



## OFFICE OF INSURANCE REGULATION

FINANCIAL SERVICES  
COMMISSION

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COMMISSIONER

September 30, 2013

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Tallahassee, Florida 32399-1300

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Senate Budget Committee  
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 2014-15 through Fiscal Year 2018-2019. The internet website address that provides the link to the LRPP located on the Florida Fiscal Portal is [www.floir.com](http://www.floir.com). 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,

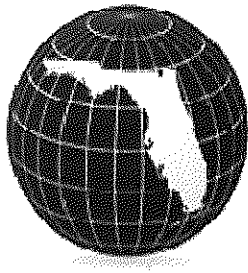
Audrey S. Brown  
Chief of Staff



**FINANCIAL SERVICES COMMISSION**  
**OFFICE OF INSURANCE REGULATION**

**Long-Range Program Plan**  
**Fiscal Years 2014-15 through 2018-19**  
**September 2013**

***Kevin M. McCarty***  
***Commissioner***



# FLORIDA OFFICE OF INSURANCE REGULATION

## **MISSION, VISION, 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**

- 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.
- 2) Protect the public from illegal, unethical insurance practices.
- 3) Monitor the solvency of licensed insurance companies to address financial issues as early as reasonably possible to prevent unnecessary harm to consumers.
- 4) Expand and retain companies doing business in Florida and provide transparency of insurance related data.

## **AGENCY GOALS**

The Florida Office of Insurance Regulation (Office) has established the following goals as priorities. The paragraphs immediately following each goal describe the trends and conditions that identify Office priorities. 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 the Property & Casualty Product Review Unit (PCPR) and the Life and Health Product Review Unit (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 (F.S.) 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 2012-2013, the PCPR unit processed 9,367 form and rate filings in an average of 60 days. The LHPR unit processed 5,664 filings in an average of 25 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 June of 2012, the Office held a one-day industry conference called "Successful Strategies for Business Development." The Office briefed nearly 300 on-site participants, as well as over 850 participants online about new legislation and current topics in the marketplace. The conference also provided a forum to demonstrate how companies can improve the quality of rate and form filings to facilitate more timely reviews and approvals.

### **Significant Legislation – Life and Health**

#### **2013 Senate Bill 166 – Annuities**

The bill amends Section 627.4554, F.S., to incorporate into Florida law the most current version of the National Association of Insurance Commissioners (NAIC) model regulation on annuity protections (the 2010 NAIC Model), while maintaining most of the provisions adopted by Florida in 2008 and 2010. The 2010 NAIC Model, which has been enacted by 19 states, including California and New York, provides annuity protections for consumers of any age; insurer review of every annuity transaction; and clarifies that insurers are responsible

for compliance with annuity protection provisions, even when they contract with third parties.

**2013 House Bill 223 - Repeal of Health Insurance Provisions**

Authorizes posting of specified types of insurance policies and endorsements on the insurer's Internet website in lieu of mailing or delivering to the insured if the insurer complies with certain conditions.

**2013 House Bill 383 - Interstate Insurance Product Regulation Compact**

Creates the Interstate Insurance Product Regulation Compact and provides the responsibilities, venue, powers, organization, membership, voting, and bylaws of the commission. Designates the Insurance Commissioner as the representative of a member state and allows the Commissioner to designate a person to represent the State on the commission. Provides for management structure, committees, officers, and personnel for the commission. Provides rules and operating procedures, rulemaking functions, requirements and authorizes the Department of Financial Services to adopt rules. Requires the Office to prepare and submit a report by a certain date to the Legislature on the effect of the compact on consumer protections.

**2013 Senate Bill 648 - Health Insurance Marketing Materials**

Removes the requirement that small group policy carriers file disclosure forms and marketing materials with the Office; however, the insurer must retain records of signed disclosures. While the submission of marketing materials would no longer be required, the Office will have the authority to conduct market conduct reviews and/or investigations that will verify compliance with this section. Removes the requirement that long-term care advertising materials be filed with the Office for prior approval before being used. Long-term care carriers can begin using the materials as soon as they are filed with the Office.

**2013 House Bill 1157 - Health Flex Plans**

Amends Section 408.909, F.S., by revising the expiration date to extend the availability of health flex plans to low-income uninsured state residents.

**2013 Senate Bill 1159 - Health Care Facilities (Cancer drug parity)**

Requires that individual or group insurance policies and health maintenance contracts that provide coverage for cancer treatment medications provide coverage for orally administered cancer treatment medications on a basis no less favorable than that required by policy or contract for intravenously administered or injected cancer treatment medications. Also prohibits insurers and health maintenance organizations from engaging in specified actions to avoid compliance with this act.

**2013 Senate Bill 1842 - Health Insurance**

Describes the duties and responsibilities of the Office as defined in the Collaborative Arrangement with the Department of Health and Human Services, regarding the implementation and administration of the Patient Protection and Affordable Care Act (PPACA) in Florida. Provides that non-grandfathered major medical health plans for the individual and small group markets are not subject to rate review or approval by the Office for plan years 2014 and 2015. However,

insurers must still file rates and rate changes with the Office for informational purposes. Requires carriers to notify the Office by September 1, 2013 and policyholders upon renewal or first issuance after January 1, 2014 of the premium impacts resulting from PPACA. Provides that if, in the individual or small group market, a policy form covers both grandfathered and non-grandfathered health plans, the carrier may only non-renew coverage for non-grandfathered health plans. Provides that carriers are no longer required to renew a conversion policy if the person could be covered by Medicare or if other similar benefits are provided for or are available to the person under state or federal law. Carriers must provide a nonrenewal notice in writing to the policyholder at least 90 days before the policy renewal date. Amends Florida's Employee Health Care Access Act to include separate definitions of "small employer" for grandfathered and non-grandfathered health plans. A small employer carrier is not permitted to use gender as a rating factor for a non-grandfathered health plan.

### **Significant Legislation – Property and Casualty**

#### **2013 House Bill 341 – Uninsured Motorist Insurance Coverage**

- ⤴ Signed form by policyholder rejecting stacked coverage presumes election made "on behalf of all insured's".

#### **2013 Senate Bill 468 – Property and Casualty Insurance Rates and Fees**

- ⤴ Expands the kinds of commercial lines risks exempt from product rate filing and review by the Office, to include:
  - medical malpractice for a facility that is not a hospital, nursing home, or assisted living facility (examples of such facilities to which the exemption will apply: laboratories, imaging facilities, dialysis centers, drug and alcohol rehabilitation facilities and hospice facilities); and
  - medical malpractice for a health care practitioner that is not a licensed dentist, physician, osteopathic physician, chiropractic physician, or podiatric physician; or a licensed pharmacist or registered pharmacy technician (examples of such health care practitioners to whom the exemption will apply include: occupational and physical therapists, nurses, audiologists, social workers, counselors, physician assistants, pharmacists, medical testing technicians, and medical lab and pharmacy technicians).
- ⤴ Insurers will be exempt from the requirement to file rates, rating schedules, or rating manuals via the "file and use" method (at least 90 days prior to the proposed effective date) or the "use and file" method (within 30 days after the effective date of the filing) with the Office for these types of medical malpractice insurance.
- ⤴ Also under the bill, insurers will no longer be required to notify the Office of the total premium written during the prior year and will only be required to retain actuarial data in support of a rate filing for two years from the effective date of the filing.
- ⤴ The Office will be expressly authorized to recover the costs of the examination from the insurer.

### ***Property and Casualty Insurance Forms***

- ⤴ Insurers will be able to file property and casualty forms (other than workers' compensation and personal lines) on an informational basis, and begin using the forms immediately upon filing by certifying that the forms comply with Florida law. A form subsequently found to be non-compliant will be disapproved for use.

### **2013 House Bill 573 – Manufactured and Mobile Homes**

- ⤴ Citizens to offer reduced policy limits for minimum insured value of at least \$3,000.
- ⤴ Citizens must offer coverage for attached structures, screened enclosures and carports that are aluminum/aluminum framed or screened enclosures and carports that are not covered by the same or substantially the same materials as that of the primary dwelling; and patios that have a roof covering constructed of materials that are not the same or substantially the same materials as that of the primary dwelling.

### **2013 Senate Bill 662 – Workers' Compensation – Drug Repackaging**

- ⤴ Revises reimbursement formulas for prescription medications repackaged by treating provider.
- ⤴ Caps reimbursement rates for physicians dispensing repackaged or relabeled drugs to workers' compensation claimants at 112.5 percent of the average wholesale price (AWP), plus a dispensing fee of \$8.00. Prescription medications for workers' compensation claimants currently are reimbursed at the AWP (undefined in Florida Statutes), plus a dispensing fee of \$4.18. As a result, workers' compensation insurance costs are projected to decrease by 0.7 percent—approximately \$20 million. As provided in the bill, the "average wholesale price" is the number of units dispensed multiplied by the per unit AWP, which is set by the original manufacturer of the underlying drug dispensed based on the Medi-Span Master Drug Database as of the date of dispensing. The employer or carrier, or a third party acting on their behalf, will be exempt from the reimbursement schedule when they contract directly with a provider seeking reimbursement at a lower rate.
- ⤴ A dispensing practitioner will now be prohibited from possessing repackaged or relabeled medications unless payment has been made to the supplying manufacturer, wholesaler, distributor, or drug repackager within 60 days of the date the dispensing practitioner takes possession of the medication.

### **2013 Senate Bill 810 – Wrap-up Insurance Policies**

- ⤴ A wrap-up insurance policy is an insurance policy purchased by one party (e.g., the project owner or general contractor) to cover itself and all of its subordinate contractors and subcontractors for operations at a specific project site. They are most commonly used to provide workers' compensation and general liability coverage.
- ⤴ Under the bill, a wrap-up insurance policy for a nonpublic construction project will be able to have a workers' compensation deductible of \$100,000 or more if:
  - the workers' compensation minimum standard premium calculated on the combined payrolls for all entities covered by the wrap-up policy exceeds \$500,000;

- the estimated cost of construction at each specified worksite is \$25 million or more;
- the insurer pays the first dollar of a workers' compensation claim without a deductible (as required for a large deductible policy);
- the reimbursement of the deductible by the insured does not affect the insurer's obligation to pay claims;
- the insurer complies with specified workers' compensation filing requirements; and
- the insurer has a program to have the first-named insured whether the owner, the general contractor, or a combination thereof, reimburse the insurer for losses paid within the deductible.

**2013 Senate Bill 1770 – Property Insurance – Citizens Property Insurance Corporation**

- ⌘ This comprehensive Citizens Property Insurance Corporation (Citizens) reform bill is designed to:
  - accelerate the depopulation of Citizens,
  - reduce the potential assessment burden, and
  - increase the accountability and integrity of the corporation by creating the Office of the Inspector General within Citizens and bringing Citizens under state laws governing state agency procurement of commodities and contractual services.
- ⌘ The bill reduces eligibility thresholds for personal lines residential coverage through Citizens from the current dwelling replacement cost of \$2 million to \$1 million, with further reductions of \$100,000 a year down to \$700,000 by January 1, 2017. The limit remains at \$1 million where the Office finds there is not a reasonable degree of competition. Citizens also will no longer be able to insure “major” structures (e.g., houses, mobile homes, apartment buildings, condominiums, motels, restaurants) commencing construction or substantial improvement on or after July 1, 2014, seaward of the coastal construction control line or in the Coastal Barrier Resources System.
- ⌘ Citizens will be precluded from renewing personal and commercial lines residential coverage if a private insurer offers comparable coverage for a premium equal to or less than Citizens. Agents will also be required to obtain an additional acknowledgement from Citizens applicants relating to potential surcharge liability. In addition, the Legislature requires Citizens to establish a clearinghouse program to place personal residential risks with private insurers. The Legislature further directs Citizens to develop appropriate procedures for diverting existing commercial residential policyholders into the private insurance market and submit these to the Legislature by January 1, 2014.
- ⌘ As part of the program, Citizens may require new and renewal applications to be submitted to the clearinghouse before the corporation can bind or renew coverage, during which time offers of coverage may be received from authorized insurers. The bill authorizes insurers taking policies out of Citizens to use Citizens policy forms or endorsements for three years without obtaining Office approval. Citizens is also exempted from statutory “exchange of business” restrictions to facilitate the operations of the clearinghouse.
- ⌘ Citizens will be required to prepare and post on its website an annual report of its statewide average and county-specific residential non-catastrophe loss



ratios. The statutorily required annual report of probable maximum loss for the Florida Hurricane Catastrophe Fund Finance Corporation (Cat Fund) and Citizens will no longer be submitted by the Office, but separately by the Cat Fund and Citizens directly to the Financial Services Commission.

### ***Florida Hurricane Catastrophe Fund***

- ⤴ The Cat Fund is renamed and its authority to offer additional reinsurance coverage to qualifying insurers is repealed.
- ⤴ The exemption from Cat Fund assessments for medical malpractice insurance is also extended for three years.
- ⤴ The bill adds a structural engineer to the Florida Commission on Hurricane Loss Projection Methodology and a consumer representative to the Citizens board. The Governor will make both appointments.

### ***Public Adjusters***

- ⤴ Public adjusters are required to communicate with insurers to resolve claims and may not acquire any interest in salvaged property, except with the written consent of the insured.
- ⤴ The 10 percent fee cap on public adjuster compensation for claims filed under a Citizens' policy is repealed.

### **2013 Senate Bill 1850 – Public Records/Citizens Clearinghouse**

- ⤴ This bill is linked to CS/SB 1770, 3rd Engrossed, which, in pertinent part, creates a clearinghouse program within Citizens. Under the clearinghouse program, all new and renewal applications, excluding commercial residential, must be submitted to the clearinghouse before the corporation can bind or renew coverage. Under this public records exemption, underwriting guidelines, manuals, rating information, and other underwriting criteria or instructions submitted by an insurer to the clearinghouse which are used to identify and select risks from the clearinghouse are made confidential and exempt from public records requirements. This exemption will be repealed on October 2, 2018, unless reenacted by the Legislature.

### **Technology Initiatives**

The Market Research and Technology Unit (MRTU) is responsible for developing and maintaining state of the art and efficient computer application systems that support the Office goals and strategic objectives.

Companies begin most filing processes on the Office's website via the I-Portal interface. Computer application systems designed to strengthen Goal #1 include:

- EDMS – The Electronic Document Management System for the Office is the computer platform for all industry form and rate filings and other data submissions. Beginning in Fiscal Year 2012-13, this system entered a rewrite phase with a new external search application released summer 2013. Upcoming changes in FY 2013-14 include a new internal search application, rewrite of the EDMS relational database structure,

rewrite of the administrative and security functions, and rewrite of the operational processes, including the EDMS workflow and user screens. The system allows the companies and analysts to trade documents and communicate through email in respect to the filings. Additionally, the filings and their component documents are indexed, validated, and tracked using this system. By allowing companies to submit filings in EDMS, form and rate filings are instantly available to the analysts and to the public. Certain specialized filings in EDMS are forwarded to other application systems where they receive further review and processing. Several in particular are:

1. Medicare Supplement (MediGap) - MediGap includes Rate Collection and Rate Management modules. When new rates are approved they are included on the Office's Medicare Supplement Consumer website.
  2. The Multi-State Review Program (MSRP) accepts annuity filings submitted into EDMS but allows four other states – California, Georgia, Nevada, and Texas – the ability to complete reviews and approvals. This provides more efficiency for companies placing product changes or new products on the market.
  3. The Property and Casualty Rate Collection Management System (P&C RCMS) is used to assess rates and rate changes across a variety of lines of business. This system makes use of EDMS data in order to provide quick and accurate information to rate analysts and actuaries.
  4. CHOICES – Sample automobile and homeowner rates are shown for top companies by Florida counties on the Office's website both for desktop viewing and for mobile devices. Data for this application is taken from the EDMS property & casualty rate filings. CHOICES keeps the public informed about insurance rates, and encourage comparison shopping by consumers to increase competition in the market.
  5. The Small Employer Rate Collection System (SERCS) operates similar to the Medigap system by processing small group rates and transfers sample rates to the SERCS website located at [www.floir.com](http://www.floir.com). The system is slated for rewrite as the data template was modified to align with the Federal Patient Protection and Affordable Care Act (PPACA) required templates.
- i-Portal/i-Fass – Two applications that enable form and rate filings are the Industry Portal (i-Portal) and the Internet Filing Assembly and Submission System (i-Fass). The systems work in harmony with i-File/IFWS to allow for efficient filings, decisions, and public viewing. IFWS – The Internet File Workflow System, the managed workflow of “i-File”, is the receiving database for all filings delivered to EDMS and works with i-Portal and i-Fass so that company filings are properly authenticated and received. A major change in Fiscal Year 2012-13 is the rearrangement of form submission requirements so that filing type and subtype are now selected before the line of business is chosen, allowing multiple filings under the previous process to be condensed into one filing. This saves time and effort by company filers and Office analysts.

- COREN – The major company information application used by the Office is the Company and Related Entities Navigator. This system utilizes the CORE database, which stores all Florida company and entity data. Currently over 4,000 active entities are maintained in COREN. In June 2012 the original COREN application was replaced with a new .Net application following an 18-month rewrite. New enhancements are being rolled out on a regular basis since February 2013.
- i-Apply/WECAA – i-Apply is the company application submission module of the Web-Enabled Company Admissions Application (WECAA). Beginning in mid-2011 the Office made a collective decision to invest in a detailed, orderly submission module versatile enough to handle the variety of insurance companies and other entities that request letters, permits, licenses, and certificates of authority to do business in the State of Florida. Since that time, i-Apply has undergone four of the five design phases, with the last scheduled to be deployed in August 2013. A special remaining phase to go beyond security requirements and encryption for personally-identifiable information is scheduled to be completed in FY 2013-14.
- Refs/FAME – Refs is the regulatory electronic filing system companies utilize when filing financial information; FAME serves as the internal financial review application. Beginning in 2012 the Office embarked on a rewrite of Refs to increase its efficiency, readability, and general user-friendliness. The Refs project was completed in the spring of 2013 when the FAME rewrite began. The FAME project has two phases: rewrite and enhancements. The initial phase is scheduled to be completed by the end of 2013 with the enhancement phase targeted for completion in 2014.

## **NAIC**

The National Association of Insurance Commissioners (NAIC), provides state insurance regulators with a forum to collaborate on national public policy issues that promote a competitive marketplace for insurers while maintaining important protections for consumers. The Office is an active participant in the NAIC with Commissioner McCarty currently serving as Immediate Past President. Commissioner McCarty is a member of the International Insurance Relations Leadership Group, 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.

Commissioner McCarty is also a member of the Government Relations Leadership Council, which monitors legislation that is introduced in Congress. In addition to Commissioner McCarty's leadership role, Florida chairs the Catastrophe Insurance Working Group, which among other charges, monitors and recommends measures to improve the availability and affordability of

insurance and reinsurance related to catastrophe perils for personal and commercial lines. Florida is a member of the NAIC's Senior Issues Task Force, which handles issues such as Medicare, Medicare Supplement insurance, and long-term care insurance that affect so many of Florida's senior population and has also been active in the areas of company solvency and financial oversight. In addition, Florida's active participation in national market conduct issues has resulted in millions of dollars being returned to consumers. Participation in NAIC activities has given Florida the ability to be a leader on many issues that are critical to the regulation of insurance and to better understand and influence insurance markets.

To reach Agency 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 environments that control and shape the Florida marketplace. Some of the immediate issues facing insurance regulators are a new level of federal involvement in insurance regulation as well as the potential shift to consistent international accounting and reporting standards. Florida continues to provide leadership on these and other important issues with a focus on consumer protection.

**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 2014-2019 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 2012-2013, the Office collected \$7.8 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 2012-2013, the Office's Market Investigations unit efforts resulted in insurance company refunds exceeding \$7 million to Florida consumers.

**GOAL #3: Monitor the solvency of licensed insurance companies to address financial issues as early as reasonably possible to prevent unnecessary harm to consumers.**

The Office has the statutory responsibility to review 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: the Life & Health Financial Oversight unit (LHFO), and the Property & Casualty Financial Oversight unit (PCFO). Each unit performs analyses 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 be domiciled in other states and do business in Florida. 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 well being 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 analyses and on-site examinations. During the financial analysis and examination of regulated entities, a determination is made as to the quality of assets, adequacy of stated liabilities, and general operating results to determine if the financial condition of the company warrants continuation of its authority to transact business in Florida.

In 2007, Section 624.316, F.S. 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 has proven to work very effectively to accomplish the Office's mission in this area.

### **Property & Casualty**

The financial health of the Florida homeowner's insurance marketplace continues to face some serious challenges even without a major hurricane in the past several years.

Although 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, the financial profitability is improving. 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.

In 2012, the Florida Legislature passed a number of bills that impact the Office. HB 1101 amends several provisions of the insurance code. One provision in particular relates to captive insurers. A captive insurance company is an insurance company formed to provide specific classes of insurance coverage to its parent organization or its affiliates, but not to the public as a whole. Hopefully, this provision will make Florida more attractive for investment by corporations that use captives to insure their risks. In addition, the Florida Legislature passed HB 119 in 2012 to reign in the cost of Personal Injury Protection (PIP) insurance by combating fraud and abuse in PIP.

The Florida domestic insurance industry supported changes included in SB 408 that became effective May 17, 2011, which increased surplus requirements for insurers transacting residential property insurance that are not a wholly owned subsidiary of an insurer domiciled in another state. Along with other pertinent parts, SB 408 authorizes the State Board of Administration and private market insurers to renegotiate the terms of a surplus note issued before January 1, 2011 pursuant to the Insurance Capital Build-Up Incentive Program, revises the notice of cancellation, nonrenewal or termination requirements for personal lines and commercial lines residential property insurance policies, places time limits for bringing a breach of contract property insurance action in court, and limits public adjuster fees related to reopened or supplemental claims to a maximum of 20 percent of the reopened or supplemental claim payment.

Florida hurricane risk is diversified through the use of reinsurance. Beginning in April of each year and continuing through July, 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. The reinsurance markets have adequate capacity and the Florida insurers are well positioned for the storm season.

In addition, in 2010, the Office conducted an examination of sinkhole claims. The scope of the examination covered from 2006 to 2010 and related specifically to homeowner claims filed in Florida on properties located in Florida. These efforts are part of a 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; and has initiated a systematic program to introduce a series of innovations that reflect recent developments in risk transfer and capital markets. The objective is to reduce 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; and
- ^ 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 percent in the large group market and 80 percent in the small group and individual markets. Carriers were required to pay rebates to consumers for the first time in 2012.

Beginning on January 1, 2014, all new and renewed health insurance policies must contain coverage for what is called the "essential health benefits". For most policyholders, this will be a more comprehensive policy than what they currently have. In addition, all insurers must begin covering pre-existing conditions and all consumers have guaranteed issuance rights. There is also the potential for a new form of health care provider to emerge known as an Accountable Care Organization (ACO). ACOs are a recent form of managed care created by PPACA. An ACO is operated by medical groups that coordinate patient care and strive to save money by coordinating treatment. Although Florida does not have a specific licensing category for an ACO, these entities will be assuming insurance underwriting risk which typically requires a license and oversight by the Office.

### Health Flex Plans

Health Flex Plans (HFPs) are established in Section 408.909, F.S. 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 2013 Legislature deleted the sunset provision and made the program permanent. The future of health flex plans is uncertain after January 1, 2014, when the full federal health insurance reforms are expected to take effect and more comprehensive coverage will be required.

### Medicaid Reform

In 2011, the Florida Legislature created Part IV of Chapter 409, F.S., directing the Agency for Health Care Administration (AHCA) to create the Statewide Medicaid Managed Care program. The program has two key components: the Managed Medical Assistance program and the Long-Term Care Managed Care program. The program changes the dynamics of historical Medicaid and moves most all Florida Medicaid recipients into a managed care program. The law requires all recipients to be in a health maintenance organization, Provider Service Network, or insurer. Once this Statewide Medicaid Managed Care program is implemented, health carriers that obtain contracts from AHCA will see a substantial increase in enrollment. The Florida Long-Term Care Managed Care Program will be implemented on a regional basis. It is anticipated that the first region will begin enrollment on August 1, 2013 and the final region will begin enrollment on March 1, 2014. It is anticipated that the Florida Managed Medical Assistance Program will be available in certain counties beginning in the last quarter of 2013, and will be available in all counties by October 1, 2014.

### Continuing Care Retirement Communities (CCRC)

Continuing Care Retirement Communities (CCRC) present an ongoing issue of concern within the Office. 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 for many of the entities.

### Medicare Supplement Insurance (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 in taxable premium payments in 2009. By concept and design, currently issued Medigap policies are standardized for easy benefit comparison by the consumer. 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.**

The Office created the Business Development and Market Research unit (BDMR) in 2005. The unit is segregated into two sections; Business Development/Company Admissions Unit (BDCA), which is responsible for the retention and expansion of insurance companies in the Florida marketplace, and the Market Research and Technology Unit (MRTU) that serves as the information clearinghouse for the collection and dissemination of public data for the Office. The BDCA also manages the company application process, has a sub-unit dedicated solely to the review of all property and casualty applications and is responsible for the coordination of licensure approvals by the Commissioner.

The BDCA outreach program to the marketplace was developed and implemented within the existing resources of the Office, pursuant to Section 624.307(7), F.S.

**Business Development/Company Admissions (BDCA)**

The primary role of the Business Development and Company Admissions (BDCA) unit is to facilitate the regulatory process for the licensure of companies and to streamline the many steps companies must take to meet the requirements of the Florida Insurance Code. The goal is to retain companies, while attracting new insurers and products to increase competition that ultimately benefit Florida's consumers. This is important to assure Floridians that the insurance marketplace is at all times healthy, filled with choices, and that the competition afforded by new entrants, as well as new products, will ultimately benefits the insurance buying public. Another goal of the unit is to identify financially fit, highly rated companies not writing in Florida, and entice them to expand or domesticate to Florida.

Outreach conducted by BDCA relies heavily on electronic communications. This unit has also participated in various filing conferences/symposiums in an effort to promote the opportunities available to insurance companies in the Florida marketplace. In addition, the unit has a dedicated webpage on the Office's website and as such, continuously reviews and where necessary, modifies the available information to accommodate the ever-changing statutory and business requirements in Florida's insurance market. BDCA makes every effort to assist companies that have submitted applications for licenses or amendments to licenses throughout the process, ever mindful of speed to market.

The daily routine of the BDCA is to work closely with companies to help them achieve success with their application submissions. The application process, i-Apply, is electronic and has decreased the 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 Legislature, through HB 1101, modified Part V of Chapter 628, F.S. by redefining the term captive insurer, reducing the capital and surplus requirements, introducing different corporate formations, and allowing for a less burdensome licensure process. It also broadened the coverage of an industrial insured captive and eliminated the statutory deposit. Last year's legislation, HB 1101, combined with this legislation is intended to have a positive economic impact through job creation and also effectuate overall cost savings to participants. In addition, newly created Section 624.402(9), F.S., expands current exemption from the Certificate of Authority requirements, subject to certain conditions. Further, the Office's website was refined to facilitate licensure and provide prospective applicants with timely instructions for fulfilling these new requirements.

Since the creation of the Office in 2003, the number of entities regulated by the Office has increased from approximately 3,400 to over 4,100 (including surplus lines). In FY 2012-13, the insurance premium tax collected by the state of Florida was more than \$705 million according to the Department of Revenue.

### **Market Research & Technology**

The Market Research and Technology Unit (MRTU) 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 MRTU is operational in nature. MRTU ensures 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 bulk of this data is administered through regularly-scheduled data calls (quarterly and annually) that are mostly statutorily-imposed; however, as this section's service capability has expanded, a growing number of

data collections have become ad-hoc in nature and directly support other units within OIR.

This responsibility requires working closely with the other two sections to ensure the proper collection of data in the most technologically efficient manner of assimilating the data using computer resources to satisfy these requests. Reports issued by this section are most often made available to the public on the Office website at [www.floir.com/Office/DataReports.aspx](http://www.floir.com/Office/DataReports.aspx) while record requests are disseminated through the Public Records Office.

Many of these web pages and databases continue to evolve over the years due to legislative changes and technology enhancements. Most notably, the development and use of the i-Portal and i-File systems is critical to company filings, as well as the Office's ability to meet its mission (refer to Agency Goal #1).

The Technology Unit is responsible for supporting the Office in the day-to-day maintenance of computer application resources by assisting internal users when computer problems or challenges are reported and external users when industry filers have technical issues that must be analyzed and solved. This unit also updates the Office's website at [www.floir.com](http://www.floir.com) and administers the SAS database used as a repository for most of the Office's data collection and analytical needs, including regular reporting of market statistics and internal work performance statistics.

The Technology Unit is also responsible for the design and development of computer applications and the design of data associated with those applications. In this role, this section works closely with external vendors and DFS/DIS to meet the needs of internal and external users. These needs are met by ensuring that systems are compatible and optimized in their given environment(s), system upgrades and enhancements are properly completed, and a vision for improvement through technology innovation is achieved.

Below is a list of significant technology initiatives, systems and data collections the MRTU administers and reports on each year:

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

The DCAM system is the data collection alternative to the industry portal ("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. Some examples include:

##### Data Surveys

DCAM handled the Florida Legislature's Office of Program Policy Analysis and Government Accountability's (OPPAGA) Long-Term Care Partnership Survey, which has been used annually to facilitate the data collection for the Report on Life Insurance Limitations.

##### Catastrophe Data Collection

Each year DCAM is prepared to collect data for damage caused by a catastrophic event, such as a tropical storm or hurricane. In addition, in

August 2010, the Office activated DCAM to collect sinkhole claims data from insurance companies. This data collection concluded in the fall of 2010.

#### Other Miscellaneous Data Calls

Since the summer of 2010, DCAM has become the major data collection application within MRTU. The MRTU conducted ad hoc data calls for PIP auto claims. Four parts of the revised Annual Reinsurance Data Call were conducted in DCAM during the 2011 storm season and three parts returned in 2012 and 2013.

Additionally, MRTU's largest data activity, General Emergency Assessments Reporting for Florida's Hurricane Catastrophe Fund and Citizen's Property Insurance, was converted to a DCAM data activity in April 2011. Other data collection activities that have converted to DCAM since that time have included the Annual Property & Casualty Calendar Year Experience Reporting, the Accident & Health Gross Annual Premium and Enrollment (GAP) Reporting, and the Quarterly Accident & Health Premium and Enrollment and Managed Care (SMG) Reporting. New data collections added since spring 2012 include the annual Long-Term Care health survey, the quarterly Private Passenger Automobile Policy Count Reporting, and the annual Private Passenger Automobile Excessive Profits Reporting.

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Within DCAM both *ad hoc* and regular data activities have run more efficiently and have given MRTU much greater flexibility in the deployment, administration, and troubleshooting of each activity. Both the contractor hours required and the time-to-production required has diminished considerably using DCAM, thereby allowing the unit to realize cost savings while activating and administering a greater number of simultaneous data collection and reporting activities.

**Quarterly and Supplemental Reporting System Next Generation (QUASRng)**  
Section 624.424, F.S., 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 through the Office's Website.

#### **Annual Report on Life Insurance Limitations Based on Travel to Foreign Countries**

Section 626.9541(1)(dd), F.S., 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, F.S., 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, F.S., 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), F.S., 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), F.S., 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.).

**Automobile and Homeowners Rate Comparison System (CHOICES)**

Sample automobile and homeowner rates are shown for top companies by Florida county on the Office's website search engine known as "CHOICES". In 2011, the Office improved and implemented changes to the website.

Automobile rate CHOICES was added in summer 2012, followed by a mobile device version of both sets of rates soon thereafter. CHOICES is intended to keep the public informed about insurance rates, and encourage comparison shopping by consumers to increase competition in the market.

### **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.

The website is slated for rewrite as the data used to power the website was modified to align with the Federal Patient Protection and Affordable Care Act (PPACA) required templates.

## 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 2013-2014	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018
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 2013-2014	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018
180	90	90	90	90	90

*NOTE: The statutory requirement is processing an application within 180 days of receipt by the Office; however, for FY 2007-08, 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 2013-2014	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018
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 2013-2014	FY 2014-2015	FY 2015-2016	FY 2017-2018	FY 2017-2018
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 2013-2014	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018
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: Number of website hits.

Baseline Year 2005-2006	FY 2013-2014	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018
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 2013-2014	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018
567	689	725	750	750	750



## 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, F.S. 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 2013-2014	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018
98%	98%	98%	98%	98%

#### 43900120 Executive Direction and Support Services.

Authority: Chapters 20, 186, 215, 216, 282, 283, and 287, F.S. and applicable rules of the Florida Administrative Code.

Description: This service provides overall direction in carrying out the Office'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 2013-2014	FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018
Less than 12.6%	Less than 12.6%	Less than 12.6%	Less than 12.6%	Less than 12.6%

## **Trends and Conditions**

There are many issues affecting all aspects of the insurance marketplace in Florida. These include:

- Effects of the Federal Patient Protection and Affordable Care Act (PPACA)
- The fate of PIP and HB 119
- The effectiveness of the newly-created clearinghouse in reversing the growth of Citizens and restoring a more competitive property insurance marketplace.
- And finally, hurricane season and the possible impacts on the property marketplace.

In addition, there is a short list of other up and coming issues and activities at the international level.

### **The Effects of PPACA**

This is a time of transition for the industry and the Office as we work to understand, evaluate and respond to the various impacts of the Patient Protection and Affordable Care Act, also known as "PPACA." The Office has been actively engaged in sorting through the many issues presented by PPACA, answering questions posed by policymakers and the industry and working through challenges to minimize uncertainty and market disruptions.

One of the many recent examples where the Office has worked with industry to achieve a pragmatic and positive result has been in securing federal approval to continue to allow the use of our geographic rating territories based on the existing 67 county approach. This was a significant achievement which will promote market stability and minimize market disruption.

The Office has also been working with industry to make sure that the legislatively required notice of PPACA premium impacts is meaningful, reasonable and responsive. There was a tight statutory timeframe to develop this required notice through rulemaking and require the cooperation by insurers. That meant that the Office had only a few months to have the rule developed, adopted and approved by the Financial Services Commission in time for companies to start using it. The format of the premium notice was finalized and work-shopped at a hearing on June 20, 2013. The goal was to distribute the text of the proposed premium notice well in advance of the workshop and to solicit comments as quickly as possible, followed by a notice of proposed rulemaking that was brought to the Financial Services Commission at its meeting on June 25, 2013, with final FSC approval at a later date.

The implementation of legislation as significant and far reaching as PPACA presents huge challenges and fosters tremendous uncertainty. For instance, insurers and HMOs must modify current major medical health plans to comply with new federal benefits and rating requirements, and must make rate filings with HHS. The State of Florida has responded to this development by temporarily suspending rate approval by the Office for the next two years for

non-grandfathered individual and small group health plans. Rate filings must still be made with the Office for these products, but are not subject to Office approval.

Additionally, PPACA has dramatically altered the way in which carriers will address their federally compliant health plans by instituting a set of market-wide redistribution programs. These redistribution programs— (risk corridors, risk adjustment, and reinsurance) are untested and untried. Furthermore, these programs will leave potentially large receivables on an insurance company's books with no program in place to verify their accuracy.

The implementation of federally facilitated exchanges creates new challenges for effective consumer assistance and will increase the volume of consumer inquiries, complaints and concerns as new products emerge. Insurers will play a critical role in making sure consumers are provided with the information and service they need to make informed choices and understand the requirements of federal law.

As we move further into these uncharted waters and approach January 1, 2014—a key milestone of PPACA—many are concerned about the effect that increased costs and regulatory uncertainty and complexity will have on the broader economy: the new taxes and fees, higher health care costs for employers, penalties for noncompliance, etc., all occurring in the midst of an economic recovery. These concerns are justified and the consequences are likely to be dramatic.

### **The Fate of PIP and HB 119**

2013 was a busy year for PIP, one that has increased uncertainty in this perennially challenging area.

- The Circuit Court in Leon County has temporarily enjoined implementation of the 2012 PIP reform bill, HB119, in response to a challenge filed by chiropractors, massage therapists and others.
- The Senate Banking & Insurance Committee Chair drafted a proposed committee bill to repeal PIP and replace it with mandatory bodily injury coverage. At the Chair's request, the Office presented an analysis of the premium impact for different rating examples.
- The Office completed its expedited review of approximately 135 PIP filings under HB 119. The filings show the bill is having a positive effect on premium levels and has shifted the trajectory of PIP insurance rates in Florida.

The Office will continue to defend the PIP law in court and respond to legislative requests for data and analysis and policy options for alternatives such as mandatory bodily injury coverage. During this past session, the Office made requests of the industry for information necessary to complete rate comparisons and market share analyses. If this issue continues to heat up, the need to share information and exchange ideas will intensify.

### **Citizens: The Clearinghouse Effect**

Much attention was again focused on Citizens during the 2013 Session and its continuing growth at the expense of restoring a competitive private marketplace for property insurance. Fortunately, one measure which passed requires Citizens to establish a clearinghouse program to ensure that risks which have a qualified offer in the voluntary market are not eligible for and do not find their way into Citizens. Commissioner McCarty endorsed this initiative and believes it will help slow the flow of new business into Citizens. Only time will tell what affect the clearinghouse will have on the size of Citizens and how its operation will affect the private market. The clearinghouse should be up and running by January 1, 2014.

### **Hurricanes and the Property Insurance Market**

The 2013 Hurricane Season is forecasted by NOAA to be an active one, with as many as 20 named storms, with up to 11 of them being named as hurricanes. Fortunately, reinsurance prices are down and capacity is robust. Florida's domestics have access to billions of additional dollars in reinsurance and alternative risk transfer mechanisms to pay claims and protect Floridians. Even with this good news, the Office remains vigilant and continues to monitor the marketplace and assess the financial viability of Florida domestics.

In this regard, for the past few months, the Office has been conducting its annual Reinsurance Data Call, as well as employing a new monitoring tool - a Catastrophic Storm Stress Test of domestic property insurers, to evaluate the market's ability to absorb various storm scenarios.

When it comes to property insurance, good news has sometimes been in short supply. However, there are several positive trends. First, there are some early signs that we may have reached price equilibrium in Florida's property insurance market. Rates may be starting to stabilize. Second, Florida's domestic insurers have shown resilience. Even though they, like others, were negatively affected by the downturn in the financial markets and demand by rating agencies to increase the capital base for multiple storms, our domestic insurers are bouncing back and have returned to profitability.

### **The International Front**

Moving from Florida and looking to the international market, we see that uncertainty is not just an issue in the States, but also internationally. Insurance is much more interconnected and global. As a gateway for new capital, Florida's relationships with domestic and foreign companies, global reinsurers, and investor groups are critically important. For the past several years, Florida has played a key role in two separate initiatives to reduce regulatory uncertainty and ambiguity on both sides of the Atlantic. The first is the US-European Union (EU) Dialogue Project and the second is ComFrame.

The US-EU Dialogue Project began in January 2012, with the stated objective of "enhancing understanding and cooperation for the benefit of insurance consumers, business opportunity and effective supervision."

This effort has led to agreement on a five-year plan known as "The Way Forward." This plan makes solvency a top priority for 2013, with the goal of achieving greater coordination in monitoring solo entities and groups.

The plan also seeks to further reduce or possibly even eliminate reinsurance collateral requirements in the US and Europe. Moving to a risk-based determination for all reinsurers in relation to credit-for-reinsurance may ultimately contribute to lower reinsurance costs, a particularly good result for Florida companies and policyholders.

Dialogue is also occurring through the International Association of Insurance Supervisors (IAIS). In 2010, IAIS began developing a Common Framework, known as ComFrame, for the supervision of Internationally Active Insurance Groups (IAIG). The main objective is to establish a comprehensive framework for supervisors to address group-wide activities and risks, and foster global convergence.

Florida must be vigilant in protecting U.S. insurers from additional layers of regulation and impediments to a free market. We should continue to promote a framework where cooperation and collaboration thrives.

Finally, job creation is an important step in Florida's progress toward economic recovery. According to statistics by the Department of Economic Opportunity (DEO), the insurance industry continues to grow. This was evident in 2012 which reflected a job growth of 5,398 new jobs. This is also reflected in the oversight of insurance entities that the Office has. As of June 30, 2013, the Office has oversight of over 4,100 insurance and related entities, of which 146 are new entities since the prior fiscal year.

### **Other Issues**

***Viaticals study:*** The Legislature has directed the Office to conduct a study of the secondary life insurance market. The Legislature has requested a report by January 1, 2014.

***Insurer Solvency:*** Unfortunately, the insurer solvency legislation fell short of passage. The Office will seek sponsors to have this bill reintroduced and passed in the 2014 session.

## **GLOSSARY OF TERMS AND ACRONYMS**

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.

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

Citizens - Citizens Property Insurance Corporation

COREN - Companies and Other Related Entities - Navigator

DCAM - Data Collection and Analysis Modules

EDMS - Electronic Document Management System

EOG - Executive Office of the Governor

ERISA – Employee Retirement Income Security Act

F.A.C. - Florida Administrative Code

FAME/REFS – Financial Analysis and Monitoring Electronic Data Management System/Regulatory Electronic Filing 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.

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

FY - Fiscal Year

GAA - General Appropriations Act

HMO - Health Maintenance Organization

IG - Inspector General

IT - Information Technology

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

Medigap – Medicare Supplement Insurance

MSRP – Multi-State Review Program

NAIC - National Association of Insurance Commissioners

OIR or Office – Office of Insurance Regulation

OPB - Office of Policy and Budget, Executive Office of the Governor

OPS - Other Personal Services

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.

PPACA (ACA) – The Patient Protection and Affordable Care Act

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.

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.

Standard - The level of performance of an outcome or output.

TF - Trust Fund

TPA – Third Party Administrators

UCAA – Uniform Certification of Authority Application



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

43900000 Financial Services Commission
<b>43900110 Compliance and Enforcement - Insurance</b>

Approved Performance Measures for FY 2013-14 (Words)	Approved Prior Year Standard FY 2012-13 (Numbers)	Prior Year Actual FY 2012-13 (Numbers)	Approved Standards for FY 2013-14 (Numbers)	Requested FY 2014-15 Standard (Numbers)
Maximum number of days from date of application 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	225	180 Days	180 Days
Number of Applications Processed	328	488	328	328
Number of Rate and Form Reviews Processed	13,000	15,031	13,000	13,000
Percent of Rate and Form Reviews Completed in 90 Days	92%	99%	92%	92%
Number of Financial Reviews and Examinations Completed	10,000	7,953	10,000	10,000
% of Financial Analysis Reviews Completed Timely (within 90 days)	93%	99%	93%	93%
Number of Examinations and Investigations that are completed for licensed companies and unlicensed entities	760	843	760	760
Current Number of Licensed/Regulated Insurance Entities	3,500	4,144	3,500	3,500
Residual Market Premium as a percent of total premium for homeowner's (total), mobile home, dwelling fire insurance	22.50%	17.98%	22.50%	22.50%
Residual Market Premium as a percent of total premium for workers' compensation insurance	0.75%	0.85%	0.75%	0.75%
Residual Market Premium as a percent of total premium for automobile insurance	0.50%	2.67%	0.50%	0.50%
Average Risk Based Capital Percentage	5.00%	7.17%	5.00%	5.00%
% of Financial Exams completed within 18 months of exam date	98%	99%	98%	98%

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

<b>43900120 Executive Direction and Support Services</b>					
	<b>Approved Prior Year Standard FY 2012-13 (Numbers)</b>	<b>Prior Year Actual FY 2012-13 (Numbers)</b>	<b>Approved Standards for FY 2013-14 (Numbers)</b>	<b>Requested FY 2014-15 Standard (Numbers)</b>	
<b>Approved Performance Measures</b>					
Administrative costs as a percent of total agency costs	<12.6%	9.8%		<12.6%	<12.6%
Administrative costs as a percent of total agency positions	<12.6%	11.6%		<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	225	45	25%

**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:**

OIR resources have been reduced by over 10%. However, only 1 application exceeded the standard.

**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:**

**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	488	160	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 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	15,031	2,031	16%

**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 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
10,000	7,953	(2,047)	(26%)

**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 283 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:**

**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	843	83	11%

**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:**

**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	4,144	644	18%

**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.



**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:**

- |  |   |
|--|---|
| <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
22.50%	17.98%	(4.52%)	(20%)

**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 checked="" 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 policies in the residual marketplace.

**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:**

Request deletion. This measure does not show any level of performance by the Office staff.

**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:**

- |  |   |
|--|---|
| <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
0.75%	0.85%	0.10%	13%

**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 Office does not control the number of policies in the residual marketplace.

**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:**

Request deletion. This measure does not show any level of performance by the Office staff.

**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:**

- |  |   |
|--|---|
| <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
0.50%	2.67%	2.17%	434%

**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 Office does not control the number of policies in the residual marketplace.

**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:**

Request deletion. This measure does not show any level of performance by the Office staff.

**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:**

- |  |   |
|--|---|
| <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
5%	7.17%	2.17%	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 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:**

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 2013-14 (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

FINANCIAL SERVICES, DEPARTMENT OF		FISCAL YEAR 2012-13			
SECTION I: BUDGET		OPERATING		FIXED CAPITAL OUTLAY	
TOTAL ALL FUNDS GENERAL APPROPRIATIONS ACT		290,757,549		616,047	
ADJUSTMENTS TO GENERAL APPROPRIATIONS ACT (Supplementals, Vetoes, Budget Amendments, etc.)		15,275,088		0	
FINAL BUDGET FOR AGENCY		306,032,637		616,047	
SECTION II: ACTIVITIES * MEASURES		Number of Units	(1) Unit Cost	(2) Expenditures (Allocated)	(3) FCO
Executive Direction, Administrative Support and Information Technology (2)					616,047
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.		6,818	53.84	367,071	
Process Transactions, Account Changes And Audit Functions * Number of account actions taken on regulatory collateral deposit accounts.		57,958	17.40	1,008,731	
Investment Of Public Funds * Dollar Volume of Funds Invested		20,300,000,000	0.00	681,337	
Provide Cash Management Services * Number of cash management consultation services.		30	32,174.20	965,226	
Receive Funds, Process Payment Of Warrants And Provide Account And Reconciliation Services * Number of financial management/accounting transactions processed and reports produced.		3,311,050	0.48	1,589,782	
Administer The State Supplemental Deferred Compensation Plan * Number of participant account actions processed by the state deferred compensation office.		2,169,785	0.72	1,556,916	
Accounting And Reporting Of State Funds * State Accounts Managed in the Florida Accounting Information Resource System.		38,597	122.80	4,739,746	
Migrate Current Accounts Payable Procedures To Electronic Commerce * Payments issued electronically to settle claims against the state.		10,866,646	0.10	1,070,050	
Conduct Pre-audits Of Selected Accounts Payable * Vendor payment requests that are pre-audited for compliance with statutes and contract requirements		535,323	6.78	3,628,525	
Conduct Post-audits Of Major State Programs * Post-audits completed of major state programs to determine compliance with statutes and contract requirements		5	307,615.60	1,538,078	
Process State Employees Payroll * Payroll payments issued		3,103,502	0.77	2,388,251	
Conduct Post-audits Of Payroll * Post-audits completed of state agencies payroll payments to determine compliance with statutes		8	22,300.88	178,407	
Conduct Fiscal Integrity Investigations * Fiscal integrity investigations completed to investigate allegations or suspicions of fraud, waste or abuse.		10	90,166.80	901,668	
Article V - Clerk Of The Courts * N/A		23	43,852.83	1,008,615	
Collect Unclaimed Property * Accounts reported by holders of unclaimed property.		2,075,040	1.25	2,596,160	
Process And Payment Of Unclaimed Property * Payments processed for claims of unclaimed property.		324,865	8.27	2,686,683	
License The Fire Protection Industry * Number of entity requests for licenses, permits and certificates processed within statutorily mandated time frames.		6,328	81.92	518,373	
Perform Fire Safety Inspections * Number of inspections of fire code compliance completed.		15,992	249.33	3,987,286	
Review Construction Plans For Fire Code Compliance * Number of construction plans reviewed.		479	1,108.54	530,990	
Perform Boiler Inspections * Number of boiler inspections completed by department inspectors.		1,276	433.69	553,392	
Investigate Fires Accidental, Arson And Other * Total number of closed fire investigations involving economic or physical loss.		3,041	4,255.13	12,938,849	
Provide State, Local And Business Professional Training And Education * Number of classroom contact hours provided by the Florida State Fire College.		188,553	45.32	8,545,060	
Provide State, Local And Business Professional Standards, Testing And Statutory Compliance * Number of examinations administered.		4,886	857.10	4,187,786	
Provide Forensic Laboratory Services * Number of evidence items and photographic images processed.		13,742	74.16	1,019,073	
Fire Incident Reporting * Number of total incidents reported to the Florida Fire Incident Reporting System.		2,409,043	0.15	371,895	
Provide Adjusting Services On State Workers' Compensation Claims * Number of workers' compensation claims worked.		19,039	1,436.24	27,344,496	
Provide Adjusting Services On State Liability Claims * Number of liability claims worked.		4,665	2,341.70	10,924,037	
Process Property Claims On State Owned Buildings (structure And Contents) * Number of state property loss/damage claims worked.		284	6,793.88	1,929,461	
Provide Risk Services Training And Consultation * Number of agency loss prevention staff trained during the fiscal year.		124	14,180.15	1,758,339	
Rehabilitate And/Or Liquidate Financially Impaired Insurance Companies * Number of insurance companies in receivership during the year.		43	19,291.81	829,548	
Review Applications For Licensure (qualifications) * Number of applications for licensure processed.		90,583	30.03	2,720,028	
Administer Examinations And Issue Licenses * Number of examinations administered and licenses authorized.		31,674	84.45	2,675,025	
Administer The Appointment Process From Employers And Insurers * Number of appointment actions processed.		1,668,055	0.46	770,364	
Administration Of Education Requirements (pre Licensing And Continuing Education) * Number of applicants and licensees required to comply with education requirements.		196,812	2.07	407,607	
Investigate Agents And Agencies * Number of agent and agency investigations completed.		2,936	2,008.39	5,896,637	
Investigate Insurance Fraud (general) * Number of insurance fraud investigations completed (not including workers' compensation).		1,412	11,167.01	15,767,812	
Investigate Workers' Compensation Insurance Fraud * Number of workers' compensation insurance fraud investigations completed (not including general fraud investigations).		711	6,219.78	4,422,261	
Respond To Consumer Request For Assistance * Number of consumer requests and informational inquiries handled.		51,451	78.19	4,023,168	
Provide Consumer Education Activities * Number of visits to the Consumer Services website.		298,532	2.32	691,108	
Answer Consumer Telephone Calls * Number of telephone calls answered through the consumer helpline.		325,270	14.19	4,617,093	
Examine And Regulate Licensees In The Funeral & Cemetery Business (chapter 497) To Ensure Regulatory Compliance * Number of examinations and inspections completed.		1,722	1,288.94	2,219,556	
Monitor And Audit Workers' Compensation Insurers To Ensure Benefit Payments * Number of claims reviewed annually.		89,302	46.49	4,151,710	
Verify That Employers Comply With Workers' Compensation Laws * Number of employer investigations conducted.		34,150	376.76	12,866,219	
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.		997	4,670.93	4,656,918	
Provide Reimbursement For Workers' Compensation Claims Paid By Insurance Carriers On Employees Hired With Preexisting Conditions * Number of reimbursement requests (SDF-2) audited.		3,181	396.37	1,260,858	
Collection Of Assessments From Workers' Compensation Insurance Providers * Amount of assessment dollars collected.		113,735,517	0.01	651,561	
Data Collection, Dissemination, And Archival * Number of records successfully entered into the division's databases.		5,146,469	0.70	3,606,682	
Reimbursement Disputes * Number of petitions for reimbursement dispute resolution resolved annually		7,747	184.56	1,429,807	
Approve And License Entities To Conduct Insurance Business. * Number of Certificates of Authority processed		132	6,765.09	892,992	
Conduct And Direct Market Conduct Examinations. * Number of examinations and investigations completed for licensed companies and unlicensed entities		843	3,640.85	3,069,233	
Conduct Financial Reviews And Examinations. * Number of financial reviews and examinations completed.		7,953	1,757.76	13,979,452	
Review And Approve Rate And Form Filings. * Number of rate and forms review completed.		15,031	517.79	7,782,928	
Examine And Regulate Financial Services Companies To Ensure Regulatory Compliance. * Examinations of non-depository financial service companies to determine compliance with regulations.		752	8,156.02	6,133,328	
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.		24,636	96.12	2,367,981	
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.		223	55,147.28	12,297,843	
Examine And Enforce Laws Regarding International Financial Institutions To Ensure Safety And Soundness. * Number of international financial institutions examined to ensure safety and soundness.		29	25,920.03	751,681	
Conduct Financial Investigations Into Allegations Of Fraudulent Activity. * Number of financial investigations into allegations of fraudulent activity.		170	18,124.77	3,081,211	
Examine And Regulate Money Services Businesses To Ensure Regulatory Compliance * Examinations of money services businesses conducted to determine compliance with regulations.		236	11,024.86	2,601,867	
Examine And Regulate Securities Firms, Branches To Ensure Regulatory Compliance. * Conducted examinations of securities firms and branches.		322	16,907.67	5,444,271	
Evaluate And Process Applications For Registration As A Securities Firm, Branch, And/Or Individual. * Securities applications processed for registration of firms, branches, and/or individuals.		51,741	43.88	2,270,594	
TOTAL				235,852,626	616,047
SECTION III: RECONCILIATION TO BUDGET					
PASS THROUGHS					
TRANSFER - STATE AGENCIES					
AID TO LOCAL GOVERNMENTS					
PAYMENT OF PENSIONS, BENEFITS AND CLAIMS				1,297,569	
OTHER				34,596,541	
REVERSIONS				34,285,920	
TOTAL BUDGET FOR AGENCY (Total Activities + Pass Throughs + Reversions) - Should equal Section I above. (4)				306,032,656	616,047

## 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.)

BE	PC	CODE	TITLE	EXPENDITURES	FCO
43010200	1602000000	ACT1020	HOLOCAUST VICTIMS ASSISTANCE	290,812	
43010400	1602000000	ACT1040	INSURANCE CONSUMER ADVOCATE	582,274	
43010500	1603000000	ACT1050	INFORMATION TECHNOLOGY - FLAIR	11,338,899	
43200100	1601000000	ACT2010	PASS THROUGH FROM PRISON INDUSTRY	749,688	
43200100	1601000000	ACT2020	CAPITAL COLLATERAL REGISTRY	1,715,722	
43400100	1601000000	ACT4150	PURCHASE OF EXCESS INSURANCE	13,599,739	
43600100	1102020000	ACT6010	TRANSFER TO 1ST DISTRICT COURT OF	1,761,055	
43500700	1205000000	ACT9060	AFDC/WAGES/EMPLOYEE FRAUD	929,953	
43500700	1205000000	ACT9070	PUBLIC ASSISTANCE FRAUD	1,859,856	
43500700	1205000000	ACT9080	MEDICAID FRAUD INVESTIGATIONS	929,904	
43900110	1204000000	ACT9150	HURRICANE RATE/RISK MODEL	588,639	
43600100	1102020000	ACT9940	TRANSFER TO THE UNIVERSITY OF	250,000	

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TOTALS FROM SECTION I AND SECTIONS II + III:

DEPARTMENT: 43	EXPENDITURES	FCO
FINAL BUDGET FOR AGENCY (SECTION I):	306,032,637	616,047
TOTAL BUDGET FOR AGENCY (SECTION III):	306,032,656	616,047
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DIFFERENCE:	19-	
(MAY NOT EQUAL DUE TO ROUNDING)	=====	=====



## Office of the Commissioner

### **Kevin M. McCarty Commissioner of Insurance Regulation**

Phone 850-413-5914  
Fax 850-488-3334  
Email Address [Kevin.McCarty@flor.com](mailto:Kevin.McCarty@flor.com)



Kevin McCarty began his career in public service in 1988 becoming an expert in workers' compensation issues with the Department of Labor & Employment Security. His experience gained him a position with the Florida Department of Insurance in 1991. In 1992, McCarty became a point-man to implement strategies to improve the private marketplace following the devastation of Hurricane Andrew.

The Governor and Florida Cabinet announced McCarty as the first appointed insurance commissioner in January 2003.

Throughout his career, McCarty has cited three main principles that have guided his vision of government's role in society: 1.) Government should serve and ultimately be accountable to the people; 2.) Government should be transparent in its operations, and treat its clients fairly and equitably; and 3.) Government should promote a vibrant, competitive marketplace while protecting those unable to protect themselves.

McCarty has cemented his reputation as an innovator utilizing technology to improve the regulatory process, with the electronic rate and form filing and application processes, increasing speed to market for insurers and reducing administrative costs for insurers. He is a fierce defender of seniors and historically discriminated minorities and a national leader on national catastrophe strategy.

He continues to focus on stabilizing the Florida property insurance market, reforming Florida personal injury protection (PIP) law, and protecting Florida's consumers.

McCarty's work within the National Association of Insurance Commissioners (NAIC) ensures Florida consumers and insurers have a voice on national insurance issues. He was the President of the NAIC for 2012. McCarty chairs the Professional Health Insurance Advisors (EX) Take force, Catastrophe Insurance (C) Working Group, and serves on numerous other NAIC committees and working groups. McCarty has previously chaired a number of substantive committees including the Financial Condition (E) Committee and the Property & Casualty (C) Committee, and has coordinated Florida's NAIC Financial Accreditation.

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

McCarty has been privileged to testify before the United States Congress on matters relating to almost every sector of the insurance industry.

McCarty and the Office received the 2010 Esprit de Corps Award for outstanding service to the NAIC. He was selected for the Spirit of Independence Award in 2011 from the National Association of Health Underwriters for his work to preserve the role of health insurance agents in light of federal health care reforms.

McCarty received his bachelor's degree and Juris Doctorate from the University of Florida.

### **Overview of Office of the Commissioner**

The Commissioner of Florida's Office of Insurance Regulation provides the Office's policy and executive leadership. In this capacity, the Commissioner supervises two Deputy Commissioners, the Chief of Staff, General Counsel and the Inspector General.

The Commissioner serves as a member of the National Association of Insurance Commissioners (NAIC), the national organization of insurance regulators from all 50 states, the District of Columbia and the five U.S. territories. The NAIC provides states with a forum for the development of uniform policy where appropriate. Participation at the NAIC affords the Office the opportunity to take part in resolving major insurance issues and contribute to the development of national policies.

The Commissioner is responsible for formulating and submitting strategic goals of the Office to the Financial Services Commission. This includes an annual submission of Performance Measures to ensure accountability, measures which are approved by and reported to the FSC.

All functions within the Commissioner's Office are divided into one of two program areas: Executive Direction and Support, and Compliance and Enforcement.

Executive Direction and Support includes the Commissioner's Office, the Office of General Counsel/Legal Services, and the Office of the Inspector General (OIG).

Compliance and Enforcement consists of the Office of the Chief of Staff, Insurer Regulation Offices of Deputy Commissioner for Life and Health Insurance, Deputy Commissioner for Property and Casualty Insurance, and Market Research.

## *Fiscal Year 2013-2014 -OIR Budget Overview*

Appropriation Category	2012-2013 Funding	2013-2014 Funding	Difference Over/(Under)
<b>Positions</b>	283	288	+ 5
<b>Salaries and Benefits</b>	\$17,585,162	\$18,259,213	\$674,051
<b>Other Personal Services</b>	\$125,000	\$375,000	\$250,000
<i>Includes \$250,000 Non-Recurring</i>			
<b>Expenses</b>	\$2,745,917	\$2,512,782	(\$233,135)
<b>Operating Capital Outlay</b>	\$2,000	\$35,000	\$33,000
<b>SPECIAL CATEGORIES</b>			
<b>Contracted Services</b>	\$805,726	\$805,726	
<b>Financial Examination Contracts</b>	\$4,926,763	\$4,926,763	
<i>Budget Authority for financial examinations of Property &amp; Casualty and Life &amp; Health insurance companies. Insurance companies reimburse the Insurance Regulatory Trust Fund for the examination costs.</i>			
<b>Florida Public Hurricane Model</b>	\$588,639	\$588,639	
<b>Florida Public Hurricane Model Enhancements)</b>	\$0	\$1,543,300	\$1,543,300
<i>Non-Recurring Funding for Storm Surge Enhancements</i>			
<b>Risk Management Insurance</b>	\$262,960	\$262,960	
<b>Lease or Lease-Purchase of Equipment</b>	\$27,403	\$27,403	
<b>Transfer to DMS - HR Services</b>	\$99,553	\$101,323	\$1,770
<b>TOTAL</b>	<b>\$27,169,123</b>	<b>\$29,438,109</b>	
<b><i>Disclaimer:</i></b> The Appropriations above represent funds allocated to the Office of Insurance Regulation as approved by the Legislature for the annual fiscal period beginning July 1, 2013 and ending June 30, 2014. The Office is entirely funded by the Insurance Regulatory Trust Fund.			