

Florida Office of Insurance Regulation



December 2006

Report to the Legislature on the Office of Insurance Regulation's
Coordination with Enterprise Florida, Inc. in Efforts to Expand or
Move Lines of Insurance Business to Florida

Purpose and Scope

The 2006-2007 General Appropriations Act, Specific Appropriation 2613, requires the Office of Insurance Regulation (Office) to coordinate with Enterprise Florida, Inc. (EFI) on expanding and moving insurance lines of business to Florida. The Specific Appropriation requires the Office to report, by December 1, 2006, the results of these efforts. Specifically:

From the funds provided in Specific Appropriations 2613 through 2618, \$101,499 from the Insurance Regulatory Trust Fund is provided for business development and market research. Fifty percent of this funding is to be held in reserve. The Office of Insurance Regulation shall coordinate with Enterprise Florida, Inc. in efforts to expand or move lines of insurance business to Florida and to facilitate the process for established and new insurance companies. The office shall report, by December 1, 2006, to the Executive Office of the Governor, the chair of the Senate Ways and Means Committee, and the chair of the House Fiscal Council on the results of this effort. Upon the submission of the report, the office is authorized to submit a request to release funds held in reserve, in accordance with the provisions of chapter 216, Florida Statutes.

Business Development and Market Research

Insurance Commissioner Kevin McCarty created the Business Development and Market Research Unit (BDMR) in 2005 to oversee the expansion and retention of Florida's insurance company marketplace and to serve as the information clearinghouse for the collection and dissemination of insurance data that can better inform and educate Florida's insurance consumers.

An insurance company's decision to enter the Florida marketplace begins with the Office's BDMR Unit. From this office, an insurance company can obtain general information about the business climate in Florida, become acquainted with the requirements of making an application for a Certificate of Authority (COA) to transact the business of insurance in this State, and examine detailed, public information about Florida's markets for an insurance product.

The BDMR Unit not only engages in marketing outreach to potential new companies, but is the unit within the Office that is responsible for the efficient and transparent management of data collection, validation, and analysis. BDMR also houses the Company Admissions Section which handles company licensure and company acquisition filings. After licensure, a COA is granted for those lines of business for which the company will write insurance coverage, and the new company begins its interaction with the core units of the Office charged with regulatory oversight of Florida's insurance industry.

BDMR is a repository of business and professional expertise engaged in the effort to expand and retain insurance company presence in all Florida's insurance markets, to facilitate a streamlined company admissions program and to develop, evolve and validate essential company data in use throughout the Office.

Appropriations Proviso:

Office of Insurance Regulation's Coordination Efforts with Enterprise Florida, Inc.

The 2006-2007 Fiscal Year appropriation to the Office was specifically aimed at coordinating efforts of the Office and Enterprise Florida, Inc. (EFI) to increase the number of insurance companies in the Florida insurance market and to provide existing insurance companies in the Florida market with information and/or technical assistance to remove any barriers to the company's continued presence in our State.

In the months since half of the appropriation being awarded, EFI and the Office have joined together to maximize business presentations and recruitment efforts through EFI's

partnerships with local economic development councils. In the period July 1 to November 1, 2006, the Office made keynote presentations at more than eleven business conferences and participated in several panel presentations (*See Appendix I*). The property insurance market -- availability and affordability of coverage -- is one of the key economic considerations for any company considering a move to Florida. The Office believes that having on-site insurance business expertise at key EFI events has enabled both the Office and the EFI to leverage and expand the presentation of Florida as an attractive site for new businesses.

Insurance Company Expansion and Retention

The collaboration with EFI outreach and education efforts presents the Office with a valuable source of information related to company perceptions of Florida's regulatory oversight and, more importantly, the opportunity for direct intervention and response to any individual company considering a move to this State.

The \$36 billion in insured losses caused by two devastating hurricane seasons in 2004 and 2005 made the Florida property insurance market less attractive to insurance companies wanting to enter or remain in the market. The Office, however, does believe that its own continuing efforts to streamline applications, complete required reports thoroughly and accurately, and give prompt attention to company requests for data, regulatory decisions, and assistance are contributing to an improved regulatory environment for all types of regulated entities.

Since July 2006, the Office has granted Certificates of Authority (COAs) to (*See Appendix III for company specific information dating back to January 2005*):

- 13 Third Party Administrators;
- 1 Health Maintenance Organization;
- 2 foreign Life & Health Insurers;
- 6 foreign and 2 domestic Property & Casualty Insurers.

BDMR staff has held meetings with investors encouraging them to invest their money in companies transacting business in Florida and has facilitated communication between company management seeking investors and investors seeking opportunities. After meeting with representatives from a major lender to insurance companies, a Florida domestic company obtained a significant loan from the organization, thus enabling the company to participate in the Capital Build-Up Program recently enacted by the Legislature via Senate Bill 1980. BDMR also arranged for a meeting of parties which resulted in the transfer of approximately 70,000 policies from a troubled insurer to another insurance group. These policies might otherwise have been placed with Citizens.

Additionally, BDMR has initiated a complete redesign of the Office's website to make submission of company applications, rate and form filings, and required reports more user-friendly and efficient for the insurance industry users. The new design of the Office's website will make information related to company licensure, company reporting, and market data more readily available to interested industry and consumer parties.

Beyond Just Insurance Companies

Also a result of the 2004 and 2005 hurricane seasons, beginning in May of 2006, Florida businesses began to see non-renewals or cancellations of policies, rate increases, increases in deductibles and/or less coverage with higher rates for Builder's Risk Insurance, Liability Insurance, and Property Insurance coverage. The Office, through the partnership of BDMR and EFI, was able to provide a valuable contribution to the broader business community struggling with the twin issues of availability and affordability of property insurance.

Anecdotal information from business owners, the media, and insurance agents, among others, suggested a rapidly emerging set of problems that if left unaddressed, would surely have hampered the ability of small and mid-sized businesses to continue business operations and grow in the coming year. To help define the extent of the problem, the Office designed and implemented a survey that was accessible via the Internet. In only a

two week period, 1,914 responses were received from Florida businesses. Of those responses:

- 17% could not find any commercial property insurance coverage at any price,
- 15% found coverage, but not as much as they needed, and
- 39% found coverage at rates which they deemed to be unreasonable.

Confirmation of the anecdotal information was made possible through the BDMR design of a web-based survey instrument, the combined outreach of the Office and EFI to business clienteles, and the expertise within the unit to collate survey results.

The BDMR effort led directly to the decision by the Governor and Cabinet to establish the Commercial Property & Casualty Joint Underwriting Association (PCJUA) to provide the business community with an insurance safety net. To date, the PCJUA has bound 147 policies covering 226 buildings with more than \$60 million in insured value. While this number is only a fraction of the 1.8 million businesses that operate in the State of Florida, it does demonstrate the ability and flexibility of the BDMR contribution to the proactive actions of state leadership to maintain a healthy business environment.

Summary and Conclusion

The BDMR continues to engage in efforts to expand and retain insurance company business in Florida. Through BDMR's ombudsman's efforts, staff has assisted with streamlining the company licensing process through instructive pre-licensing conferences as well as with company retention through personal assistance guiding companies through a myriad of state regulatory requirements. The Unit continues to conduct ongoing industry research, develop and validate essential company data, and provide it in understandable formats for use throughout the Office of Insurance Regulation and for general public consumption. The BDMR continues to strengthen its business relationship with Enterprise Florida, to leverage the extensive corporate recruitment efforts by EFI and other economic development groups, and to maintain the continuous dissemination of

property insurance market information that is vital to the corporate recruitment and retention efforts in this state.

Appendix I

BDMR Outreach & Education

Economic development and industry group meetings staff has attended since the Unit was created:

EFI Stakeholders Meeting and Board Meeting	11/1/2006
Attended the EFI Board meeting and spoke about the latest developments in Florida's commercial and residential property insurance market, including activities of the Property & Casualty Insurance Reform Committee and the Property & Casualty Joint Underwriting Association.	
Plantation Economic Development Council	10/27/2006
Spoke to business leaders in Broward County about the challenges in the property market; efforts toward stabilizing the market; the creation of the Property & Casualty Joint Underwriting Association; and the progress of the Property & Casualty Insurance Reform Committee.	
Broward Alliance	9/27/2006
The Broward Alliance requested BDU to speak to its business leaders about the challenges in the property market; efforts toward stabilizing the market; the creation of the Property & Casualty Joint Underwriting Association; and the progress of the Property & Casualty Insurance Reform Committee. Discussed with South Florida business leaders the economic impact to the state created by insurance issues.	
National Association of Mutual Insurance Companies Convention	9/20/2006
Spoke to mutual insurance companies about the challenges in the Florida property market; efforts to stabilize the market; and specific measures undertaken to increase the capacity of Florida property market.	
Society of Insurance Financial Management	9/18/2006
Spoke to insurance company financial managers about the challenges in the property market with an emphasis on reinsurance, assessments on insurance companies (and policyholders) brought on by heightened hurricane activity, and other financial issues related to insurance.	
Florida Bankers Association Summit	9/14/2006
Spoke to Florida bank presidents about the challenges in the property market and its impact on the insurance, banking real estate markets throughout the state, and the potential solutions the Office, Legislature and Governor's Office are working on to address these challenges.	
Broward Alliance	9/6/2006
Spoke to business leaders in Broward County about the	

challenges in the property market; efforts toward stabilizing the market; the creation of the Property & Casualty Joint Underwriting Association; and the progress of the Property & Casualty Insurance Reform Committee.

EFI Stakeholders Meeting 8/16/2006

Attended the EFI Board meeting and spoke about the latest developments in Florida's commercial and residential property insurance market; discussed the challenges faced by business owners throughout the state with respect to obtaining property insurance.

Tampa Chamber of Commerce Local Business Growth Forum 8/9/2006

Spoke to business leaders in the Tampa Bay area about insurance reforms contained in Senate Bill 1980; the results of a survey used to determine the extent of the unavailability of commercial property insurance in Florida; and the concerted efforts in Tallahassee to stabilize the market.

Beacon Council (Brokers Forum-Miami) 7/27/2006

Spoke to real estate brokers about the challenges in the commercial property insurance market in South Florida and efforts by the Office to address those issues and make commercial property insurance more available to small business owners.

EFI Southeast Region Strategic Planning 6/28/2006

Participated in a panel discussion about the latest developments in Florida's property insurance market to assist members in the development of EFI's 2007 Strategic Plan.

PIA - Winning Strategies Roundtable 5/12/2006

Spoke before National Association of Professional Insurance Agents about the Office's efforts, in conjunction with the Governor and Legislature, to address the challenges present in Florida's property insurance market.

2nd Annual Regulatory Roundup 3/30/2006

Participated in a national panel discussion about the effects of natural disasters on the property insurance market as well as provided an update on current Life & Health legislation. The Panel included Insurance Commissioners from Wisconsin, North Dakota, Oklahoma, Mississippi, and South Carolina.

Appendix II

BDMR Data Collection and Publication Duties

The Market Research sub-unit (MRU) oversees the collection, data validations, analysis and dissemination of over 2,500 unique data elements. These data elements, standardized by the Florida Statutes, the Florida Administrative Code, the Financial Services Commission, the Florida Legislature, or the Insurance Commissioner, are the basis for the following data summary reports:

- The Annual Report of Accident and Health Gross Annual Premiums and Enrollment, pursuant to Section 627.9175, F.S.
- The Quarterly Report of Small Employer Group Health Premiums and Enrollment, pursuant to Section 627.6699, F.S.
- The Quarterly Report of Managed Care Enrollment by County, pursuant to Section 641.26, F.S.
- The Annual Report of Insurer Experience Reporting - Calendar Year Experience, pursuant to Section 627.915(2), F.S.
- The Commercial and Personal Residential Property Supplemental Quarterly Report, pursuant to Section 624.424(10), F.S.
- Data Reporting of Hurricane Losses, pursuant of Rule 69O-142.015(1), FAC
- Professional Liability Closed Claims, pursuant to Sections 627.912 and 627.918, F.S.
- Office of Insurance Regulation Annual Report, pursuant to Section 624.315, F.S.

To assure the appropriate collection protocols and reasonability validations of these data elements, MRU is minimally required to directly contact approximately 1,700 insurance companies and insurance related entities on an annual basis.

Other reporting services provided by the Market Research sub-unit include the publication of a wide range of reports and data summaries for its primary constituent--the

Florida insurance consumer. Many of these efforts are found at the Office's web site located at (<http://www.floir.com>). These include approved rate change reports by company and product type, and market share reports by line of business (coverage type), and the Office's Annual Report.

To integrate the diverse data sources needed to provide this level of consumer-orientated reporting, the Market Research sub-unit has developed and maintains a multi-level network of data management and information tracking tools. This network utilizes data from all of the Office's main data sources:

Thus, the MRU has established itself as a centralized gatekeeper for the Office's vast repository of insurance-related materials, helping to meet its goal of transparency and ease of accessibility.

Appendix III

2005 Company Admissions Data

The Company Admissions sub-unit is responsible for the receipt and initial review of all company applications for the sale of insurance and insurance-related products regulated by the Office. The section also coordinates background and fingerprint investigations of persons in key management or oversight positions for licensed companies and companies' seeking a place in Florida's admitted insurance market.

In Calendar Year 2005, the Admissions Unit processed 299 application approvals in an average time of just 60.25 days and participated in 1,556 investigations associated with the applications/admissions process.

The following graph reflects the activities of the Company Admissions Section during 2005.

Authority Category	Number of Applications Approved *	Average Days to Process
Approved Applications	299	60.3
Accredited Reinsurer	2	55.5
Advisory Organization	1	11.0
Continuing Care Retirement Community (CCRC)	1	62.0
Discount Medical Plan Organization	37	99.7
Donor Annuity	62	21.1
Fiscal Intermediary Services Organization	2	74.0
Fraternal Benefit Society	2	73.0
Health Maintenance Organization (HMO)	9	95.2
Home Warranty Association	3	88.7
Life And Health Insurer	14	54.5
Local Government Unit Payee/Self-Insurer	6	0.0
Motor Vehicle Service Agreement Company	3	52.0
Offshore Insurer	1	23.0
Premium Finance Company	2	66.5
Pre-Paid Health Clinic	2	126.5
Pre-Paid Limited Health Service Organization	3	70.3
Property And Casualty Insurer	78	60.6
Risk Purchasing Group	15	54.5
Risk Retention Group	11	64.8
Service Warranty Association	3	65.7
Service Warranty Manufacturer	1	38.0
Surplus Lines	7	68.3

Authority Category	Number of Applications Approved *	Average Days to Process
Surplus Lines - Aviation/Wet Marine	1	92.0
Third Party Administrator	30	77.8
Title Insurance	2	79.5
Viatical Settlement Provider	1	323.0

*includes both foreign and domestic applicants.

Of the above, the following types of applications were approved:

- Requests to amend existing authorizations, 34
- Requests for new authorizations, 173
- Applications for informational purposes only, 69
- Requests for permits to form domestic insurers, 23

The new Florida domestic carriers receiving authorization to transact business:

Health Maintenance Organization (HMO), 9

1. Freedom Health, Inc.
2. Healthsun Health Plans, Inc.
3. Metcare Health Plans, Inc.
4. Optimum Healthcare, Inc.
5. Partnercare Health Plan, Inc
6. Physicians United Plan, Inc.
7. Preferred Care Partners, Inc.
8. Summit Health Plan, Inc.
9. Suncoast Physician Health Plan, Inc.

Life and Health Insurer, 2

1. Avalon Healthcare, Inc.
2. Wellcare Prescription Insurance, Inc.

Property and Casualty Insurer, 17

1. American Modern Insurance Company Of Florida
2. American Traditions Insurance Company
3. Fidelity Fire & Casualty Company
4. First Home Insurance Company
5. Florida Doctors Insurance Company
6. Florida Peninsula Insurance Company
7. Hillcrest Insurance Company
8. Home Pointe Insurance Company
9. Homewise Insurance Company, Inc.

10. Lillian Assurance Group, Inc.
11. Main Street America Assurance Company
12. NGM Insurance Company
13. Phoenix International Insurance Company
14. Security First Insurance Company
15. Southern Eagle Insurance Company
16. Southern Fidelity Insurance Company
17. Sunz Insurance Company