



## OFFICE OF INSURANCE REGULATION

### FINANCIAL SERVICES COMMISSION

**RICK SCOTT**  
GOVERNOR

**JIMMY PATRONIS**  
CHIEF FINANCIAL OFFICER

**PAM BONDI**  
ATTORNEY GENERAL

**ADAM PUTNAM**  
COMMISSIONER OF  
AGRICULTURE

**DAVID ALTMAIER**  
COMMISSIONER

September 26, 2018

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

Mike Hansen, 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 2019-20 through Fiscal Year 2023-24. 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,

  
David Altmaier

• • •

DAVID ALTMAIER • COMMISSIONER  
200 EAST GAINES STREET • TALLAHASSEE, FLORIDA 32399-0305 • (850) 413-5914 • FAX (850) 488-3334  
WEBSITE: [WWW.FLOIR.COM](http://WWW.FLOIR.COM) • EMAIL: [DAVID.ALTMAIER@FLOIR.COM](mailto:DAVID.ALTMAIER@FLOIR.COM)

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**Florida Office of Insurance Regulation**

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

# **Long Range Program Plan**

Fiscal Years 2019-2020 through 2023-2024





## **David Altmaier**

### **Florida's Insurance Commissioner**

David Altmaier was appointed as the Florida Insurance Commissioner in April 2016 by the Financial Services Commission. He leads the Office of Insurance Regulation (OIR) and has oversight of one of the largest insurance markets in the world. Under Altmaier's leadership, OIR has worked to cultivate a market in Florida in which insurance products are reliable, available, and affordable.

Altmaier began his public service at OIR in 2008, serving in a number of roles including Chief Analyst of the Property and Casualty Financial Oversight unit and Deputy Commissioner of Property and Casualty Insurance.

Altmaier serves as Chair of the Florida Health Insurance Advisory Board. In 2018, Altmaier was named as the chair of the National Association of Insurance Commissioners' Financial Condition (E) Committee. He also chairs the Group Capital Calculation Working Group and the Capital Adequacy Task Force.

Prior to joining OIR, Altmaier worked as a Florida licensed 2-20 and 2-14 insurance agent and as a high school math teacher. Altmaier graduated from Western Kentucky University in 2004 with a bachelor's degree in mathematics.

# **OIR Mission, Vision, and Goals**

## **Mission**

To serve Florida consumers by fostering a stable and competitive insurance market.

## **Vision**

OIR envisions a healthy and competitive insurance market that provides reliable, available, and affordable insurance products while maintaining protections for Florida consumers.

## **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 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
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 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
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 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
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.

Baseline FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
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 OIR takes enforcement action.

Baseline FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
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 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-232
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 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-232
98%	98%	98%	98%	98%	98%

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

Baseline FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-232
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 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
10%	10%	10%	10%	10%	10%

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

Baseline FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
10%	10%	10%	10%	10%	10%

# OIR Budget

## FY 2018-19

<b>Table 1. Appropriations Overview Fiscal Year 2018-19: Office of Insurance Regulation</b>			
<b>Positions</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>Change</b>
Full-time equivalent (FTE) positions	289	287	-2
<b>Funding (By Budget Category)</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>	<b>Change</b>
Salaries and Benefits	\$20,261,606	\$20,720,316	\$458,710
Other Personal Services (OPS)	\$290,169	\$290,169	\$0
Expenses	\$2,481,072	2,479,173	(\$1,839)
Operating Capital Outlay	\$98,000	\$98,000	\$0
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)**	\$969,689	\$969,689	\$0
Florida Public Hurricane Loss Model (Projects) **	\$0	\$1,077,227	\$1,077,227
Lease or Lease-Purchase of Equipment	\$27,403	\$27,403	\$0
Risk Management Insurance	\$128,297	\$227,229	\$98,932
DMS Human Resources Contract	\$94,266	\$91,939	(\$2,327)
<b>TOTAL</b>	<b>\$30,707,991</b>	<b>\$32,338,634</b>	<b>\$1,630,643</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.</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 OIR fosters an insurance environment conducive to business expansion and job growth. More than 219,000 Floridians are employed in the insurance sector. <sup>1</sup>

**2. Reduce Taxes.** OIR does not have taxing authority, but 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 2017-18, OIR approved an additional 129,147 policies for take-out. Private insurers assumed 5,005 policies.<sup>2</sup> As of June 30, 2018, Citizens' policy count dropped to 443,262.

**3. Regulatory Reform.** In FY 2017-18, the Financial Services Commission (FSC) repealed 18 rules proposed for repeal by OIR. OIR also updated 86 rules through the FSC. OIR implemented many other innovations such as allowing insurers to consolidate certain filings, and focusing OIR 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, OIR carefully monitors both expenditures and outcomes, and appropriately adjusts to accomplish its mission as efficiently as possible. OIR maintains low administrative expenses and closely monitors staff productivity by tracking workload and processing times.

**2. Reduce Government Spending.** During FY 2017-2018, OIR leveraged automation and technology efficiencies resulting in the reduction of approximately 3,040 hours in staff time, a value of \$154,718. Examples of those efforts include but are not limited to:

- Eliminating 400 hours of staff time by automating Foreign Entity filings, a cost-savings of \$10,000.
- Leveraging technology in the rate-making process and reducing 780 hours of staff time, producing \$23,400 in cost-savings.
- Leveraging technology to reduce the total time for completing the Certification of Valuation from five months to two weeks, saving 800 staff hours. This produces an annual cost-savings of \$56,718.

OIR does not receive any state general revenue dollars, keeps its cost of regulation low relative to other states, and is exclusively funded from the Insurance Regulatory Trust Fund.

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

# Trends and Conditions

## Primary Statutory Responsibilities of OIR

The following are the primary statutory responsibilities of OIR:

- 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 OIR, policymakers, companies, the general public, and issue reports.

### 1. Status of Key Statutory Responsibilities

OIR's budget for FY 2018-19 is \$32.3 million, with 287 full-time equivalent positions. It is funded entirely through the Insurance Regulatory Trust Fund and receives no state general revenue funds. In FY 2017-18, OIR spent over 95 percent of every dollar received on regulatory responsibilities. Administrative costs accounted for less than five percent of the funds spent by OIR.

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

OIR is actively engaged in licensing insurance companies and certain other insurance related entities through the certificate of authority application process. Florida law requires OIR 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, OIR 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 2017-18, OIR approved 125 new COAs and processed 97 percent of new COA applications within 90 Days.

#### b. Form and rate review

OIR reviews form and rate filings for compliance with Florida law. The statutorily required timeframes for OIR review of forms and rates vary by line and product type. The speed at which new products move 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 OIR 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 OIR 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 2017-18, OIR processed 12,654 Life and Health, and Property and Casualty rate and form filings.

### **c. Financial oversight**

OIR 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, OIR evaluates the quality of assets, adequacy of stated liabilities, and general operating results.

OIR is statutorily required to conduct a financial examination of each domestic insurer at least once every five years. Law requires all new domestic insurers to be examined each of the first three years. Examinations must be concluded within 18 months of the “as of” examination date pursuant to the National Association of Insurance Commissioners’ (NAIC) accreditation standards. When circumstances warrant heightened scrutiny, OIR performs targeted reviews of specific companies. OIR 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, OIR 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 2017-18, OIR completed 100 percent of the 34 financial examinations and 99.5 percent of the 8,624 financial analyses within NAIC timeframes.

### **d. Market conduct examinations and investigations**

OIR monitors insurance company products and practices for compliance with the Florida Insurance Code through market conduct examinations and investigations. Consistent with the trend nationally, OIR 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 2017-18, OIR recovered \$124.4 million on behalf of Florida consumers and helped reform claims settlement practices used by life insurance companies.

OIR 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 2017-18, an additional 143 insurance and insurance-related entities entered the Florida market and 153 new lines of business were added to existing COAs.<sup>4</sup> While some, such as donor annuities, are largely unregulated entities with little economic or regulatory impact, 14 were newly licensed property and casualty insurers and nine were newly licensed life and health insurers.

<b>New Insurance Entities in Florida - Fiscal Year 2017-18</b>	
<b>Authority Category</b>	<b>Number of Entities</b>
<b>Property &amp; Casualty</b>	<b>14</b>
Everest Denali Insurance Company	
Everest Premier Insurance Company	
Radnor Specialty Insurance Company	
Ffva Select Insurance Co.	
Amica Property and Casualty Insurance Company	
Jm Specialty Insurance Company	
Continental Divide Insurance Company	
Redwood Fire and Casualty Insurance Company	
U.S. Underwriters Insurance Company	
Great Plains Casualty, Inc.	
Ismie Mutual Insurance Company	
Starr Specialty Insurance Company	
Philadelphia Reinsurance Corporation	
Indemnity National Insurance Company	
<b>Life &amp; Health</b>	<b>4</b>
First Care, Inc.	
Mii Life, Incorporated	
Devoted Health Insurance Company	
Oscar Insurance Company of Florida	
<b>Health</b>	<b>5</b>
Baycare Select Health Plans, Inc.	
Doctors Healthcare Plans, Inc.	
Health First Commercial Plans, Inc	
Solis Health Plans, Inc.	
Devoted Health Plan of Florida, Inc.	
<b>Other Entities *</b>	<b>120</b>
<b>Total</b>	<b>143</b>
* includes Donor Annuities, Risk Groups, Surplus Lines, and other Specialty Companies	

**f. Data collection and analyses (Rebecca Smid to Update)**

OIR engaged in extensive data collection and analyses in FY 2017-18 related to:

- Access Control List (for network security) (twice a year)
- Annual Long-Term Care Claims Denial Reporting (ongoing)
- Annual Reinsurance Data Collection (3 individual data calls)
- Catastrophe Reporting Form for Hurricane Irma (29 individual data calls)
- COA Invoicing (annually)
- Continuing Care Retirement Community Refund form (2 individual data calls)

- Donor Annuity Agreements (ongoing)
- Department of Revenue /Legislature Tax Premium Report (annually)
- HMO Provider Contract Terminations (ongoing)
- Major medical and other accident and health enrollment and premium reporting with life and annuity policy breakdowns added (annually)
- Market Conduct Rescinded Policy reporting (ongoing)
- Motor Vehicle In Force Policy Count Report (4 individual data calls)
- Motor Vehicle excess profits and policy count reporting (annually)
- Professional liability claims reporting (ongoing)
- Property and casualty annual calendar year experience (financial) reporting (annually)
- Property and casualty insurance (residential and commercial residential policy data) (4 individual data calls)
- Quarterly Comprehensive Health Reporting (4 individual data calls)
- Regulatory Life Settlement Agreements reporting to the states (4 individual data calls)
- Title agency data call (annually)
- Title underwriter Florida-only financial data calls (3 individual data calls)
- Unfair discrimination based on travel annual life insurance survey (annually)
- Update Disaster Contacts (and Claims Number) Information (annually)

OIR completed numerous statutorily required reports in FY 2017-18.

## **2. Technology in Carrying Out Statutory Responsibilities**

OIR has one of the most sophisticated regulatory technology systems in the country, featuring applications that electronically receive and process insurance company form, rate, data, and financial filings. Highlights from FY 2017-18 include the following:

- “Umbrella Project” – a rewrite of its existing computer applications into a consolidated filing submission and review tool – was officially launched into the Production environment with four industry data collection activities opened to filers on July 1, 2017. The new system is the Insurance Regulation Filing System (IRFS). All data collections listed in 1. A. were published using the new IRFS.
- IRFS Product Review for Life and Health and Property and Casualty has been developed and is currently in user acceptance testing. External users and analysts are being provided the same functionality that exists in I-File system and the Electronic Data Management System (EDMS) with additional functionality and efficiencies.
  - Existing functionality from I-File was transferred to IRFS External includes but is not limited to the following: log in with filing ID; replicate filing; copy filing; and account management.
  - Entity management feature was created to require filers to subscribe to entities prior to filing on their behalf. This subscription feature includes notifications that are sent to all subscribers of an entity when additional users sign up to represent that entity. Should a valid subscriber notice that an invalid subscriber is attempting to associate with the entity, the notification prompts them to contact OIR to revoke the access of the user in question.

- The filing creation process has been streamlined; less pages/clicks to complete from start to finish.
  - An administrative tool was created for to allow staff to develop and post guides and frequently asked question to help centers of specific IRFS applications (currently administrative tools, external, external search, internal review, and internal search). In addition to guides and frequently asked questions, the external help center contains a link to the FLOIR website, an option to contact OIR, and a templates section that allows the user to access all OIR-created templates that are active / utilized by component lists in the External application.
  - To assist analysts in properly completing their assigned filings, final action validations can be applied to filing/review workflows. These validations will prevent the user from taking a final action on and/or closing a filing until certain criteria is met. Examples include stamping one or more documents, creating and attaching a specific letter type to the review, and sending an email to the filer.
  - Sub workflows have been created for internal review. This feature allows analysts to create additional reviews and gain insight from co-workers to assist them in completing the filing. Reasons include new employee training, rate analyst feedback, and form analyst feedback.
  - Integrated the Rate Collection System (RCS), Medicare Supplement Insurance Rates (MGAP), and Quarterly Supplement Reporting (QUASR) into IRFS to allow filers to continue filing from those systems.
  - Created the Financial Analysis and Monitoring EDMS (FAME) component designer to replace Adobe LiveCycle.
  - Restructured the internal search that provides users with the ability to save and share search criteria with other members of their business unit.
- Enhanced the catastrophe contact information gathering by adding a new contact type catastrophe lead.
  - The team is currently creating an invoicing application to allow staff to create and manage invoices in IRFS. It includes:
    - Integration with the Cashiers Office Deposit Automation (CODA), a system within the Department of Financial Services
    - Ability to track funds by resource codes, org codes, and other identifiers
    - Invoice templates for recurring scenarios (i.e., COA renewals)
    - Management of specific expense types, void reasons, and uncollectable codes
  - The next priority will be establishing a filing and review protocol for all financial analysis forms to be submitted through the Umbrella system.
  - Analysis has begun on the legislative tracking system.

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

As of June 30, 2018, OIR had oversight of 4,475 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**

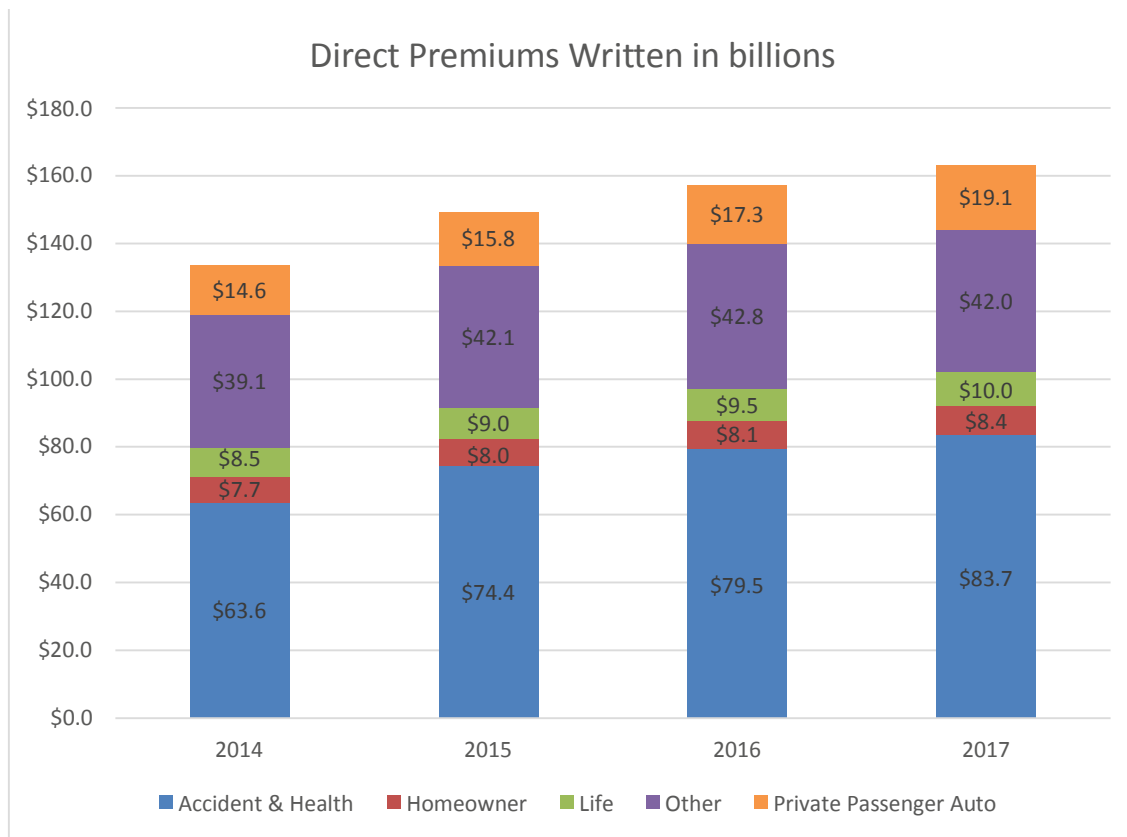
Florida insurance markets are generally competitive, although market concentration varies considerably from one line to another, as shown in Table 2.

<b>Table 2. Percentage Market Share of Top Writers, Selected Lines, CY 2017<sup>6</sup></b>			
<b>Line of Business</b>	<b>Top Writer</b>	<b>Top 5 Writers</b>	<b>Top 10 Writers</b>
Accident and Health	14.4	44.9	64.42
Commercial Multi-Peril	11.0	26.8	39.2
Homeowners Multi-Peril	9.6	30.9	46.9
Life	6.5	23.7	39.0
Medical Malpractice	19.6	50.6	63.4
Private Passenger Auto	15.5	52.0	67.8
Title	31.1	82.2	97.2
Workers Compensation	8.5	28.4	42.1

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

As shown in Figure 2, Florida is continuing to experience steady premium growth. Among all writers, total written premium expanded from \$133.4 billion at year-end 2014 to \$163.2 billion in year-end 2017, a strong 9.3 percent increase. This increase primarily resulted from a surge in premium written by accident and health providers. During this period, Florida ranked tenth globally in total direct written premium.<sup>8</sup>

**Figure 2**



**d. Premium rates**

Rate trends vary across insurance lines. Health insurance rates continue to increase as a result of the Patient Protection and Affordable Care Act (PPACA). Rates in the individual market for the 2018 plan year were 44.7 percent higher than rates for the 2017 plan year, largely due to a 31 percent increase to account for the elimination of cost-share reduction (CSR) payments to health insurers.<sup>9</sup> Approved rates for individual major medical plans for the 2019 plan year represent an average increase of 5.2 percent. 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, OIR conducted a data call to collect claims information from the top 25 property and casualty insurers operating in the state, which was released in February 2016. The results of the data call showed the



frequency and severity of water loss claims was increasing and has impacted other insurers. The update to the data call released in January 2018 reported annualized loss trends for frequency and severity of water loss claims more than doubled those shown in the prior report.

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

Workers' compensation rates are down an average of 60 percent since 2003 despite the 14.5 percent overall average rate increase that was approved effective December 1, 2016. The December rate increase addressed two major Florida Supreme Court decisions and Senate Bill 1402 that ratified the Florida Workers' Compensation Health Care Provider Reimbursement Manual, 2015 Edition. On April 28, 2016, in *Marvin Castellanos v. Next Door Company, et al.*, Case No. SC13-2082, the Florida Supreme Court found the statutory mandatory attorney fee schedule in Section 440.34, Florida Statutes, unconstitutional as a violation of due process under both the Florida and United States Constitutions. On June 9, 2016, in *Bradley Westphal v. City of St. Petersburg, etc., et al.*, Case No. SC13-1930, the Florida Supreme Court found the 104-week statutory limitation on temporary total disability benefits in Section 440.15(2)(a), Florida Statutes, unconstitutional because it causes a statutory gap in benefits in violation of an injured worker's constitutional right of access to courts. The Castellanos decision continues to create uncertainty in the marketplace as stakeholders adjust and adapt to the new legal environment. Even after considering the impact of the Castellanos decision, other factors at work in the marketplace combined to contribute to two rate decreases in 2018. The contributing factors to the 2018 rate decreases include, but are not limited to, increases in investment income, declines in claim frequency, lower assessments, and the Tax Cuts and Jobs Act of 2017.

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 OIR 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 in the two-year period post-HB 119. This trend started reversing in 2016, and auto insurance coverages are beginning to see incremental rate increases due to the rising frequency of crashes, increasing medical costs, and higher repair costs.

#### **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. Much of this is due to a combination of changes to the Medicare and Medicaid programs and large enrollment volume as a result of the PPACA. Particularly concerning to OIR is the financial condition of long term care insurers and the impact of potential insolvencies on the health insurance market.

In the property insurance sector, Florida domestics are stable and competitive. Comparing the results from year-end 2016 to year-end 2017, gross written premium increased 7 percent and policyholder surplus increased 6 percent.<sup>10</sup> Surplus is up 21.4 percent since 2013.<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. Private insurers write the overwhelming majority of premium in Florida in the voluntary market. Except for the property insurance market, residual markets remain small in Florida. However, Citizens Property Insurance Corporation, the largest residual insurer, decreased its policy count 56.5 percent since 2013.

### **4. New Laws**

#### **a. Federal**

While the PPACA became law in 2010 and, therefore, is not a new law, the regulations spawned by the Patient Protection and Affordable Care Act<sup>13</sup> 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 2018 Session affecting various types of insurance products and lines, see OIR's [2018 Legislative Summary](#).

### **What Led OIR to Select its Priorities?**

The priorities of OIR 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 OIR Plan to Address the Priorities over the Next Five-Year Period?**

OIR will address stated priorities and pursue its mission by:

- Mitigating unnecessary homeowners' rate increase and market disruption arising from AOB litigation abuse;
- Evaluating approaches to help stabilize the individual and group health insurance markets so that carriers return to our market and alleviate consumer rate uncertainty;
- Advocating for policies that encourage more vibrant private flood insurance market so that more homeowners receive private flood coverage;
- Examining ways to mitigate rising automobile insurance premiums so that Florida consumers receive lower prices and better coverage;
- Judiciously enforcing insurer and insurance-related entity compliance with statutory market conduct requirements;

- Assessing strategies to address challenges in the workers’ compensation market to remove the burden on Florida’s small businesses and help them thrive; and
- Monitoring use of big data and developing tools to better understand its impact on consumers.

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

OIR 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 OIR 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. OIR continues to focus on productivity enhancements in an effort to achieve goals consistent with the stated mission.

### **List of Potential Policy Changes Affecting OIR’s 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** - OIR is involved with numerous insurance–related commissions, boards and task forces, including the following:

#### **a. Life and health**

- Birth-Related Neurological Injury Compensation Association (NICA)
- 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 Health Insurance Advisory Board
- Florida KidCare Coordinating Council
- 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 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 (Joint Report with Agency for Health Care Administration)
- 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)
- Regulatory Plan
- 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
- Workers’ Compensation—Marketplace Availability and Affordability

### **b. Biennial – triennial – quadrennial reports**

- 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 (OIR 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 OIR activities and achievements are submitted to the FSC on a weekly and monthly 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 in 2016.

<https://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=6#reqid=70&step=1&isuri=1>

<sup>2</sup> Florida Office of Insurance Regulation, Citizens Take-Out Spreadsheet, Total Policies Approved and Assumed 2017 and Total Policies Approved and Assumed 2017.

<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 25, 2017 retrieval.

<sup>5</sup> Compiled by the Florida Office of Insurance Regulation from the COREN database. Entity counts are based on September 25, 2017 retrieval.

<sup>6</sup> Compiled by the Florida Office of Insurance Regulation from NAIC Calendar Year 2016 company-reported premium data.

<sup>7</sup> Premium data based on 2017 retrievals from NAIC and OIR FAME data reported for Calendar Year 2016.

<sup>8</sup> National Association of Insurance Commissioners, 2016 Premium Volume -- Worldwide (An Alternative Look), 2017.

<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**

**David Altmaier, Insurance Commissioner**

200 East Gaines Street – Tallahassee, FL 32399

(850) 413-3140  
[www.floir.com](http://www.floir.com)