



OFFICE OF INSURANCE REGULATION

KEVIN M. McCARTY
COMMISSIONER

**FINANCIAL SERVICES
COMMISSION**

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September 30, 2015

Cynthia Kelly, Director
Office of Policy and Budget
Executive Office of the Governor
1701 Capitol
Tallahassee, Florida 32399-0001

Jo Ann Leznoff, Staff Director
House Appropriations Committee
221 Capitol
Tallahassee, Florida 32399-1300

Cyndy Kynoch, Staff Director
Senate Committee on Appropriations
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 2016-17 through Fiscal Year 2020-21. The internet website address that provides the link to the LRPP located on the Florida Fiscal Portal is www.floir.com. This submission of our LRPP has been approved by me.

Sincerely,


Kevin M. McCarty

2015

Long-Range Program Plan

*Fiscal Years 2016-17
through 2020-21*

September 2015



FLORIDA OFFICE OF
INSURANCE REGULATION

Kevin M. McCarty, Insurance Commissioner



FLORIDA OFFICE OF INSURANCE REGULATION

Office Mission, Vision, and Goals

Mission

Promote a stable and competitive insurance market for consumers.

Vision

The Florida Office of Insurance Regulation envisions a robust and competitive insurance market while maintaining protections for the insurance-buying public.

Goals

1. Promote insurance markets that offer products to meet the needs of Floridians with fair, understandable coverage that is priced in a manner that is adequate, but not excessive or unfairly discriminatory.
2. Protect the public from illegal, unethical insurance products and practices.
3. Monitor the financial condition of licensed insurance companies and take action to address financial issues as early as reasonably possible to prevent unnecessary harm to consumers.
4. Operate in an efficient, effective and transparent manner.

Goals, Objectives, Service Outcomes and Performance Projection Tables

**Program: Office of Insurance Regulation
43900110 Compliance and Enforcement**

GOAL #1: Promote insurance markets that offer products to meet the needs of Floridians with fair, understandable coverage that is priced in a manner that is adequate, but not excessive or unfairly discriminatory.

OBJECTIVE 1.A.: Process product filings expeditiously.

OUTCOME 1.A.1.: Percentage of life and health form and rate filing reviews completed within 45 days.

Baseline FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
90%	90%	90%	90%	90%	90%

OUTCOME 1.A.2.: Percentage of property and casualty form filing reviews completed within 45 days, and rate filing reviews completed within 90 days.

Baseline FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
90%	90%	90%	90%	90%	90%

OBJECTIVE 1.B.: Enable new companies to enter the market expeditiously.

OUTCOME 1.B.1: Percentage of complete applications for a new certificate of authority processed within statutorily required timeframes.

Baseline FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
98%	98%	98%	98%	98%	98%

OUTCOME 1.B.2: Applications for a new certificate of authority for Life & Health and Property & Casualty processed within 90 days.

Baseline FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
98%	98%	98%	98%	98%	98%

GOAL #2: Protect the public from illegal, unethical insurance products and practices.

OBJECTIVE 2.A.: To act upon allegations of unethical or illegal products or practices.

OUTCOME 2.A.1.: Percentage of market conduct examinations with violations in which the Office takes enforcement action.

Baseline FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
85%	85%	85%	85%	85%	85%

GOAL #3: Monitor the financial condition of licensed insurance companies and take action to address financial issues as early as reasonably possible to prevent unnecessary harm to consumers.

OBJECTIVE 3.A.: Conduct financial examinations of domestic companies in a timely manner.

OUTCOME 3.A.1.: Percentage of Financial Examinations of domestic insurers completed within 18 months of the "as of" exam date.

Baseline FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
98%	98%	98%	98%	98%	98%

OBJECTIVE 3.B.: Conduct financial analyses of companies in a timely manner.

OUTCOME 3.B.1.: Percentage of priority Financial Analyses completed within 60 days.

Baseline FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
98%	98%	98%	98%	98%	98%

OUTCOME 3.B.2.: Percentage of non-priority Financial Analyses completed within 90 days.

Baseline FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
95%	95%	95%	95%	95%	95%

**Program: Office of Insurance Regulation
43900120 Executive Direction and Support Services.**

GOAL #4: Operate in an efficient, effective and transparent manner.

OBJECTIVE 4.A.: Maximize administrative efficiency and productivity for the benefit of insurance consumers and companies.

OUTCOME 4.A.1.: Administrative costs as a percentage of total agency costs.

Baseline FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
10%	10%	10%	10%	10%	10%

OUTCOME 4.A.2.: Administrative positions as a percentage of total agency positions.

Baseline FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
10%	10%	10%	10%	10%	10%

Office Budget FY 2015-16

Table 1. Appropriations Overview Fiscal Year 2015-16: Office of Insurance Regulation (Office)

Positions	FY 2014-15	FY 2015-16	Change
Full-time equivalent (FTE) positions	288	292	4
Funding (By Budget Category)	FY 2014-15	FY 2015-16	Change
Salaries and Benefits	\$19,425,731	\$19,993,117	\$567,386
Other Personal Services	\$265,169	\$265,169	0
Expenses	\$2,518,543	2,559,164	\$40,621
Operating Capital Outlay	\$35,000	\$35,000	0
Contracted Services	\$780,726	\$1,430,726	\$650,000
Financial Examination Contracts*	\$4,926,763	\$4,926,763	0
Florida Public Hurricane Loss Model	\$632,639	\$632,639	0
FIU Enhancements to the FL Public Model**	\$1,543,300	\$1,700,000	\$156,700
FIU Wall of Wind Enhancements**	\$300,000	\$0	(\$300,000)
Lease or Lease-Purchase of Equipment	\$27,403	\$27,403	0
Risk Management Insurance	\$162,559	\$181,293	\$18,734
DMS Human Resources Contract	\$95,221	\$97,841	\$2,620
TOTAL	\$30,713,054	\$31,849,115	\$1,136,061

*Budget authority for financial examinations of Property and Casualty, and Life and Health insurance companies. Insurance companies reimburse the Insurance Regulatory Trust Fund for the examination costs. The Trust Fund acts as a pass through. The transaction is revenue neutral.

**Funds are nonrecurring and disbursed directly to Florida International University (FIU).

Linkage to Governor's Priorities

A. Economic Development and Job Creation

1. Focus on Job Growth and Retention. Through consistent leadership, regulatory innovation and stakeholder outreach, the Office fosters an insurance environment conducive to business expansion and job growth. Since 2010, the insurance industry has added more than 16,000 new jobs in Florida.¹ The jobs pay an average of \$63,577 annually in salary and benefits.² Nearly 200,000 Floridians are now employed in the insurance sector.³

To give companies the opportunity to dialogue with Office staff, become more familiar with Office processes and services, and gain a greater understanding of the requirements for doing business in Florida, the Office hosted a business development conference in 2014 that drew over 260 participants.

The Office played a key role in securing legislative approval of a measure designed to attract more title insurance companies to Florida. This legislation led to the redomestication of the third largest title insurer to Florida in November 2014.

2. Reduce Taxes. The Office does not have taxing authority. However, the Office has helped reduce both the likelihood and amount of any future assessments levied against Floridians to pay the claims of Citizens Property Insurance Corporation (Citizens) policyholders. It has done so through the rate and take-out approval process. During FY 2014-15, the Office approved an additional 1,357,539 policies for take-out. Private insurers assumed 427,209 policies.⁴ As of June 30, 2015, Citizens' policy count had dropped to 598,646—58 percent fewer policies than the 1,440,112 policies-in-force as of June 30, 2012.⁵ Over that same three-year period, Citizens' total exposure fell 63 percent, from \$496 billion to \$183 billion.⁶

The Office receives no state general revenue dollars. It keeps its cost of regulation low relative to other states. Among the four largest states, Florida's cost of regulation is the lowest, with a regulatory cost below the national average.⁷

3. Regulatory Reform. In FY 2014-15, the Financial Services Commission (FSC) repealed 23 rules proposed for repeal by the office. This followed another 27 proposed for repeal in FY 2012-13. The Office implemented many other innovations such as allowing insurers to consolidate certain filings, and focusing Office review of amended forms on the specific change proposed rather than re-reviewing an entire form.

B. Maintaining Affordable Cost of Living in Florida

1. Accountability Budgeting. Through performance based budgeting, the Office carefully monitors both expenditures and outcomes, and makes adjustments as appropriate to accomplish the mission of the Office as efficiently as possible. The Office maintains low administrative expenses and closely monitors staff productivity by tracking workload and processing times.

2. Reduce Government Spending. Through its participation in the NAIC, the Office leveraged its \$151,000 in annual membership fees to secure millions of dollars in regulatory support, infrastructure, and training that would otherwise be borne by Florida as part of the state budget.

Recent Office innovations have produced estimated savings of \$650,606 (in the year implemented).

Forms certification	\$157,695
Combined form filings	\$46,381
Staff productivity savings	\$261,530
<u>Relocation of the Insurance Examiners</u>	<u>\$185,000</u>
TOTAL SAVINGS	\$650,606

In addition, other Office initiatives such as the internship program, database efficiencies, and forms checklists produced savings, but the amount is indeterminate.

Office productivity savings resulted from the efforts of three forms review teams. Team members reviewed between 10 and 30 percent more filings than in the prior year, with fewer staff, at significant savings in salaries and benefits. One team completed filings 15 days faster on average, representing a 10 percent overall improvement. Together, these three teams saved the state and taxpayers approximately \$261,530. The Office has also emphasized paperless transactions to lower transaction costs and accelerate product approval, achieving widespread electronic filing capabilities.

3. Reduce Taxes. See "Reduce Taxes under Economic Development and Job Creation, Section A.2., " above.

Trends and Conditions

A. Primary Statutory Responsibilities of the Office

The following are the primary statutory responsibilities of the Office:

- License insurance companies and insurance-related entities.
- Review forms and rates for insurers and insurance-related entities.
- Monitor the financial condition of insurers and require corrective actions when necessary.
- Enforce insurer and insurance-related entity compliance with statutory market conduct requirements.
- Attract companies and capital to the Florida insurance market.
- Collect and analyze insurance market data for use by the Office, policymakers, companies and the general public, and issue reports.

1. Status of Key Statutory Responsibilities

The Office budget for FY 2015-16 is \$31.8 million, with 292 full-time equivalent positions. It is funded entirely through the Insurance Regulatory Trust Fund and receives no state general revenue funds. In FY 2014-15, the Office spent over 95 percent of every dollar received on regulatory responsibilities. Administrative costs accounted for less than five percent of the Office budget.

a. Certificates of authority (COA)

The Office is actively engaged in licensing insurance companies and related entities through the certificate of authority application process. Except for Health Maintenance Organizations (HMO) and Prepaid Limited Health Service Organization (PLHSO) applications, Florida law requires the Office to approve or deny a complete application for a new certificate of authority within 180 days of receipt.⁸ For HMOs and PLHSOs, the Office must approve or deny a new certificate of authority within 90 days. All applications for amendments to existing certificates of authority—from both insurers and HMO/PLHSOs—must be approved or denied within 90 days.⁹ In FY 2014-15, the Office processed 100 percent of new COA applications within 90 days.

b. Form and rate review

The Office reviews form and rate filings for compliance with Florida law. The statutorily required timeframes for Office review of forms and rates vary by line and product type. The speed at which new products make it to market depends in large part on the complexity of the filing and the quality and completeness of the company submission. As with applications, rate and form filings are filed electronically.

As a result of Office innovations, insurers now have additional options for getting products to market more expeditiously. Insurers submitting forms for property and casualty commercial products, excluding workers' compensation, may take products to market immediately upon certifying that submitted forms comply with current law, rather than having to first obtain Office approval. Companies may also choose to combine multiple sub-types of insurance into a single filing, rather than having to file each sub-type of insurance separately. The Office has also adjusted its review process for amended forms. Instead of scrutinizing an entire form, the Office now focuses its attention on the revised language and any areas affected by recent legislative changes.

In FY 2014-15, the Office processed 99.7 percent of life and health, and property and casualty, rate and form filings within statutory timeframes.

c. Financial oversight

The Office monitors the financial condition of regulated insurance entities through financial examinations and financial analyses. By examining the financial books and records of insurance companies and related entities, the Office evaluates the quality of assets, adequacy of stated liabilities, and general operating results.

The Office is statutorily required to conduct a financial examination of each domestic insurer at least once every five years. Examinations must be concluded within 18 months of the “as of” examination date pursuant to NAIC accreditation standards. Insurers applying for an initial certificate of authority must also be examined. When circumstances warrant heightened scrutiny, the Office performs targeted reviews of specific companies. Under the auspices of the NAIC, the Office participates in multi-state financial examinations.

Financial analyses or desk reviews are conducted on a monthly, quarterly and annual basis. Under NAIC accreditation standards, the Office must complete the review of a priority company (those with a major or serious violation or problem) within 60 days, and a non-priority company (those with minor or no violations) within 90 days.

In FY 2014-15, the Office completed 100 percent of the 70 financial examinations and 99.8 percent of the 8,228 financial analyses within NAIC timeframes.

d. Market conduct examinations and investigations

Through market conduct examinations and investigations, the Office monitors insurance company products and practices for compliance with the Florida Insurance Code. Consistent with the trend nationally, the Office emphasizes issue-specific, complaint-driven (“target”) examinations and collaborative multi-state examinations, rather than routine examinations performed at regular intervals. Issues identified include policy form deficiencies; claims communication response times; proper claims investigation; cancellation and nonrenewal notices; failure to pay interest on overdue claims and monitor a third-party administrator; unfavorable claims settlements; and internal coding errors.

Florida is also one of six managing lead states engaged in the nationwide examinations of the claims settlement practices of life insurance and annuity companies. In 2013 and 2014, the Office recovered roughly \$110 million on behalf of Florida consumers and helped reform claims settlement practices used by companies.

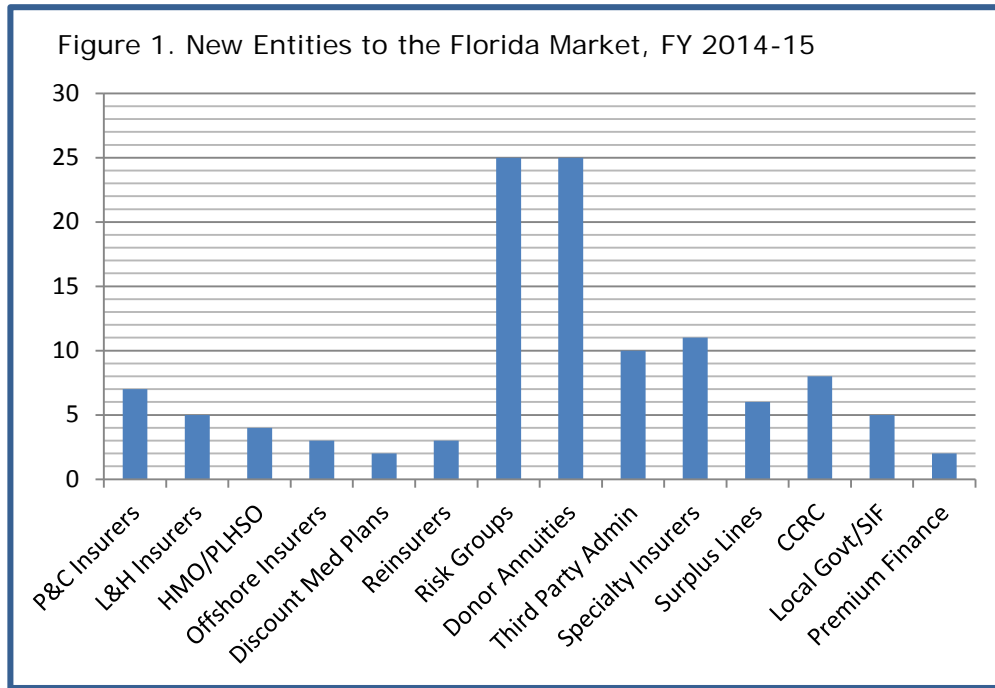
The Office also uses market analyses to identify significant issues adversely affecting consumers. These desk reviews consist of a review and analysis of information reported in financial statements, in complaint data, and through lawsuit activity and other available data sources. This monitoring role also includes identifying unlicensed entities transacting insurance illegally.

e. Attract companies and capital to the Florida insurance market

In FY 2014-15, an additional 116 insurance and insurance-related entities entered the Florida market.¹⁰ While some, such as donor annuities, are largely unregulated entities with little economic or regulatory impact, seven were newly licensed property and casualty insurers and five were newly licensed life and health insurance insurers.

Of the 12 insurers new to Florida in FY 2014-15, three were large national companies—companies affiliated with national or international insurance groups. Two of the twelve have

a publicly traded parent. In addition to the 12 new insurers, Florida added two new HMOs and two new PLHSOs. See Figure 1 for the distribution of new entities.



f. Data collection, analyses, and reports

The Office engaged in extensive data collection and analyses in FY 2014-15 related to:

- Catastrophe stress testing reporting for selected domestic insurers
- Health and accident insurance, specific to plans and coverages
- Health risk sharing provider market examination
- High-value homes data call (per Chapter 2013-60, Laws of Florida)
- Individual rated and excess rates
- Managed care specific to HMO financial and county enrollment data, both group and individual
- Major medical enrollment and premium reporting
- Private passenger automobile insurance, specific to excess profits and policy count reporting
- Private passenger motor vehicle insurance coverage
- Professional liability claims reporting
- Property and casualty annual calendar year experience (financial) reporting
- Property and casualty insurance (residential policy data)
- Property and casualty reinsurance data call (three separate parts)
- Secondary life insurance
- Small employer insurance, specific to insurer estimates of earned premiums and membership
- Title agency data call
- Title underwriter data call
- Unfair discrimination based on travel annual life insurance survey

The Office completed numerous statutorily required reports in FY 2014-15. See section H.2., of this Long-Range Program Plan for a complete list of reports.

2. Technology in Carrying Out Statutory Responsibilities

The Office has one of the most sophisticated regulatory technology systems in the country, featuring comprehensive electronic insurance company form, rate and data filing systems. This system, along with the data it produces and makes accessible to the public, plays a major role in advancing Office goals and objectives and achieving performance outcomes. Recent enhancements include:

- Modification of the I-File forms and rates system to permit all companies to submit documents marked "trade secret," with greater assurance that trade secrets are protected in state computer files.
- Improvements to the Data Collection and Analysis Modules system to retrieve and provide users with data previously supplied in an Excel spreadsheet. Customers experience considerable time savings, filing simplicity and reduced error rates. The Office requires less time to complete data reviews.
- Enhancements to the I-Apply system to enable multiple domestic insurers to be included within a single acquisition filing rather than separate filings. Upgrades to the company application screen provide filers with more options and guides them through the process without necessitating a call to the Office for assistance.
- Development and deployment of a standardized Financial Examination Tracking System enabling the Office to adopt common practices across examinations.

In addition, the Office is fully integrated into and benefits from mission-critical NAIC technology systems used as part of the application, financial review, and other processes.

3. Market Conditions in Florida

The insurance industry is a vital part of Florida's economy. It employs nearly 200,000 Floridians, with average annual salary and benefits of \$63,577.¹¹ As of June 30, 2015, the Office had oversight of 4,204 entities in Florida.¹² The Florida homeowners' insurance market is the largest in the nation based on premium volume, and is the strongest it has been in over 10 years.

Market conditions in Florida can be assessed against a variety of criteria, including market entry (new entrants), market concentration/competition, premium volume, premium rates, company financial condition, and size of residual markets.

a. Market entry (new entities and new lines of business for existing entities)

See section A.1.e., above.

b. Market concentration

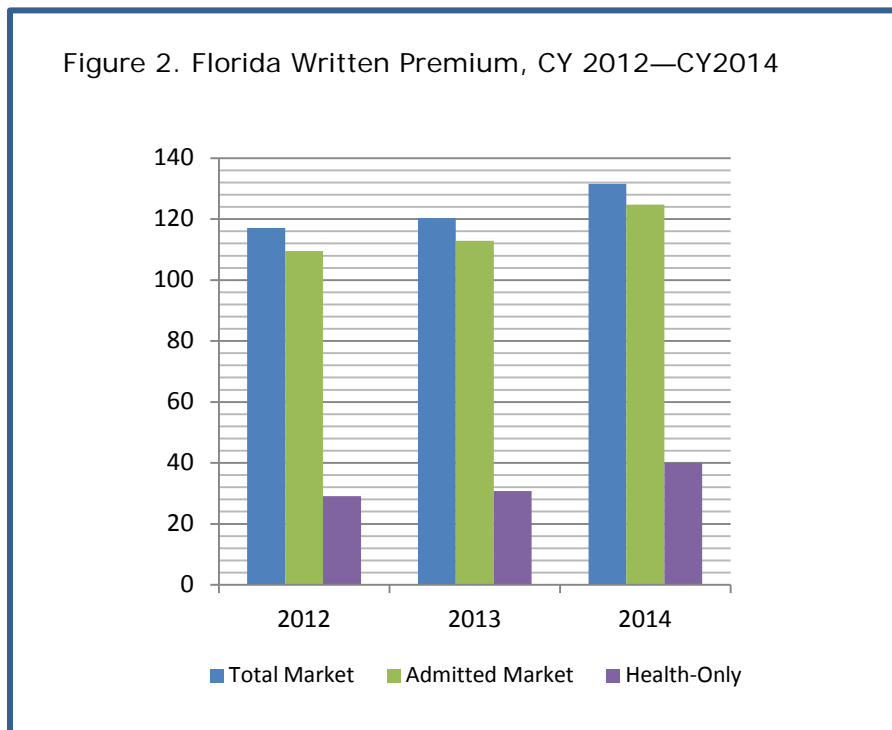
Florida insurance markets are generally competitive, although market concentration varies considerably from one line to another, as shown in Table 2.

Line of Business	Top Writer	Top 5 Writers	Top 10 Writers
Accident and Health	15.6	48.3	63.6
Commercial Multi-Peril	14.7	33.3	47.3
Homeowners Multi-Peril	9.1	31.7	47.5
Life	6.3	23.7	38.7
Medical Malpractice	20.9	47.0	61.2
Private Passenger Auto	16.6	46.9	63.2
Title	32.5	83.8	97.7
Workers Compensation	10.5	29.4	43.1

c. Premium volume¹⁴

As shown in Figure 2, Florida is experiencing steady premium growth. Among all writers, total written premium expanded from \$117.1 billion at year-end 2012 to \$131.6 billion in year-end 2014, a strong 12.4 percent increase. An \$11.3 billion jump in written premium from 2013 to 2014 accounted for most of the growth. This increase primarily resulted from a 33 percent (\$9 billion) surge in premium written by health-only companies. Florida-admitted insurers wrote \$124.8 billion of 2014 total premium, a \$12 billion increase from the \$112.8 billion written in 2013. Premium written by specialty insurers jumped 39 percent between CY 2012 and CY 2014, with the biggest increase again occurring from CY 2013 to CY2014.

During this period, Florida ranked 11th globally in total direct written premium.¹⁵

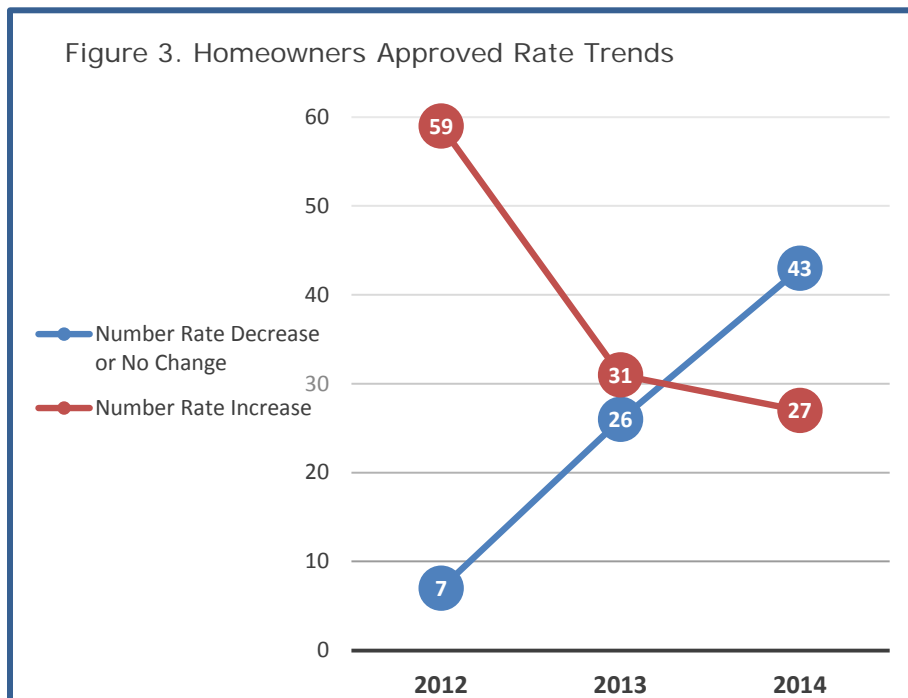


d. Premium rates

Rate trends vary across insurance lines. On the one hand, health insurance rates continue to increase as a result of the Patient Protection and Affordable Care Act (PPACA). Filed rates in the individual market for the 2015 plan year were 13.2 percent

higher than rates for the 2014 plan year.¹⁶ Rates for individual major medical plans will increase an average of 9.5 percent beginning January 1, 2016. Some of this cost may be offset for individuals eligible for a premium subsidy and purchasing coverage through the federally facilitated marketplace.

On the other hand, property insurance rates are trending lower. The soft reinsurance market is contributing to lower rates in some market segments. The trend is very favorable for insurers. Many companies are using the savings to purchase increased reinsurance coverage, reduce rates, or some combination of the two. In 2012, 59 of the 66 Office-approved homeowners filings had a rate increase; by 2014, two-thirds (43 of 70) had a rate decrease. See Figure 3.



Workers' compensation rates are also down an average of 58.3 percent since 2003. In 2015, employers in the aggregate enjoyed additional premium savings of roughly \$123 million.

Private passenger automobile insurance premiums have also benefited from lower Personal Injury Protection (PIP) rates. On January 1, 2015, the Office released a study on the impact of the 2012 PIP reform law (HB 119) on PIP and auto insurance rates and claims.¹⁷ As part of that study, we looked at the personal auto rate filings submitted both pre- and post-HB 119 by the largest insurers. For the approximately two year period prior to HB 119, PIP rates increased 46.3 percent, but during the two year period after HB 119, the rates decreased 13.6 percent.¹⁸ It is safe to say that HB 119 significantly changed the trajectory of the trends that we were seeing in the market prior to HB 119. However, since PIP accounts for a small slice of the overall auto premium (approximately 20 percent) and some losses that previously would have been covered under PIP have migrated to other coverages (e.g., Bodily Injury, Medical Payments and Uninsured Motorists), auto insurance rates decreased 0.1 percent post-HB 119, compared to a 12.9 percent increase in the two years prior to HB 119.¹⁹

e. Financial condition

Health insurers and HMOs, as well as some life insurers, face a more challenging financial environment than their counterparts in the property and casualty sector. Of particular concern to the Office is the financial condition of HMOs. Many are under significant stress. Much of this is due to a combination of changes to the Medicare and Medicaid programs and cases of extremely rapid enrollment growth as a result of the PPACA.

Life insurers have come under financial pressure from the low interest rate environment. From 2013 to 2014, profitability was up for Florida domestics, with net income increasing 48.9 percent following a 13.6 percent during the prior year.²⁰ Across all companies, net income declined 8.2 percent from 2013 to 2014.²¹

In the property insurance sector, Florida domestics are thriving. Comparing the results from year-end 2014 to year-end 2013, gross written premium rose 20 percent; policyholder surplus increased 19.7 percent; underwriting gain jumped \$220 million; and after-tax income grew by \$115 million.²² Surplus is up 87 percent since 2010.²³ Florida's domestic property insurers are well-positioned to satisfy the demand for new coverage resulting from continued population growth.

f. Residual markets.²⁴

Small residual markets are generally associated with healthy voluntary markets. The overwhelming majority of premium written in Florida is written by private insurers in the voluntary market. With the exception of the property insurance market, residual markets remain very small in Florida.

The property insurance residual market is much smaller than at any time since the aftermath of 2004 and 2005 storm seasons. During FY 2014-15, the Office approved another 1,357,539 policies for take-out. Private insurers assumed 427,209 policies. As of June 30, 2015, Citizens policy count had dropped to 598,646—58 percent fewer policies than the 1,440,112 policies-in-force as of June 30, 2012. Over that same three-year period, Citizens' total exposure fell 63 percent, from \$496 billion to \$183 billion.

4. New Laws

a. Federal

1) Patient Protection and Affordable Care Act.²⁵ While the PPACA became law in 2010 and, therefore, is not a new law, the regulations spawned by the act continue to evolve and shape the requirements of the Act through annual agency rulemaking, guidance and Frequently Asked Questions.

2) Terrorism Risk Insurance Program Reauthorization Act of 2015.²⁶ The federal Terrorism Risk Insurance Act (TRIA) became law in January 2015. The reauthorization legislation made a number of significant changes to the previous version of the Act and extends the program through December 31, 2020. It decreases the federal share of the compensation for the insured losses of an insurer during each program year by one percent until it equals 80 percent of the portion of the amount exceeding the annual insurer deductible; and increases the insurance marketplace aggregate retention amount under the Program (currently \$27.5 billion) by \$2 billion per calendar year until it equals \$37.5 billion.

b. Florida

1) Certificate of authority applications. In applying for a certificate of authority, a foreign or alien insurer must provide a copy of the insurer's most recent examination certified by the insurance regulator of the domiciliary state or state of entry into the United States. The examination must have been conducted within a three-year period preceding the date of application. The bill changes the timeframe from three years to five years. (Ch. 2015-42, Laws of Florida; effective 7/1/15)

2) Notice of change in policy terms. The bill specifically requires the Notice of Change in Policy Terms to be provided in advance, but gives the insurer the option of either providing it with the notice of renewal premium or sending it separately within the timeframe required for notifying a policyholder of nonrenewal. Regardless of the option chosen, the insurer must also provide a sample copy of the notice to the named insured's insurance agent before or at the same time notice is provided to the named insured. In addition, the bill prohibits insurers from using the statutory notice to add any optional coverage to a renewal policy that increases policyholder premium, unless the policyholder affirmatively agrees to add the optional coverage and so indicates to the insurer or agent. The bill defines "optional coverage" to mean the addition of new insurance coverage not previously requested or approved by the policyholder but does not include any change to the base policy or a deductible or an insurance limit. (Ch. 2015-170, Laws of Florida; effective 7/1/15)

3) Employee health care plans. As a result of the PPACA, the bill amends the Florida Employee Health Care Access Act to remove multiple provisions viewed as out of date or in conflict with PPACA such as the requirement that a small employer carrier offer standard, basic, and high deductible plans as a condition of transacting business in Florida. It also repeals a provision that reinsurance premium rates be indexed to approximate gross premium rates of standard and basic health plans.

The bill exempts small employer self-insured health benefit plans from the requirements of the Act and permits these plans to use a stop-loss insurance policy issued to the employer. The bill defines "stop-loss insurance policy." The bill considers a stop-loss policy a health insurance policy subject to the Act if it has an aggregate attachment point lower than the greater of \$2,000 multiplied by the number of employees; 120 percent of expected claims, as determined by the stop-loss insurer; or \$20,000. The stop-loss policy must cover 100 percent of all claims in excess of the aggregate attachment point. In the case of a self-insured health benefit plan maintained by an employer with 51 or more covered employees, the bill considers it to be health insurance if the stop-loss coverage has an aggregate attachment point lower than the greater of 110 percent of expected claims, as determined by the stop-loss insurer; or \$20,000. Stop-loss insurance carriers are required under the bill to use a consistent basis for determining the number of covered employees. As one such basis, carriers may use the average number of employees employed annually or at a uniform time. (Ch. 2015-121, Laws of Florida; effective 7/1/15)

4) Property and casualty insurance. The bill allows insurers to use hurricane loss projection models and estimates of probable maximum losses in a rate filing for 120 days following the stated expiration date of the model, rather than 60 days. The bill also clarifies that insurers writing commercial property and casualty insurance, other than commercial residential multi-peril, must make an annual base rate filing for each such line at least once annually, demonstrating its rates are not inadequate. Under current law, both commercial multiple line and commercial motor vehicle are exempted from this filing frequency requirement.

Under current law, residential property insurers must give the first-named insured written notice of nonrenewal, cancellation, or termination at least 100 days in advance of the effective date. However, if the nonrenewal, cancellation or termination would take effect between June 1 and November 30, the insurer must notify the first-named insured at least 100 days in advance or by June 1, whichever is earlier. The June 1 notice requirement does not apply, but the 100-day notice requirement does apply, to a policy that is nonrenewed because of a revision in the coverage for sinkhole losses and catastrophic ground cover collapse. The bill replaces these notice provisions with a uniform 120-day advance notice requirement.

Under current law, a private passenger motor vehicle insurance policy providing physical damage coverage, including collision or comprehensive coverage, may not be issued in this state unless the insurer has inspected the motor vehicle in accordance with Florida law. This requirement does not apply to a policy for a policyholder insured without interruption for at least two years if the agent verifies the prior coverage. The bill revises current law to provide that the exception applies if the policy provides coverage for “any” vehicle.

The bill also exempts leased vehicles from motor vehicle pre-insurance inspections. Finally, the bill retains current provisions allowing insurers to include Florida Insurance Guaranty Association (FIGA) coverage information in their advertising and sales efforts, but will now specifically require that they explain the limits of the FIGA coverage. (Ch. 2015-135, Laws of Florida; effective 7/1/15)

5) Flood insurance. The bill amends provisions adopted as part of the flood insurance legislation enacted during the 2014 Session. Under current law, flood insurance policies may be issued on a standard, preferred, customized or supplemental basis. The bill provides a fifth—flexible flood insurance. Flexible flood insurance must cover losses from the peril of flood and may also include coverage for losses from water intrusion originating from outside the structure not otherwise covered by the definition of flood. Flexible flood insurance must include one or more of the following provisions:

- limiting flood coverage to a specified amount, such as an outstanding mortgage.
- requiring a deductible in an amount authorized under s. 627.701, F.S.
- requiring flood loss to a dwelling to be adjusted on the basis of actual cash value.
- limiting flood coverage to the principal building defined in the policy.
- including or excluding coverage for additional living expenses.
- excluding coverage for personal property or contents as to the peril of flood.

The bill repeals a provision providing that supplemental flood insurance does not include excess flood coverage.

Under current law, any restrictions on policy limits must be prominently noted on the policy declarations page or face page. The bill specifically includes deductibles in this requirement. In addition, if the Office finds flood rates are excessive or unfairly discriminatory, the bill requires the Office to appropriately credit existing policyholders or refund those not still insured by the insurer.

Finally, under the bill, insurers may ask the Office to certify that the flood coverage meets or exceeds that provided under the federal program. The insurer must first include a policy provision stating it meets private flood insurance requirements established under applicable federal law. The insurer or agent may reference this certification in its advertising or communications with private lenders and specified others. The bill makes it an unfair or deceptive act under Florida law for an insurer or agent to knowingly misrepresent the

certification status of a policy, contract or endorsement. (Ch. 2015-69, Laws of Florida; effective 7/1/15)

B. What Led the Office to Select its Priorities?

The priorities of the Office are defined by the Insurance Commissioner from among the statutory responsibilities assigned by the Legislature, and consistent with the performance measures adopted by the FSC.

C. How Does the Office Plan to Address the Priorities over the Next Five-Year Period?

The Office will address stated priorities and pursue its mission by:

- Expeditiously licensing insurance companies and insurance-related entities.
- Promptly reviewing forms and rates for insurers and insurance-related entities.
- Thoroughly monitoring and analyzing the financial condition of insurers and requiring corrective action when appropriate.
- Judiciously enforcing insurer and insurance-related entity compliance with statutory market conduct requirements.
- Attracting more companies and capital to the Florida insurance market.
- Efficiently collecting and analyzing insurance market data for use by the Office, policymakers, companies and the general public.
- Actively participating in national and global regulatory policy formulation and standard-setting affecting Florida markets, companies and policyholders.

D. Justification of Revised or Proposed New Programs and/or Services

The Office is not recommending any new programs or services.

E. Justification of the Final Projection for each Outcome (Include an Impact Statement Relating to Demand and Fiscal Implications)

The final projection for each outcome is based on historical experience, trend, and resources, and reflects the relative priorities of the Office as established by the Legislature, the FSC, and the Insurance Commissioner. Demand is expressed through workload which is described under each goal contained in this Long Range Program Plan. The Office continues to focus on productivity enhancements in an effort to achieve goals consistent with the stated mission.

F. List of Potential Policy Changes Affecting the Office Budget Request or Governor's Recommended Budget

None anticipated

G. List of Changes Requiring Legislative Action, including the Elimination of Programs, Services and/or Activities

None

H. List of all Task Forces and Studies in Progress

1. Commissions, Boards and Task Forces

The Office is involved with numerous insurance–related commissions, boards and task forces, including the following:

a. Life and health

- Agency for Healthcare Administration (AHCA) Medicaid Reform Low Income Pool Council
- Birth-Related Neurological Injury Compensation Association
- Children's Medical Services Network – Advisory Council
- Continuing Care Advisory Council
- Cover Florida Health Care
- Florida Employee Long-Term Care Plan
- Florida Health Choices Board
- Florida Health Maintenance Organization Consumer Assistance Plan
- Florida Healthy Kids
- Florida Health Insurance Advisory Board
- Medicaid Reform Technical Advisory Board
- State Consumer Health Information and Policy Advisory Council

b. Property and casualty

- Citizens Market Accountability Advisory Committee
- Citizens Property Insurance Corporation
- Florida Automobile Joint Underwriting Association
- Florida Commission on Hurricane Loss Projection Methodology
- Florida Energy and Climate Commission
- Florida Workers' Compensation Joint Underwriting Association
- Florida Hurricane Catastrophe Fund
- Florida Medical Malpractice Joint Underwriting Association
- Florida Patient's Compensation Fund
- Florida Surplus Lines Service Office
- National Council on Compensation Insurance (NCCI) Appeal Board
- Workers' Compensation Three Member Panel

2. Studies and Reports

a. Annual reports

- Accident and Health Gross Annual Premium Report
- Cover Florida Health Access Program Report
- Florida Office of Insurance Regulation Fast Facts Report
- Florida Property and Casualty Insurance Experience
- "Freedom to Travel"/Life Insurance Travel Underwriting Company Report
- Health Flex Program Evaluation (Joint Report with Agency for Health Care Administration)
- Health Insurance Rate Changes
- Legislative Budget Request
- Listing for Personal Lines Property Residential Coverage
- Long Range Program Plan
- Medical Malpractice Liability Claims—Annual Summary

- Office of Insurance Regulation Annual Report
- Officers and Directors Liability Claims—Annual Summary
- Personal Lines Property Residential Coverage Rate Report
- Small Employer Group Carrier-reported Estimates of Earned Premiums and Enrollment
- Summary of Small Employer Group Health Annualized Premiums Earned Report
- Workers' Compensation—Marketplace Availability and Affordability

b. Biennial – triennial – quadrennial reports

- Agency Rules Report (Identifies Rules Filed for Adoption and Repeal)
- Citizens Market Conduct Examination—Plan of Operation and Internal Operations Compliance
- Financial Services Commission—Independent Actuarial Peer Review of Workers' Compensation Rating Organization
- Neurological Injury Compensation Association Actuarial Investigation
- Restrictions on the Employment of Ex-offenders
- Title Insurance—Premium Review
- Workers' Compensation Three member Panel—Methods to Improve the Workers' Compensation Health Care Delivery System (the Office provides data and support to the Department of Financial Services to complete recommendations)

c. Other reports

- Managed Care Summary Report (quarterly)
- Market Analysis-based Order on Citizens Property Insurance Corporation Reasonable Degree of Competition
- Report on Review of the Data Call Pursuant to House Bill 119 - Motor Vehicle Personal Injury Protection (PIP)

In addition, reports detailing Office activities and achievements were submitted to the Governor and the entire FSC on a weekly, monthly, quarterly and annual basis.

Glossary

Actual Expenditures: Includes prior year actual disbursements, payables and encumbrances. The payables and encumbrances are certified forward at the end of the fiscal year and 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 in the year funds are disbursed.

Appropriation Category: The lowest level line item of funding in the General Appropriations Act, representing a major expenditure classification of the budget entity. Within budget entities, categories may include salaries and benefits, other personal services, expenses, operating capital outlay, data processing services, fixed capital outlay, and others.

Budget Entity: A unit or function at the lowest level to which funds are specifically appropriated. "Budget entity" and "service" have the same meaning.

Fixed Capital Outlay: Real property, 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.

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 composed of the Governor and Cabinet and contains the Office of Insurance Regulation and Office of Financial Regulation.

Legislative Budget Request: A request to the Legislature, filed pursuant to s. 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: 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.

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.

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). Programs are identified in the General Appropriations Act.

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

Kevin M. McCarty Commissioner of Insurance State of Florida



Kevin McCarty began his public service career with the Florida Department of Labor and Employment Security in 1988. He became a workers' compensation expert and, in 1991, joined the Florida Department of Insurance (DOI). In 1992, McCarty became the chief DOI point person for implementing strategies to restore the private marketplace following the devastation of Hurricane Andrew. Following the constitutionally required reorganization of the Florida Cabinet in 2002 and the creation of the Office of Insurance Regulation, the Governor and Cabinet named McCarty the first appointed Insurance Commissioner effective January 2003.

Commissioner McCarty's leadership of the Office reflects his vision of government's role in society—a vision guided by three main principles: one, government should serve and ultimately be accountable to the people; two, government should be transparent in its operations, and treat its clients fairly; and three, government should promote a vibrant, competitive marketplace while safeguarding the interests of those unable to protect themselves.

By using technology to improve the regulatory process in ways that benefit both companies and consumers, McCarty has cemented his reputation as an innovator. Required filings can now be submitted electronically. As a result, companies can get their products to market much faster and at less expense, and consumers gain immediate and unfettered access to industry data and company rate filings.

Commissioner McCarty has played a key role in restoring the Florida property insurance market, developing a national catastrophe strategy and transitioning residual market policyholders to the private market. As a stabilizing force engaged in extensive outreach to domestic and foreign companies and global reinsurers and investor groups, McCarty has accelerated the flow of additional private capital into the Florida market. As an advocate for encouraging business and capital growth, McCarty has expanded opportunities for international insurers to operate in Florida. He has also worked closely with state policymakers to support and encourage the development of a private flood insurance market as an alternative to the National Flood Insurance Program.

Commissioner McCarty has also been instrumental in the transformation of Florida's workers compensation market from one of the most expensive, least competitive, and least efficient, to one of the most competitive, efficient and affordable. Under his watch, rates have dropped over 58 percent, saving Florida businesses an estimated \$3 billion. For McCarty, cost containment has been a key focus as chair of the Workers' Compensation Three-Member Panel.

One of Commissioner McCarty's top priorities has been to safeguard the Florida health insurance market during the implementation of the federal Patient Protection and Affordable Care Act (PPACA). Health insurance rate filings are carefully evaluated and the financial condition of health insurers and health maintenance organizations is actively monitored. As chair of the Florida Health Insurance Advisory Board, he meets regularly with company and consumer representatives and works with Florida's leadership to maintain a robust health insurance market.

McCarty has been a fierce defender of seniors and historically discriminated minorities. Under Commissioner McCarty's leadership, millions of dollars have been recovered on behalf of life insurance beneficiaries as a result of multi-state market conduct exams of life insurance companies and their use of the Social Security Administration's Death Master File. The Florida Office of Insurance Regulation, working with Chief Financial Officer Jeff Atwater and Attorney General Pam Bondi, was the first state insurance department in the nation to enter into a regulatory settlement agreement requiring a company to take corrective actions.

Within the National Association of Insurance Commissioners (NAIC), McCarty's leadership has given Florida consumers and insurers a critical voice on national insurance issues. In addition to chairing numerous committees and task forces, McCarty's NAIC colleagues have elected him to the following offices: secretary-treasurer in 2008, vice president in 2009, president-elect in 2010, and president in 2012. As president, he achieved many key initiatives of the NAIC, including the approval of changes to Actuarial Guideline 38 (AG 38) and the adoption of the Valuation Manual integral to implementing principle-based reserving.

Florida has also maintained a strong international leadership presence with McCarty's service as a member of the Executive and Technical Committees of the International Association of Insurance Supervisors (IAIS), and as a co-vice-chair of the Executive Committee. He is the state official member of the International Issues Task Force Working Group for the National Conference of Insurance Legislators. This Working Group was created to focus on global standards, capital requirements, and group supervision. Because of his extensive regulatory expertise in this area, he was named 2015 Chair of the NAIC International Insurance Relations Committee.

McCarty has been invited to testify on several occasions before the U.S. Congress on various insurance-related matters—most recently in April 2015. He has also received numerous accolades for his leadership. In September 2015, he received the Lifetime Achievement Award from the Florida Association of Insurance Reform (FAIR). In 2011, the National Association of Health Underwriters presented him with the Spirit of Independence Award for his work to preserve the role of health insurance agents within federal health care reform. For his outstanding service to the NAIC, McCarty and the Office received the 2010 Esprit de Corps Award. LexisNexis named McCarty 2008 Regulator of the Year.

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

Overview of Office of the Commissioner

The Commissioner provides senior-level executive, regulatory and policy leadership. Through the Office, the Commissioner executes and enforces all regulatory responsibilities in furtherance of the public interest. The Commissioner oversees the review of company rate and form filings across regulated lines of insurance and takes appropriate action; monitors the financial strength, solvency and enterprise risk of insurance companies doing business in this state; and ensures that contract provisions keep up with changing legal and market conditions. The Commissioner also advises the Governor, FSC, and Legislature on matters affecting the insurance marketplace, and implements relevant statutory and regulatory policies. Finally, the Commissioner represents the Office before relevant constituencies, both within and outside of the insurance industry and institutions, both nationally and internationally, in a way that benefits Florida consumers and companies.

¹ U.S. Department of Commerce, Bureau of Economic Analysis, "Total full-time and part-time employment by NAICS industry, Insurance and Insurance-related entities." ("Insurance carriers and related activities" are defined as follows: "Industries in the Insurance Carriers and Related Activities NAICS subsector group establishments that are primarily engaged in one of the following (1) underwriting (assuming the risk, assigning premiums, and so forth) annuities and insurance policies or (2) facilitating such underwriting by selling insurance policies, and by providing other insurance and employee-benefit related services." The number includes both full and part-time employment.) The 16,000 jobs reflect the difference between 2010 and 2013 totals. The most recent year available was 2013.

² Average compensation per job is based upon regional data published by the U.S. Department of Commerce, Bureau of Economic Analysis, for 2013 (most recent year available). It is calculated by dividing \$12,352,852,000 (i.e., "Private nonfarm compensation: insurance carriers and related activities" for Florida) by 194,299 (i.e., "Private nonfarm employment: insurance carriers and related activities" for Florida). This information can be found at: <http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=4#reqid=70&step=1&isuri=1>.

³ The cited jobs number is from regional data published by the U.S. Department of Commerce, Bureau of Economic Analysis, under "Private nonfarm employment: insurance carriers and related activities" for Florida for 2013 (most recent year available). It can be found at:

<http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=4#reqid=70&step=1&isuri=1>.

⁴ Florida Office of Insurance Regulation, Citizens Take-Out Spreadsheet, Total Policies Approved and Assumed 2015 and Total Policies Approved and Assumed 2014.

⁵ Citizens Property Insurance Corporation, Book of Business, Archived Policies in Force, Policies-in-Force Snapshot, 06.30.15 and 06.30.12, located at: <https://www.citizensfla.com/about/bookofbusiness/>.

⁶ Citizens Property Insurance Corporation, Book of Business, Archived Policies in Force, Policies-in-Force Snapshot, 06.30.15 and 06.30.12, located at: <https://www.citizensfla.com/about/bookofbusiness/>.

⁷ NAIC Scorecards: State Insurance Regulation in California Key Facts and Market Trends, Overview of the 2014 Insurance Market In California, Cost of Regulation in California, p. 1; State Insurance Regulation in Florida: Key Facts and Market Trends, Overview of the 2014 Insurance Market In Florida, Cost of Regulation in Florida, p. 1; State Insurance Regulation in New York: Key Facts and Market Trends, Overview of the 2014 Insurance Market In New York, Cost of Regulation in New York, p. 1; State Insurance Regulation in Texas Key Facts and Market Trends, Overview of the 2014 Insurance Market In Texas, Cost of Regulation in Texas, p. 1; State Insurance Regulation: Key Facts and Market Trends Overview of the United States Insurance Market 2014, p. 3.

⁸ Section 120.80(9), F.S.

⁹ Section 120.60(1), F.S.

¹⁰ Compiled by the Florida Office of Insurance Regulation from the COREN database. Entity counts are based on July 8, 2015 retrieval.

¹¹ See note 2.

¹² Compiled by the Florida Office of Insurance Regulation from the COREN database. Entity counts are based on July 8, 2015 retrieval.

¹³ Compiled by the Florida Office of Insurance Regulation from NAIC CY 2014 company-reported premium data.

¹⁴ Premium data based on May 7, 2015, retrievals from NAIC and Office FAME data reported for Calendar Year 2014.

¹⁵ National Association of Insurance Commissioners, 2014 Premium Volume -- Worldwide (An Alternative Look), 2015.

¹⁶ The average rate change is based upon rate filings submitted to the Florida Office of Insurance Regulation.

¹⁷ Florida Office of Insurance Regulation, 2014 Report on Review of the Data Call Pursuant to House Bill 119--Motor Vehicle Personal Injury Protection (PIP) Insurance, January 2015.

¹⁸ See note 17, p. 41.

¹⁹ See note 17, p. 41.

²⁰ Florida Office of Insurance Regulation.

²¹ Florida Office of Insurance Regulation.

²² Willis Re, Florida Domestic Insurance Market--Primarily Property Writers, 2014 Year End Statutory Results (March 2015).

²³ Calculated from information contained in the NAIC Financial Data Repository.

²⁴ For purposes of this report, "Residual market premium" means insurance premium written by the insurer of last resort. In Florida, this would include, among others, Citizens, the Florida Life and Health Insurance Guaranty Association, and the Florida Workers' Compensation Joint Underwriting Association.

²⁵ Public Law 111-148; 124 STAT. 119 (March 23, 2010).

²⁶ Public Law 114-1; 129 STAT. 3 (January 12, 2015).

LRPP Exhibit II - Performance Measures and Standards

43900000 Financial Services Commission				
Office of Insurance Regulation				
Approved Performance Measures for Fiscal Year 2015-16	Approved Prior Year Standard FY 2014-15 (Numbers)	Prior Year Actual FY 2014-15 (Numbers)	Proposed Revised Standards for FY 2015-16 (Numbers)	Requested FY 2016-17 Standard (Numbers)
43900110 Compliance and Enforcement				
Percentage of life and health form and rate filing reviews completed within 45 days.	90%	99.7%	90%	90%
Percentage of property and casualty form filing reviews completed within 45 days and rate filing reviews completed within 90 days.	90%	99.8%	90%	90%
Percentage of complete applications for a new certificate of authority processed within statutorily required timeframes.	98%	100%	98%	98%
Applications for a new certificate of authority for Life & Health and Property & Casualty processed within 90 days.	98%	100%	98%	98%
Percentage of market conduct examinations with violations in which the Office takes enforcement action.	85%	100%	85%	85%
Percentage of Financial Examinations of domestic insurers completed within 18 months of the "as of" exam date.	98%	100%	98%	98%
Percentage of priority Financial Analyses completed within 60 days.	98%	99.3%	98%	98%
Percentage of non-priority Financial Analyses completed within 90 days.	95%	99.8%	95%	95%
43900120 Executive Direction and Support Services				
Administrative costs as a percentage of total agency costs.	10%	4.6%	10%	10%
Administrative positions as a percentage of total agency positions.	10%	5.2%	10%	10%

LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Office of Insurance Regulation

Program: Financial Services Commission

Service/Budget Entity: Compliance and Enforcement

Measure: Percentage of life and health form and rate filing reviews completed within 45 days.

Action:

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

Current Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
90%	99.7%	9.7%	N/A

Factors Accounting for the Difference:

Internal Factors (check all that apply):

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

Explanation:

This measure reflects a 45-day timeframe for Office completion of life and health form and rate filings.. The superior performance reflects Office innovations and staff productivity. Several review teams from within the Office received state productivity awards. .

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: Percentage of property and casualty form filing reviews completed within 45 days and rate filing reviews completed within 90 days.

Action:

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

Current Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
90%	99.8%	9.8%	N/A

Factors Accounting for the Difference:

Internal Factors (check all that apply):

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

Explanation:

This measure reflects a 45-day timeframe for Office completion of property and casualty form filings and 90 days for property and casualty rate filings. The superior performance reflects Office innovations and staff productivity. Several review teams from within the Office received state productivity awards.

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: Percentage of complete applications for a new certificate of authority processed within statutorily required timeframes.

Action:

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

Current Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
98%	100%	N/A	N/A

Factors Accounting for the Difference:

Internal Factors (check all that apply):

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

Explanation:

This measure sets forth the statutory timeframe as the standard for the Office when processing complete certificates of authority.

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: Applications for a new certificate of authority for Life & Health and Property & Casualty processed within 90 Days.

Action:

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

Current Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
98%	100%	N/A	N/A

Factors Accounting for the Difference:

Internal Factors (check all that apply):

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

Explanation:

This measure accelerates the timeframe for the Office to process a new certificate of authority from the statutorily required 180 days to 90 days.

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: Percentage of market conduct examinations with violations in which the Office takes enforcement action.

Action:

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

Current Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
85%	100%	N/A	N/A

Factors Accounting for the Difference:

Internal Factors (check all that apply):

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

Explanation:

This measure gauges the extent to which the Office requires company remediation of violations identified in a market conduct examination.

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: Percentage of Financial Examinations of domestic insurers completed within 18 months of the “as of” exam date.

Action:

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

Current Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
98%	100%	2%	N/A

Factors Accounting for the Difference:

Internal Factors (check all that apply):

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

Explanation:

This measure sets forth the timeframe for the Office to complete financial examinations. This timeframe is consistent with NAIC accreditation standards.

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: Percentage of priority Financial Analyses completed within 60 days.

Action:

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

Current Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
98%	99.3%	N/A	N/A

Factors Accounting for the Difference:

Internal Factors (check all that apply):

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

Explanation:

This measure sets forth the timeframe for the Office to complete priority financial analyses. The shorter timeframe reflects the priority status and is consistent with NAIC accreditation standards.

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: Percentage of non-priority Financial Analyses completed within 90 days.

Action:

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

Current Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
95%	99.8%	N/A	N/A

Factors Accounting for the Difference:

Internal Factors (check all that apply):

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

Explanation:

This measure sets forth the timeframe for the Office to complete nonpriority financial analyses. It assigns a lower priority to analyses where there are minor or no violations. The longer timeframe reflects the lower priority status and is consistent with NAIC accreditation standards.

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: Executive Direction and Support Services

Measure: Administrative costs as a percentage of total agency costs.

Action:

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

Current Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
10%	4.6%	(5.4%)	(5.4%)

Factors Accounting for the Difference:

Internal Factors (check all that apply):

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

Explanation:

Increased Office efficiencies and legislative budget reductions in administrative positions have contributed to lower administrative costs.

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: Executive Direction and Support Services

Measure: Administrative positions as a percentage of total agency positions.

Action:

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

Current Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
10%	5.2%	(4.8%)	(4.8%)

Factors Accounting for the Difference:

Internal Factors (check all that apply):

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

Explanation:

Increased Office efficiencies and legislative budget reductions in administrative positions have contributed to lower administrative costs. .

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 IV: Performance Measure Validity and Reliability

Department: Office of Insurance Regulation

Program: Financial Services Commission

Budget Entity: Compliance and Enforcement

Measures:

- 1) Percentage of life and health form and rate filing reviews completed within 45 days.
- 2) Percentage of property and casualty form filing reviews completed within 45 days and rate filing reviews completed within 90 days.
- 3) Percentage of complete applications for a new certificate of authority processed within statutorily required timeframes.
- 4) Applications for a new certificate of authority for Life & Health and Property & Casualty processed within 90 days.
- 5) Percentage of market conduct examinations with violations in which the Office takes enforcement action.
- 6) Percentage of Financial Examinations of domestic insurers completed within 18 months of the 'as of' exam date.
- 7) Percentage of priority Financial Analyses completed within 60 days.
- 8) Percentage of non-priority Financial Analyses completed within 90 days.

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

N/A

LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Office of Insurance Regulation

Program: Financial Services Commission

Service/Budget Entity: Executive Direction and Support Services

Measures:

- 9) Administrative costs as a percentage of total agency costs.
- 10) Administrative positions as a percentage of total agency positions.

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

N/A

LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures

Measure Number	Approved Performance Measures for Fiscal Year 2015-2016	Associated Activities Title
1	Percentage of life and health form and rate filing reviews completed within 45 days.	Review and approve rate and form filings.
2	Percentage of property and casualty form filing reviews completed within 45 days, and rate filing reviews completed within 90 days.	Review and approve rate and form filings.
3	Percentage of complete applications for a new certificate of authority processed within statutorily required timeframes.	Approve and license entities to conduct insurance business.
4	Applications for a new certificate of authority for Life & Health and Property & Casualty processed within 90 days.	Approve and license entities to conduct insurance business.
5	Percentage of market conduct examinations with violations in which the Office takes enforcement action.	Conduct and direct market conduct examinations.
6	Percentage of Financial Examinations of domestic insurers completed within 18 months of the "as of" exam date.	Conduct financial reviews and examinations.
7	Percentage of priority Financial Analyses completed within 60 days.	Conduct financial reviews and examinations.
8	Percentage of non-priority Financial Analyses completed within 90 days.	Conduct financial reviews and examinations.
9	Administrative costs as a percentage of total agency costs.	Operate agency in an efficient manner.
10	Administrative positions as a percentage of total agency positions.	Operate agency in an efficient manner.