Office of Insurance Regulation

2007 Legislative Priorities

I. <u>SB 2782 by Senator Posey and HB 1549 by Representative Rivera - Examination Modernization and Accreditation Compliance</u>

Section 624.316, Florida Statutes, requires the Office of Insurance Regulation (Office) to perform financial examinations on property and casualty insurance companies each of the first three years after receiving a certificate of authority to do business, and once every three years thereafter.

In 2002, the National Association of Insurance Commissioners (NAIC) determined that the best practice for conducting examinations among all of the states is to allow the regulator to select an outside vendor. It has now become a standard for accreditation with the NAIC. In 1991, the Florida Statutes were amended to allow the Office to select outside vendors to conduct market conduct examinations without having to request permission from the insurer. Currently, the Office is only permitted to use an outside vendor for financial examinations *if the company approves the use of the outside vendor*. Otherwise, the Office is required to use its own resources to conduct the exams. In most cases, because of the cost differential, the company chooses to have the Office's examiner perform the examination.

This legislation authorizes the Office to select private financial examiners to perform the mandatory financial examinations of property and casualty insurers. It also extends the three-year time period between financial examinations to five years, and maintains the Office's authority to perform financial examinations as necessary to prevent insurer insolvency.

This legislation will ultimately allow the Office to maximize its ability to better protect consumers and provide greater oversight of the financial viability of insurers by allowing Office examiners to focus on the more critical financial examinations. In addition, this legislation will bring the Office into compliance with the NAIC's accreditation standards.

II. <u>SB 2004 by Senator Fasano and HB 1455 by Representative Attkisson - Title Insurance</u>

Section 627.782, F.S., requires the Financial Services Commission (FSC), to adopt uniform rates for title insurance. Florida is one of only three states that set the rate for title insurance by regulation. In order to promulgate the rates, the Office must collect information such as loss experience, underwriting profit, administrative expenses, among other relevant factors, from the title insurance companies.

However, the rate promulgation has been halted due to rule challenges by the title insurance industry and reluctance or refusal by certain companies to provide the necessary data.

Florida's title insurance premiums are higher than in other states. For example, title insurers in Florida have favorable loss ratios of 3.2%, compared to 5.4% in Alabama, 8.8% in Georgia, 12.5% in North Carolina, or 9.7% in South Carolina. Additionally, title insurance premiums in Florida are a larger share of property and casualty premiums than for the U.S.

This legislation enhances competition in the title insurance market by modifying the rate-making procedures for title insurance by requiring the companies to submit a rate filing to be approved by the Office, similar to the process used to review homeowners' insurance rates. Title insurance companies will be required to provide actuarial justification for the entire premium charged to the consumer for the service provided.

III. SB 2708 and 2710 by Senator Storms - Healthy Florida

Florida is ranked 10th in the nation for highest rate of uninsured individuals. Estimates show that approximately 3.4 million Floridians are uninsured – 19% of the state's population. On average, approximately one-third of individuals in the workforce are without insurance.

This legislation is aimed at increasing access to affordable health insurance to those who are currently uninsured or underinsured and providing an incentive to insurers to insure individuals and qualified employees (full and part-time) of small employers. The proposal would create a new standardized health insurance subsidy program for small businesses, sole proprietors and individuals who meet certain eligibility requirements. The program is a state subsidized reinsurance mechanism or a stop-loss subsidy that reimburses health plans for 90% of claims paid between $5,000 and $75,000 on behalf of a member in a calendar year.