



## OFFICE OF INSURANCE REGULATION

FINANCIAL SERVICES  
COMMISSION

RICK SCOTT  
GOVERNOR

JEFF ATWATER  
CHIEF FINANCIAL OFFICER

PAM BONDI  
ATTORNEY GENERAL

ADAM PUTNAM  
COMMISSIONER OF  
AGRICULTURE

DAVID ALTMAIER  
COMMISSIONER

September 30, 2016

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

Cindy 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 2017-18 through Fiscal Year 2021-22. 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 of our LRPP has been approved by me.

Sincerely,

A handwritten signature in blue ink that reads "David Altmaier".  
David Altmaier



**Florida Office of Insurance Regulation**

# **Long-Range Program Plan**

Fiscal Years 2017-2018 through 2021-22



**David Altmaier**  
**Insurance Commissioner**

**September 30, 2016**



**David Altmaier**  
**Insurance Commissioner**  
**Office of Insurance Regulation**

David Altmaier was appointed as Florida's Insurance Commissioner on April 29, 2016 by the Financial Services Commission. He leads a 292-member team at the Office of Insurance Regulation (Office) overseeing a complex insurance marketplace in a state with one of the highest catastrophe exposures for hurricanes.

Commissioner Altmaier began his public service career with the Office in 2008, serving in various roles within the property and casualty business unit. These included Chief Analyst, Director of Property & Casualty Financial Oversight and Deputy Commissioner of Property and Casualty Insurance, which had the responsibility for the daily activities of the Property & Casualty Product Review and Financial Oversight business units.

In his role as Commissioner, David serves on high profile boards and committees focusing on issues important to Florida's consumers and industry stakeholders.

Commissioner Altmaier is well respected for his participation with the National Association of Insurance Commissioners (NAIC), where is a member of several committees and currently serves as chair of the Capital Adequacy Task Force, Creditor-Placed Insurance Model Act Review Working Group, and Group Capital Calculation Working Group. He has also earned the NAIC's Professional Insurance Regulation designation.

Prior to joining the Office, he worked as a Florida licensed 2-20 and 2-14 insurance agent and high school math teacher.

Commissioner Altmaier graduated from Western Kentucky University in 2004 with a bachelor's degree in Mathematics.

# 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 priced in a manner that is adequate, but not excessive or unfairly discriminatory.**

**OBJECTIVE 1.A.:** Process product filings expeditiously.

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

Baseline FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
90%	90%	90%	90%	90%	90%

- 2) **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 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
90%	90%	90%	90%	90%	90%

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

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

Baseline FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
98%	98%	98%	98%	98%	98%

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

<u>Baseline</u> <u>FY 2015-16</u>	<u>FY</u> <u>2016-17</u>	<u>FY</u> <u>2017-18</u>	<u>FY</u> <u>2018-19</u>	<u>FY</u> <u>2019-20</u>	<u>FY</u> <u>2020-21</u>
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.

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

Baseline FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
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.

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

Baseline FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
98%	98%	98%	98%	98%	98%

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

- 7) **OUTCOME 3.B.1.:** Percentage of priority Financial Analyses completed within 60 days.

Baseline FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
98%	98%	98%	98%	98%	98%

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

Baseline FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
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.

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

Baseline FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
10%	10%	10%	10%	10%	10%

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

Baseline FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
10%	10%	10%	10%	10%	10%

# Office Budget FY 2016-17

Table 1. Appropriations Overview Fiscal Year 2016-17: Office of Insurance Regulation (Office)			
Positions	FY 2015-16	FY 2016-17	Change
Full-time equivalent (FTE) positions	292	292	0
Funding (By Budget Category)	FY 2015-16	FY 2016-17	Change
Salaries and Benefits	\$19,993,117	\$19,959,767	(\$33,350)
Other Personal Services	\$265,169	\$290,169	\$25,000
Expenses	\$2,559,164	2,481,072	(\$78,092)
Operating Capital Outlay	\$35,000	\$98,000	\$63,000
Contracted Services	\$1,430,726	\$1,430,726	\$0
Financial Examination Contracts*	\$4,926,763	\$4,926,763	\$0
Florida Public Hurricane Loss Model (Maintenance)*	\$632,639	\$632,639	\$0
Florida Public Hurricane Loss Model (Enhancements) **	\$1,700,000	\$850,000	(\$850,000)
Lease or Lease-Purchase of Equipment	\$27,403	\$27,403	\$0
Risk Management Insurance	\$181,293	\$112,446	(\$68,847)
DMS Human Resources Contract	\$97,841	\$97,856	\$15
<b>TOTAL</b>	<b>\$31,849,115</b>	<b>\$30,906,841</b>	<b>(\$942,274)</b>
<p>*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.</p> <p>**Funds are nonrecurring and disbursed directly to Florida International University (FIU).</p>			



# Linkage to Governor's Priorities

## 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. Over 212,000 Floridians are now employed in the insurance sector, more than any state other than California.<sup>1</sup>

**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 2015-16, the Office approved an additional 1,163,641 policies for take-out. Private insurers assumed 190,472 policies.<sup>2</sup> As of June 30, 2016, Citizens' policy count dropped to 489,138.

The Office receives no state general revenue dollars. It keeps its cost of regulation low relative to other states. The Office is exclusively funded from the Insurance Regulatory Trust Fund.

**3. Regulatory Reform.** In FY 2015-16, the Financial Services Commission (FSC) repealed three rules proposed for repeal by the Office. 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.

## 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.** Office productivity savings resulted from the efforts of a property & casualty business unit team of employees who helped to resolve limitations experienced by users of the Quarterly & Supplemental Reporting (QUASR) system. It resulted in expanded features and improved efficiencies allowing users to file information more easily with the Office. The actions of this team saved the state and taxpayers approximately \$30,000.

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

# Trends and Conditions

## Primary Statutory Responsibilities of the Office

The following are the primary statutory responsibilities of the Office:

- Attract companies and capital to the Florida insurance market.
- License insurance companies 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.
- Collect and analyze insurance market data for use by the Office, policymakers, companies, the general public, and issue reports.

### 1. Status of Key Statutory Responsibilities

The Office budget for FY 2016-17 is \$30.9 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 2015-16, the Office spent over 95 percent of every dollar received on regulatory responsibilities. Administrative costs accounted for less than five percent of the funds spent by the Office.

#### a. Certificates of authority (COA)

The Office is actively engaged in licensing insurance companies and certain other insurance related entities through the certificate of authority application process. Florida law requires the Office to approve or deny a complete application for a new certificate of authority for an insurance company within 180 days of receipt. With other entities receiving a new certificate of authority, the Office must approve or deny the new certificate of authority within 90 days, except continuing care retirement communities, which are approved or denied within 45 days. Amendments to existing certificates of authority for insurance companies must be approved or denied within 90 days.<sup>3</sup> In FY 2015-16, 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. In FY 2015-16, the Office processed 99.8 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. All new domestic insurers are required by law to be examined each of the first 3 years. Examinations must be concluded within 18 months of the “as of” examination date pursuant to NAIC accreditation standards. When circumstances warrant heightened scrutiny, the Office performs targeted reviews of specific companies. The Office also participates in multi-state financial examinations coordinated by the NAIC.

Financial analyses are conducted on either a monthly, quarterly and/or 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 2015-16, the Office completed 100 percent of the 53 financial examinations and 99.9 percent of the 7,397 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 five managing lead states engaged in the nationwide examinations of the claims settlement practices of life insurance and annuity companies. In Fiscal Year 2015-16, the Office recovered \$108.7 million on behalf of Florida consumers and helped reform claims settlement practices used by life insurance companies.

The Office also uses market analyses to identify significant issues adversely affecting consumers. These consist of a review and analysis of information reported in financial statements, in complaint data, 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 2015-16, an additional 119 insurance and insurance-related entities entered the Florida market and 246 new lines of business.<sup>4</sup> While some, such as donor annuities, are largely unregulated entities with little economic or regulatory impact, twenty were newly licensed property and casualty insurers and two were newly licensed life and health insurers.

<b><u>New Insurance Entities in Florida - Fiscal Year 2015-16</u></b>	
<b>Authority Category</b>	<b>Number of Entities</b>
<b><u>Property &amp; Casualty</u></b>	<b>20</b>
Great Midwest Insurance Company	
Mid-Continent Assurance Company	
Forestry Mutual Insurance Company	
Berkshire Hathaway Direct Insurance Company	
Memic Casualty Company	
Prime Property & Casualty Insurance, Inc.	
Seaview Insurance Company	
Union Insurance Company	
Utica First Insurance Company	
Proselect Insurance Company	
Synergy Insurance Company	
ADM Insurance Company	
Allmerica Financial Alliance Insurance Company	
Typtap Insurance Company	
US Coastal Property & Casualty Insurance Company	
American Mining Insurance Company	
American Millennium Insurance Company	
Texas Medical Insurance Company	
Admiral Indemnity Company	
Tri-State Insurance Company of Minnesota	
<b><u>Life &amp; Health</u></b>	<b>2</b>
Harken Health Insurance Company	
Shenandoah Life Insurance Company	
<b><u>Health</u></b>	<b>4</b>
Eden Health Plans, Inc.	
Health First Administrative Plans, Inc.	
Health First Government Plans, Inc.	
Sunshine Health Community Solutions, Inc.	
<b><u>Other Entities *</u></b>	<b>93</b>
<i>*Includes Donor Annuities, Risk Groups, Surplus Lines, &amp; other Specialty Companies</i>	
<b>TOTAL</b>	<b>119</b>

## **f. Data collection and analyses**

The Office engaged in extensive data collection and analyses in FY 2015-16 related to:

- Catastrophe stress testing reporting for selected domestic insurers
- Continuing Care Retirement Community Refund form
- Health and accident insurance, specific to plans and coverages
- Health care balance billing claims survey
- Managed care specific to HMO and certain life and health insurers' financial and county enrollment data, both group and individual
- Major medical and other accident and health enrollment and premium reporting
- Major medical and Medicare Advantage premium and enrollment on the county level
- Market Conduct Rescinded Policy reporting
- Personal Lines Residential Property water and roof claims data call
- Private passenger automobile insurance, specific to excess profits and policy count reporting
- 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)
- Regulatory Life Settlement Agreements reporting to the States
- 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 2015-16. 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. The following achievements were noted during FY2015-16:

- An ambitious "Umbrella Project" was initiated with the vision of consolidating and standardizing many key Office applications into a single system for the purpose of improving security and usability by replacing older systems with modern programming languages running on modern code platforms, simplifying the account management and

filing creation and submission process for industry filers, and providing interoperability of system functions and features.

- Created a method for companies to remove their own trade secret protections from Federal Affordable Care Act filings after rates were declared thereby nullifying trade secret protection.
- Created a method for companies to copy aspects of previously closed filings for use in the construction of current filings to streamline the filing process.
- Developed Life and Health Market Overview Reports beginning with CY2014. These reports emphasize how the facilities of SAS technologies and Microsoft Excel® can present customized views of data collected by the Office from industry and from the NAIC database. These reports are being published to the floir.com website.
- Established system to measure and manage the Office's work performance guidelines. Reports were provided quarterly to the Governor and Cabinet.
- Designed and developed an application dashboard for Office staff to see all up-to-the-moment aspects of a Company's filing and reporting position.
- Enabled Company Admissions application process for Florida self-insured plans (SIPs) using the iApply website.

In the next fiscal year, the focus will be on completing the first objectives of the Umbrella Project so that industry form, rate and data filings can be submitted through a modern and convenient system by the end of 2017.

### **3. Market Conditions in Florida**

The insurance industry is a vital part of Florida's economy. It employs over 212,000 Floridians. As of June 30, 2016, the Office had oversight of 4,345 entities in Florida.<sup>5</sup> The Florida homeowners' insurance market is the largest in the nation based on premium volume.

Market conditions in Florida can be assessed against a variety of criteria, including market entry (new entities), 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**

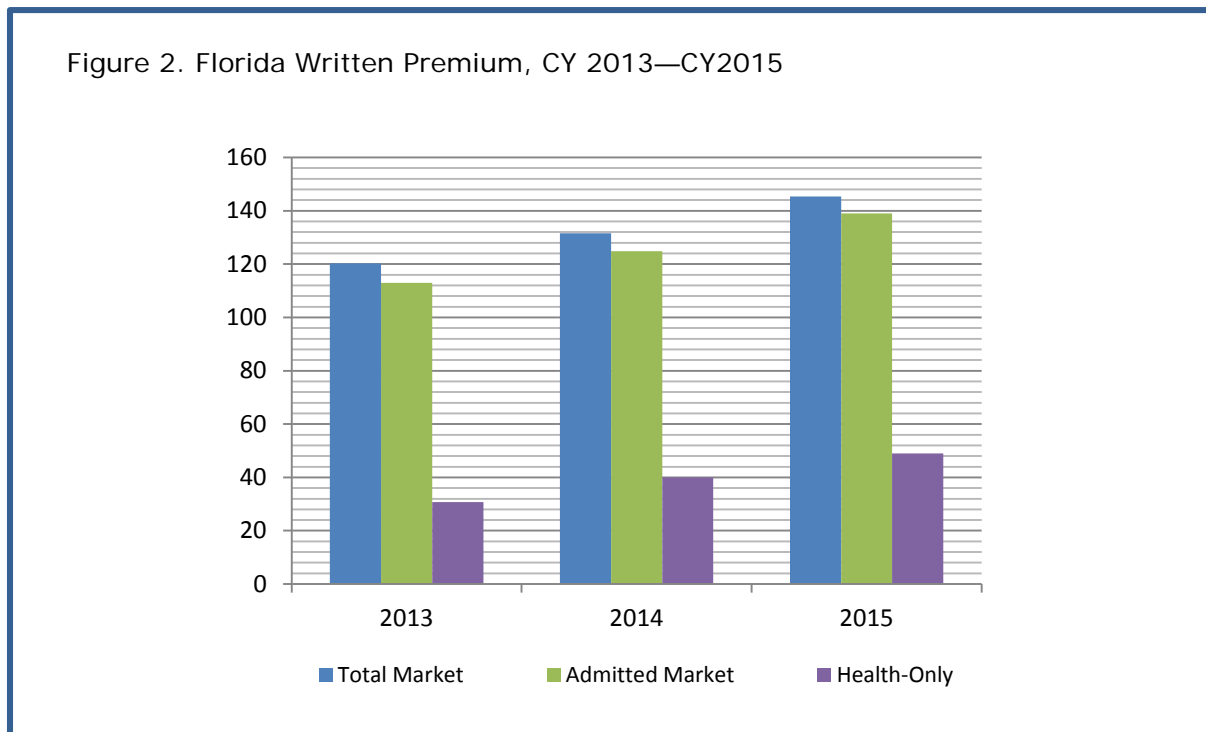
Florida insurance markets are generally competitive, although market concentration varies considerably from one line to another, as shown in Table 2 on the next page.

Line of Business	Top Writer	Top 5 Writers	Top 10 Writers
Accident and Health	14.2	46.8	63.1
Commercial Multi-Peril	13.9	31.7	44.7
Homeowners Multi-Peril	8.5	30.0	45.9
Life	6.8	24.1	38.3
Medical Malpractice	21.1	49.3	61.2
Private Passenger Auto	16.4	48.0	64.3
Title	32.1	83.3	97.4
Workers Compensation	9.4	28.9	41.9

**c. Premium volume<sup>7</sup>**

As shown in Figure 2, Florida is experiencing steady premium growth. Among all writers, total written premium expanded from \$120.3 billion at year-end 2013 to \$145.3 billion in year-end 2015, a strong 20.8 percent increase. A \$13.7 billion jump in written premium from 2014 to 2015 accounted for most of the growth. This increase primarily resulted from a 22.6 percent (\$9.0 billion) surge in premium written by health-only companies. Florida-admitted insurers wrote \$139.0 billion in premiums in 2015, a \$14.2 billion increase from the \$124.8 billion written in 2014.

During this period, Florida ranked 10<sup>th</sup> globally in total direct written premium.<sup>8</sup>



#### **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 2016 plan year were 9.5 percent higher than rates for the 2015 plan year.<sup>9</sup> Rates for individual major medical plans will increase an average of 19% percent beginning January 1, 2017. Some of this cost may be offset for individuals eligible for a premium subsidy and purchasing coverage through the federally facilitated marketplace.

Property insurance rates were trending lower for hurricane risk, but higher for non-catastrophe losses such as water claims. More commonly known as "Assignment of Benefits (AOB)", this issue was highlighted by Citizens Property Insurance Corporation through its annual rate filing in which it was characterized as a pervasive issue in the tri-county area of South Florida (Broward, Palm Beach, and Miami-Dade) and other areas of the State. For the benefit of gathering more information to provide to the Financial Services Commission, legislators and other stakeholders, the Office conducted a data call to collect claims information from the top 25 property & casualty insurers operating in the state. The results of the data call showed the frequency and severity of water loss claims was increasing and has impacted other insurers.

A soft reinsurance market was favorable for insurers in certain segments of the market. Many companies are using the savings to purchase increased reinsurance coverage, reduce rates, or some combination of the two.

Workers' compensation rates are also down an average of 60 percent since 2003. In 2016, employers in the aggregate enjoyed additional premium savings of approximately \$124 million. However, court decisions during 2016 are impacting rates for Workers' Compensation.

Private passenger automobile insurance premiums benefited from lower Personal Injury Protection (PIP) rates following the implementation of HB 119, the 2012 PIP reform law. On average, an Office study showed PIP rates decreased 13.6 percent in the two years after the law was implemented; however, some losses that previously would have been covered under PIP migrated to other coverages (e.g., Bodily Injury, Medical Payments and Uninsured Motorists). Overall, all auto insurance rates decreased 0.1 percent post-HB 119. As of early 2016, this trend is reversing and auto insurance coverages are beginning to see incremental rate increases.

In order to address this issue, the Office contracted with Pinnacle Actuarial Resources to prepare a comprehensive study of the personal auto market to determine the estimated impacts if the personal injury protection coverage requirements as provided in the Florida Motor Vehicle No-Fault Law were repealed and replaced with varying levels of bodily injury and/or medical payments coverage.



#### **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.

In the property insurance sector, Florida domestics are stable and competitive. Comparing the results from year-end 2015 to year-end 2014, gross written premium rose 5 percent and policyholder surplus increased 4 percent.<sup>10</sup> Surplus is up 47 percent since 2011.<sup>11</sup> Florida's domestic property insurers are well-positioned to satisfy the demand from continued population growth.

#### **f. Residual markets<sup>12</sup>**

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 small in Florida.

### **4. New Laws**

#### **a. Federal**

1) Patient Protection and Affordable Care Act.<sup>13</sup> 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.

#### **b. Florida**

For a comprehensive list of legislation that passed during the 2016 Session affecting various types of insurance products and lines, see the Office's "2016 Legislative Summary" at: <http://www.floir.com/siteDocuments/2016LegSummary.pdf>.

### **What Led the Office to Select its Priorities?**

The priorities of the Office are a result of market conditions and are selected from the statutory responsibilities assigned by the Legislature, and consistent with the performance measures adopted by the FSC.

## **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:

- Attracting more companies and capital to the Florida insurance market.
- 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.
- Efficiently collecting and analyzing insurance market data for use by the Office, policymakers, companies and the general public.
- Actively participating in regulatory policy formulation and standard-setting affecting Florida markets, companies and policyholders.

## **Justification of Revised or Proposed New Programs and/or Services**

The Office is not recommending any new programs or services.

## **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.

## **List of Potential Policy Changes Affecting the Office Budget Request or Governor's Recommended Budget**

None anticipated

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

None

## 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

## 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

- Long Range Program Plan
- Medical Malpractice Liability Claims—Annual Summary
- Office of Insurance Regulation Annual Report
- Officers and Directors Liability Claims—Annual Summary
- 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)

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

- 1. 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.
- 2. 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.
- 3. Budget Entity:** A unit or function at the lowest level to which funds are specifically appropriated. “Budget entity” and “service” have the same meaning.
- 4. 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.
- 5. Financial Services Commission:** Pursuant to Section 20.121(3), Florida Statutes, the FSC is composed of the Governor and Cabinet and appoints the Directors of the Office of Insurance Regulation and Office of Financial Regulation, and makes rules.
- 6. 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.
- 7. 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.
- 8. 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.

**9. 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.

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

## Footnotes

<sup>1</sup> 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 2015. 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>.

<sup>2</sup> Florida Office of Insurance Regulation, Citizens Take-Out Spreadsheet, Total Policies Approved and Assumed 2016 and Total Policies Approved and Assumed 2015.

<sup>3</sup> Section 120.60(1), F.S.

<sup>4</sup> Compiled by the Florida Office of Insurance Regulation from the COREN database. Entity counts are based on September 19, 2016 retrieval.

<sup>5</sup> Compiled by the Florida Office of Insurance Regulation from the COREN database. Entity counts are based on July 8, 2016 retrieval.

<sup>6</sup> Compiled by the Florida Office of Insurance Regulation from NAIC CY 2015 company-reported premium data.

<sup>7</sup> Premium data based on May 16, 2016, retrievals from NAIC and Office FAME data reported for Calendar Year 2015.

<sup>8</sup> National Association of Insurance Commissioners, 2015 Premium Volume -- Worldwide (An Alternative Look), 2016.

<sup>9</sup> The average rate change is based upon rate filings submitted to the Florida Office of Insurance Regulation.

<sup>10</sup> Information contained in the NAIC Financial Data Repository.

<sup>11</sup> Calculated from information contained in the NAIC Financial Data Repository.

<sup>12</sup> 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.

<sup>13</sup> Public Law 111–148; 124 STAT. 119 (March 23, 2010).

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## **Florida Office of Insurance Regulation**

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## LRPP Exhibit II - Performance Measures and Standards

<b>43900000 Financial Services Commission</b>
<b>Office of Insurance Regulation</b>

Approved Performance Measures for Fiscal Year 2016-17	Approved Prior Year Standard FY 2015-16 (Number)	Prior Year Actual FY 2015-16 (Number)	Proposed Revised Standards for FY 2016-17 (Number)	Requested FY 2017-18 Standard (Number)
<b>43900110 Compliance and Enforcement</b>				
Percentage of life and health form and rate filing reviews completed within 45 days.	90%	99.9%	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%
Percentage of 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%	100%	98%	98%
Percentage of non-priority Financial Analyses completed within 90 days.	95%	99.9%	95%	95%
<b>43900120 Executive Direction and Support Services</b>				
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%	99.9%	9.9%	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.

**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%	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 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%	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 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%	15%	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%	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 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%	99.9%	4.9%	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) Percentage of 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**

<b>Measure Number</b>	<b>Approved Performance Measures for Fiscal Year 2016-2017</b>	<b>Associated Activities Title</b>
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	Percentage of 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.