insurance market continues to pose a significant challenge. The residual market, the Citizens Property Insurance Corporation (Citizens), provides a viable alternative for property owners who cannot find coverage in the voluntary market or who cannot find coverage except at an exorbitant rate. Although its growth has been stable for the past year, Citizens remains the largest writer of new insurance policies in the Florida property market. This is not desirable in the long run. In addition, several national insurers that wrote in Florida have withdrawn or significantly curtailed writing insurance in Florida since Hurricane Andrew in 1992 and even more since the 2004-2005 hurricanes. On the positive side, Florida is still viewed by some investors as a good place to do business as is evidenced by the 29 new domestic property writers that have formed since 2006.

A goal of the Office is to find an equilibrium at which, despite our natural hurricane risk, Florida property is insurable at rates that its citizens can tolerate which do not produce excessive profits nor result in losses for insurers that may make insurance less affordable. Adding to the challenge in past years has been the growth in exposure resulting from real estate development. The Florida Hurricane Catastrophe Fund has estimated Florida's hurricane risk to exceed \$2 trillion. Insurers cannot attract enough new capital, and new insurers cannot form fast enough to fill all of this growing need for insurance capacity. With recent economic conditions, some of this growth may slow, but adding new real estate, particularly to coastal areas, exacerbates the issues in the property market.

Likewise, failure to remediate older real estate adds to Florida's property risk. It became immediately apparent after the 2004-2005 storms that older homes that are not mitigated for hurricane risk fare much poorer than newer, more fortified homes. Likewise, the older condominium structures and mobile homes are primarily insured by Citizens.

The Office believes that improving the property market requires dramatic change in several key areas:

1. Reduce the risk. This includes mitigation of existing structures and increased vigilance in the permitting of new structures.
2. Eliminate as much fraud as possible. Insurers cannot write in areas where fraud is uncontrolled. Efforts to address this will include funding for vigorous prosecution of fraud in both claims and premium/application fraud.
3. Make certain that the policyholder has access to good information and then enable policyholders to make selections of coverage levels according to their individual needs.
4. Allow insurers to provide limited coverage for older structures that are unmitigated, and mobile homes. Allow pricing structures that encourage mitigation.
5. Eliminate expense from the system where possible without reducing customer service. Property insurance companies may

use 25-30% of premium dollars for agent commissions and administration. Typically, the producing agent receives about 10% depending on the policy. The rest of this expense is consumed by administration of policies, managing general agents, financing costs, and other related costs. These costs should be transparent to the policyholder to position the policyholder to make choices accordingly.

- ⤴ Obviously, all of these initiatives are not within the purview of the Office. But working with the Legislature and other state agencies, the Office intends to promote ideas that will help to make property insurance more available and more affordable. Its regulatory focus will be consistent with these efforts.

The Office plans to focus its resources on solvency regulation, and on improving information available to the policyholders and the public as funding allows. In addition, the Office plans to work to improve insurance products offered to the public and to continue the effort to require insurers to have rates that are adequate, but not excessive, and not unfairly discriminatory. The Office has also been, and will continue to be, an advocate for the mitigation of homes and businesses against hurricane damage, and will seek opportunities for the reduction of risk to the state's real property as a result of natural disasters. Particular emphasis will be placed on nurturing the newer insurers that have formed in this state and that have the potential to insure more of Florida's property risk in the voluntary, private insurance market.

The Office is also engaged in state and national efforts to strengthen the ability of the Citizens Property Insurance Corporation and the Florida Hurricane Catastrophe Fund to finance and pay hurricane claims.

### **Health Insurance**

Subjects of great concern both nationally and for the state of Florida is the rising cost and decreased availability of health insurance. In Florida alone there are 3.8 million people that do not have health insurance. Commissioner McCarty serves as the Chairman of the Florida Health Insurance Advisory Board (Board) and is responsible for appointing qualified, representative individuals to serve on the Board. The Board was established by the Florida Legislature in 1992 as the Small Employer Health Reinsurance Program for the purpose of promoting availability of health care coverage to small employers. At that time, the Board was primarily composed of representatives of health insurers licensed under chapter 624 or 641, Florida Statutes, who were tasked with facilitating standard and basic health benefit plans by providing reinsurance protection to small employer carriers and improving fairness and efficiency in Florida's small group health insurance market.

In 2005, the Legislature expanded the composition of the Board to include representatives of employers, an individual policyholder and a representative from the Agency for Health Care Administration (AHCA). The Board's responsibilities have also been expanded to serve in an advisory role to the Office of Insurance Regulation, AHCA, the Department of Financial Services, other executive departments and the Legislature on health insurance issues. Annually, the Board meets to fulfill their



charges to issue a report on the state of the health insurance market in Florida and to hear testimony and make legislative recommendations for health care reforms.

The United States Congress has enacted sweeping health care reform. It remains to be seen, as the reforms are enacted over future years, whether it is a solution to the health care affordability crisis. The Office will monitor the effects of the federal legislation and its impacts on the numbers of uninsured and under insured.

**Other**

There are many issues that can affect the affordability and availability of insurance to consumers. Affordability in some lines of insurance has improved dramatically. The workers compensation market is doing well, and has experienced reductions in claim costs and corresponding reductions in rates of more than 60% since 2003. Medical malpractice has also decreased since reforms in 2003.

## LRPP Exhibit II - Performance Measures and Standards

43900000 Financial Services Commission
43900110 Compliance and Enforcement - Insurance

Approved Performance Measures	Approved Prior Year Standards for FY 2009-10	Prior Year Actual FY 2009-2010	Approved Standards for FY 2010-11	Requested FY 2011-12 Standards
Maximum number of days from date of applications for a new certificate of authority initially submitted to the OIR approves or denies the applications pursuant to 120.80(9), F.S.	180 days	42.63 days	180 days	180 days
Number of applications processed	328	145	328	328
Number of rate and forms review completed	13,000	17,567	13,000	13,000
Percent of rate and forms review completed within 90 days	92%	95.24%	92%	92%
Number of financial review and examinations completed	11,952	9,239	11,952	11,952
Percent of financial analysis reviews completed timely (within 90 days)	93%	99.998%	93%	93%
Number of examinations and investigations that are completed for licensed companies and unlicensed entities	760	1,246	760	760
Current number of licensed/regulated insurance entities	3,500	3,800	3,500	3,500
Residual market premium as a percent of total premium for homeowner's (total), mobile home, dwelling fire insurance	22.50%	10.76%	22.50%	22.50%
Residual market premium as a percent of total premium for workers' compensation insurance	0.75%	0.70%	0.75%	0.75%
Residual market premium as a percent of total premium for automobile insurance	0.50%	0.820%	0.50%	0.50%
Average risk based capital percentage	5.00%	6.94%	5.00%	5.00%
Percent of financial exams completed within 18 months of exam date	98%	99.999%	98%	98%

**LRPP Exhibit II - Performance Measures and Standards**

43900120 Executive Direction and Support Services
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<b>Approved Performance Measures</b>	<b>Approved Prior Year Standards</b>	<b>Prior Year Actual FY 2008-09</b>	<b>Approved Standards for FY 2009-10</b>	<b>Requested FY 2010-11 Standards</b>
Administrative costs as a percent of total agency costs	<12.6%	10.5%	<12.6%	<12.6%
Administrative costs as a percent of total agency positions	<12.6%	12.0%	<12.6%	<12.6%

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Office of Insurance Regulation

**Program:** Financial Services Commission

**Service/Budget Entity:** Compliance and Enforcement

**Measure:** Maximum number of days from date of applications for a new certificate of authority initially submitted to the OIR to the date the OIR approves or denies the applications pursuant to 120.080(9), F.S.

**Action:**

- |   |  |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
180	42	(138)	77%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

*Office of Policy and Budget – July 2009*

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Office of Insurance Regulation  
**Program:** Financial Services Commission  
**Service/Budget Entity:** Compliance and Enforcement  
**Measure:** Number of applications processed

**Action:**

- |   |  |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
328	145	(183)	(44%)

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:** The Office does not control the number of new Certificate of Authority applications received from the insurance industry.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Office of Insurance Regulation  
**Program:** Financial Services Commission  
**Service/Budget Entity:** Compliance and Enforcement  
**Measure:** Number of rate and forms review completed

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input type="checkbox"/> Revision of Measure            |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
13,000	17,567	3,037	23%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation**

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

The number of rate and form reviews completed only provides a partial picture of the Office’s performance. A timely review brings more products to the market for consumers and access to new rates for companies. The Office recommends adding the language “percent of rate and forms filings completed within 90 days”.

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Office of Insurance Regulation  
**Program:** Financial Services Commission  
**Service/Budget Entity:** Compliance and Enforcement  
**Measure:** Number of financial review and examinations completed

**Action:**

- |   |  |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
11,952	9,239	(2,713)	(22%)

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Personnel Factors | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities         | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect  | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

Office resources have been reduced from 315 FTE to 290 FTE.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input checked="" type="checkbox"/> Legal/Legislative Change                 | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

Laws have been amended over the years to allow more time between examinations; therefore some exams are done every 3-5 years or on an as-needed basis.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

*Office of Policy and Budget – July 2009*

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Office of Insurance Regulation  
**Program:** Financial Services Commission  
**Service/Budget Entity:** Compliance and Enforcement  
**Measure:** Number of examinations and investigations that are completed for licensed companies and unlicensed entities

**Action:**

- |   |  |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
760	1,246	486	64%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

*Office of Policy and Budget – July 2009*



**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Office of Insurance Regulation  
**Program:** Financial Services Commission  
**Service/Budget Entity:** Compliance and Enforcement  
**Measure:** Current number of licensed/regulated insurance entities

**Action:**

- |   |  |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
3,500	3,800	292	8%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

This number does not include surplus lines.

*Office of Policy and Budget – July 2009*

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Office of Insurance Regulation  
**Program:** Financial Services Commission  
**Service/Budget Entity:** Compliance and Enforcement  
**Measure:** Residual market premium as a percent of total premium for homeowner's, mobile home, dwelling fire insurance

**Action:**

- Performance Assessment of Outcome Measure       Revision of Measure
- Performance Assessment of Output Measure       Deletion of Measure
- Adjustment of GAA Performance Standards

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
22.50%	10.76%	(11.74%)	(52%)

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- Personnel Factors
- Competing Priorities
- Previous Estimate Incorrect
- Staff Capacity
- Level of Training
- Other (Identify)

**Explanation:**

**External Factors** (check all that apply):

- Resources Unavailable
- Legal/Legislative Change
- Target Population Change
- This Program/Service Cannot Fix The Problem
- Current Laws Are Working Against The Agency Mission
- Technological Problems
- Natural Disaster
- Other (Identify)

**Explanation:**

The Office does not control the number of policies in the residual marketplace.

**Management Efforts to Address Differences/Problems** (check all that apply):

- Training
- Personnel
- Technology
- Other (Identify)

**Recommendations:**

Request deletion. This measure does not show any level of performance by the Office staff.

*Office of Policy and Budget – July 2009*

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Office of Insurance Regulation  
**Program:** Financial Services Commission  
**Service/Budget Entity:** Compliance and Enforcement  
**Measure:** Residual market premium as a percent of total premium for workers' compensation insurance

**Action:**

- Performance Assessment of Outcome Measure       Revision of Measure  
 Performance Assessment of Output Measure       Deletion of Measure  
 Adjustment of GAA Performance Standards

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
0.75%	0.70%	(.05%)	

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- Personnel Factors       Staff Capacity  
 Competing Priorities       Level of Training  
 Previous Estimate Incorrect       Other (Identify)

**Explanation:**

**External Factors** (check all that apply):

- Resources Unavailable       Technological Problems  
 Legal/Legislative Change       Natural Disaster  
 Target Population Change       Other (Identify)  
 This Program/Service Cannot Fix The Problem  
 Current Laws Are Working Against The Agency Mission

**Explanation:**

The Office does not control the number of policies in the residual marketplace.

**Management Efforts to Address Differences/Problems** (check all that apply):

- Training       Technology  
 Personnel       Other (Identify)

**Recommendations:**

Request deletion. This measure does not show any level of performance by the Office staff.

*Office of Policy and Budget – July 2009*

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Office of Insurance Regulation

**Program:** Financial Services Commission

**Service/Budget Entity:** Compliance and Enforcement

**Measure:** Residual market premium as a percent of total premium for automobile insurance

**Action:**

- Performance Assessment of Outcome Measure
- Performance Assessment of Output Measure
- Adjustment of GAA Performance Standards
- Revision of Measure
- Deletion of Measure

<b>Approved Standard</b>	<b>Actual Performance Results</b>	<b>Difference (Over/Under)</b>	<b>Percentage Difference</b>
0.50%	.820%	.32%	.64%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- Personnel Factors
- Competing Priorities
- Previous Estimate Incorrect
- Staff Capacity
- Level of Training
- Other (Identify)

**Explanation:**

**External Factors** (check all that apply):

- Resources Unavailable
- Legal/Legislative Change
- Target Population Change
- This Program/Service Cannot Fix The Problem
- Current Laws Are Working Against The Agency Mission
- Technological Problems
- Natural Disaster
- Other (Identify)

**Explanation:**

The Office does not control the number of policies in the residual marketplace.

**Management Efforts to Address Differences/Problems** (check all that apply):

- Training
- Personnel
- Technology
- Other (Identify)

**Recommendations:**

Request deletion. This measure does not show any level of performance by the Office staff.

*Office of Policy and Budget – July 2009*

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Office of Insurance Regulation  
**Program:** Financial Services Commission  
**Service/Budget Entity:** Compliance and Enforcement  
**Measure:** Average Risk Based Capital percentage

**Action:**

- Performance Assessment of Outcome Measure       Revision of Measure
- Performance Assessment of Output Measure       Deletion of Measure
- Adjustment of GAA Performance Standards

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
5%	6.94%	1.94%	.38%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- Personnel Factors
- Competing Priorities
- Previous Estimate Incorrect
- Staff Capacity
- Level of Training
- Other (Identify)

**Explanation:**

**External Factors** (check all that apply):

- Resources Unavailable
- Legal/Legislative Change
- Target Population Change
- This Program/Service Cannot Fix The Problem
- Current Laws Are Working Against The Agency Mission
- Technological Problems
- Natural Disaster
- Other (Identify)

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- Training
- Personnel
- Technology
- Other (Identify)

**Recommendations:**

Request deletion. This measure does not show any level of performance by the Office staff.

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for FY 2009-10 (Words)		Associated Activities Title
1	Maximum number of days from date of applications for a new certificate of authority initially submitted to the OIR to the date OIR approves or denies the application pursuant to 120.80(9), F.S.		Approve and license entities to conduct insurance business
2	Number of applications processed		Approve and license entities to conduct insurance business
3	Number of rate and forms review completed		Review and approve rate and form filings
4	Percent of rate and forms filings completed within 90 days		Review and approve rate and form filings
5	Number of financial review and examinations completed		Conduct financial reviews and examinations
6	Percent of financial analysis reviews completed timely (within 90 days)		Conduct financial reviews and examinations
7	Number of examinations and investigations that are completed for licensed companies and unlicensed entities		Conduct and direct market examinations
8	Current number of licensed/regulating insurance entities		Approve and license entities to conduct insurance business
9	Residual market premium as a percent of total premium for insured homeowner's (total), mobile home, dwelling fire insurance		Review and approve rate and form filings
10	Residual market premium as a percent of total premium for workers' compensation insurance		Review and approve rate and form filings
11	Residual market premium as a percent of total premium for automobile insurance		Review and approve rate and form filings
12	Average risk based capital percentage		Conduct financial reviews and examinations
13	Percent of financial exams completed within 18 months of exam date		Conduct financial reviews and examinations
14	Administrative costs as a percent of total agency costs		N/A
15	Administrative positions as a percent of total agency positions		N/A

Office of Policy and Budget – July 2009



**J. THOMAS CARDWELL**  
COMMISSIONER

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101 EAST GAINES STREET, TALLAHASSEE, FLORIDA • (850) 410-9601 • FAX (850) 410-9663  
MAILING ADDRESS: 200 EAST GAINES STREET, TALLAHASSEE, FLORIDA 32399-0370  
VISIT US ON THE WEB: [WWW.FLOFR.COM](http://WWW.FLOFR.COM) • TOLL FREE: (800) 848-3792

September 30, 2010

Jerry L. McDaniel, Director  
Office of Policy and Budget  
Executive Office of the Governor  
1701 Capitol  
Tallahassee, Florida 32399-0001

JoAnne Leznoff, Council Director  
House Full Appropriations Council  
221 Capitol  
Tallahassee, Florida 32399-1300

David Coburn, Staff Director  
Senate Policy and Steering Committee on Ways and Means  
201 Capitol  
Tallahassee, Florida 32399-1300

Dear Directors:

Pursuant to Chapter 216, Florida Statutes, our Long Range Program Plan (LRPP) for the Office of Financial Regulation is submitted in the format prescribed in the budget instructions. The information provided electronically and contained herein is a true and accurate presentation of our mission, goals, objectives and measures for the Fiscal Year 2011-12 through Fiscal Year 2015-16.

Should further information be required, please do not hesitate to contact me at the number provided below.

Sincerely,

J. Thomas Cardwell

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**FINANCIAL SERVICES COMMISSION**

**CHARLIE CRIST**  
GOVERNOR

**BILL MCCOLLUM**  
ATTORNEY  
GENERAL

**ALEX SINK**  
CHIEF FINANCIAL  
OFFICER

**CHARLES BRONSON**  
COMMISSIONER OF  
AGRICULTURE

# OFR

# Long Range Program

# Plan

Fiscal Year 2011-12 through Fiscal Year 2015-16

**J. Thomas Cardwell**  
Commissioner

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## **Mission Statement**

**The mission of the Florida Office of Financial Regulation is to protect the citizens of Florida by carrying out the banking, securities and financial laws of the state efficiently and effectively and to provide regulation of business that promotes the sound growth and development of Florida's economy.**

On August 11, 2009, J. Thomas Cardwell was appointed by the Financial Services Commission (FSC) as the Commissioner of the Office of Financial Regulation (OFR or Office). Commissioner Cardwell revised the agency mission statement to refocus OFR's efforts on protecting citizens through financial regulation, and, through that regulation, promoting Florida's economy. The Commissioner is implementing a three-pronged approach and as a result, the Office has selected the following goals as its priorities:

**GOAL #1: Enforce compliance with State laws related to the financial industry**

**GOAL #2: Examine regulated companies and individuals**

**GOAL #3: Register or charter institutions, companies and individuals**

## AGENCY SERVICE OUTCOMES

### GOAL #1: Enforce compliance with State laws related to the financial industry

**OBJECTIVE 1A:** Protect Florida investors by conducting examinations, investigations and enforcement cases pursuant to the Florida Securities & Investor Protection Act

**OUTCOME 1A-1:** The number of examinations, investigations and enforcement cases resulting in the imposition of substantial sanctions

Baseline Year 2009-2010	FY 2011-12 Projected	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected
22	50	55	55	55	55

**OUTCOME 1A-2:** The number of active, major enforcement cases

Baseline Year 2009-2010	FY 2011-12 Projected	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected
25	40	42	44	44	44

**OBJECTIVE 1B:** Increase percentage of financial investigations completed that result in administrative, civil and/or criminal action against individuals or entities that conduct fraudulent or illegal financial services activities

**OUTCOME 1B-1:** Percentage of investigations accepted by prosecutors or OFR legal counsel for enforcement action that result in action being taken

Baseline Year 2007-08	Fiscal Year 2011-12 Projected	Fiscal Year 2012-13 Projected	Fiscal Year 2013-14 Projected	Fiscal Year 2014-15 Projected	Fiscal Year 2015-16 Projected
80%	83%	84%	85%	86%	87%

**OBJECTIVE 1C:** Improve efficiency of Finance examination program by decreasing the time to refer a priority examination to Legal Services

**OUTCOME 1C-1:** Average number of days to refer a priority examination to Legal Services

Baseline Year 2010-2011	Fiscal Year 2011-12 Projected	Fiscal Year 2012-13 Projected	Fiscal Year 2013-14 Projected	Fiscal Year 2014-15 Projected	Fiscal Year 2015-16 Projected
43	42	40	38	36	36

**OBJECTIVE 1D:** Improve investigative efficiency by reducing the time required to prepare a legally sufficient case for potential enforcement action

**OUTCOME 1D-1:** Percentage of priority investigations accepted by prosecutors or OFR legal counsel for enforcement action within 12 months of case opening

Baseline Year 2009-2010	Fiscal Year 2011-12 Projected	Fiscal Year 2012-13 Projected	Fiscal Year 2013-14 Projected	Fiscal Year 2014-15 Projected	Fiscal Year 2015-16 Projected
60%	62%	64%	66%	68%	70%

**GOAL #2: Examine regulated companies and individuals**

**OBJECTIVE 2A:** Examine all state financial institutions within statutory timeframes

**OUTCOME 2A-1:** Percentage of state financial institutions examined within the last 18 and 36 months

Baseline Year Fiscal Year 2002-03	Fiscal Year 2011-12 Projected	Fiscal Year 2012-13 Projected	Fiscal Year 2013-14 Projected	Fiscal Year 2014-15 Projected	Fiscal Year 2015-16 Projected
50%/100%	100%/100 %	100%/100 %	100%/100%	100%/100%	100%/100%

**OBJECTIVE 2B:** Provide fair, balanced and responsive service to Division of Financial Institutions' customers, the state chartered or licensed financial institutions

**OUTCOME 2B-1:** Percentage of financial institution surveys giving OFR's financial institution examination program a rating of 2 or better (1 highest, 5 lowest)

Baseline Year Fiscal Year 2002-03	Fiscal Year 2011-12 Projected	Fiscal Year 2012-13 Projected	Fiscal Year 2013-14 Projected	Fiscal Year 2014-15 Projected	Fiscal Year 2015-16 Projected
77%	75%	75%	75%	75%	75%

**OBJECTIVE 2C:** Promote the Dual Banking System in Florida

**OUTCOME 2C-1:** Percentage of state financial institutions completing surveys that rate the contribution of the State examination process to promoting safe and sound institutions as 2 or better (1 highest, 5 lowest)

Baseline Year 2010-11	Fiscal Year 2011-12 Projected	Fiscal Year 2012-13 Projected	Fiscal Year 2013-14 Projected	Fiscal Year 2014-15 Projected	Fiscal Year 2015-16 Projected
NA	85%	85%	85%	85%	85%

**OBJECTIVE 2D:** Examine companies and individuals regulated under the Florida Securities & Investor Protection Act to more effectively protect Florida investors

**OUTCOME 2D-1:** The number of complex securities examinations completed

Baseline Year 2009-2010	FY 2011-12 Projected	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected
41	65	70	70	70	70

**OBJECTIVE 2E:** Improve service to Division of Finance consumers by providing an easy to use method of filing information with the agency

**OUTCOME 2E-1:** Total number of consumer complaints received by Finance staff

Baseline Year 2010-11	Fiscal Year 2011-12 Projected	Fiscal Year 2012-13 Projected	Fiscal Year 2013-14 Projected	Fiscal Year 2014-15 Projected	Fiscal Year 2015-16 Projected
3500	3550	3600	3650	3650	3650

**OBJECTIVE 2F:** Examine all money services businesses (MSBs) within statutory timeframes

**OUTCOME 2F-1:** Percentage of statutorily required examinations completed

Baseline Year 2009-10	Fiscal Year 2011-12 Projected	Fiscal Year 2012-13 Projected	Fiscal Year 2013-14 Projected	Fiscal Year 2014-15 Projected	Fiscal Year 2015-16 Projected
100%	100%	100%	100%	100%	100%

**OBJECTIVE 2G:** Improve the efficiency of the Finance examination process by reducing the number of days to complete a priority examination

**OUTCOME 2G-1:** Average number of days to complete a priority examination

Baseline Year 2010-11	Fiscal Year 2011-12 Projected	Fiscal Year 2012-13 Projected	Fiscal Year 2013-14 Projected	Fiscal Year 2014-15 Projected	Fiscal Year 2015-16 Projected
65	64	60	58	56	56

**OBJECTIVE 2H:** Improve efficiency of MSB examination program by providing

examination results to licensed MSBs in a timely manner

**OUTCOME 2H-1:** Percentage of licensed check cashers and foreign currency exchangers receiving an examination report within 60 days of the conclusion of the onsite examination

Baseline Year 2009-10	Fiscal Year 2011-12 Projected	Fiscal Year 2012-13 Projected	Fiscal Year 2013-14 Projected	Fiscal Year 2014-15 Projected	Fiscal Year 2015-16 Projected
75%	75%	75%	75%	75%	75%

**OUTCOME 2H-2:** Percentage of licensed money transmitters and payment instrument sellers receiving an examination report within 90 days of the conclusion of the onsite examination

Baseline Year 2009-10	Fiscal Year 2011-12 Projected	Fiscal Year 2012-13 Projected	Fiscal Year 2013-14 Projected	Fiscal Year 2014-15 Projected	Fiscal Year 2015-16 Projected
90%	90%	90%	90%	90%	90%

**GOAL #3: Register or charter institutions, companies and individuals**

**OBJECTIVE 3A:** Provide fair, balanced and responsive licensing and chartering service to our customers, the state chartered or licensed financial institutions and applicants for new charters

**OUTCOME 3A-1:** Percentage of all applications, except applications for new charters, statutorily complete that are processed within 60 days and within 90 days

Baseline Year Fiscal Year 2002-03	Fiscal Year 2011-12 Projected	Fiscal Year 2012-13 Projected	Fiscal Year 2013-14 Projected	Fiscal Year 2014-15 Projected	Fiscal Year 2015-16 Projected
67%/100%	67%/100%	67%/100%	67%/100%	67%/100%	67%/100%

**OUTCOME 3A-2:** Percentage of new banks opened in Florida during the fiscal year who chose a state charter

Baseline Year Fiscal Year 2002-03	Fiscal Year 2011-12 Projected	Fiscal Year 2012-13 Projected	Fiscal Year 2013-14 Projected	Fiscal Year 2014-15 Projected	Fiscal Year 2015-16 Projected

Baseline Year Fiscal Year 2002-03	Fiscal Year 2011-12 Projected	Fiscal Year 2012-13 Projected	Fiscal Year 2013-14 Projected	Fiscal Year 2014-15 Projected	Fiscal Year 2015-16 Projected
67%	67%	67%	67%	67%	67%

**OBJECTIVE 3B:** Improve service to Securities applicants and registrants by processing submissions in a timely manner

**OUTCOME 3B-1:** Percentage of securities registration applications processed within the Administrative Procedures Act

Baseline Year 2007-2008	FY 2011-12 Projected	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected
100%	100%	100%	100%	100%	100%

**OBJECTIVE 3C:** Improve service to Finance applicants and registrants by processing submissions in a timely manner

**OUTCOME 3C-1:** Percentage of Finance license applications processed within Administrative Procedures Act requirements

Baseline Year Fiscal Year 2008-09	Fiscal Year 2011-12 Projected	Fiscal Year 2012-13 Projected	Fiscal Year 2013-14 Projected	Fiscal Year 2014-15 Projected	Fiscal Year 2015-16 Projected
100%	100%	100%	100%	100%	100%

## TRENDS AND CONDITIONS

### **Dodd-Frank Wall Street Reform and Consumer Protection Act**

On July 21, 2010, H.R. 4173, known as the "Dodd-Frank Wall Street Reform and Consumer Protection Act", was signed into law. This bill was passed to address the problem areas in the financial markets that are believed to have led to the current financial crisis. The title of the bill provides that it is intended to "promote the financial stability of the United States by improving accountability and transparency in the financial system, to end 'too big to fail', to protect the American taxpayer by ending bailouts, to protect consumers from abusive financial services practices, and for other purposes." The bill is approximately 850 pages in length and includes 16 titles. It requires 67 regulatory studies and 243 new rules.

The passage of the Dodd-Frank bill represents the largest regulatory reform of laws governing the financial industry since the Great Depression. While the bill is primarily aimed at large, complex institutions, it also affects smaller institutions as well.

The bill creates a Consumer Financial Protection Bureau (CFPB) housed at the Federal Reserve which will write and enforce consumer protection rules for most loans, including credit cards, private student loans and mortgages. The bureau will consolidate consumer protection responsibilities currently handled by the Office of the Comptroller of the Currency (OCC), Office of Thrift Supervision (OTS), Federal Deposit Insurance Corporation (FDIC), Federal Reserve, National Credit Union Administration (NCUA), the Department of Housing and Urban Development (HUD) and the Federal Trade Commission (FTC). It will have the authority to examine and enforce regulations for banks and credit unions with assets over \$10 billion and all mortgage-related businesses (lenders, servicers and mortgage brokers), but existing regulators will enforce the rules for banks and credit unions with assets less than \$10 billion.

The bill also creates a Financial Stability Oversight Council which is charged with identifying and responding to emerging risks throughout the financial system. The council will be chaired by the Treasury Secretary and will include the Federal Reserve Board, Securities and Exchange Commission (SEC), Commodities Futures Trading Commission (CFTC), OCC, FDIC, Federal Housing Finance Agency (FHFA), NCUA, the new CFPB and an independent appointee with insurance experience. The council will also have five non-voting members: Office of Financial Research, Federal Insurance Office, and state banking, insurance and securities regulators. The council is authorized to make recommendations to the Federal Reserve for increasingly strict rules for capital, leverage, liquidity, risk management and other requirements as companies grow in size and complexity. It is also authorized to require that a nonbank financial company be regulated by the Federal Reserve and is able to approve a Federal Reserve decision to require a large, complex company to divest some of its holdings if it poses a grave threat to the financial stability of the United States.



Further, the Dodd-Frank bill makes significant reforms to mortgage lending. It establishes a simple federal standard for all home loans: institutions must ensure borrowers can repay the loans they are sold. The bill beefs up authority for CFPB to regulate unfair, deceptive or abusive practices by: prohibiting incentives for subprime loans; prohibiting pre-payment penalties; establishing penalties for irresponsible lending; and requiring additional disclosures.

Substantial changes are made to bank and thrift regulation by the bill. The Dodd-Frank bill abolishes the OTS and transfers that authority primarily to the OCC, but preserves the thrift charter. The bill requires the Federal Reserve to examine non-bank subsidiaries engaged in certain activities (e.g. mortgage lending) on the same schedule and in the same manner as bank examinations.

As a result of the Dodd-Frank bill, the SEC will have the authority to impose a fiduciary duty on brokers who give investment advice – the advice must be in the best interest of the customer. It also creates a program within the SEC to encourage whistleblowers to report securities violations, creating rewards of up to 30% of funds recovered for information provided. The bill mandates a comprehensive outside consultant study of the SEC, an annual assessment of the SEC's internal supervisory controls and a review of SEC management by the Government Accounting Office (GAO). The bill creates new advocates for investors: the Investment Advisory Committee, a committee of investors to advise the SEC on regulatory priorities and practices; the Office of the Investor Advocate to identify areas where investors have significant problems dealing with the SEC; and an ombudsman to handle investor complaints.

OFR's initial review indicates that the Office will not be able to determine the full impact of the new law until federal implementing regulations are adopted.

### **OFR Operational initiatives**

J. Thomas Cardwell was appointed Commissioner in August, 2009 and has made a number of changes to make OFR's operations and structure more efficient to allow it to be more effective in fulfilling its core mission.

#### **Chief of Staff**

First, the Office created a chief of staff (COS) position to manage many of the daily operational issues for the agency. The Divisions, Investigations, Budget, and Communications Directors all report to the COS position. The COS also is charged with providing a conduit for information between Tallahassee and the regional offices to more fully integrate them into the operations of OFR. The COS handles myriad administrative duties, allowing other OFR managers to focus more fully on the core regulatory mission of the Office.

## **Communications Office**

Next, the Commissioner created a Communications Office to get OFR's message to the outside world, as well as internally to the OFR staff. The Communications Office has made great strides in improving the understanding of OFR by the outside world and by OFR's employees. They also obtained significant print, radio, and television coverage of the recent Mortgage Loan Modification enforcement effort in Spanish and English media outlets in all major Florida media markets.

The Communications Office has also taken the lead on notifying mortgage professionals about upcoming changes to the mortgage industry registration requirements and processes. The initiative included direct mailings to current licensees, partnerships with trade organizations to share information with their members, web postings, and a comprehensive media relations campaign. This media outreach was critical in helping the Office reach the large number of impacted persons throughout Florida, informing the mortgage industry and the general public that the application system would be shut down to allow the change to the new Nationwide Mortgage and Licensing System (NMLS) application process. The campaign emphasized the importance of applying as early as possible so applicants would not be without a license on October 1, 2010. Not only did applications triple the week after the media campaign began, but call volumes increased dramatically as well. OFR received over 3,700 applications and handled over 10,000 phone calls in a one month period.

The internal communication effort is also showing significant results as OFR builds the sense of teamwork, cohesion and esprit de corps that is necessary to make a good agency into a great one.

## **Case Priority Guidelines**

In an effort to improve the effective use of limited resources, the Office established case priority guidelines. The guidelines help examiners and investigators understand the overarching priorities of the Office and determine how best to direct their efforts to help OFR realize its goals. This has helped them understand how their work contributes to OFR's results.

## **Legal Integration**

Several steps have been taken to better integrate the attorneys into the examination and regulatory processes. In the regional offices, management has stressed consulting the lawyers early in the process, bringing them into case discussions and using them for guidance in developing cases, rather than waiting until much of the examination work is completed. Also, the Office realigned attorneys into the divisions to allow each director to prioritize legal cases within their area, allow them to allocate additional resources if necessary and make the attorneys part of their management team. This integration effort will result in better enforcement cases being developed by the functional areas.

## **Regional Office Management**

The Office has also strengthened regional office management by creating Regional Office Administrative Coordinators (ROACs) in each of the eight field offices. In addition

to their regular duties managing the operations of their division in their respective office, the ROACs report directly to the Chief of Staff and are charged with keeping the regional offices running smoothly. This coordination effort allows the staffs to focus more of their efforts on the core agency mission.

### **Regulatory Enforcement and Licensing (REAL) System**

Additionally, the Commissioner established responsibility and accountability for the REAL System – the information technology backbone for the work of the agency. This effort is designed to move the system through the final stages of implementation and foster consistency of use. On-line and instructor-led training programs have been implemented. Additionally, OFR will be conducting process reviews for the functional areas to ensure all the capabilities of REAL are fully realized.

### **Revised Performance Measures**

To further improve OFR operations and guide employee efforts toward meeting the agency's core mission, management has reviewed and revised the agency performance measures. These measures are more directly focused on the Commissioner's major goals for OFR:

**GOAL #1: Enforce compliance with State laws related to the financial industry**

**GOAL #2: Examine regulated companies and individuals**

**GOAL #3: Register or charter institutions, companies and individuals**

## **Florida's Economy**

Until 2007, Florida was one of the nation's fastest growing states. However, with the end of the housing boom and the beginning of the real estate market downturn, Florida's economy has slipped to virtually no growth on a year-over-year basis. There are three key indicators that are widely used to assess government financial health.<sup>1</sup>

Florida's **State Gross Domestic Product** (GDP: all goods and services produced or exchanged in a state) outperformed the nation as a whole in nine of the past 11 years. For 2007 and 2008, Florida fell well below the national level (4.8% US versus 2.8% Florida and 3.3% US versus 0.3% Florida respectively).

**Personal income growth** is also used to gauge the health of an individual state. It is primarily related to changes in salaries and wages and the quarterly figures are particularly good for measuring short-term movements in the economy. Florida's record has been mixed since the beginning of 2009: two quarters of negative growth and three

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<sup>1</sup> *Florida Economic Outlook*, Legislative Office of Economic and Demographic Research, July 23, 2010. Available online at: [http://edr.state.fl.us/recentpresentations/Fl%20Economic%20Overview\\_7-23-10.pdf](http://edr.state.fl.us/recentpresentations/Fl%20Economic%20Overview_7-23-10.pdf)

weakly positive. The increase of 0.8% in the first quarter of 2010 ranked Florida 35<sup>th</sup> in the country – significantly better than last year’s rating at this time of 43<sup>rd</sup> nationally.

Two key measures of **employment** are job growth and the unemployment rate. While Florida led the nation on the good-side of these measures during the boom, the state was worse than the national average on both measures until July 2010 when Florida experienced its first over-the-year increase in jobs since June 2007. Florida is still 831,600 jobs below its peak which indicates that rehiring will not be enough. According to the Legislative Office of Economic and Demographic Research (EDR), a full recovery to the previous peak will not occur until 2014 at the current pace.

In July 2010, Florida’s unemployment rate was 11.5%, persistently remaining above the national rate of 9.5%. There were 1.1 million jobless in the state and Florida was ranked 5<sup>th</sup> nationwide for its unemployment rate. Even more troubling, 49 of Florida’s 67 counties had double-digit unemployment rates.

For Florida, it appears that the extreme financial and economic stress experienced over the last few years reached its bottom sometime in the spring of 2010 according to EDR. The full recovery is not anticipated until the spring of 2011 after months of modest growth. Florida is matching and slightly bettering the national jobs picture due to stronger job growth. Unemployment is expected to peak at 11.8% in the third and fourth quarters of this year before very slowly returning to more normal levels.

Population growth has long been one of the state’s primary engines of economic growth. It hovered between 2.0% and 2.6% from the mid 1990s to 2006, before slowing and crossing into negative territory in 2009. Between April 1, 2009 and April 1, 2010, state population grew by 21,285 – a small increase but back in positive territory.<sup>2</sup> Population growth is expected to moderately rebound going forward, persisting above 1.2% after 2013. While this is significantly lower than the rates between 1970 and 1995 (average of 3.04%) it is considerable growth, roughly equivalent to adding a city the size of St. Petersburg each year.<sup>3</sup>

## **Division of Financial Institutions**

### Economic Trends and the Impact on State-Chartered Financial Institutions

Since 1996, Florida has led the nation in the number of new banks opened. However, the current recession has seen the pool of potential (and acceptable) new bank investors dry up. Little or no new bank application activity is anticipated until the economy recovers.

The United States’ economy has been in a recession that is approaching three years in length, the longest economic contraction since the Great Depression. Worse than expected employment figures and economic weakness, particularly in the credit and

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<sup>2</sup> Florida’s Population Grows Again after First Decline since Mid-1940s, *University of Florida News*, September 2, 2010. Available online at: <http://news.ufl.edu/2010/09/02/florida-pop-2010>

<sup>3</sup> *Florida Economic Outlook*.

residential real estate sectors, have fueled this recession. Mortgage difficulties spread to the financial markets. Commercial real estate and credit card defaults also have affected the financial institution industry. These negative conditions continue to impact both the national and state economy and, ultimately, state financial institutions.

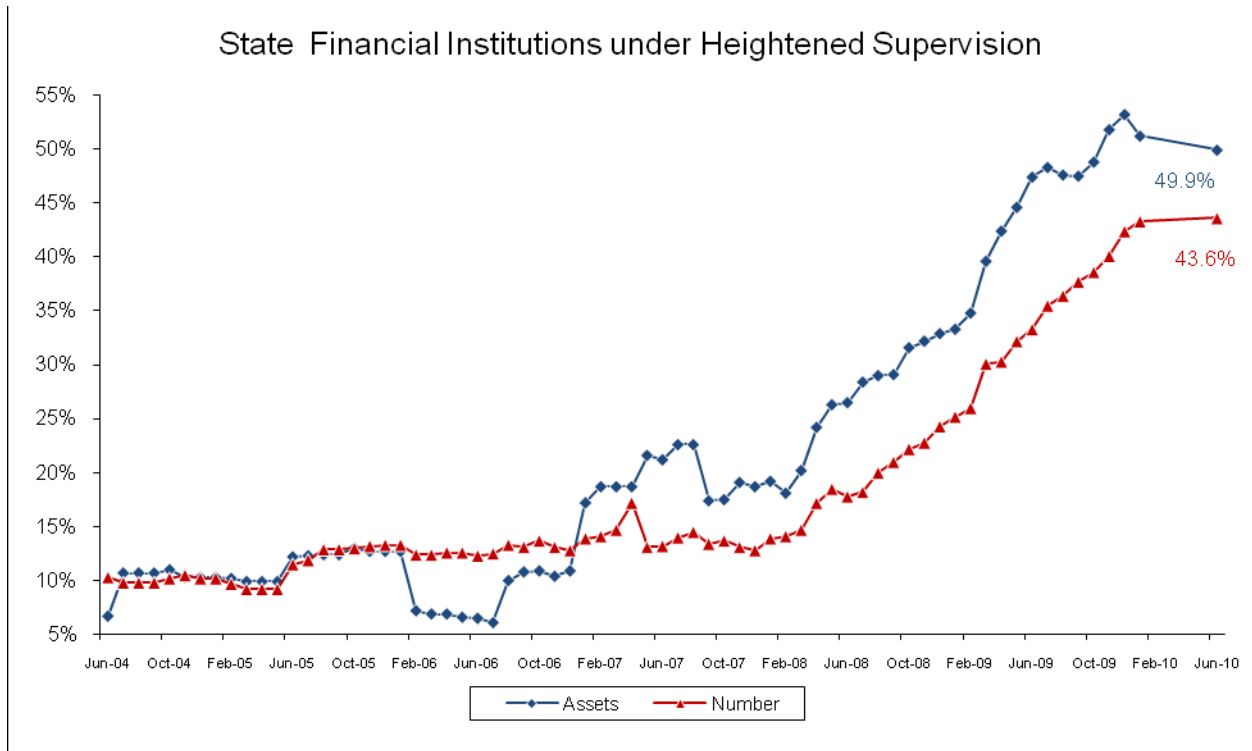
The financial institution industry in Florida has been dramatically impacted during this economic recession. Unemployment in Florida has exceeded the national average. Home values have declined dramatically throughout the state. As a variety of adjustable rate mortgage loans reset, many homeowners were “underwater” (loan balance exceeded appraised home value) and were not able to refinance to lower fixed rate loans. Homeowners have lost their homes to foreclosure in record numbers in Florida. As of June 2010, Florida led the way with nine of the top 20 metro foreclosure rates in the country, according to RealtyTrac’s June and midyear metro foreclosure reports (Source: *South Florida Business Journal*)<sup>4</sup>. The overall impact to state financial institutions has been a significant increase in delinquent or non-performing loans as well as significant increases in the level of foreclosed or repossessed real estate, resulting in the depletion of equity capital and unprecedented loss of income.

The next series of graphs reflect key performance trends in state financial institutions. While there appears to be an improving trend between December, 2009 and March 2010, it is difficult to ascertain if this apparent improvement is real.

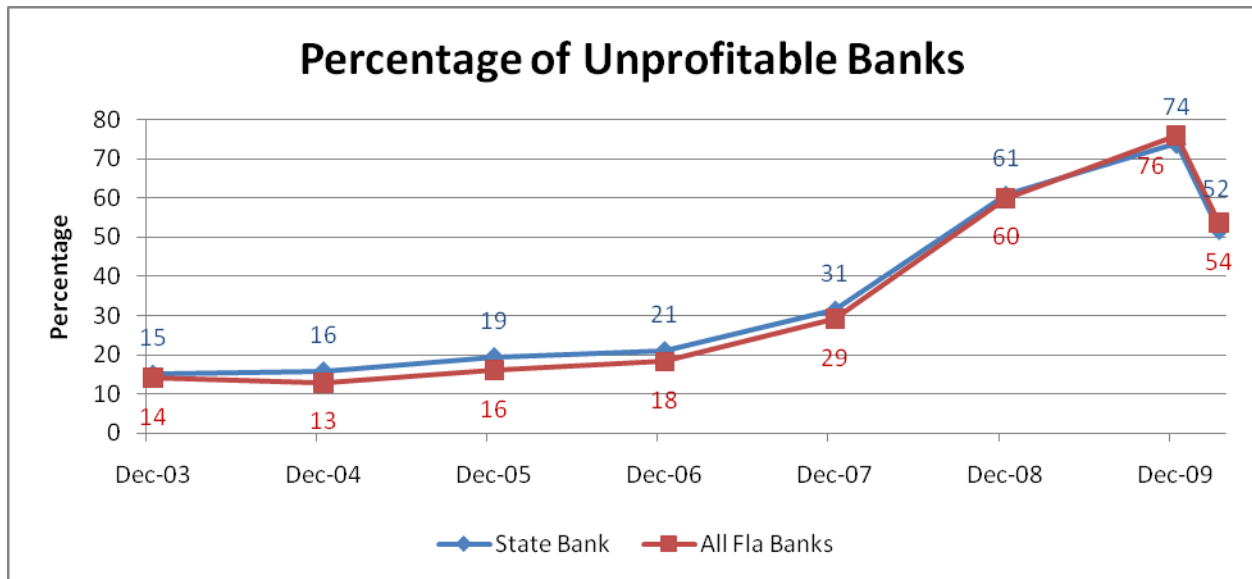
As the economic recession has progressed in Florida, the Division of Financial Institutions (DFI) has seen a dramatic decline in the overall condition of state financial institutions resulting in an increasing number of state institutions under heightened supervision based on number and assets.

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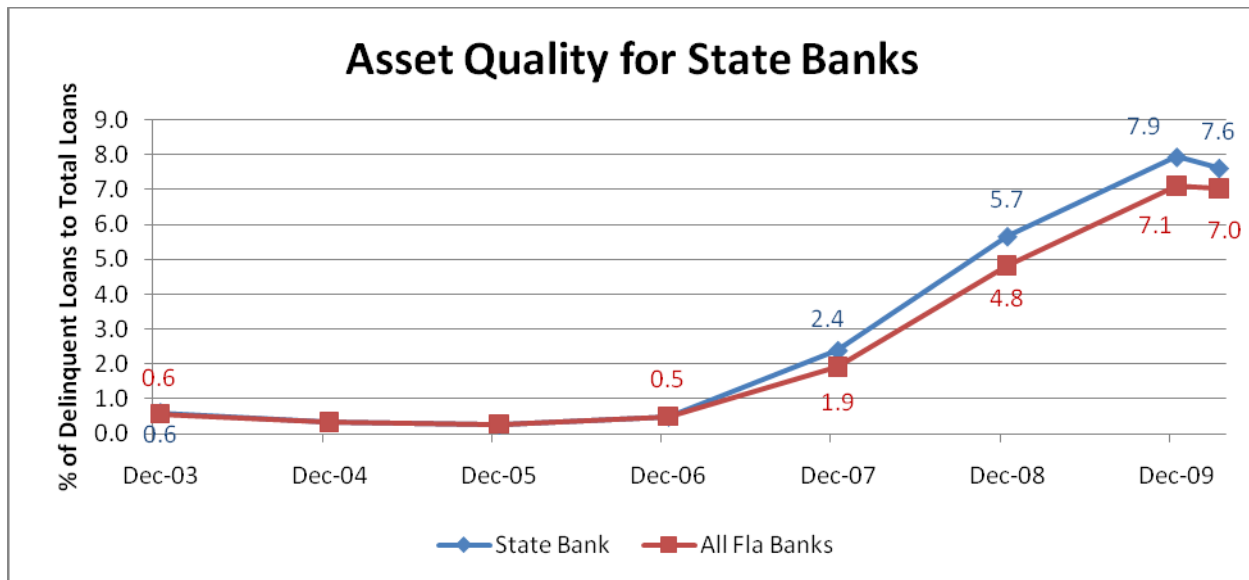
<sup>4</sup> RealtyTrac: Florida a foreclosure leader, *South Florida Business Journal*, July 29, 2010. Online at: <http://www.bizjournals.com/southflorida/stories/2010/07/26/daily47.html>



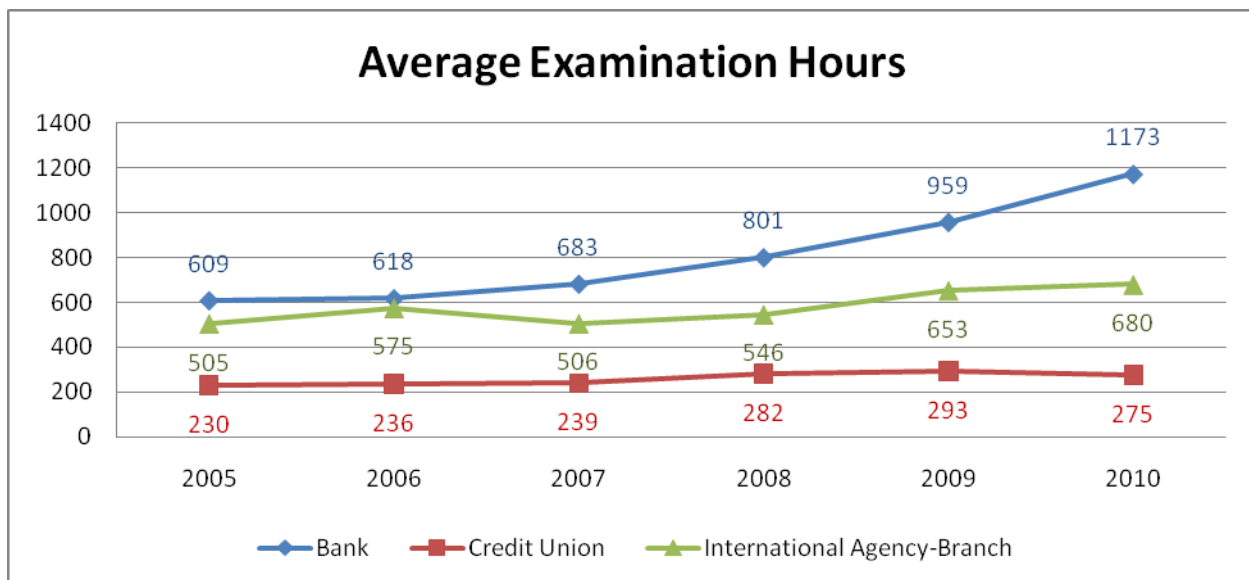
Improvement was seen in several key industry trends. For example, the percentage of unprofitable banks significantly decreased during the first quarter of 2010.



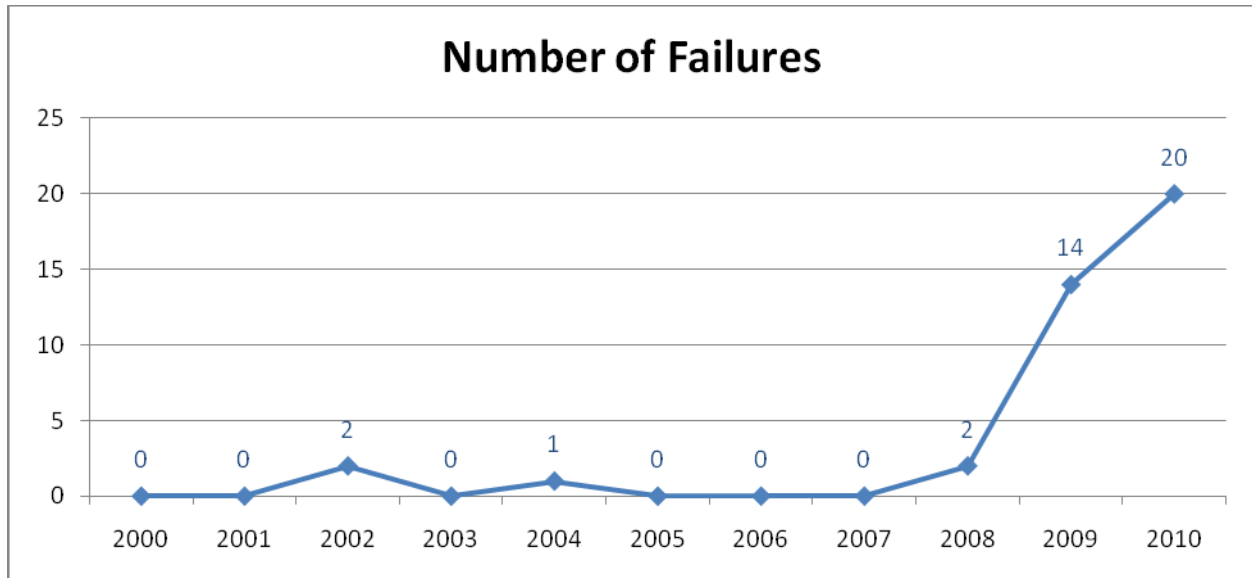
Although asset quality in state banks still reflects significantly high levels of delinquent loans, slight improvement also was noted.



The ongoing economic recession has impacted DFI's workload significantly for the last 30 months. Examinations of troubled institutions must be performed more frequently than is required by the statutes. In addition, examinations are more complex and require more time to complete. Examination review in headquarters is also more time consuming because it is critical that the most appropriate corrective action is implemented on a troubled financial institution. More-frequent and more-lengthy examinations stress the examination resources available to DFI.



The ultimate outcome of the deterioration seen in Florida's financial institution industry over the last 30 months is an increase in the number of institution failures, particularly commercial banks. The following chart reflects the increasing number of bank failures in Florida as of July 30, 2010:



#### Financial Institution Regulation in the United States

All states in the United States operate under a dual-banking system. The term “dual banking system” refers to the dual state-national chartering and regulatory programs established in the United States for commercial banks and credit unions. It is a unique regulatory system that embodies the principle of checks-and-balances on power. The dual banking system provides financial institutions a choice in state or federal chartering, reduces the potential for preferential or unwise actions, and promotes creativity.

The “state” component of the dual banking system allows for local oversight, bringing financial institution regulation closer to the citizens, their communities, and legislative leaders. Laws and regulations can be tailored to meet the particular needs of the communities, providing a more responsive financial system.

State-chartered banks are generally community banks that provide individuals and local businesses with the competitive financial services they need. The accessibility and responsiveness of state regulators, who have a unique interest in and understanding of the needs of the citizens in the state in which they live and work, is not typically matched at the federal level.

#### Potential Policy Changes Affecting the Agency Budget Request:

The ongoing economic recession will end. Potential policy changes may include the need for more frequent contacts with all institutions, not just troubled institutions. Chartering criteria may need to be enhanced to minimize the receipt of applications that meet just the minimum standards, referred to as “compliance” applications. OFR also would like to bolster its supervisory authority to allow OFR to act more swiftly when dealing with financial institutions before they become troubled. These policy changes may require statutory revisions.



### Proposed Legislation

DFI is drafting proposed legislative changes to address issues raised by the Dodd-Frank Act. OFR is also looking to incorporate various lessons learned from the downturn in the economic cycle to improve the regulatory oversight process and strengthen the state's financial institutions system.

## **Division of Securities**

The mission of the Office's Division of Securities (Securities) is investor protection. Securities administers and enforces compliance with Chapter 517, Florida Statutes, the Florida Securities and Investor Protection Act (Act). The Act is designed to protect the investing public from unlawful securities activity while promoting the sound growth and development of Florida's economy.

The Division accomplishes its mission through its Bureau of Regulatory Review (Regulatory Review) by registering securities firms and their employees to do business in, to or from the State of Florida. The Bureau of Securities Regulation (Securities Regulation) receives and processes consumer complaints regarding securities industry activities and participants. Both bureaus engage in outreach to consumers and selected groups, such as the military and seniors, the securities industry and the Florida Bar Association. Securities Regulation conducts compliance and enforcement examinations and investigations of securities firms and their employees and develops enforcement actions brought by OFR for violations of the securities laws.

### Enforcement

The Commissioner of OFR has broad authority to enforce the Act. Regulatory Review recommends to the Commissioner whether to deny, suspend, revoke or restrict the registrations of firms and persons that apply for registrations, or are currently registered under the Act. Through cases developed by Securities Regulation, the Commissioner may seek administrative remedies in the Division of Administrative Hearings or civil remedies in court including cease and desist orders, civil penalties, fines, restitution, disgorgement, rescission, freezing of assets or appointment of a receiver.

Securities Regulation works with OFR's Bureau of Investigations regarding matters warranting criminal prosecution.

Civil, administrative or criminal violations of the Act can take many forms, but the most serious violations involve fraudulent conduct. Fraudulent conduct involves material misrepresentations or omissions by the perpetrator to prospective or actual investors which frequently result in substantial losses of money or property by the victims. In the securities realm, this often involves one or more sales practice abuses.

Securities Regulation and Regulatory Review maintain close relationships with other states and Canadian securities regulators through the North American Securities Administrators Association (NASAA), the organization of U.S. state and Canadian provincial and territorial securities regulators; with the Financial Industry Regulatory

Authority (FINRA), a self-regulatory organization which regulates its industry members; the United States Securities and Exchange Commission (SEC); and state and local prosecutors and law enforcement. This results in case referrals, joint investigations and enforcement cases, which allow for leveraging of limited resources, taking advantage of the experience and expertise of each entity, and the ability to prosecute larger, multi-jurisdictional cases. Referrals of matters to OFR affecting Florida investors also result from these close relationships.

Recent examples of multi-jurisdictional cases are:

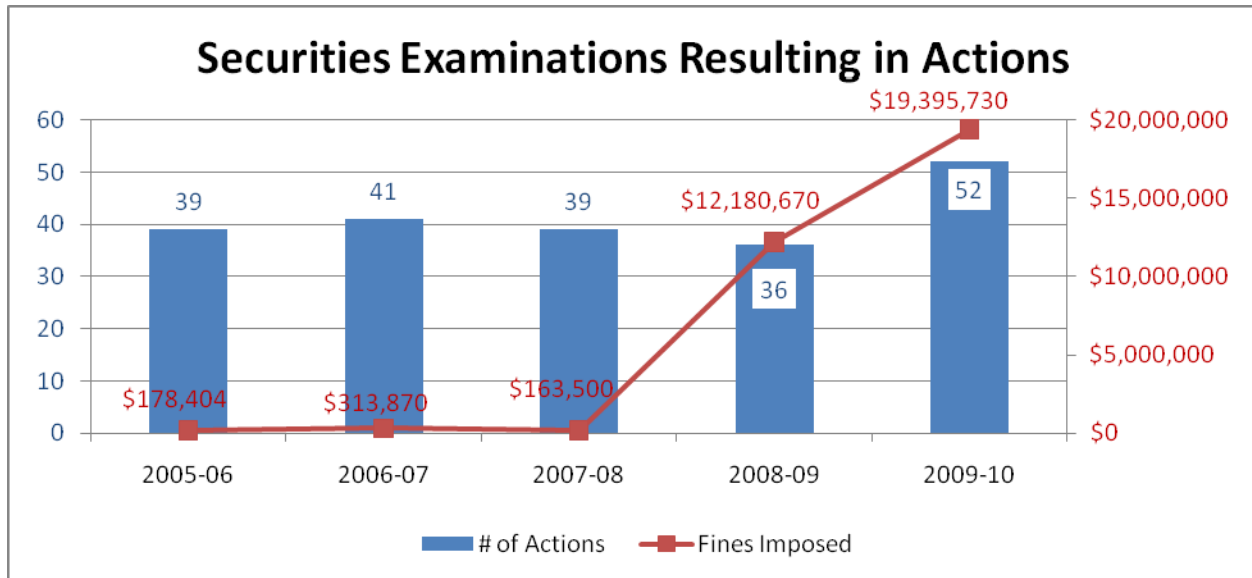
Since 2008, Securities Regulation has issued final orders in seven auction rate securities cases and imposed more than \$28 million in fines and penalties. Additionally, millions of dollars in restitution were ordered to be returned to investors for their losses. In these cases, Securities Regulation was part of the NASAA Multi-state Task Force on Auction Rate Securities that investigated some of the nation's largest securities dealers. The dealers were alleged to have systematically misled investors when selling auction rate securities. Securities Regulation continues to investigate a number of other derivatives and auction rate securities cases. In Fiscal Year 2009-2010, OFR collected \$19 million in fines for the sale by dealers of auction rate securities. OFR alleged investors were misled because the dealers had not adequately supervised or trained their employees concerning what customers were told about the securities and their risks.

A dealer was ordered to pay a \$640,700 fine to OFR for failure to properly register its associated persons and supervisory violations of the Act as a result of a joint investigation with the Texas State Securities Board.

Recent examples of Florida-only cases are:

During Fiscal Year 2009-2010, Securities Regulation developed cases with federal prosecutors resulting in prison sentences of approximately 169 months and restitution to investors of \$6.2 million. These cases involved hedge fund misrepresentations, Ponzi schemes, wire fraud and money laundering.

An associated person of a dealer was ordered to pay a \$281,000 fine to OFR for making unsuitable recommendations, churning and making trades in his clients' accounts without authority.



#### Complaints

For Fiscal Year 2009-2010, Securities Regulation received 298 complaints; 41% involved fraudulent or unregistered activities. The Office encourages Florida investors and consumers to file complaints electronically through OFR's website, [www.flofr.com](http://www.flofr.com), by calling the Office at 1-800-848-3792 (Toll Free) or by writing OFR. The Office reviews all complaints received and determines whether there are violations of the Act which warrant taking action. The complaint process is frequently of great value to consumers, even when formal action is not taken, because OFR can force securities firms to comply with the Act which often involves payment of restitution or some other favorable result for the consumer.

#### Public Outreach

The Division of Securities engages in outreach to educate the public so they can protect themselves from fraud and other abuses perpetrated upon them by unscrupulous firms and individuals. Outreach also increases public awareness, so members of the public know to contact the Division of Securities for assistance if they are approached by someone attempting to sell them securities or who seeks to advise them about managing their money, or if they have already lost their money or investment as a result of fraudulent conduct by someone in the securities arena.

#### Targeted Outreach to Seniors, Military, Law Enforcement and Affinity Groups

Securities Regulation also engages in targeted public outreach to interested groups such as seniors, the military, minorities and other affinity groups most in need of education and assistance about investing.

Florida was one of two pilot states for SaveandInvest.org, a nationwide program developed in collaboration with the FINRA Investor Education Foundation, and the American Association of Retired Persons (AARP). The campaign is targeted toward older investors to teach the tactics used by fraudsters and the steps they can take to reduce their risk.

The Office reaches out to military personnel in the United States Air Force (USAF) stationed in Florida. The Office's *Investor University on Base*, a five-week program, has been offered at Tyndall Air Force Base (AFB), Hurlburt Field, and Eglin AFB.

OFR has provided extensive educational outreach to public libraries and through the Florida Public Broadcasting System (PBS).

#### Legal and Compliance Outreach

Regulatory Review and Securities Regulation provide legal and compliance outreach to the securities industry and securities bar. This encourages compliance with the Act by educating the securities industry and bar about the Act's requirements and the Division's processes. This outreach is also a valuable source of securities industry input which sometimes leads to modification of industry or OFR processes to the benefit of the public and other Division stakeholders. Members of the securities industry and bar also refer problematic matters to Securities Regulation.

Future outreach will be broadened to further sensitize local law enforcement personnel to securities issues and fraud. Since local law enforcement personnel typically do not handle securities fraud cases, awareness of how OFR can assist them will result in joint cooperation on matters, or referral of the matters to OFR's Division of Securities.

#### Examinations

Securities Regulation conducts routine (risk-based) and for cause (enforcement) examinations of dealers, investment advisers and their associated persons located in Florida, to determine whether any person has violated the securities Act, is about to violate the securities Act or to aid in the enforcement of the securities law and rules. Securities Regulation does not require "cause" or grounds for legal action in order to examine a dealer or investment adviser, so firms registered with the Division may be subject to an unannounced examination.

Risk-based examinations are typically targeted at registered firms and individuals whose disciplinary history shows a pattern of conduct warranting further examination.

Enforcement examinations generally require examiners with greater experience or expertise than risk-based examinations, which allows them to conduct more complex examinations. Enforcement examinations are commenced when: (1) there appears to be significant securities law violations (i.e., fraud or abusive sales practices) leading to the potential or actual loss of significant funds by investors; (2) the scope or complexity of the examination requires significant time and is resource intensive; or (3) there is a reasonable belief or significant potential that customers have been, or will be, harmed, and regulatory or enforcement action may be warranted.

The results of an examination can also provide some preventive or prophylactic effect whereby OFR may insist upon significantly better compliance with the Act by registered firms or individuals.

In recent years, due to the innovative nature of the securities industry, examiners have been required to understand and analyze complex derivative products such as auction rate securities, principal protected notes and asset-backed securities.

### Staff Training

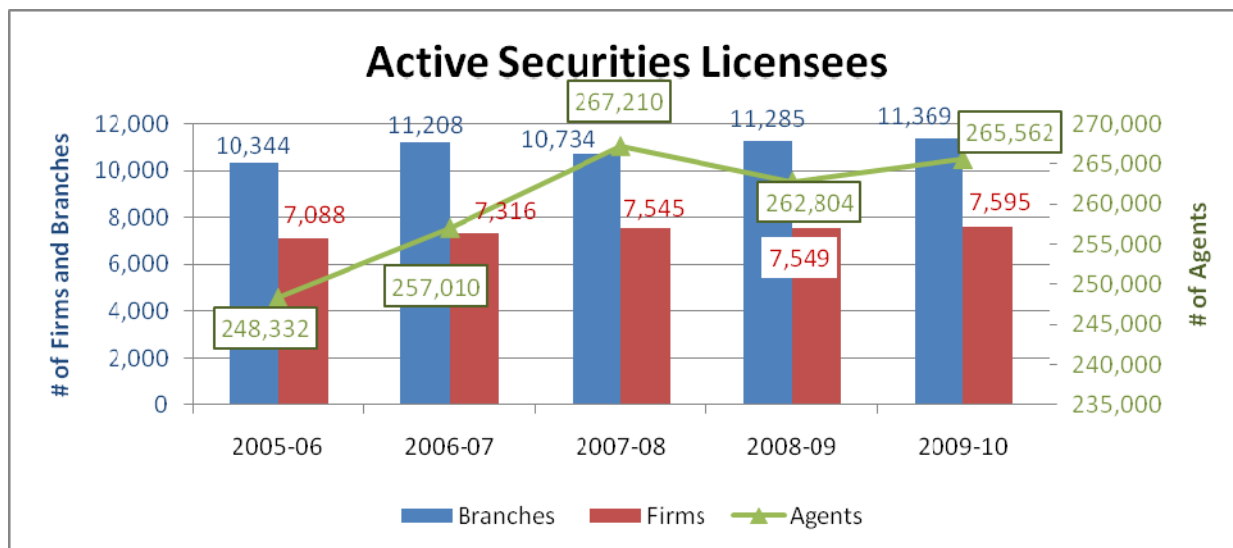
The Office conducts mission critical training for the Securities examination staff and provides opportunities for staff to participate in training sponsored by NASAA. The Annual OFR/NASAA Broker Dealer Training is an ongoing program that has been conducted for more than 15 years. The 2010 program consisted of an introductory track about securities regulation and a more advanced track focused on recent regulatory reform in the securities industry.

Securities Regulation, which spearheaded the creation and development of the NASAA Broker-Dealer Examination Module in the late 1990s and early 2000s is working through NASAA with other state securities regulators to update the electronic broker-dealer and investment adviser examination modules.

### Registration

As of June 30, 2010, the Office had 7,595 dealer and investment adviser firms, 11,369 branches and 265,562 individual associated persons actively registered. Florida ranks third in the nation in the number of registered dealers, investment advisers and their registered associated persons and fourth in the number of registered branch offices. Regulatory Review is responsible for the review of 13 different application types including dealers, investment advisers, branches and their employees, and with monitoring the activities of existing registrants.

By registering dealers (firms that buy and sell securities) and their sales persons (commonly known as stockbrokers, agents or associated persons), and by registering investment advisers (firms that manage money for a flat fee or a fee based on a percentage of the assets under management) and their employees (commonly known as investment adviser representatives, agents or associated persons) who conduct business in Florida, Regulatory Review ensures that only applicants that meet the minimum registration requirements set by the Act and the rules are allowed to conduct business in Florida. In instances where the minimum qualifications are not met, denial of the application for registration, or restriction of the applicants' business activities upon registration, may be required, thus protecting consumers.



Dealers, investment advisers, their associated persons and their branch offices that apply for registration with Regulatory Review are reviewed for any prior securities law violations and, once registered, are continually monitored for any actions that are in violation of the Act. Regulatory Review’s analysts check the disciplinary history (including any criminal history) for the firms and individual applicants and the educational and employment background for the individual applicants employed by the dealers and investment advisers.

With respect to firms and individuals already registered, Regulatory Review is able to identify problems that require remedial or regulatory action. Regulatory action can include revocation, suspension or restriction of the right to do business in, to, or from Florida, which also protects consumers.

Applicants must disclose disciplinary events at the time of the initial application and registrants have a duty to report any updated disciplinary matters in a timely fashion. Regulatory Review received more than 20,000 disciplinary updates on registrants in Fiscal Year 2009-2010. All disciplinary updates are carefully reviewed to determine if there are legal grounds to take regulatory action.

Regulatory Review participates in the Central Registration Depository (CRD) and Investment Adviser Registration Depository (IARD) systems, which are national databases of dealers and investment advisers and their associated persons. CRD and IARD are jointly administered by NASAA and FINRA on behalf of OFR and the other state securities regulators. FINRA registers dealers through CRD and the SEC registers its investment adviser registrants through IARD.

#### Trend toward Investment Adviser Business Model

In recent years, firms have been migrating to the investment adviser business model from the broker/dealer model. The firms have done this with the goal of attracting more customers by offering the customers what is portrayed as a more “full service” financial services business.

### Increased Investment Adviser Oversight, effective July 21, 2011

The National Securities Markets Improvement Act of 1996 (NSMIA) provided for federal preemption of state securities law in certain areas. Prior to NSMIA, investment advisers were registered and regulated by both the states' securities regulators and the SEC. NSMIA provided that investment advisers with up to \$25 million in assets under management would be solely registered and regulated by the states and those investment advisers with \$25 million or more assets under management would be solely registered and regulated by the SEC.

In the wake of the collapse of the financial system in 2008 and the growth in the number of investment advisers, on July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) of 2010 was enacted. Dodd-Frank partially restored state regulation in the investment adviser area, so that, effective that date, the states become the sole regulator for investment advisers with up to \$100 million in assets under management doing business in, to or from, their respective states. Investment advisers registered in 15 or more states that manage assets of \$100 million or more may opt to remain registered with the SEC.

This will result in greater demands on the resources of Regulatory Review which will be required to substantively review, and act upon, the additional state registered investment adviser applicants. Securities Regulation will have increased demands upon its resources, because more examinations will have to be conducted. The current estimate, based upon the database of SEC registered investment advisers, is that more than 700 investment advisers will switch to Florida registration from registration with the SEC.

### **Division of Finance**

The Bureau of Finance Regulation (Finance Regulation) regulates individual loan originators, mortgage brokers, mortgage lenders, consumer finance companies, installment and retail sales companies, title lenders and collection agencies, and seeks to protect consumers from illegal financial activities by conducting examinations and complaint investigations.

Finance Regulation works cooperatively with other regulatory agencies in Florida, as well as throughout the country, to assist consumers who may have questions or issues with the financial services industries regulated by the Division of Finance.

The most significant case load for Finance Regulation is in the area of Chapter 494, Florida Statutes, Mortgage Brokerage and Mortgage Lending. Financial Regulation safeguards the private financial interests of the public by examining and regulating licensed mortgage entities and providing education to those in the mortgage industry. The staff assists with educating brokers and lenders regarding requirements to disclose certain loan products and fees charged to the borrowers.

During the 2009 legislative session, Chapter 494, Florida Statutes, was amended to protect consumers from non-licensed individuals and entities conducting loan modifications. Consumer protection is achieved by requiring individuals and companies to be licensed, prohibiting up-front fees, and requiring disclosures to the borrowers regarding the terms and specific details of these products. Other protections were added to the statutory language which: prevent unfair, deceptive, or misleading advertising; creates a guaranty fund so that borrowers who are fraudulently deceived by licensees may recover a portion of their losses; require reporting examinations, complaints, and administrative actions to a nationwide central database to deter unsavory entities from moving from one state to another; order refunds on third-party overcharges; conform the state's conflict of interest provisions to the stricter federal law; and allow the Office to suspend licensees who pose an immediate and serious threat to the public.

The downward trend in the housing market continued in 2010, allowing a favorable climate for mortgage schemes to proliferate. If the current downward economic trend continues into 2011 as expected<sup>5</sup>, these schemes will have the potential to spread with continued increases in foreclosures, declining housing prices, and stricter credit standards for buyers. The individuals involved are perpetuating schemes on the public involving straw buyers, short sales, and foreclosure rescues. Additionally, new schemes continue to surface, which include reverse mortgage fraud, condo conversions where unsuspecting consumers are deceived regarding the units they are purchasing, and advance fee schemes related to loan modifications.

Finance Regulation has focused on priority issues based on their impact on Florida consumers. Current priorities for Fiscal Year 2010-11 are unlicensed and licensed entities conducting loan modifications on behalf of the borrower, and entities conducting fraud in a financial transaction. Finance Regulation's priorities include focusing on loan modifications where there is egregious behavior such as prohibited upfront fees and unlicensed individuals. Upon identification and proper evidence gathering, timely administrative action will be brought against the entities to stop further consumer harm. These actions are achieved by working with federal and state law enforcement agencies focusing on fraud in a financial transaction. This type of fraud examination is complex in nature and requires significant time to complete.

Finance Regulation's resources are significantly impacted by the crisis in the lending markets. During Fiscal Year 2009-2010, Finance Regulation opened up over 3,800 consumer complaints, a 73% increase in the number of complaints opened during the previous fiscal year (2,200). The lending industry turmoil has resulted in 350% more examinations (from 231 in Fiscal Year 2008-09 to 1,043 in Fiscal Year 2009-2010) being opened during the last fiscal year. Further, Finance Regulation will focus more resources on fraudulent transactions identified through the complaint process or other sources. Frequently, OFR receives information from other sources such as the

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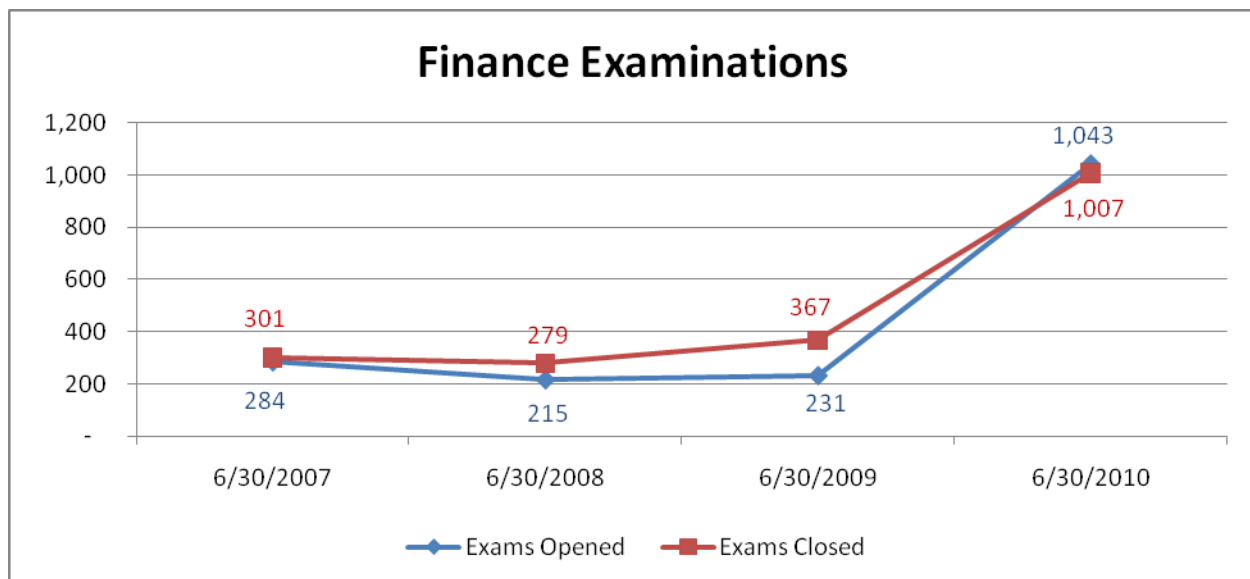
<sup>5</sup> Florida Economic Outlook, Legislative Office of Economic and Demographic Research, July 23, 2010



mortgage fraud task forces established around the state by Florida's Office of Attorney General and other state and federal agencies.

Effective January 1, 2010, the complaint workload increased due to changes to Chapter 494, Florida Statutes, which required companies offering loan modifications to be licensed and regulated. These changes resulted in cases involving advance fee schemes for modifications that are never consummated. Historically, the repercussions from a market downturn will continue long after the market experiences recovery. Finance Regulation anticipates continuing to receive consumer complaints that identify fraudulent activity and abusive lending practices which took place during the lending market downturn.

During Fiscal Year 2009-2010, Finance Regulation saw significant increases over the number of examinations from Fiscal Year 2008-09. The number of examinations opened increased 352% (from 231 to 1,043), while the number of examinations closed increased 174% (from 367 to 1,007). This increase is the result of several factors: new and stronger mortgage brokerage and lending laws which require loan modification companies to be licensed; a sweep of loan modification companies for fraudulent activities; a change in examination philosophy from compliance to enforcement; and development and implementation of examination prioritization guidelines.



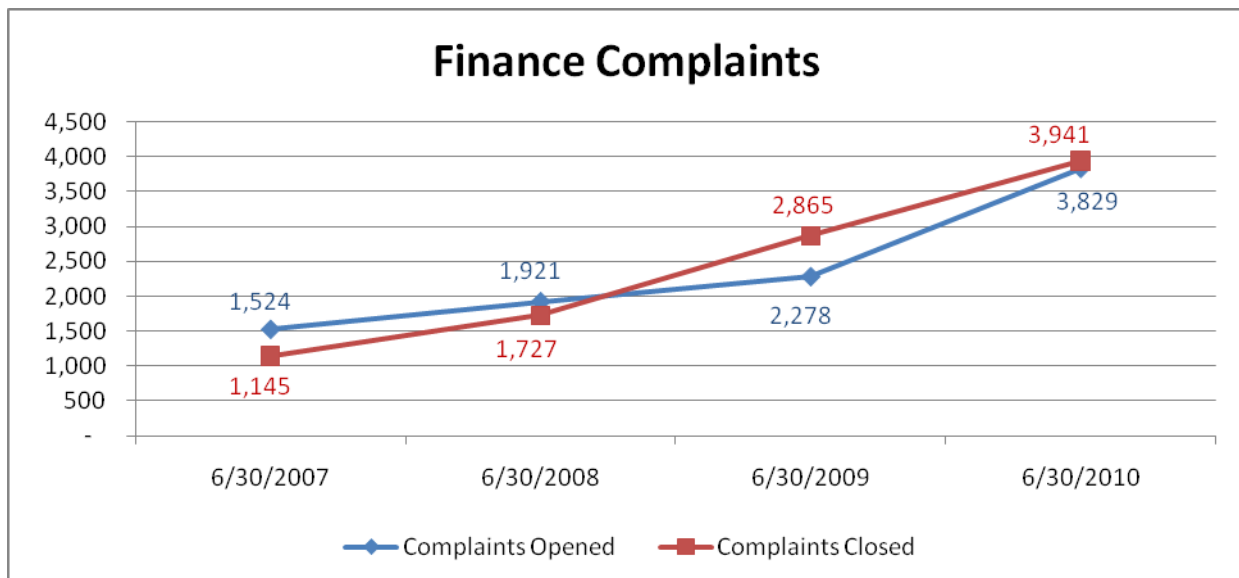
In December 2009, OFR conducted a comprehensive outreach campaign to advise the mortgage lending industry of upcoming changes regarding loan modifications. The new provisions required entities to become licensed or cease conducting loan modifications prior to January 1, 2010. The outreach initiative included direct mailings to current licensees, partnerships with trade organizations to share information with their members, web postings, and working with the Florida Office of Attorney General to identify entities conducting loan modifications. The OFR outreach campaign was critical in reaching a large number of impacted persons throughout Florida, informing the mortgage lending industry and the general public about the new laws. The successful

outreach campaign was evidenced by confirmation that 357 loan modification companies closed prior to on-site arrival of staff. The loan modification sweep resulted in over 580 examinations being conducted. As of August 2010, not all examinations have been completed; however, the sweep resulted in 68 legal referrals, 50 administrative actions and four referrals to the Florida Bar Association. Extensive positive press coverage of OFR's enforcement efforts sent a clear message to the industry that OFR is taking a strong, proactive stand against unlicensed and unlawful activity in loan modifications. With current economic conditions, the weak housing market, and weaknesses in key industries, the Office must initiate prompt corrective actions to monitor and manage these threatening circumstances to meet the threats facing the consumers of Florida.

### Consumer Complaints

Today, the Internet and media sources provide greater access to financial information for consumers, in addition to providing significant potential for fraudulent activities. Consumers file complaints with the Finance Regulation through OFR's website [www.flofr.com](http://www.flofr.com) or in writing. Complaints are processed by a core group of seven staff members who provide assistance to consumers or referrals to appropriate agencies. An initial assessment may require complaints which identify priority issues be referred to regional staff to initiate an examination to stop the abusive practices or where suspected violations may be evident.

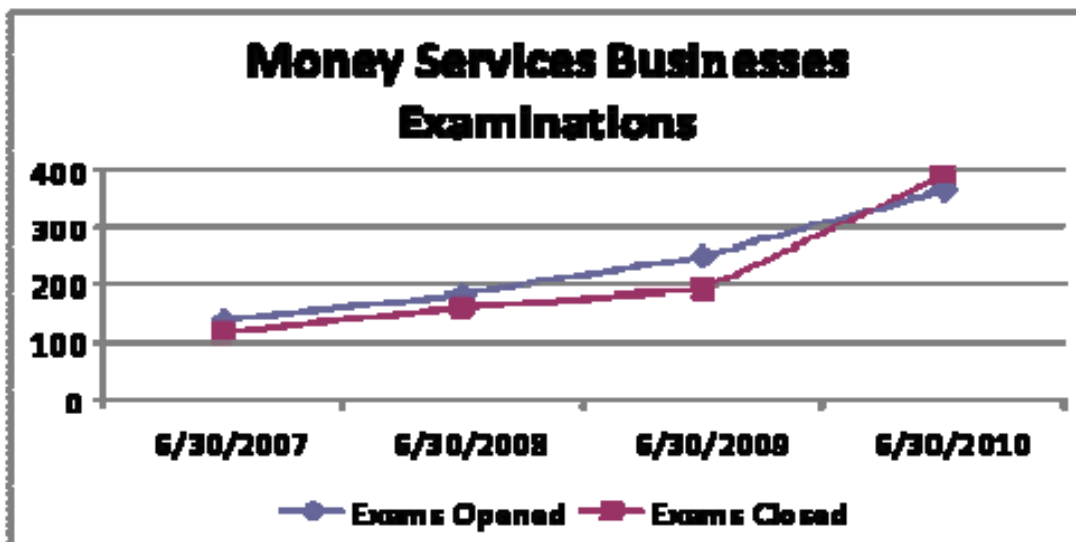
During Fiscal Year 2009-2010, Finance Regulation completed 3,829 complaint reviews, where approximately 85% (or 3,235 complaints) warranted further action. Complaints received by OFR increased 68% from Fiscal Year 2008-09 to Fiscal Year 2009-2010 (2,278 to 3,829) while complaints closed increased 38% (2,865 to 3,941). Approximately 44% of the complaints received were related to the mortgage industry and 36% were related to consumer collection agencies. These percentages are a reflection of the current economic trends with a large number of foreclosures in Florida, as well as large amounts of unpaid debt incurred by consumers.



The Bureau of Money Transmitter Regulation (MTR) regulates money services businesses (MSBs), including check cashers, funds transmitters, payment instrument issuers, foreign currency exchangers and deferred presentment providers (payday lenders). MTR is responsible for the enforcement and administration of Chapter 560, Florida Statutes.

The economic recession has continued to take its toll on the MSB industry in 2010. The number of active licenses dropped from 1,437 on June 30, 2009 to 1,329 on June 30, 2010. This decline represents a reduction of approximately 7.5% from the previous year. As unemployment rises, the overall transaction volume of the MSB industry tends to decline, resulting in higher turnover of licensees. The only segment of the MSB industry that continues to grow is the stored value/electronic payments segment. These businesses have continued to show strong gains in terms of consumer acceptance, but the lagging economy has put pressure on this segment in its efforts to raise adequate capital to meet the needs of development stage businesses. If economic forecasts and capital markets show signs of improvement, the first impact, from a regulatory perspective, will be in the stored value/electronic payments segment. Accordingly, MTR has focused its staff training efforts on developing skills and competencies in these areas in anticipation of an economic recovery.

Chapter 208-177, Laws of Florida, required examinations of every licensee at least once every five years, and since that time MTR has examined 45% of all licensees. The law also requires all new licensees be examined within six months of their approval to conduct business. MSB continues to automate processes and reduce unnecessary production of paper records. These efforts have increased production by 46% from Fiscal Year 2008-09 levels. Going forward, MSB will ensure that previous production gains are maintained while refocusing its attention on high risk and complex examinations, as well as suspected criminal violations.



MTR plans to continue to focus on a risk based examination approach over the next two years. MTR will push to reduce administrative processing time by using technology to efficiently complete field work. The benefits of these initiatives are starting to be fully realized and productivity should continue to rise into Fiscal Year 2010-2011.

Streamlining examination procedures and examination report formats, combined with the enhanced use of technology, has also allowed MTR to begin providing results to industry in a timelier manner. Providing examination results to licensees within 90 days of the onsite examination will improve compliance rates in the industry as a whole.

The Bureau of Regulatory Review - Finance (BRR) is responsible for processing applications for licensure, reviewing amendments and compliance filings for timely and accurate responses, plus overseeing renewal filings. BRR executes these responsibilities for individual mortgage brokers, mortgage brokerage businesses, mortgage lenders and correspondent lenders, consumer finance companies, installment sales and retail sales companies, title lenders and collection agencies, which encompass 26 different licenses. BRR achieved its goal in Fiscal Year 2009-2010 of processing 100% of all application filings within the statutory timeframes mandated in Chapter 120, Florida Statutes (the Administrative Procedures Act). The Fiscal Year 2010-2011 goal is to continue to process all applications within the mandated timeframes 100% of the time.

Since 2008, the passage of the Secure and Fair Enforcement for Mortgage Licensing Act (S.A.F.E. Act), designed to prevent foreclosures, stabilize the declining housing market, reform government sponsored enterprises Fannie Mae and Freddie Mac, and establish minimum national licensing and oversight standards for mortgage brokers and loan originators, has significantly impacted the operations of BRR. The provisions of this Act will eliminate persons with a history of certain criminal activity or specific misconduct relating to loan origination from the mortgage industry and require mortgage brokers, lenders, and loan originators to meet minimum national standards to ensure they are professional, competent and trustworthy. Also, an annual review of all licensees is required to ensure they continue to meet the licensing requirements.

The Legislature passed Chapter 2009-241, Laws of Florida, to implement the federal minimum licensure requirements of the S.A.F.E. Act and require the Office to begin accepting all mortgage-related license filings through the Nationwide Mortgage Licensing System (NMLS) beginning October 1, 2010. The Office is making significant modifications to the REAL System in order to implement NMLS filings by the October 1, 2010 deadline.

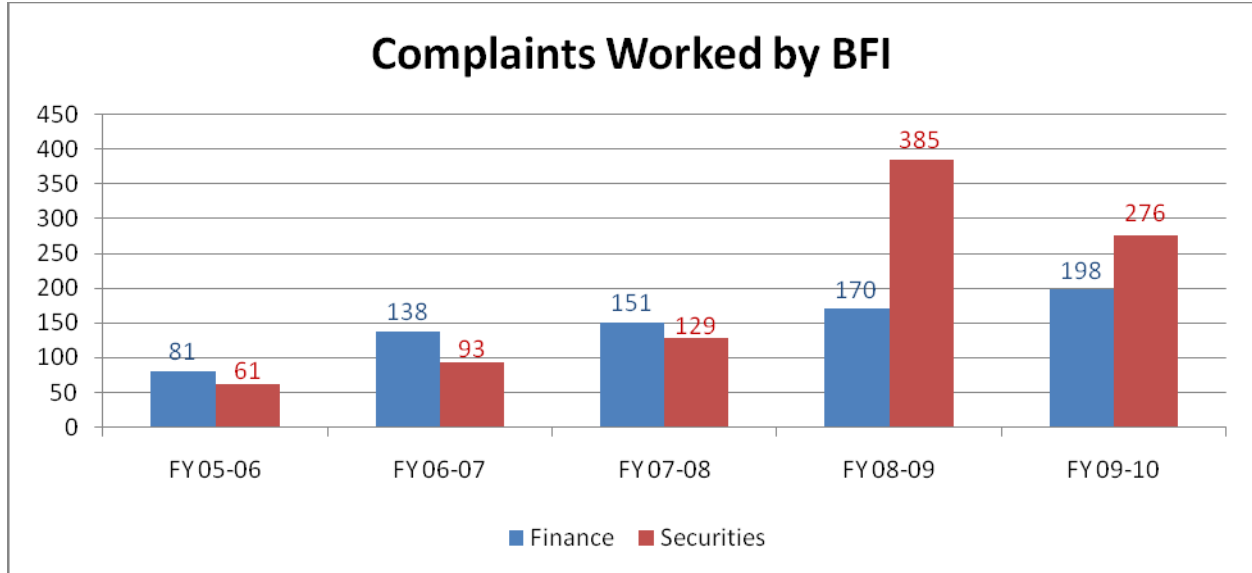
As a result of these significant regulatory changes impacting the mortgage industry, the Office received an increase of approximately 300% in the number of applications received during Fiscal Year 2008-09 from 2,037, to just over 8,400 in Fiscal Year 2009-2010. Additionally, the legislative changes require all existing mortgage licensees to apply for a new license between October 1 and December 31, 2010, in order to continue conducting business after December 31, 2010. If all licensees reapply during

this period, the Office expects to receive over 49,000 applications in the three-month period.

The most significant challenge to reaching the goal of processing all filings within the statutory timeframes for Fiscal Year 2010-2011 is the legislative changes to Chapter 494, Florida Statutes, which requires all mortgage licensees, individual mortgage brokers, businesses and lenders to apply for a new license during the last quarter of 2010. As a result of the five additional staff appropriated during 2009, statutorily increased processing time frames for individual loan originator applications from 90 days to 180 days, as well as initial review of a loan originator application being extended from 30 days to 60 days, BRR should continue to meet its goal of 100% compliance.

### Bureau of Financial Investigations

The Bureau of Financial Investigations (BFI or the Bureau) evaluates and investigates complaints of unlicensed activity and fraud referred by other OFR divisions, regulatory agencies and law enforcement. As the number of consumer complaints and referrals received by OFR from other agencies has increased, so has the volume of complaints handled by BFI. Over the past five fiscal years, the number of finance-related complaints (mostly mortgage-related) has increased by 144%, while the number of securities-related complaints has increased by 352%.



BFI expects to see a continued increase in the number of complaints referred for investigation, especially in the area of securities and investment fraud. Current economic conditions and low investor confidence, coupled with extremely low rates of return on U.S. Treasuries, certificates of deposit, money market accounts and other relatively safe forms of investment, may tempt investors to invest in non-traditional

investment opportunities and investments they do not fully understand, which involve a high degree of risk or may be fraudulent.

The Bureau expects the large mortgage fraud caseload to continue due to the fragile condition of Florida's real estate market. State and federal regulatory agencies, law enforcement agencies and prosecutors continue to focus on the identification and prosecution of mortgage fraud. BFI resources must be dedicated to supporting these investigative and prosecutorial initiatives. The Bureau believes that the tightened credit markets will also result in more fraudulent loan broker and advance fee schemes that will require investigative attention.

# Performance Measures and Standards

## LRPP Exhibit II

**LRPP Exhibit II - Performance Measures and Standards**

Department: Department of Financial Services

Department No.: 43

<b>Service/Budget Entity: Safety and Soundness of State Banking System</b>	Code: 43900530			
<b>Approved Performance Measure for FY 2010-11</b>	<b>Approved Prior Year Standard FY 2009- 2010</b>	<b>Prior Year Actual FY 2009- 2010</b>	<b>Approved Standard for FY 2010-2011</b>	<b>Requested Standard for FY 2011-2012</b>
<i><b>Primary Service Outcome -</b></i> Percentage of applications for new Florida financial institutions that seek state charters	67%	NA	67%	67%
<b>New Measure:</b> <u>Percentage of all applications, except new charter applications, deemed statutorily complete that are processed within 60 days, and within 90 days.</u>	<u>NA</u>	<u>NA</u>	<u>67%/100%</u>	<u>67%/100%</u>
<b>New Measure:</b> <u>Percentage of state financial institutions completing surveys that rate the contribution of the State examination process to promoting safe and sound institutions as 2 or better</u>	<u>NA</u>	<u>NA</u>	<u>85%</u>	<u>85%</u>
<b>Delete Measure:</b> <del>Percentage of domestic and foreign banks and trust companies receiving an examination report within 45 days after the conclusion of their onsite state examination</del>	90%	40%	90%	Delete
<b>Delete Measure:</b> <del>Percentage of credit unions receiving an examination report within 30 days after the conclusion of their onsite state examination</del>	90%	96%	90%	Delete



<b>Delete Measure:</b> Percentage of de novo applications statutorily complete that are processed within a standard number of 90 days	67%	N/A <sup>1</sup>	67%	Delete
Percentage of surveys returned that rate the Division's examination program as satisfactory or above	75%	80%	75%	75%
<b>Delete Measure:</b> Number of domestic financial institutions regulated	300	272	275	Delete
<b>Delete Measure:</b> Number of international financial institutions regulated	35	39	32	Delete

<sup>1</sup> No de novo applications were deemed complete in FY 2009-2010

**LRPP Exhibit II - Performance Measures and Standards**

**Department: Department of Financial Services**

**Department No.: 43**

<b>Service/Budget Entity: Financial Investigations</b>	Code: 43900540			
<b>Approved Performance Measure for FY 2010-11</b>	<b>Approved Prior Year Standard FY 2009-2010</b>	<b>Prior Year Actual FY 2009-2010</b>	<b>Approved Standard for FY 2010-2011</b>	<b>Requested Standard for FY 2011-2012</b>
<b>Primary Service Outcome -</b> <u>Percentage of investigations accepted by prosecutors or OFR Legal Counsel for enforcement investigative case-referrals that result in enforcement action being taken</u>	80%	86%	80%	80%
<b>Delete Measure:</b> <u>Percentage of documented violations that were referred for action</u>	95%	100%	<del>95%</del>	Delete
<b>New Measure:</b> <u>Percentage of priority investigations accepted by prosecutors or OFR Legal Counsel for enforcement action within 12 months of case opening</u>	N/A	<u>60%</u>	<u>60%</u>	<u>60%</u>
<b>Delete Measure:</b> <u>Number of financial investigations closed</u>	300	162	<del>300</del>	Delete

**LRPP Exhibit II - Performance Measures and Standards**

**Department: Department of Financial Services**

**Department No.: 43**

<b>Service/Budget Entity: Financial Investigations</b>	Code: 43900540			
<b>Approved Performance Measure for FY 2010-11</b>	<b>Approved Prior Year Standard FY 2009-2010</b>	<b>Prior Year Actual FY 2009-2010</b>	<b>Approved Standard for FY 2010-2011</b>	<b>Requested Standard for FY 2011-2012</b>
<b>Primary Service Outcome -</b> <u>Percentage of investigations accepted by prosecutors or OFR Legal Counsel for enforcement investigative case-referrals that result in enforcement action being taken</u>	80%	86%	80%	80%
<b>Delete Measure:</b> <u>Percentage of documented violations that were referred for action</u>	95%	100%	<del>95%</del>	Delete
<b>New Measure:</b> <u>Percentage of priority investigations accepted by prosecutors or OFR Legal Counsel for enforcement action within 12 months of case opening</u>	N/A	<u>60%</u>	<u>60%</u>	<u>60%</u>
<b>Delete Measure:</b> <u>Number of financial investigations closed</u>	300	162	<del>300</del>	Delete

**LRPP Exhibit II - Performance Measures and Standards**

**Department: Department of Financial Services**

**Department No.: 43**

<b>Service/Budget Entity: Executive Direction</b>	<b>Code: 43900550</b>			
<b>Approved Performance Measure for FY 2010-11</b>	<b>Approved Prior Year Standard FY 2009-2010</b>	<b>Prior Year Actual FY 2009-2010</b>	<b>Approved Standard for FY 2010-2011</b>	<b>Requested Standard for FY 2011-2012</b>
<b>Primary Service Outcome -</b> Program administrative costs (excluding Office of Legal Services) as a percentage of total program costs	less than 3%	2.9%	less than 3%	less than 3%
Program administration costs (including Office of Legal Services) as a percentage of total program costs	less than 12%	10.0%	less than 12%	less than 12%
Program administration positions (including Office of Legal Services) as a percentage of total program positions.	less than 12%	10.5%	less than 12%	less than 12%
Program administrative positions (excluding Office of Legal Services) as a percentage of total program positions	less than 3%	2.6%	less than 3%	less than 3%

**LRPP Exhibit II - Performance Measures and Standards**

**Department: Department of Financial Services**

**Department No.: 43**

<b>Service/Budget Entity: Finance Regulation</b>	Code: 43900560			
<b>Approved Performance Measure for FY 2010-11</b>	<b>Approved Prior Year Standard FY 2009-2010</b>	<b>Prior Year Actual FY 2009-2010</b>	<b>Approved Standard for FY 2010-2011</b>	<b>Requested Standard for FY 2011-2012</b>
<b>Finance Examinations</b>				
<del><b>Delete Measure: <i>Primary Service Outcome</i></b> – Percentage of examinations of licensees identified through other sources where agency action is taken</del>	80%	60%	80%	Delete
<del><b>Delete Measure:</b> Percentage of consumer complaints resolved by staff and closed within 180 days</del>	80%	79%	80%	Delete
<del><b>Delete Measure:</b> Percentage of consumer complaints which are outside OFR's jurisdiction which are referred to other agencies with 30 days</del>	95%	88%	95%	Delete
<b>New Measure:</b> <u>Average number of days to refer a priority examination to Legal Services</u>	N/A	N/A	43	43
<b>New Measure:</b> <u>Average number of days to conclude a priority examination</u>	N/A	N/A	65	65
<b>New Measure:</b> <u>Total number of consumer complaints that are opened by OFR staff</u>	N/A	N/A	3500	3500
<b>Money Service Businesses Regulation</b>				
<del><b>Delete Measure: <i>Primary Service Outcome</i></b> – Percentage of licensees examined for cause where agency action is taken</del>	75%	100%	75%	Delete

<del><b>Reword Measure:</b> Percentage of statutorily required examinations conducted licensees examined who are targeted for examination due to required five-year cycle during the fiscal year</del>	100%	127%	100%	100%
<del><b>Delete Measure:</b> Percentage of formal actions followed up to determine compliance within 6 months of final order</del>	100%	57%	100%	Delete
<del><b>Delete Measure:</b> Percentage of examinations with suspected criminal violations referred to criminal investigative agencies</del>	100%	100%	100%	Delete
Percentage of check casher/foreign currency exchangers receiving an examination report within 60 days after the conclusion of their onsite examination	75%	78%	75%	75%
Percentage of money transmitters/payment instrument issuers receiving an examination report within 90 days after the conclusion of their onsite examination	90%	38%	90%	90%
<b>Finance Licensing</b>				
<b>Primary Service Outcome -</b> Percentage of license applications processed within Administrative Procedure Act requirements	100%	100%	100%	100%
<del><b>Delete Measure:</b> Percentage of filing requests processed within a designated standard number of days (standard is based on type of filing)</del>	90%	94%	90%	Delete
<del><b>Delete Measure:</b> Number of formal actions taken as a result of licensing substantive review process</del>	125	234	125	Delete

**LRPP Exhibit II - Performance Measures and Standards**

**Department: Department of Financial Services**

**Department No.: 43**

<b>Service/Budget Entity: Securities Regulation</b>	Code: 43900570			
<b>Approved Performance Measure for FY 2010-11</b>	<b>Approved Prior Year Standard FY 2009-2010</b>	<b>Prior Year Actual FY 2009-2010</b>	<b>Approved Standard for FY 2010-2011</b>	<b>Requested Standard for FY 2011-2012</b>
<b>Securities Examinations</b>				
<b>New Measure: <u>Primary Service Outcome</u> - Number of examinations, investigations and enforcement cases resulting in imposition of substantial sanctions</b>	N/A	22	40	50
<b>New Measure: <u>Number of active major enforcement cases</u></b>	N/A	25	35	40
<b>New Measure: <u>Number of complex securities examinations completed</u></b>	N/A	41	55	65
<b>Delete Measure: <u>Primary Service Outcome</u> - Percentage of enforcement examination referrals that result in enforcement action</b>	75%	100%	76%	Delete
<b>Delete Measure: <u>Percentage of risk-based examinations resulting in action</u></b>	30%	30%	31%	Delete
<b>Delete Measure: <u>Number of risk-based and special examinations completed</u></b>	165	250	166	Delete
<b>Delete Measure: <u>Percentage of risk-based and special examinations closed or referred to the Office of Legal Services, or referred to enforcement examination within 180 days</u></b>	75%	65%	76%	Delete
<b>Delete Measure: <u>Percentage of consumer complaints closed or referred to an enforcement examination within 90 days</u></b>	90%	76%	91%	Delete

<b>Delete Measure:</b> Number of enforcement examinations completed	55	88	56	Delete
<b>Securities Licensing</b>				
<b>Delete Measure:</b> <del><i>Primary Service Outcome</i></del> - Percentage of applicants not granted registration in the securities industry in Florida who subsequently are the subject of additional regulatory disclosure	45%	36%	45%	Delete
<b>Delete Measure:</b> Percentage of filing requests processed within a designated standard number of days (standard based on type of filing)	90%	99%	90%	Delete
<b><u>Primary Service Outcome</u></b> - Percentage of license applications processed within Administrative Procedure Act requirements	100%	100%	100%	100%
<b>Delete Measure:</b> Number of actions taken as a result of licensing substantive review process	75	76	76	Delete



# Assessment of Performance for Approved Performance Measures and Standards - LRPP Exhibit III

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Department of Financial Services  
**Program:** Financial Services Commission – Office of Financial Regulation  
**Service/Budget Entity:** 43900530-Safety and Soundness of the State Banking System  
**Measure:** *Primary Service Outcome* - Percentage of applications for new Florida financial institutions that seek state charters

**Action:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input checked="" type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure            |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
67%	N/A	N/A	N/A

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |   |   |
|---|---|
| <input type="checkbox"/> Resources Unavailable                                  | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                               | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                               | <input type="checkbox"/> Other (Identify)       |
| <input checked="" type="checkbox"/> This Program/Service Cannot Fix the Problem |   |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission    |   |

**Explanation:** No new banks were opened in Florida in Fiscal Year 2009-2010. New bank application activity has come to a halt due to the depressed economic conditions in Florida and the United States. Activity is not expected to resume until an economic recovery is underway.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:** Revise language of measure to delete the words “applications for”.

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department: Department of Financial Services**  
**Program: Financial Services Commission – Office of Financial Regulation**  
**Service/Budget Entity: 43900540 Financial Investigations**  
**Measure: Number of Financial Investigations Closed**

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input type="checkbox"/> Revision of Measure            |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
300	162	-138	-46%

**Factors Accounting for the Difference:**

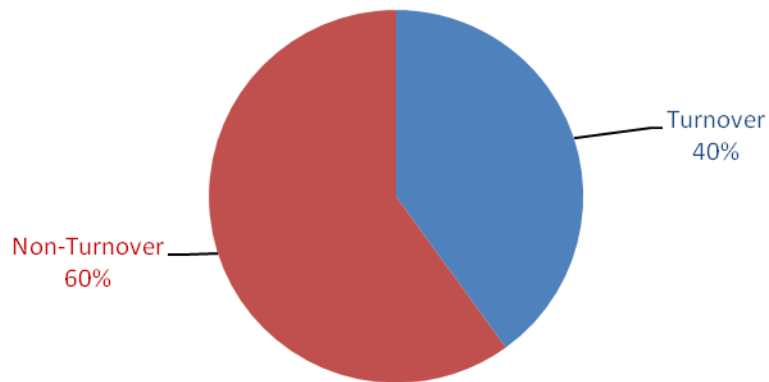
**Internal Factors** (check all that apply):

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Personnel Factors           | <input checked="" type="checkbox"/> Staff Capacity    |
| <input checked="" type="checkbox"/> Competing Priorities        | <input checked="" type="checkbox"/> Level of Training |
| <input checked="" type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify)  |

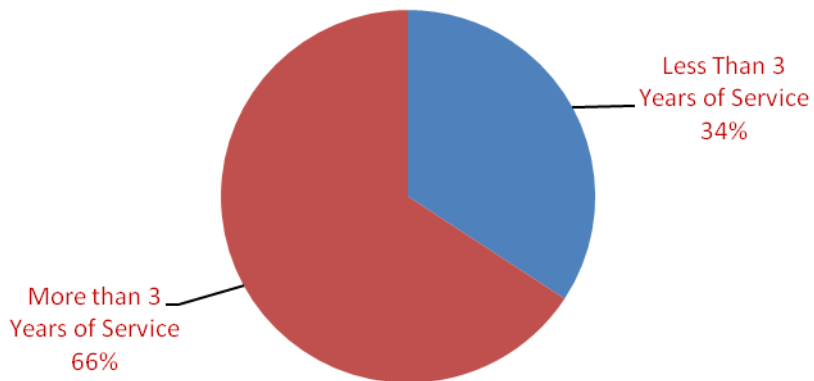
**Explanation:** The previous standard estimate did not adequately account for the following factors which had significant negative impacts on productivity:

- Increasing complexity and scope of the financial investigations conducted.
- Budget cuts - the Bureau has an existing shortfall in Salaries and Benefits funding which has delayed hiring of investigative personnel.
- Investigator turnover - the Bureau experienced a 40% investigator turnover rate during the last three years.
- Inexperienced investigators - 34% of the current staff have been employed by the Bureau for less than three years.

### 3 Year Turnover Rate



### Years of Service



Delays inherent in recruiting, hiring and training new investigators have a significant negative impact on productivity. However, it should be noted that while fewer investigations were closed during Fiscal Year 2009-2010, \$1.9 million was returned to victims as a result of Investigations. The Bureau's efforts assisted prosecutors in obtaining 78 criminal convictions. These convictions resulted in 175 years imprisonment and 336 years probation being imposed. Financial crime investigations and prosecutions are more complex than non-criminal cases, requiring more man hours and resources due to a higher burden of proof.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input checked="" type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** Management examined case priorities and assigned investigative resources based on these priorities. Further, internal efficiency measures and Bureau performance measures were examined and realigned to hold the Bureau more accountable, as well as focus investigator efforts on improving the Bureau's business process efficiency.

Hiring outstanding investigators, new investigator training, as well as continued training for existing staff is a priority for the Bureau.

**Recommendations:**

Continue efforts to recruit, hire and retain the best qualified investigators.

Continue to provide an annual training program for all investigators to make sure they are abreast with the most current laws, rules, criminal activity, and investigative techniques.

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department: Department of Financial Services**  
**Program: Financial Services Commission – Office of Financial Regulation**  
**Service/Budget Entity: 43900560 Finance Regulation**  
**Measure: Percentage of examinations of licensees identified through other sources where agency action is taken**

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
80%	60%	- 20%	-25%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors               | <input type="checkbox"/> Staff Capacity    |
| <input checked="" type="checkbox"/> Competing Priorities | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect     | <input type="checkbox"/> Other (Identify)  |

**Explanation:** The percentage of agency actions based on the examinations fell below the standard because older cases were being reviewed to determine if they met the new case priorities of the agency. An example of non-priority case was where the company had gone out of business or where witnesses could no longer be located. These cases were closed with no action.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input checked="" type="checkbox"/> Target Population Change                 | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission |   |

**Explanation:** The volume of licensed companies and individuals (80,000+) generating large numbers of loans supported the 80% goal in previous years. The industry has since decreased significantly because there is not a large number of lending sources available. Fewer lending sources available meant the companies either went out of business or conducted no business. Because of a smaller population of transactions, fewer violations were identified.

**Management Efforts to Address Differences/Problems** (check all that apply):

Training

Technology

Personnel

Other (Identify)

**Recommendations:**

A new measure reflecting the priorities of the agency have been recommended which will capture the current work being done by staff focusing on the priority issues identified during the examination process.

*Office of Policy and Budget – July 2010*

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department: Department of Financial Services**  
**Program: Financial Services Commission – Office of Financial Regulation**  
**Service/Budget Entity: 43900560 Finance Regulation**  
**Measure: Percentage of consumer complaints resolved by staff and closed within 180 days**

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
80%	79%	- 1%	- 1%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** This variation is deemed insignificant. However, the measure fell below standard due to a review of outstanding complaints prior to the fiscal year end. Complaints that were over 180 days were closed when no additional information could be obtained from the consumer or the company. The agency met the measure for the first three quarters of the fiscal year and then fell below 80% for the fourth quarter.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input checked="" type="checkbox"/> Target Population Change                 | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission |   |

**Explanation:** The target population of licensees has changed dramatically in the last few years from a high of more than 80,000 licensees to half that number currently. With the exodus of large number of licensees, the agency found that many of companies named in the complaints had exited the market and a response could not be obtained.



**Management Efforts to Address Differences/Problems** (check all that apply):

Training

Technology

Personnel

Other (Identify)

**Recommendations:**

The measure is being deleted so that the agency can focus on priority cases so the agency can direct its resources to stop and protect consumers from current and on-going scams.

*Office of Policy and Budget – July 2010*

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Department of Financial Services  
**Program:** Financial Services Commission – Office of Financial Regulation  
**Service/Budget Entity:** 43900560 Finance Regulation  
**Measure:** Percentage of consumer complaints which are outside OFR’s jurisdiction which are referred to other agencies within 30 days

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
95%	88%	-7%	-7%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** An increased number of collection agency complaints regarding unlicensed agencies were received which require significant investigation before a determination of proper jurisdiction can be made.

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission |  |

**Explanation:** The implementation of multiple federal programs to assist consumers in distress over their outstanding debts or assistance to purchase consumer goods such as automobiles has made it more difficult to determine appropriate jurisdiction.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

The measure is being deleted so that the agency can focus on case priorities that have been identified whereby the efforts of the agency can place its resources to stop and protect consumers from current and on-going scams.

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department: Department of Financial Services**  
**Program: Financial Services Commission – Office of Financial Regulation**  
**Service/Budget Entity: 43900560 – Finance Regulation – Money Services**  
**Business Regulation**

**Measure: Percentage of formal actions followed up to determine compliance within 6 months of final order.**

**Action:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
100%	57%	-43%	-43%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors               | <input type="checkbox"/> Staff Capacity    |
| <input checked="" type="checkbox"/> Competing Priorities | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect     | <input type="checkbox"/> Other (Identify)  |

**Explanation:** A total of 95 follow-ups were required during the fiscal year. The MTR bureau was able to complete all but one of these during the fiscal year. Fifty-four follow-ups were completed timely, and 40 of the remaining 41 were completed by fiscal year end. As of July 1, 2010, there was one remaining follow-up which has now been completed.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

While MTR is committed to follow-up on final orders, this measure competes with legislatively established priorities and will be deleted.

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department: Department of Financial Services**  
**Program: Financial Services Commission – Office of Financial Regulation**  
**Service/Budget Entity: 43900560 – Finance Regulation – Money Services**  
**Business Regulation**

**Measure: Percentage of money transmitter/payment instrument issuers receiving an examination report within 90 days after the conclusion of their onsite examination**

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
90%	38%	-52%	-58%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors               | <input type="checkbox"/> Staff Capacity    |
| <input checked="" type="checkbox"/> Competing Priorities | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect     | <input type="checkbox"/> Other (Identify)  |

**Explanation:** Eight examinations of money transmitter/payment instrument issuers were due within the reporting period. Only three of these reports were issued timely. Five of the eight were issued by June 30. Due to complications, as of August, 2010, three remain to be completed.

The examination of money transmitters/payment instrument issuers is far more complex than an examination of a check casher. The process requires a higher level of expertise, nearly a week at the company reviewing records and processes, many hours of analysis, and often hours of travel to out-of-state locations.

Because of the lack of examiners trained to conduct this type of examination, during FY 2009-10 each examination was conducted by at least one of the four members of the bureau’s management team, while training additional staff. Competing priorities for the management team’s time caused a delay in the completion of the examination reports. Moving into FY2010-2011, staff examiners have now been trained to assume the role as examiner-in-charge on these complex examinations. Completion of these assignments will become a routine function of the examiner staff and not be dependent on the Bureau management.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Resources Unavailable                    | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission |   |

**Explanation:** Due to the complexities of money transmitter/payment instrument issuers businesses and records, larger volumes of records were requested for analysis. Waiting for the production of these records caused delays in receipt and analysis.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input checked="" type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

Over the last two years, efforts were made by the Bureau to train additional staff to conduct these examinations. Certain examiners have received on the job training by a manager and attended advanced training in a classroom setting. Now, after investing considerable time and effort with staff, the Bureau is beginning to see the results and anticipates meeting this measure going forward.

*Office of Policy and Budget – July 2010*

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Department of Financial Services  
**Program:** Financial Services Commission – Office of Financial Regulation  
**Service/Budget Entity:** 43900570 Securities Regulation  
**Measure:** Percentage of risk-based and special examinations closed or referred to the Office of Legal Services or referred to enforcement examination within 180 days

**Action:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
75%	65%	-10%	-13%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors               | <input checked="" type="checkbox"/> Staff Capacity   |
| <input checked="" type="checkbox"/> Competing Priorities | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect     | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** The percentage of enforcement examinations completed increased from FY 2008-2009 to FY 2009-2010 because: 1) more enforcement examinations were completed; and 2) many risk-based examinations were converted to enforcement examinations, which were then completed. Division resources were also moved from risk-based examinations to the higher priority, larger, more complex, labor intensive enforcement examinations.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

Management has developed new outcomes that more accurately measure the program's performance.

*Office of Policy and Budget – July 2010*



**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department: Department of Financial Services**  
**Program: Financial Services Commission – Office of Financial Regulation**  
**Service/Budget Entity: 43900570 Securities Regulation**  
**Measure: Percentage of consumer complaints closed or referred to a compliance or enforcement examination within 90 days**

**Action:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
90%	76%	-14%	-15.6%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input checked="" type="checkbox"/> Staff Capacity   |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** The securities industry is very innovative and frequently creates new and complicated products, especially in recent years (e.g. structured products). Complaints received about the securities industry have become increasingly more complex, requiring the Division to expend more time, effort and expertise to evaluate them.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

Management has developed new outcomes that more accurately measure the program's performance.

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Department of Financial Services  
**Program:** Financial Services Commission – Office of Financial Regulation  
**Service/Budget Entity:** 43900570 Securities Regulation  
**Measure:** Percentage of applicants not granted registration in the securities industry in Florida who subsequently are the subject of additional regulatory disclosure

**Action:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
45%	33%	-12%	-26%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input checked="" type="checkbox"/> Target Population Change                 | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission |  |

**Explanation:** Accurate performance assessments from this measure are no longer possible because the data is skewed by many applicants who were not granted registration in Florida that permanently left the securities industry. This primarily resulted from the recent upheaval in the financial markets.

**Management Efforts to Address Differences/Problems** (check all that apply):

Training

Technology

Personnel

Other (Identify)

**Recommendations:**

Management has developed new outcomes that more accurately measure the program's performance.

*Office of Policy and Budget – July 2010*

# Performance Measure Validity and Reliability - LRPP Exhibit IV

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department: Department of Financial Services**

**Program: Financial Services Commission – Office of Financial Regulation**

**Service/Budget Entity: 43900530 Safety & Soundness of State Banking System**

**Measure: Percentage of new Florida financial institutions that seek state charters**

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** Organizers of new financial institutions have the option of being chartered and regulated by the state or federal government. Many factors influence the decision to seek a state or national/federal charter, including the cost of regulation, accessibility of regulators, authorized powers, competitive opportunities, and economic conditions. The value of the state charter can be measured, to an extent, by the percentage of organizers that seek a state charter in lieu of a national charter. The Federal Deposit Insurance Corporation (FDIC) maintains a database of all active and inactive FDIC insured financial institutions (both state and national/federal charters) including domestic banks.

**Validity:** The dual banking system affords financial institutions the option of being chartered and regulated by the state or federal government. For state regulation to have value, it must demonstrate that such regulation is a viable alternative for individuals seeking to organize new financial institutions in Florida. The proportion of organizers seeking state charters rather than national charters is a valid indicator of the value of the state charter. Given unprecedented levels of market concentration and out-of-state control of deposit market share in Florida, new market entry is essential to maintain competitiveness and mitigate potential oligarchic behavior. The measure demonstrates the relative value of the dual banking system in Florida and supports OFR's mission to provide a high quality, cost efficient state regulatory system.

**Reliability:** OFR and the FDIC maintain databases that include information concerning each new bank opened. The databases are updated on a continuous basis. Back-up documentation is maintained by OFR to ensure the data is verifiable. Efforts have been made to assure data is promptly and correctly entered into the Database of General Information (DOGI) system.

*Office of Policy and Budget – July 2010*

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Financial Services Commission – Office of Financial Regulation

**Service/Budget Entity:** 43900530 Safety & Soundness of State Banking System

**Measure:** Percentage of all applications, except new charter applications, deemed statutorily complete that are processed within 60 days, and within 90 days.

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** Under Florida's Administrative Procedures Act (APA) statutory time frames, OFR has 90 days to issue final agency action on most domestic applications, other than new charter applications. The time frame begins when an application is deemed by OFR to be complete with respect to statutory requirements and ends when a final decision is rendered on the application.

The data for this measure is maintained in OFR's Database of General Information (DOGI) and back-up documentation is maintained to validate the information. Only applications for which a decision was rendered during the relevant time frames will be used in the calculation. The measure will be calculated by determining all applications that were acted on (decision) during the relevant time period. The measure will be calculated as follows:

- a. Determine number of days required to process each application (Date of Notice of Intent - Date application deemed complete)
- b.  $\% = (\text{Number of applications processed within standard timeframes}) / (\text{Total number of applications processed})$

OFR has established a standard for domestic application processing (60 days) that is less than the statutory minimum for these types of applications.

**Validity:** The measure is a valid indicator of the amount of time required to process applications and to determine whether OFR has met its statutory requirements. Timely processing of applications also reduces unnecessary regulatory burden on applicants. The measure is an appropriate indicator of how long it takes to issue a final agency action for an application and supports OFR's mission to carry out Florida's banking laws efficiently and effectively.

**Reliability:** All dates and other information needed to calculate these measures are maintained in DOGI. OFR maintains back-up documents to validate entries in the database. Efforts have been made to assure data is promptly and correctly entered into DOGI.

*Office of Policy and Budget – July 2010*

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Financial Services Commission – Office of Financial Regulation

**Service/Budget Entity:** 43900530 Safety & Soundness of State Banking System

**Measure:** Percentage of state financial institutions completing surveys that rate the contribution of the State examination process to promoting safe and sound institutions as 2 or better

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** Data is received from state financial institutions. The Division of Financial Institutions developed an examination survey that is sent to all state financial institutions annually. The survey solicits a variety of comments on the safety and soundness examination process, examination team, and examination report. The survey also elicits a response from financial institutions regarding the contribution of the State examination process in promoting safe and sound institutions.

The measure will be calculated as follows:

- a. Determine the total number of responses to section 4, question 4 of the survey
- b. Sort all responses in ascending order
- c. Determine the number of responses that rated OFR as “2” or better (1= highest, 5 = lowest)
- d.  $\% = (\text{Number of responses that rated OFR as “2” or better}) / (\text{Total number of responses})$

**Validity:** The survey results provide OFR with an objective evaluation of the quality of the product it provides (financial institution regulation) by the customers. This type of measure is broadly used throughout the business industry as a form of quality control.

The measure provides OFR with direct feedback from its customers, the state financial institutions, and is used to evaluate the product provided. Survey results provide OFR with a perspective from the “outside” which can be used to improve the processes.



**Reliability:** All survey information needed to calculate this measure is maintained in Excel spreadsheets. OFR maintains back-up documents to validate entries in the spreadsheets. Efforts have been made to assure data is promptly and correctly entered into an Excel spreadsheet and tabulated.

*Office of Policy and Budget – July 2010*

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department: Department of Financial Services**

**Program: Financial Services Commission – Office of Financial Regulation**

**Service/Budget Entity: 43900530 Safety & Soundness of State Banking System**

**Measure: Percentage of surveys returned that rate the Division's examination program as satisfactory or above**

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** Data is submitted by state financial institutions. OFR has developed an examination questionnaire that is sent to all state financial institutions annually. The questionnaire solicits comments on the safety and soundness examination process, examination team, and examination report. The survey also elicits a response to the exhaustiveness and efficiency of state examinations compared with those conducted by federal regulators. This output will be calculated by averaging all responses to sections 1, 2, and 3 of the questionnaire. These sections relate to the examination process, team and report.

**Validity:** The survey results provide OFR with an objective evaluation of the quality of the product it provides (financial institution regulation) by the customers. This type of measure is broadly used throughout the business industry as a form of quality control. The measure provides OFR with direct feedback from its customers, the state financial institutions, and is used to evaluate the product provided. Survey results provide OFR with a perspective from the “outside” which can be used to improve the processes.

**Reliability:** All survey information needed to calculate this measure is maintained in Excel spreadsheets. OFR maintains back-up documents to validate entries in the spreadsheets. Efforts have been made to assure data is promptly and correctly entered into an Excel spreadsheet and tabulated.

*Office of Policy and Budget – July 2010*

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department: Department of Financial Services**

**Program: Financial Services Commission/Office of Financial Regulation**

**Service/Budget Entity: 43900540 Financial Investigations**

**Measure: Percentage of investigations accepted by prosecutors or OFR Legal Counsel for enforcement that result in action being taken**

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

The Bureau of Financial Investigations (Bureau) tracks all investigative case activity in the Office of Financial Regulation's (Office's) Regulatory Enforcement and Licensing (REAL) System.

When violations of law and/or administrative rules have been documented by evidence, the Bureau seeks legal assistance in taking enforcement action. Administrative cases are presented to OFR Legal Counsel. Criminal cases are frequently presented to the State Attorney's Office, the Office of Statewide Prosecution, and the United States Attorney's Office. Below are the REAL activity codes used to track cases accepted for prosecution:

- Case Accepted by AG
- Case Accepted by Legal
- Case Accepted by SAO
- Case Accepted by USAO
- Case Accepted by OSWP

When an Enforcement Action is taken, the investigator assigned will record the action in REAL. Below are the REAL disposition codes used to track enforcement actions:

- Administrative Action Taken
- Civil Action
- Civil and Administrative Action
- Criminal Action
- Criminal and Civil Action
- Criminal, Civil & Administrative Action
- Criminal and Administrative Action
- Criminal Action - Fugitive

An Investigation is closed when the investigator assigned, and the reviewing authority, deem all matters complete. The investigation is not closed until the final disposition of the administrative, civil or criminal case. REAL is updated and reviewed for completeness. With proper documentation made to the file, the matter is closed.

**Calculation of Outcome Measure:** The percentage of investigative cases accepted for prosecution that result in enforcement action will be determined by dividing 1) the total number of closed cases that result in enforcement action, by 2) the number of closed investigative cases that were accepted for prosecution during the review period.

**Data Source:** The data source is the REAL Enforcement Investigative Module. Access to these modules is restricted primarily to the Bureau of Financial Investigations. Investigators are required to enter data into this database by the Bureau Operational Memorandum on Investigative Standards. There are specific fields in REAL to adequately capture Performance Based Budgeting data.

**Validity:** The acceptance of an investigation for prosecution measures the Bureau's ability to conduct quality financial investigations which identify and sufficiently document fraudulent activity under OFR jurisdiction and the Bureau's support to the prosecution.

This outcome measures the Bureau's ability to efficiently conduct quality financial investigations that are accepted by prosecutors for enforcement action and the Bureau's commitment to assist the prosecutors obtain a successful action.

**Reliability:** Data inconsistencies can occur from input errors. To enhance database accuracy and integrity, Bureau Quality Assurance Guidelines have been established for investigators and managers. Additionally, managers conduct a complete review of active and recently closed investigations on a quarterly and annual basis to validate REAL data and ensure compliance with operational memoranda and established procedures.

Ultimately, the decision to file administrative, civil or criminal action is outside the control of the Bureau and is impacted by the priorities and resources of the prosecutor. Many enforcement actions resulting from investigations conducted by the Bureau are complex and resource intensive. When presenting investigations for potential prosecution, the Bureau is committed to provide continued investigative resources or litigation support as needed.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department: Department of Financial Services**

**Program: Financial Services Commission/Office of Financial Regulation**

**Service/Budget Entity: 43900540 Financial Investigations**

**Measure: Percentage of priority investigations accepted by prosecutors or OFR Legal Counsel for enforcement action within 12 months of case opening**

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** The Bureau of Financial Investigations (Bureau) tracks all investigative case activity in the Office of Financial Regulation's (Office's) Regulatory Enforcement and Licensing (REAL) System.

An investigation is the gathering of pertinent evidence to identify noncompliance or prove/disprove allegations and violations of the law and regulations within the jurisdiction of the Office of Financial Regulation.

The following codes are used to identify investigative cases:

- Licensed Banking Entity
- Licensed Finance
- Registered Securities
- Unlicensed Finance
- Unlicensed Bank Entity
- Unregistered Securities

**Investigation Start Date** – An investigation is commenced when there is information/evidence of possible violations of Florida Statutes or Rules. When it is determined that an investigation is warranted, the case is entered into REAL and assigned to an investigator. At this point, a case priority is assigned. Factors used in making the priority determination include:

- The egregiousness of conduct, including the length of time conduct occurred and whether recidivists were involved.
- Whether the impact or potential impact to Florida Citizens is significant (e.g. due to the large number of victims, high dollar losses, or vulnerability of victims).
- Whether the persons involved in the conduct are licensees or registrants.
- Whether the alleged illegal conduct is on-going
- Whether the subject matter is an OFR/Division priority

The codes established in REAL to the track case priority are 1, 2 or 3 (1 being the highest). An investigation will be deemed a "Priority Case" if the code is a 1 or 2. When violations of law and/or administrative rules have been documented with evidence, the Bureau seeks legal assistance in taking enforcement action. Administrative cases are presented to OFR Legal Counsel. Criminal cases are frequently presented to the State Attorney's Offices, the Office of Statewide Prosecution, and the United States Attorney's Office. Once an investigative case is accepted for enforcement, bureau investigators provide full investigative support as needed. Below are the REAL activity codes used to track cases accepted for prosecution:

- Case Accepted by AG
- Case Accepted by Legal
- Case Accepted by SAO
- Case Accepted by USAO
- Case Accepted by OSWP

The Bureau uses the REAL codes 1) Entered Date and 2) Activity Date to determine the number of months from case opening to case acceptance for prosecution.

**Calculation of Outcome Measure:** The percentage of priority investigations accepted by prosecutor or OFR Legal Counsel for enforcement action within 12 months of case opening will be calculated by: 1) the number of priority investigations accepted by prosecutors or OFR Legal Counsel for enforcement within 12 months, divided by 2) the total number of priority investigations accepted by prosecutors or OFR Legal Counsel for enforcement during the review period.

**Data Source:** The data source is the REAL Enforcement Investigative Module. Access to these modules is restricted primarily to the Bureau of Financial Investigations. Investigators are required to enter data into these databases by the Bureau Operational Memorandum on Investigative Standards. There are specific fields in REAL to adequately capture Performance Based Budgeting data.

**Validity:** The acceptance of an investigation for prosecution measures the Bureau's ability to conduct quality investigations which identifies and sufficiently documents fraudulent activity under OFR jurisdiction. Once an investigative case is accepted for enforcement, investigators provide full investigative support as needed, to facilitate a successful prosecution and enforcement result.

This outcome measures the Bureau's ability to conduct quality financial investigations, and have the investigation accepted for enforcement in a timely manner.

**Reliability:** Data inconsistencies can occur from input errors. To enhance database accuracy and integrity, Bureau Quality Assurance Guidelines have been established for investigators and managers. Additionally, managers conduct a complete review of active and recently closed investigations on a quarterly and annual basis to validate REAL data and ensure compliance with operational memoranda and established procedures.

*Office of Policy and Budget – July, 2010*

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department: Department of Financial Services**

**Program: Financial Services Commission – Office of Financial Regulation**

**Service/Budget Entity: 43900560 Finance Regulation**

**Measure: Average number of days to refer a priority examination to Legal Services**

**Action:**

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** The data for this measure is maintained in OFR's REAL (Regulatory, Enforcement, and Licensing) System. This measure will assess the average number of days elapsed from the date the priority examination case was opened to the date the priority examination is referred to Legal Services for an administrative action. First, the examinations that are considered priority will be identified which were referred for the relevant period. Second, the "disposition date" of the examination will be used as the date for the referral of the examination to Legal Services. Third, the date "opened" will be used as the date the examination is started. The difference (disposition date minus opened) is the processing or examination number of days until it was referred. The number of examinations and the number of days will then be averaged to determine the measure.

**Validity:** This measure will address OFR's efficiency in timely handling a priority examination from start of the examination process to the referral for administrative action. A priority examination is based on an issue that is identified by the Agency as a priority. Priorities are set due to the scope of OFR's enforcement jurisdiction in the financial arena and limited resources. The Office has determined that it will focus its resources on enforcement matters that will have the greatest overall impact in protecting Florida's citizens. An example of an OFR priority is companies performing loan modifications without a current license which is required to conduct business. These unlicensed companies are frequently requiring upfront fees from homeowners in distressed properties with promises of reduced payments, lower interest rates, or reductions in the mortgage loan balances. These companies frequently make either token or no efforts to fulfill their promises to the consumers, thus causing additional harm to consumers who are already in dire straits. A timely administrative action can result in a cease and desist order issued to the company, administrative fines, refund of upfront fees or the handing over of files to a licensed entity.



**Reliability:** All dates and other information required to determine this measure is maintained in the REAL system. This system data is backed up on a pre-determined basis so that this data will be available in event of system failure. Efforts are made to assure data is promptly and correctly entered into REAL.

*Office of Policy and Budget – July 2010*

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Financial Services Commission – Office of Financial Regulation

**Service/Budget Entity:** 43900560 Finance Regulation

**Measure:** Average number of days to conclude a priority examination

**Action:**

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** The data for this measure is maintained in OFR's REAL (Regulatory, Enforcement, and Licensing) system. This measure will assess the average number of days elapsed from the date the priority examination case was opened to the date the priority examination was closed. First, the examinations that are considered priority will be identified which are closed in the relevant period. Second, the "date closed" of the examination will be used as the date for the conclusion of the examination when no additional staff resources will be expended on the case. Third, the date "opened" will be used as the date the examination is started. The difference (date closed minus opened) is the processing or examination number of days. The number of examinations and the number of days will then be averaged to determine the measure.

**Validity:** This measure will address OFR's efficiency in timely handling a priority examination from start of the examination process to the conclusion. A priority examination is based on an issue that is identified by the Agency as a priority. Priorities are set due to the scope of OFR's enforcement jurisdiction in the financial arena and limited resources. The Office has determined that it will focus its resources on enforcement matters that will have the greatest overall impact in protecting Florida's citizens. An example of an OFR priority is companies performing loan modifications without a current required license. These unlicensed companies are frequently requiring upfront fees from homeowners in distressed properties with promises of reduced payments, interest rates, or reductions in the mortgage loan balances. These companies frequently make either token or no efforts to fulfill their promises to the consumers, thus causing additional harm to consumers who are already in dire straits.

**Reliability:** All dates and other information required to determine this measure is maintained in the REAL system. The system data is backed up on a pre-determined basis so that this data will be available in event of system failure. Efforts are made to assure date is promptly and correctly entered into REAL.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Financial Services Commission – Office of Financial Regulation

**Service/Budget Entity:** 43900560 Finance Regulation

**Measure:** Total number of consumer complaints that are opened by OFR staff

**Action:**

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** The data for this measure is maintained in OFR's REAL (Regulatory, Enforcement, and Licensing) system. OFR will identify all consumer complaints entered into REAL which have been received for the fiscal year. The dates will be drawn from the date field labeled "Received."

**Validity:** The Office strives to protect consumers from financial fraud. Complaints can be the first notice to the Office that financial fraud has been committed or is ongoing. Complaints will serve as potential indicators of existing or new schemes that may be developing in the financial markets.

**Reliability:** All dates and other information required to determine this measure is maintained in the REAL system. This system is backed up on a pre-determined basis so that this data will be available in event of system failure. Efforts are made to assure data is promptly and correctly entered into REAL.

*Office of Policy and Budget – July 2010*

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department: Department of Financial Services**

**Program: Financial Services Commission – Office of Financial Regulation**

**Service/Budget Entity: 43900560 Finance Regulation – Money Transmitter Regulation**

**Measure: Percentage of statutorily required examinations conducted**

**Action:**

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** This measure is directly related to achieving the statutory mandate to examine all licensees at least once every five (5) years. The percentage will be calculated as the number of examinations conducted during the fiscal year compared to the number of examinations required to be conducted each year in order to remain compliant with the statutorily mandated five (5) year examination cycle.

For purposes of this measure the term conducted shall mean that the Office has initiated its onsite review of the licensee. The inclusion of any examination will be determined based on its documentation in the REAL system. Each examination record in the system will be measured by the start date of the “field work” activity. The start date will be the date the examiner commences the onsite portion of the examination. This should generally match the date contained on the entrance letter unless the file is documented in a work note moving the starting date for the examination. The numerator for this measure shall be the number of examinations conducted during the fiscal year. The denominator will be the number of examinations required to be conducted in order to remain in compliance with the statutorily mandated examination cycle. This number will be calculated using the number of active licenses, by license type, on July 1<sup>st</sup> of each year and dividing this number by five (5). The number will then be calculated by lapsing the result incrementally by 10% annually for the five (5) year period for Part III licenses, and 4% for Part II licenses.

**Validity:** This measure will directly track to the program's ability to meet its new statutory obligation. The Office will be able to assess productivity and program resources needs each year and respond accordingly to changes in industry trends and conditions. The industry regulated by Chapter 560, Florida Statutes has had historically high turnover with upwards of 10-15% of the licensees not renewing the licenses on an annual basis. Given the high turnover however the overall number of licensees has continued to increase based on even higher number of license applications. This measure will assist the Office in managing the ever changing environment by allowing the Office to measure progress towards meeting the statutory requirements.

**Reliability:** Data will be captured and reported quarterly using the REAL system. Each examiner is responsible for documenting the date that field work commenced by entering an activity "field work". Each quarter a report of the activity "field work" will be pulled and totaled based on the start date of the "field work".

*Office of Policy and Budget – July 2010*

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Financial Services Commission – Office of Financial Regulation

**Service/Budget Entity:** 43900560 Finance Regulation – Money Transmitter Regulation

**Measure:** Percentage of check casher/foreign currency exchangers receiving an examination report within 60 days after the conclusion of their onsite examination.

**Action:**

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** Each examination of a check casher or foreign currency exchanger licensee will be completed in a timely manner. This measure will determine the number of days between the last day of field work on the examination and the date the final examination report issued. The dates used will be the closed date of the “Field Work” activity and the closed date of the “Report Submitted/Issued” activity. This measure will only include examinations that are coded as routine. Examinations conducted “for cause” which may result in protracted legal or criminal proceedings will not be included in this measure. For purposes of this measure the determination of whether an examination is “routine” or “for cause” may not be made until field work has commenced.

**Validity:** This measure will determine the efficiency of the examination process in completing all work assigned in a timely manner. Providing the licensees with timely feedback will contribute to the long term compliance rates of the industry as a whole. The sooner the licensee receives the examination findings the sooner the licensee can implement the necessary policy and procedural changes to put the entity back into compliance.

**Reliability:** Data will be captured and reported both quarterly and at year-end. The number will be computed based on the data captured by the Case Activity report in the REAL System. The report will be generated for the activity “Report Submitted/Issued” for the appropriate time period. The data will be limited to check casher or foreign currency exchanger companies where the examination is conducted as a routine examination.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Financial Services Commission – Office of Financial Regulation

**Service/Budget Entity:** 43900560 Finance Regulation – Money Transmitter Regulation

**Measure:** Percentage of money transmitter/payment instrument issuers receiving an examination report within 90 days after the conclusion of their onsite examination.

**Action:**

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** Each examination of a money transmitter or payment instrument issuer licensee will be completed in a timely manner. This measure will determine the number of days between the last day of field work on the examination and the date the final examination report issued. The date will be the closed date of the “Field Work” activity and the closed date of the “Report Submitted/Issued” activity. This measure will only include examinations that are coded as routine. Examinations conducted “for cause” which may result in protracted legal or criminal proceedings will not be included in this measure. For purposes of this measure the determination of whether an examination is “routine” or “for cause” may not be made until field work has commenced.

**Validity:** This measure will determine the efficiency of the examination process in completing all work assigned in a timely manner. Providing the licensees with timely feedback will contribute to the long term compliance rates of the industry as a whole. The sooner the licensee receives the examination findings, the sooner the licensee can implement the necessary policy and procedural changes to put the entity back into compliance.

**Reliability:** Data will be captured and reported quarterly and at year-end. The number will be computed based on the data captured by the Case Activity report in the REAL System. The report will be generated for the activity “Report Submitted/Issued” for the appropriate time period. The data will be limited to money transmitter or payment instrument issuer examinations where the examination is conducted as a routine examination.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Financial Services Commission – Office of Financial Regulation

**Service/Budget Entity:** 43900560 Finance Regulation – Regulatory Review

**Measure:** Percentage of license applications processed within Administrative Procedures Act requirements

**Action:**

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** This measure reflects the percentage of applications where the Office processed applications for licensure within the timeframes required by the Administrative Procedures Act (APA, Section 120.60, Florida Statutes. The APA requires state agencies that process applications for licensure to notify applicants of any deficiencies in the application within 30 days of receipt of the application. If the agency has complied with this requirement and the applicant does not complete the application within the time frame prescribed in the deficiency letter, the agency may technically deny the application for failure to complete the application. In the event the agency does not issue a deficiency letter within the 30 days, the agency cannot technically deny the application and must consider the application complete upon receipt. Furthermore, the APA requires that the agency approve or deny any application within 90 days of completion of the application. The percentage will be computed by dividing the total number of applications processed within the APA guidelines during the year by the total number of applications processed during the year.

**Validity:** This measure helps to ensure the timely processing of all applications and compliance with state law. This furthers the agency's mission to support the industries regulated and consumers by providing a timely service to these entities and individuals.

**Reliability:** Data will be captured and reported quarterly. The Division tracks applications in the REAL System.

*Office of Policy and Budget – July 2010*



## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department: Department of Financial Services**

**Program: Financial Services Commission – Office of Financial Regulation**

**Service/Budget Entity: 43900570 Securities Regulation**

**Measure: The number of examinations, investigations and enforcement cases resulting in the imposition of substantial sanctions**

**Action (check one):**

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

This measure will report the number of examinations, investigations and enforcement cases resulting in the imposition of substantial sanctions.

A substantial sanction for a dealer is some combination of: 1) a fine or civil penalty of \$50,000 or more; 2) restitution to investors of \$50,000 or more; 3) Revocation, bar, denial or suspension of registration/license; or 4) civil or criminal remedies.

A substantial sanction for an investment adviser is: 1) a fine or civil penalty of \$25,000 or more; 2) restitution to investors of \$50,000 or more; 3) revocation, bar, denial or suspension of registration/license; or 4) civil or criminal remedies.

A substantial sanction for an individual is: 1) a fine or civil penalty of \$20,000 or more; 2) restitution to investors of \$20,000 or more; 3) revocation, bar, denial or suspension of registration/license; or 4) civil or criminal remedies.

### **Validity:**

The Division has determined that it will focus its resources on enforcement matters that will have the greatest overall impact in protecting Florida's citizens. Therefore, the Division is choosing to focus on cases that will result in substantial sanctions or substantial recovery of investor funds. This prioritization will enable the Division to better utilize the time and talents of designated staff to accomplish the agency's mission of carrying out the securities laws of the state effectively and to provide regulation of business that promotes the sound growth and development of Florida's economy.

**Reliability:**

Information will be retrieved from the agency's Registration Enforcement and Licensing (REAL) system using the Standard Query Language (SQL) Server Reporting Services (Report Manager). The agency will utilize the Report Manager to extract the data for each quarter and fiscal year end. These reports will be updated each quarter to reflect any entries made into REAL for prior periods. At the end of the fiscal year, all affected areas of the agency will make final entries to REAL. REAL is the primary source for the capturing, computing and reporting of the performance measures.

*Office of Policy and Budget – July 2010*

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services  
**Program:** Financial Services Commission – Office of Financial Regulation  
**Service/Budget Entity:** 43900570 Securities Regulation  
**Measure:** The number of active major enforcement cases

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

This measure will report on the number of active, major enforcement cases. Major cases must contain one or more of the following: a) the egregiousness of conduct or impact to Florida residents was significant. Examples of significant egregious conduct might include cases with more than 25 victims; losses greater than \$50,000; conduct that continued for longer than 3 months or conduct that hurt particularly vulnerable victims; b) the alleged illegal conduct involved recidivists; or c) the alleged illegal conduct was systemic and/or on-going. Systemic conduct could be manifested by such things as unlawful conduct throughout a firm or an industry-wide practice.

Major cases are designated in REAL with a Priority Code of “1”.

### **Validity:**

The Division has determined that it will focus its resources on cases that will have the greatest overall impact in protecting Florida’s citizens. Therefore the Division will pursue cases involving egregious conduct that impacts significant numbers of investors, vulnerable investors, targets recidivists, or addresses a systemic or ongoing sales practice abuse. The focus on working active major cases will help to insure that the Division routinely completes examinations and investigations that result in substantial sanctions or return of funds to victims.

**Reliability:** Information will be retrieved from the agency’s Registration Enforcement and Licensing (REAL) system using the Standard Query Language (SQL) Server Reporting Services (Report Manager). The agency will utilize the Report Manager to extract the data for each quarter and fiscal year end. These reports will be updated each quarter to reflect any entries made into REAL for prior periods. At the end of the fiscal year, all affected areas of the agency will make final entries to REAL. REAL is the primary source for the capturing, computing and reporting of the performance measures.

*Office of Policy and Budget – July 2010*

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department: Department of Financial Services**

**Program: Financial Services Commission – Office of Financial Regulation**

**Service/Budget Entity: 43900570 Securities Regulation**

**Measure: The number of complex securities examinations completed**

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

This number will report the number of complex examinations completed. Complex examinations involve potential violations of the securities laws and regulations relating to supervision, fraud, sales practices or sales of unregistered, non-exempt securities.

Sales practices for dealers include, but are not limited to, selling away, unapproved outside business activity, unauthorized trading, improper advertising, excessive trading, and unsuitable recommendations.

Sales practices for investment advisers include, but are not limited to, improper performance reporting, excessive fee deductions, custody violations, unsuitable recommendations, and improper advertising.

Complex examinations are risk-based and enforcement examinations in which at least 60 hours have been logged and involve the following issue codes in the agency's REAL system: 1035 – 1035 Exchange, AML – Anti Money Laundering, BRKP – Breakpoints, CCMP – Customer Complaints, CPUB – Communications with the Public, CONF – Conflicts of Interest, CUST – Investment Advisory Custody, EXTR – Excessive Trading, FMAN – Fraud Manipulation, FMAP – Fraud Misappropriation, FMAR – Fraud Markups, FMRP – Fraud Misrepresentation, FOMS – Fraud Omission, IARS – IA/IA Agent Risk Score, OBA – Outside Business Activity, RBEX – Risk Based Targeting Exam, SAWY – Selling Away, SUIT - Suitability, SUPR - Supervision, SWTC – Improper Switching, UNAT – Unauthorized Trades, USEC – Unregistered Security.

### **Validity:**

Complex examinations and investigations typically involve fraud or sales practice abuses. The Division believes resources should be focused on these types of cases.

**Reliability:**

Information will be retrieved from the agency's Registration Enforcement and Licensing (REAL) system using the Standard Query Language (SQL) Server Reporting Services (Report Manager). The agency will utilize the Report Manager to extract the data for each quarter and fiscal year end. These reports will be updated each quarter to reflect any entries made into REAL for prior periods. At the end of the fiscal year, all affected areas of the agency will make final entries to REAL. REAL is the primary source for the capturing, computing and reporting of the performance measures.

*Office of Policy and Budget – July 2010*

# Associated Activities Contributing to Performance Measures - LRPP Exhibit V

**LRPP Exhibit V: Identification of Associated Activity Contributing to  
Performance Measures  
43900530 Safety and Soundness**

Measure Number	Approved Performance Measures for FY 2010-11 (Words)		Associated Activities Title
1	Percentage of new Florida financial institutions that seek state charters		Examine and enforce laws regarding banks, trusts and credit unions to ensure safety and soundness
2	Percentage of all applications, except new charter applications, deemed statutorily complete that are processed within 60 days, and within 90 days.		Examine and enforce laws regarding banks, trusts and credit unions to ensure safety and soundness
3	Percentage of state financial institutions completing surveys that rate the contribution of the State examination process to promoting safe and sound institutions as 2 or better		Examine and enforce laws regarding banks, trusts and credit unions to ensure safety and soundness
4	Percentage of surveys returned that rate the Division's examination program as satisfactory or above		Examine and enforce laws regarding banks, trusts and credit unions to ensure safety and soundness

*Office of Policy and Budget – July 2010*

**LRPP Exhibit V: Identification of Associated Activity Contributing to  
Performance Measures  
43900540 Financial Investigations**

Measure Number	Approved Performance Measures for FY 2010-11 (Words)		Associated Activities Title
1	Percentage of investigations accepted by prosecutors or OFR Legal Counsel for enforcement that result in action being taken		Conduct financial investigations into allegations of fraudulent activity.
2	Percentage of priority investigations accepted by prosecutors or OFR Legal Counsel for enforcement action within 12 months of case opening.		Conduct financial investigations into allegations of fraudulent activity.



**LRPP Exhibit V: Identification of Associated Activity Contributing to  
Performance Measures  
43900560 Finance Regulation**

Measure Number	Approved Performance Measures for FY 2010-11 (Words)	Associated Activities Title
1	Average number of days to refer a priority examination to Legal Services	Regulate enforcement activities of non-depository Firms, Branches and Individuals to ensure Regulatory Compliance
2	Average number of days to conclude a priority examination.	Regulate enforcement activities of non-depository Firms, Branches and Individuals to ensure Regulatory Compliance
3	Total number of consumer complaints opened by OFR staff.	Regulate enforcement activities of non-depository Firms, Branches and Individuals to ensure Regulatory Compliance
4	Percentage of statutorily required examinations conducted.	Regulate money services businesses including money transmitter, check cashing, foreign currency exchange, payment instrument issuers, and deferred presentment firms, branches and individual locations
5	Percentage of check casher/foreign currency exchangers receiving an examination report within 60 days after the conclusion of their onsite examination	Regulate money services businesses including check casher and foreign currency exchange firms, branches and individual locations
6	Percentage of money transmitters/payment instrument issuers receiving an examination report within 90 days after the conclusion of their onsite examination	Regulate money services businesses including payment instrument issuer and money transmitter firms, branches and individual locations
7	Percentage of license applications processed within Administrative Procedure Act requirements	Regulate Non-depository Firms, Branches and Individuals to ensure Regulatory Compliance

**LRPP Exhibit V: Identification of Associated Activity Contributing to  
Performance Measures  
43900570 Securities Regulation**

Measure Number	Approved Performance Measures for FY 2010-11 (Words)		Associated Activities Title
1	The number of examinations, investigations and enforcement cases resulting in the imposition of substantial sanctions		Regulate Securities Firms, Branches and Individuals, and review appropriateness of securities offerings to ensure regulatory compliance
2	The number of active, major enforcement cases		Regulate Securities Firms, Branches and Individuals, and review appropriateness of securities offerings to ensure regulatory compliance
3	The number of complex securities examinations completed.		Regulate Securities Firms, Branches and Individuals, and review appropriateness of securities offerings to ensure regulatory compliance
4	Percentage of license applications processed within Administrative Procedure Act requirements		Regulate Securities Firms, Branches and Individuals, and review appropriateness of securities offerings to ensure regulatory compliance

## **Glossary of Terms and Acronyms**

AARMR – American Association of Residential Mortgage Regulators – a non-profit association of state regulators of mortgage lenders and mortgage brokers. This organization, in conjunction with the Conference of State Bank Supervisors (CSBS), owns and manages the Nationwide Mortgage Licensing System (NMLS)

Activity – a set of transactions within a budget entity that translates inputs into outputs using resources in response to a business requirement. Sequences of activities in logical combinations form services. Unit cost information is determined using the outputs of activities

AFM – Area Financial Manager

AML – Anti-money laundering

APA – Administrative Procedures Act, Chapter 120, Florida Statutes

Baseline data – indicators of a state agency’s current performance level, pursuant to guidelines established by the Executive Office of the Governor in consultation with legislative appropriations and appropriate substantive committees

BFI – Bureau of Financial Investigations, a criminal justice agency housed within the Office of Financial Regulation

BR – Board Resolution of a financial institution

BRR – Bureau of Regulatory Review-Finance

BSA – Bank Secrecy Act

Budget entity – a unit or function at the lowest level to which funds are specifically appropriated in the appropriations act. “Budget entity” and “service” have the same meaning

C&D – Cease and Desist Order – formal enforcement order issued after notice and opportunity for hearing, requiring a person to terminate unlawful practices

CFE – Certified Fraud Examiner – designation given by the Association of Certified Fraud Examiners which denotes proven expertise in fraud prevention, detection and deterrence

CFPB – Consumer Financial Protection Bureau established under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010

CFTC – Commodities Futures Trading Commission

Check casher – a person who receives compensation for exchanging currency for payment instruments

CFO – Chief Financial Officer

CL – Commitment Letter

COS – Chief of Staff of the Office of Financial Regulation

CRD – Central Registration Depository – computerized database that provides information on securities dealers, sales representatives, and supervisory personnel. This national database is compiled from application forms, exchange-developed tests, reported enforcement actions, and related information. The Financial Industry Regulatory Authority (FINRA) owns the CRD system and its facilities, operating them on behalf of state and federal regulators and other users

CSBS – Conference of State Bank Supervisors – national organization of state banking regulators. This organization, in conjunction with the American Association of Residential Mortgage Regulators (AARMR), owns and manages the Nationwide Mortgage Licensing System (NMLS)

Consumer finance company – company that loans to consumers in an amount less than \$25,000 with maximum interest rates between 18% and 30% per annum

Correspondent mortgage lender – company permitted to broker and make mortgage loans, and service loans for others for a limited time period. They are authorized to originate mortgage loans and close loans in their name, and may broker mortgage loans to other lenders

Consumer collection agency – company that collects or attempts to collect consumer debts, which are owed or due to another person. They may also collect third party commercial debts as long as less than one-half of the collection revenue is from the collection of commercial claims

Commercial collection agency – company that collects or solicits collections on commercial claims owed or due to another person

De novo bank – a newly chartered bank

DFI – Division of Financial Institutions within the Office of Financial Regulation

DFS – Department of Financial Services – provides administrative and information systems support to the Office of Financial Regulation

Dodd-Frank Act – Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010

DOGI – Division of Financial Institutions' Database of General Information

DOR – Document of Resolution

DPP – Deferred Presentment Provider – an entity that engages in deferred presentment transactions (commonly referred to as payday loans) and is registered under Part II or Part III of the Money Transmitter Code and has filed a declaration of intent with the Office

EOG – Executive Office of the Governor

Estimated Expenditures – includes the amount estimated to be expended during the current fiscal year. These amounts will be computer generated based on the current year appropriations adjusted for vetoes and special appropriations bills

FAC – Florida Administrative Code

FDIC – Federal Deposit Insurance Corporation – independent deposit insurance agency created by Congress in 1933 to maintain stability and public confidence in the nation's banking system.

FHFA – Federal Housing Finance Agency

FINRA – Financial Industry Regulatory Authority, formerly known as the National Association of Securities Dealers (NASD) – a Self Regulatory Organization (SRO) of broker/dealers. All securities firms, stockbrokers, and registered representatives doing business with the American public must register with FINRA

F.S. – Florida Statutes

FSAIF – Florida Seniors Against Investment Fraud – made possible in part from a grant by the Investment Protection Trust. This is a statewide outreach program, developed by Seniors vs. Crime and the Florida Office of Financial Regulation, created to help Florida's seniors avoid becoming the victims of financial fraud. The program's primary goals are to educate Florida seniors over the age of 50 about investment fraud and to help Florida seniors avoid being victimized

FSC – Financial Services Commission – composed of the Governor, the Attorney General, the Chief Financial Officer, and the Commissioner of Agriculture

FTC – Federal Trade Commission

FTE – Full Time Equivalent

FY – Fiscal Year

GAA – General Appropriations Act

GAO – Government Accounting Office

GDP – Gross Domestic Product – all goods and services produced or exchanged

GR – General Revenue Fund

HOPE NOW Alliance – an alliance of housing counselors, mortgage servicers, investors, and other mortgage market participants to maximize outreach to efforts to at-risk homeowners and help them stay in their homes

HUD – Federal Department of Housing and Urban Development

IARD – Investment Adviser Registration Depository – computerized database which provides information on investment adviser firms, investment adviser representatives, and supervisory personnel. This national database is owned by the FINRA and its facilities are operated on behalf of state and federal regulators and other users

IG – Inspector General

Indicator – a single quantitative or qualitative statement that reports information about the nature of a condition, entity or activity. This term is used commonly as a synonym for the word “measure”

Information technology resources – includes data processing-related hardware, software, services, telecommunications, supplies, personnel, facility resources, maintenance, and training

Input – see Performance measure

Investment advisers – individuals who give advice about securities including stocks, bonds, mutual funds, and annuities. They may use a variety of titles including investment manager, investment counsel, asset manager, wealth manager, and portfolio manager. They provide ongoing management of investments based on the client’s objectives, typically with the client giving discretionary authority to make decisions without having to get prior approval for each transaction. Generally, an investment adviser’s compensation is considered to be a “fee”

IPT – Investor Protection Trust – a nonprofit organization devoted to investor education. Its primary mission is to provide independent, objective information

needed by consumers to make informed investment decisions and serves as an independent source of non-commercial investor education materials

## IT – Information Technology

LBC – Legislative Budget Commission – a standing joint committee of the Legislature. The Commission was created to: review and approve/disapprove agency requests to amend original approved budgets; review agency spending plans; and take other actions related to the fiscal matters of the state, as authorized in statute. It is composed of 14 members appointed by the President of the Senate and by the Speaker of the House of Representatives to two-year terms, running from the organization of one Legislature to the organization of the next Legislature

LBR – Legislative Budget Request – a request to the Legislature, filed pursuant to section 216.023, Florida Statutes, or supplemental detailed requests filed with the Legislature, for the amounts of money an agency or branch of government believes will be needed to perform the functions that it is authorized, or which it is requesting authorization by law, to perform

Loan modification – a permanent change in one or more of the mortgagor's loan terms

Loan originator – an individual who, directly or indirectly, solicits or offers to solicit a mortgage loan, accepts or offers to accept an application for a mortgage loan, negotiates or offers to negotiate the terms or conditions of a new or existing mortgage loan on behalf of a borrower or lender, processes a mortgage loan application, or negotiates or offers to negotiate the sale of an existing mortgage loan to a non-institutional investor for compensation or gain

Loan servicing – the collection for an investor of periodic payments of principal, interest, taxes and insurance in accordance with the terms of a note or mortgage

LUA – Letter of Understanding and Agreement



LRPP – Long-Range Program Plan – a plan developed on an annual basis by each state agency that is policy-based, priority-driven, accountable, and developed through careful examination and justification of all programs and their associated costs. Each plan is developed by examining the needs of agency customers and clients and proposing programs and associated costs to address those needs based on state priorities as established by law, the agency mission, and legislative authorization. The plan provides the framework and context for preparing the legislative budget request and includes performance indicators for evaluating the impact of programs and agency performance

Money transmitter – a person who sends funds, either by wire, facsimile, electronic transfer, courier or other means

Mortgage broker – a person conducting loan originator activities through one or more licensed loan originators employed by the mortgage broker or as independent contractors to the mortgage broker

Mortgage brokerage business – a company that arranges mortgage loans for a borrower, accepts loan applications, and negotiates terms and conditions of a mortgage loan on behalf of a lender on real estate located in Florida. A mortgage broker business may only use licensed mortgage brokers to solicit or negotiate loans on its behalf

Mortgage lender – a company that brokers, makes, and services loans for others on Florida real estate. They function similarly to a correspondent mortgage lender, however, they may sell loans to non-institutional investors and service loans indefinitely for consumers

MOU – Memorandum of Understanding

MSB – money services business – any person located or doing business in the State who acts as a payment instrument seller, foreign currency exchanger, check casher or money transmitter

Narrative – justification for each service and activity is required at the program component detail level. Explanation, in many instances, will be required to provide a full understanding of how the dollar requirements were computed

NASAA – North American Securities Administrators Association

NASCUS – National Association of Credit Union Supervisors

NASD – National Association of Securities Dealers – now known as the Financial Industry Regulatory Association (FINRA)

NCUA – National Credit Union Association

NMLS – Nationwide Mortgage Licensing System – national mortgage licensing system being developed by the Conference of State Bank Supervisors (CSBS) and American Association of Residential Mortgage Regulators (AARMR). Use of the system is required under federal law and is intended to provide uniform license applications and reporting requirements for State licensed loan originators; provide a comprehensive licensing and supervisory database; improve the flow of information to and between regulators; provide increased accountability and tracking of loan originators; enhance consumer protection; and support anti-fraud measures

Non-recurring – expenditure or revenue which is not expected to be needed or available after the current fiscal year

NSMIA – National Securities Market Improvement Act of 1996

OCC – Office of the Comptroller of the Currency

OCO – Operating Capital Outlay

OIR – Office of Insurance Regulation

OFR – Office of Financial Regulation

OPB – Office of Policy and Budget, Executive Office of the Governor

OPS – Other Personal Services

OTS – Office of Thrift Supervision

Outcome – see Performance measure

Output – see Performance measure

Outsourcing – describes situations where the state retains responsibility for the service, but contracts outside of state government for its delivery. Outsourcing includes everything from contracting for minor administration tasks to contracting for major portions of activities or services which support the agency mission

Payment instrument seller – a company qualified to do business in this state that sells or issues checks, drafts, warrants, money orders, traveler’s checks, electronic instruments, other instruments, payment of money of monetary value whether or not negotiable

Payday lenders – common name for companies registered as Deferred Presentment Providers under Part IV of Chapter 560, Florida Statutes

PBPB/PB2 – Performance-Based Program Budgeting

Performance measure – a quantitative or qualitative indicator used to assess state agency performance

- Input means the quantities of resources used to produce goods or services and the demand for those goods and services
- Outcome means an indicator of the actual impact or public benefit of a service
- Output means the actual service or product delivered by a state agency

Policy area – is a grouping of related activities to meet the needs of customers or clients which reflects major statewide priorities. Policy areas summarize data at a statewide level by using the first two digits of the ten-digit LAS/PBS program component code. Data collection will sum across state agencies when using this statewide code

Privatization – occurs when the state relinquishes its responsibility or maintains some partnership type of role in the delivery of an activity or service

Program – a set of activities undertaken in accordance with a plan of action organized to realize identifiable goals based on legislative authorization (a program can consist of single or multiple services). For purposes of budget development, programs are identified in the General Appropriations Act by a title that begins with the word “Program.” In some instances a program consists of several services, and in other cases the program has no services delineated within it; the service is the program in these cases. The LAS/PBS code is used for purposes of both program identification and service identification. “Service” is a “budget entity” for purposes of the LRPP

Program component – an aggregation of generally related objectives which, because of their special character, related workload and interrelated output, can logically be considered an entity for purposes of organization, management, accounting, reporting, and budgeting

REAL System – Regulatory Enforcement and Licensing System – a comprehensive system which provides OFR with an integrated financial regulatory management system by combining core processes for fiscal, licensing, investigations, examination, legal and complaint functions – initial funding for the project was granted in Fiscal Year 2006-07 and the System was completed in January 2009 on time and within budget

Reliability – the extent to which the measuring procedure yields the same results on repeated trials and data are complete and sufficiently error free for the intended use

ROAC – Regional Office Administrative Coordinator

SAFE Mortgage Licensing Act – Secure and Fair Enforcement in Mortgage Licensing Act of 2008 – major federal housing reform legislation (Public Law 110-289) designed to prevent foreclosures, stabilize the declining housing market, and reform the government-sponsored enterprises Fannie Mae and Freddie Mac

SEC – Securities and Exchange Commission

Service – see Budget Entity

Standard – the level of performance of an outcome or output

SWOT – Strengths, Weaknesses, Opportunities and Threats

TCS – Trends and Conditions Statement

TF – Trust Fund

TRW – Technology Review Workgroup

Unit cost – the average total cost of producing a single unit of output – goods and services for a specific agency activity

USA PATRIOT Act – Uniting and Strengthening America by Providing Appropriate Tools Required to Interrupt and Obstruct Terrorism Act

Validity – the appropriateness of the measuring instrument in relation to the purpose for which it is being used

WA – Written Agreement

FINANCIAL SERVICES, DEPARTMENT OF		FISCAL YEAR 2009-10	
SECTION I: BUDGET		OPERATING	FIXED CAPITAL OUTLAY
TOTAL ALL FUNDS GENERAL APPROPRIATIONS ACT			272,327,583
ADJUSTMENTS TO GENERAL APPROPRIATIONS ACT (Supplementals, Vetoes, Budget Amendments, etc.)			34,356,094
FINAL BUDGET FOR AGENCY			306,683,677
SECTION II: ACTIVITIES * MEASURES		Number of Units	(1) Unit Cost
		(2) Expenditures (Allocated)	(3) FCO
Executive Direction, Administrative Support and Information Technology (2)			0
Provide Analysis On Securities Held For Deposit And Qualified Public Depositories * Number of analyses performed on the financial condition of qualified public depositories and custodians, and securities held for regulatory collateral deposit.		10,445	39.87
Process Transactions, Account Changes And Audit Functions * Number of account actions taken on regulatory collateral deposit accounts.		60,924	18.23
Investment Of Public Funds * Dollar Volume of Funds Invested		18,000,000,000	0.00
Provide Cash Management Services * Number of cash management consultation services.		30	38,119.70
Receive Funds, Process Payment Of Warrants And Provide Account And Reconciliation Services * Number of financial management/accounting transactions processed and reports produced.		16,063,288	0.12
Administer The State Supplemental Deferred Compensation Plan * Number of participant account actions processed by the state deferred compensation office.		1,739,091	0.60
Accounting And Reporting Of State Funds * State Accounts Managed in the Florida Accounting Information Resource System.		35,704	117.38
Migrate Current Accounts Payable Procedures To Electronic Commerce * Payments issued electronically to settle claims against the state.		25,749,140	0.04
Conduct Pre-audits Of Selected Accounts Payable * Agency payment requests are pre-audited and posted in a timely manner such that payments are issued in less than the 10 day statutory time limit.		580,133	5.69
Conduct Post-audits Of Major State Programs * Number of contract/grant reviews and post-audits of contract/grant disbursements completed to determine compliance with statutory and contractual requirements.		9	180,563.78
Process State Employees Payroll * Payroll payments issued.		3,465,003	0.67
Conduct Post-audits Of Payroll * Post-audits completed of state agencies payroll payments to determine compliance with statutes.		11	15,550.82
Conduct Fiscal Integrity Investigations * Fiscal integrity investigations completed to investigate allegations or suspicions of fraud, waste or abuse.		23	37,203.87
Collect Unclaimed Property * Accounts reported by holders of unclaimed property.		1,373,363	1.86
Process And Payment Of Unclaimed Property * Payments processed for claims of unclaimed property.		292,864	8.83
License The Fire Protection Industry * Number of entity requests for licenses, permits and certificates processed within statutorily mandated time frames.		11,216	44.30
Perform Fire Safety Inspections * Number of inspections of fire code compliance completed.		17,280	236.78
Review Construction Plans For Fire Code Compliance * Number of construction plans reviewed.		784	698.71
Perform Boiler Inspections * Number of boiler inspections completed by department inspectors.		3,845	147.88
Investigate Fires Accidental, Arson And Other * Total number of closed fire investigations involving economic or physical loss.		4,243	3,361.59
Provide State, Local And Business Professional Training And Education * Number of classroom contact hours provided by the Florida State Fire College.		197,444	23.23
Provide State, Local And Business Professional Standards, Testing And Statutory Compliance * Number of examinations administered.		8,383	270.27
Provide Forensic Laboratory Services * Number of evidence items and photographic images processed		13,488	87.95
Fire Incident Reporting * Number of total incidents reported to the Florida Fire Incident Reporting System.		2,270,407	0.21
Provide Adjusting Services On State Workers' Compensation Claims * Number of workers' compensation claims worked.		23,603	179.32
Provide Adjusting Services On State Liability Claims * Number of liability claims worked.		5,203	604.40
Process Property Claims On State Owned Buildings (structure And Contents) * Number of state property loss/damage claims worked.		75	7,803.09
Provide Risk Services Training And Consultation * Risk services training and consultation as measured by the number of training units (1 unit = 8 hours) provided and consultation contacts made.		39,662	12.20
Rehabilitate And/Or Liquidate Financially Impaired Insurance Companies * Number of insurance companies in receivership during the year.		48	20,467.25
Review Applications For Licensure (qualifications) * Number of applications for licensure processed.		101,320	35.99
Administer Examinations And Issue Licenses * Number of examinations administered and licenses authorized.		92,751	38.21
Administer The Appointment Process From Employers And Insurers * Number of appointment actions processed.		1,692,345	0.48
Administration Of Education Requirements (pre Licensing And Continuing Education) * Number of applicants and licensees required to comply with education requirements.		179,509	2.47
Investigate Agents And Agencies * Number of agent and agency investigations completed.		3,492	1,973.13
Investigate Insurance Fraud (general) * Number of insurance fraud investigations completed (not including workers' compensation).		10,121	1,556.06
Investigate Workers' Compensation Insurance Fraud * Number of workers' compensation insurance fraud investigations completed (not including general fraud investigations).		1,805	2,749.21
Respond To Consumer Request For Assistance * Number of consumer requests and informational inquiries handled.		52,706	98.39
Provide Consumer Education Activities * Number of consumer educational materials created and distributed.		392,976	2.22
Answer Consumer Telephone Calls * Number of telephone calls answered through the consumer helpline.		240,703	21.48
Examine And Regulate Licensees In The Funeral & Cemetery Business (chapter 497) To Ensure Regulatory Compliance * Number of examinations and inspections completed		1,632	1,345.58
Monitor And Audit Workers' Compensation Insurers To Ensure Benefit Payments * Number of claims reviewed annually.		85,301	59.02
Verify That Employers Comply With Workers' Compensation Laws * Number of employer investigations conducted.		33,235	429.52
Facilitate The Informal Resolution Of Disputes With Injured Workers, Employers And Insurance Carriers * Number of injured workers that obtained one or more benefits due to intervention by the Employee Assistance Office.		1,414	3,757.96
Provide Reimbursement For Workers' Compensation Claims Paid By Insurance Carriers On Employees Hired With Preexisting Conditions * Number of reimbursement requests (SDF-2) audited.		2,624	507.97
Collection Of Assessments From Workers' Compensation Insurance Providers * Amount of assessment dollars collected.		143,918,439	0.01
Occupation Injury And Illness Survey * Number of injuries and illnesses and incidence rates of injuries/illnesses.		8,752	65.06
Data Collection, Dissemination, And Archival * Number of records successfully entered into the division's databases.		5,407,005	0.84
Reimbursement Disputes * Number of petitions for reimbursement dispute resolution resolved annually		2,474	652.02
Approve And License Entities To Conduct Insurance Business. * Number of applications processed.		145	6,485.88
Conduct And Direct Market Conduct Examinations. * Number of examinations and investigations completed for licensed companies and unlicensed entities		1,246	2,641.72
Conduct Financial Reviews And Examinations. * Number of financial reviews and examinations completed.		9,239	1,867.92
Review And Approve Rate And Form Filings. * Number of rate and forms review completed.		17,567	460.40
Examine And Regulate Financial Services Companies To Ensure Regulatory Compliance. * Examinations of non-depository financial service companies to determine compliance with regulations.		1,007	11,813.05
Evaluate And Process Applications For Licensure As A Financial Services Entity. * Applications processed or evaluated for licensure or registration as a non-depository financial services entity.		46,723	75.30
Examine And Enforce Laws Regarding Banks, Trusts, And Credit Unions To Ensure Safety And Soundness. * Number of domestic financial institutions examined to ensure safety and soundness.		269	45,075.96
Examine And Enforce Laws Regarding International Financial Institutions To Ensure Safety And Soundness. * Number of international financial institutions examined to ensure safety and soundness.		25	33,774.76
Conduct Financial Investigations Into Allegations Of Fraudulent Activity. * Number of financial investigations into allegations of fraudulent activity.		162	35,042.34
Examine And Regulate Money Services Businesses To Ensure Regulatory Compliance * Examinations of money services businesses conducted to determine compliance with regulations.		388	7,392.02
Examine And Regulate Securities Firms, Branches To Ensure Regulatory Compliance. * Conducted examinations and investigations, handle complaints related to securities firms, branch offices, and their employees.		310	19,131.20
Evaluate And Process Applications For Registration As A Securities Firm, Branch, And/Or Individual. * Substantively review and act upon securities applications for registration of firms, branch offices associated person and securities offerings.		59,450	41.72
TOTAL			220,865,782
SECTION III: RECONCILIATION TO BUDGET			
PASS THROUGHS			
TRANSFER - STATE AGENCIES			
AID TO LOCAL GOVERNMENTS			
PAYMENT OF PENSIONS, BENEFITS AND CLAIMS			
OTHER			58,944,153
REVERSIONS			26,873,787
TOTAL BUDGET FOR AGENCY (Total Activities + Pass Throughs + Reversions) - Should equal Section I above. (4)			306,683,722

### SCHEDULE XI/EXHIBIT VI: AGENCY-LEVEL UNIT COST SUMMARY

(1) Some activity unit costs may be overstated due to the allocation of double budgeted items.  
(2) Expenditures associated with Executive Direction, Administrative Support and Information Technology have been allocated based on FTE. Other allocation methodologies could result in significantly different unit costs per activity.  
(3) Information for FCO depicts amounts for current year appropriations only. Additional information and systems are needed to develop meaningful FCO unit costs.  
(4) Final Budget for Agency and Total Budget for Agency may not equal due to rounding.

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ACTIVITY ISSUE CODES SELECTED:

TRANSFER-STATE AGENCIES ACTIVITY ISSUE CODES SELECTED:

1-8:

AID TO LOCAL GOVERNMENTS ACTIVITY ISSUE CODES SELECTED:

1-8:

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THE FOLLOWING STATEWIDE ACTIVITIES (ACT0010 THROUGH ACT0490) HAVE AN OUTPUT STANDARD (RECORD TYPE 5) AND SHOULD NOT:

\*\*\* NO ACTIVITIES FOUND \*\*\*

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THE FCO ACTIVITY (ACT0210) CONTAINS EXPENDITURES IN AN OPERATING CATEGORY AND SHOULD NOT:  
(NOTE: THIS ACTIVITY IS ROLLED INTO EXECUTIVE DIRECTION, ADMINISTRATIVE SUPPORT AND INFORMATION TECHNOLOGY)

\*\*\* NO OPERATING CATEGORIES FOUND \*\*\*

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THE FOLLOWING ACTIVITIES DO NOT HAVE AN OUTPUT STANDARD (RECORD TYPE 5) AND ARE REPORTED AS 'OTHER' IN SECTION III: (NOTE: 'OTHER' ACTIVITIES ARE NOT 'TRANSFER-STATE AGENCY' ACTIVITIES OR 'AID TO LOCAL GOVERNMENTS' ACTIVITIES. ALL ACTIVITIES WITH AN OUTPUT STANDARD (RECORD TYPE 5) SHOULD BE REPORTED IN SECTION II.)

\*\*\* NO ACTIVITIES FOUND \*\*\*

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TOTALS FROM SECTION I AND SECTIONS II + III:

\*\*\* NO DISCREPANCIES FOUND \*\*\*

43010200	1602000000	ACT1020	HOLOCAUST VICTIMS ASSISTANCE	284,536
43010400	1602000000	ACT1040	INSURANCE CONSUMER ADVOCATE	885,138
43010500	1603000000	ACT1050	INFORMATION TECHNOLOGY - FLAIR	11,674,267
43200100	1601000000	ACT2010	PASS THROUGH FROM PRISON INDUSTRY	667,487
43200100	1601000000	ACT2020	CAPITAL COLLATERAL REGISTRY	1,388,032
43200100	1601000000	ACT2180	FLAIR AND CMS REPLACEMENT PROJECT	5,257,838
43200100	1601000000	ACT2190	ARTICLE V - CLERK OF THE COURTS	336,700
43400100	1601000000	ACT4150	PURCHASE OF EXCESS INSURANCE	13,986,348
43500400	1205000000	ACT5490	TRANSFER TO FLORIDA CATASTROPHIC	975,000
43600100	1102020000	ACT6010	TRANSFER TO 1ST DISTRICT COURT OF	4,468,027
43900110	1204000000	ACT9150	HURRICANE RATE/RISK MODEL	588,639

43200100	1601000000	ACT9200	AMERICAN RECOVERY AND REINVESTMENT	752,527
43200100	1601000000	ACT9230	WRONGFUL INCARCERATION COMPENSATION	179,167
43200100	1601000000	ACT9240	TRANSFERS FROM GENERAL REVENUE	17,500,000
43500400	1205000000	ACT9250	DEEPWATER HORIZON OIL SPILL	447

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TOTALS FROM SECTION I AND SECTIONS II + III:

DEPARTMENT: 43	EXPENDITURES	FCO
FINAL BUDGET FOR AGENCY (SECTION I):	306,683,677	
TOTAL BUDGET FOR AGENCY (SECTION III):	306,683,722	
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DIFFERENCE:	45-	
(MAY NOT EQUAL DUE TO ROUNDING)	=====	=====