



Office of Insurance Regulation

Kevin M. McCarty, Commissioner

2006-2007 Budget Issues

Part I - Technology Issues

Issue #1 - Property and Casualty Rate Data Collection and Management System

Development of a Property and Casualty Rate Data Collection and Management System to serve the needs of Florida's insurance stakeholders. (*Request: \$1,850,000*)

- ▲ Creates a transparent, broadly visible rate data system to improve insurance decision-making (from the consumer to the policymaker).
- ▲ Fulfills OIR's commitment to support state and national speed to market efforts, continuing to remove entry barriers in the marketplace.

Issue #2 - Interactive Internet-Based Outreach Tools for Florida's Senior Medigap Insurance Buyers (*Request: \$455,000*)

- ▲ Provides Florida's seniors and their families with accurate, current rate pricing and availability data to enable them to make more informed health coverage purchasing decisions.
- ▲ Simplifies the Medicare Supplement (Medigap) Health Coverage filing process for the insurers expediting new products and services into the marketplace.

Issue #3 - Web-Enabling Company Admission Applications (*Request: \$490,000*)

- ▲ Designs, develops and implements the electronic submission component of State of Florida Insurance Company Applications (AppCore) and enhances the workflow component to allow electronic submission of admission applications and a seamless integration with the National Uniform Certificate of Authority Application (UCAA).
- ▲ Provides greater incentives for insurance related carriers to enter the Florida marketplace, thereby increasing availability of insurance products to Florida consumers and increasing Florida's tax base.



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Part II – Staffing/Resource Issues

Issue #1 – Property and Casualty Financial Oversight (Request: \$274,145)

- ▲ Request is for four additional FTEs to address:
 - ∴ new disclosure requirements regarding finite reinsurance contracts and new risk assessment examination procedures established by the National Association of Insurance Commissioners (NAIC).
 - ∴ Senate Bill 2D (2003) requiring medical malpractice insurers to report loss data requiring analysts and examiners to review and reconcile loss data to financial statements.
 - ∴ the increasing number of new insurers in the market (there have been 50 new property and casualty domestic insurers and 180 new property and casualty foreign insurers licensed to do business in Florida in the last four years with no increase in staffing).
- ▲ NAIC guidelines suggest a workload of 14 companies per domestic analyst, while Florida's Property and Casualty analysts currently have a workload of 22 companies.

Issue #2 – Public Hurricane Model (Request: \$877,872)

- ▲ Provides a check on the assumptions, analysis, and results provided by the proprietary models and provides critical assistance to the OIR in the rate review process.
- ▲ Designs and develops a model to include commercial residential structures such as condominiums and apartment buildings (over a two-year period) – requesting Phase I funding in 2006-2007.

Issue #3 – Business Development and Market Research (BDMR) (Request: \$209,998)

- ▲ In 2005, OIR created a new unit (from existing resources) responsible for the expansion and retention of companies in the Florida market to serve as the information clearinghouse for the collection and dissemination of public data.
- ▲ Business Development promotes the benefits of expanding and/or moving lines of business to Florida, promotes the profitable opportunities available to companies in the market, and expands the Multi State Review Program.
- ▲ Market Research performs research on current and developing insurance issues and manages the most comprehensive insurance regulation data collection and reporting system in the United States.
- ▲ Request is for two FTEs and expenses for the expansion and retention of companies.



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Issue #4 – Legal Services Office (\$182,691)

- ▲ The caseload for FY 2003-2004 was 1,321 and for FY 2004-2005 the caseload increased to 1,642. The estimated caseload for FY 2006-2007 is 2,565.
- ▲ Increases in caseload are primarily due to unauthorized entity cases, and additional increases from the 2005 Legislative change in Section 627.0629(7), F.S., requiring a mandatory public rate hearing if there is a proposed increase that exceeds 15%.
- ▲ Legal review, legal preparation and travel requirements for staff attending public rate hearings have increased.
- ▲ Request is for two additional FTEs, travel expenses and digital recording equipment for the Public Rate Hearings.

Issue #5 – Market Investigations (\$138,888)

- ▲ Due to the following statutory changes, additional FTEs are being requested
 - ∴ The 2004 Legislature enacted 627.4554, Florida Statutes, requiring periodic compliance reviews of senior annuity investment products.
 - ∴ Florida Statute 624.424(10), requires quarterly reporting to the Office by property and casualty insurers requiring periodic reviews of discrepancies discovered.
 - ∴ Florida Statute 641.3155, requires HMOs to make prompt payments of claims to consumers; due to increased litigation related to HMOs, compliance reviews have increased.
 - ∴ The 2003 Legislature enacted Florida Statute 627.912 requiring professional liability insurers to report any claim or action for damages, this has increased compliance reviews.
- ▲ Request is for two additional FTEs to maintain current workload and efficiently manage additional workload of statutory requirements – Market Investigations did not receive additional positions in previous years for these statutory requirements.

Issue #6 – Inspector General's Office (Request: \$66,354)

- ▲ There are 76 known auditable units within the Office along with a significant number of potential management reviews, business consultation engagements, technical consultation engagements and special projects to be completed by the Inspector General's Office (OIG).



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- ▲ The OIG provides assistance to management with regard to identifying, documenting and administering performance measures throughout the organization, including development of related formalized organizational mission statements, vision statements, objectives and goals.
- ▲ The Office was established with one FTE – the Inspector General (IG). The Office's IG has no additional professional staff to assist in the daily conduct and necessary audits and management reviews required under Florida law.
- ▲ Request is for one FTE.