



OFFICE OF INSURANCE REGULATION

DAVID ALTMAIER
COMMISSIONER

**FINANCIAL SERVICES
COMMISSION**

RICK SCOTT
GOVERNOR

JIMMY PATRONIS
CHIEF FINANCIAL OFFICER

PAM BONDI
ATTORNEY GENERAL

ADAM PUTNAM
COMMISSIONER OF
AGRICULTURE

September 30, 2017

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 2018-19 through Fiscal Year 2022-23. The internet website address that provides the link to the LRPP located on the Florida Fiscal Portal is www.flair.com. This submission of our LRPP has been approved by me.

Sincerely,

David Altmaier



Florida Office of Insurance Regulation



Long-Range Program Plan
Fiscal Years 2018-2019 through 2022-2023



David Altmaier
Insurance Commissioner

September 30, 2017



David Altmaier

Florida's Insurance Commissioner

David Altmaier was appointed as Florida's Insurance Commissioner on April 29, 2016 by the Financial Services Commission. He leads a 289-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.

He also serves as chair of the Workers' Compensation 3-Member Panel and the Florida Health Insurance Advisory Board (FHIAB), both of which engage with a variety of stakeholders to develop legislative recommendations on these issues.

Commissioner Altmaier is active in his participation with the National Association of Insurance Commissioners (NAIC), where he is a member of several committees, task forces and working groups. He currently serves as chair of the Capital Adequacy Task Force, four working groups (Catastrophe Insurance, Creditor-Placed Insurance Model Act Review, ComFrame Development & Analysis and Group Capital Calculation), and was recently appointed as vice-chair of the Property & Casualty Insurance "C" Committee. He has also earned the NAIC's Professional Insurance Regulation designation.

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

David 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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
98%	98%	98%	98%	98%	98%

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

Baseline FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
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 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
10%	10%	10%	10%	10%	10%

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

Baseline FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
10%	10%	10%	10%	10%	10%

Office of Insurance Regulation

New Performance Measures

During Fiscal Year 2017-18, the Office intends to update the Long-Range Program Plan (LRPP) goals to be consistent with the performance measures that have been approved by the Financial Services Commission. These new goals will reflect the Commissioner's focus on increasing efficiency and continuously striving to improve performance over time. The new goals will be as follows:

1. Average* number of days to process applications enabling new companies to enter the market expeditiously.
2. Average* number of days to process life and health form and rate filing reviews
3. Average* number of days to complete property and casualty form and rate filing reviews
4. Weighted average of the:
 - a. Percentage of applications completed in 90 days
 - b. Percentage of life and health form and rate filings completed within 45 days
 - c. Percentage of property and casualty form filings completed within 45 days
 - d. Percentage of property and casualty rate filings completed within 90 days
 - e. Percentage of market conduct examinations with violations in which the Office takes enforcement action
 - f. Percentage of priority financial analyses completed within 60 days
 - g. Percentage of non-priority financial analyses completed within 90 days
5. Average* number of days to complete market conduct examinations and investigations
6. Percentage of financial exams of domestic insurers completed within 18 months
7. Percentage of life and health priority financial exams of domestic insurers completed within 18 months
8. Percentage of property and casualty priority financial exams of domestic insurers completed within 18 months
9. Average* number of days to complete priority financial analyses
10. Average* number of days to complete non-priority financial analyses

* Average refers to an eight-quarter moving weighted average.

Office Budget

FY 2017-18

Table 1. Appropriations Overview Fiscal Year 2017-18: Office of Insurance Regulation (Office)			
Positions	FY 2016-17	FY 2017-18	Change
Full-time equivalent (FTE) positions	292	289	-3
Funding (By Budget Category)	FY 2016-17	FY 2017-18	Change
Salaries and Benefits	\$19,959,767	\$20,261,606	\$301,839
Other Personal Services (OPS)	\$290,169	\$290,169	\$0
Expenses	\$2,481,072	2,481,072	\$0
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)*	\$632,639	\$969,689	\$337,050
Florida Public Hurricane Loss Model (Enhancements) **	\$850,000	\$0	(\$850,000)
Lease or Lease-Purchase of Equipment	\$27,403	\$27,403	\$0
Risk Management Insurance	\$112,446	\$128,297	\$15,851
DMS Human Resources Contract	\$97,856	\$94,266	(\$3,590)
TOTAL	\$30,906,841	\$30,707,991	(\$198,850)
<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 Office fosters an insurance environment conducive to business expansion and job growth. Over 174,000 Floridians are employed in the insurance sector. ¹

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 2016-17, the Office approved an additional 291,021 policies for take-out. Private insurers assumed 54,721 policies.² As of June 30, 2017, Citizens' policy count dropped to 452,593.

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 2016-17, the Financial Services Commission (FSC) repealed 24 rules proposed for repeal by the Office. The Office also updated 86 rules through the FSC. 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 appropriately adjusts to accomplish the Office's mission 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 Life and Health Product Review team of employees who developed a better and more dynamic tool for analyzing product form filings to identify unfair discrimination in drug formularies and a tool for organizing demographic and rate filing information. The actions of this team saved the state and taxpayers approximately \$36,000.

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 2017-18 is \$30.7 million, with 289 full-time equivalent positions. It is funded entirely through the Insurance Regulatory Trust Fund and receives no state general revenue funds. In FY 2016-17, 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.³ In FY 2016-17, 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 2016-17, the Office processed 99.9 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. 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 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 2016-17, the Office completed 100 percent of the 48 financial examinations and 99.7 percent of the 8,335 financial analyses within NAIC timeframes.

d. Market conduct examinations and investigations

The Office monitors insurance company products and practices for compliance with the Florida Insurance Code through market conduct examinations and investigations. 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 2016-17, the Office recovered \$114.5 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 2016-17, an additional 120 insurance and insurance-related entities entered the Florida market and 101 new lines of business.⁴ While some, such as donor annuities, are largely unregulated entities with little economic or regulatory impact, nine were newly licensed property and casualty insurers and four were newly licensed life and health insurers.

<u>New Insurance Entities in Florida - Fiscal Year 2016-17</u>	
Authority Category	Number of Entities
<u>Property & Casualty</u>	9
Atlanta International Insurance Company	
Family Security Insurance Company	
Maison Insurance Company	
OBI America Insurance Company	
Service Guarantee and Surety Company	
Southwest Marine and General Insurance Company	
Spinnaker Insurance Company	
TDC National Assurance Company	
Vantapro Specialty Insurance Company	
<u>Life & Health</u>	3
Educators Health Plans Life, Accident and Health, Inc.	
Equitable Life & Casualty Insurance Company	
Nebraska Life Assurance Company	
<u>Health</u>	1
Health Advantage Florida, Inc.	
<u>Other Entities *</u>	107
<i>*Includes Donor Annuities, Risk Groups, Surplus Lines, & other Specialty Companies</i>	
TOTAL	120

f. Data collection and analyses

The Office engaged in extensive data collection and analyses in FY 2016-17 related to:

- Catastrophe Reporting Form for Hurricane Hermine (14 individual data calls)
- Catastrophe Reporting Form for Hurricane Matthew (9 individual data calls)
- Catastrophe stress testing reporting for selected domestic insurers
- Continuing Care Retirement Community Actuarial Ratios and Contracts
- Continuing Care Retirement Community Minimum Liquid Reserve survey
- Continuing Care Retirement Community Refund form (2 individual data calls)
- Health Care Risk survey of Third-Party Administrators
- Health Market Telehealth Services survey
- Managed care specific to HMO and certain life and health insurers' financial and county enrollment data, both group and individual (4 individual data calls)
- Major medical and other accident and health enrollment and premium reporting with life and annuity policy breakdowns added
- Market Conduct Rescinded Policy reporting
- Motor Vehicle Inspection survey
- Private passenger automobile insurance, specific to excess profits and policy count reporting (5 individual data calls)
- Professional liability claims reporting
- Property and casualty annual calendar year experience (financial) reporting
- Property and casualty insurance (residential policy data) (4 individual data calls)
- Property and casualty reinsurance data call (3 individual data calls)
- Regulatory Life Settlement Agreements reporting to the states (4 individual data calls)

- Title agency data call
- Title underwriter data call
- Title underwriter employee count data call
- Title underwriter Florida-only financial data calls (3 individual data calls)
- Unfair discrimination based on travel annual life insurance survey

The Office completed numerous statutorily required reports in FY 2016-17. 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 applications that electronically receive and process insurance company form, rate, data, and financial filings. Through these applications, and the data they garner, goals and objectives of the Office are satisfied. In order for regulatory innovation to keep pace with the ever-growing and changing insurance market, the following achievements were noted during FY 2016-17:

- The Office’s “Umbrella Project” – a rewrite of its existing computer applications into a consolidated filing submission and review tool – was officially launched into the Production environment in June with four industry data collection activities successfully opened to filers on July 1.
- Umbrella Project development to replace an existing 2001 application that receives and manages all form and rate filings is continuing and will begin service in FY 2017-18.
- Operating in the face of adversity: two sets of data calls were initiated to collect claims reporting for Hurricanes Hermine and Matthew. The Hermine data call was the first storm-related data call in over eight years. Despite the near-direct hit on Tallahassee displacing the Office’s technology staff and preventing communications, the data call was started from a cell phone and by 5:00 p.m. on the same day the hurricane hit, the Office had already received 42 claims filings and 21 additional reports from companies stating they had no claims to report.
- Continued to advance trade secret protections across the various applications that accept company filings. Began a system of coding documents and data rows with statutory confidentiality and/or trade secret designations so that public records retrievals will one day require minimal internal checks before being released to the public.

In the next fiscal year, the focus will be on completing the form and rate filings in the Umbrella. The next priority will be establishing a filing and review protocol for all financial analysis forms to be submitted through the Umbrella system.

3. Market Conditions in Florida

As of June 30, 2017, the Office had oversight of 4,427 entities in Florida.⁵ 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

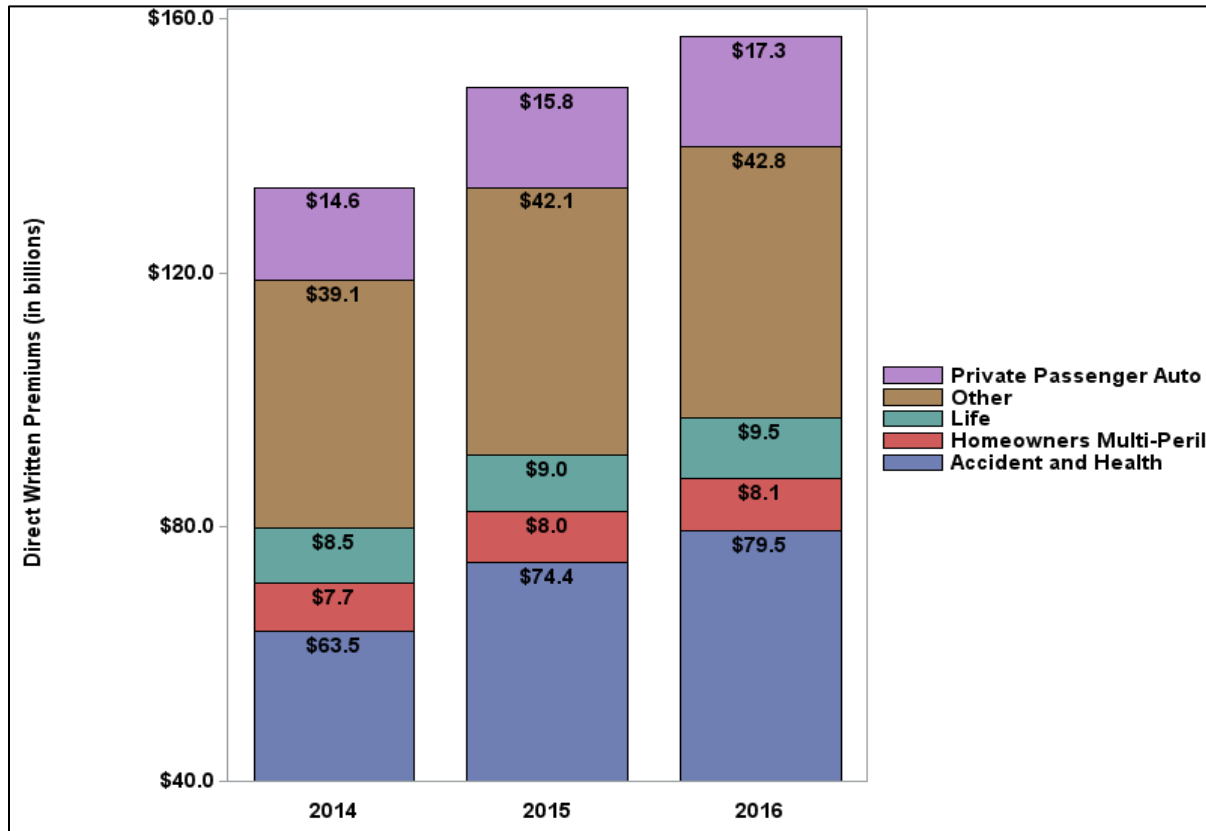
Florida insurance markets are generally competitive, although market concentration varies considerably from one line to another, as shown in Table 2.

Line of Business	Top Writer	Top 5 Writers	Top 10 Writers
Accident and Health	14.5	45.6	60.8
Commercial Multi-Peril	11.7	30.0	42.2
Homeowners Multi-Peril	8.9	29.8	45.6
Life	6.6	24.0	38.8
Medical Malpractice	19.7	46.9	59.3
Private Passenger Auto	15.9	49.6	65.7
Title	31.6	82.1	97.1
Workers Compensation	9.2	29.9	43.2

c. Premium volume⁷

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 \$147.1 billion in year-end 2016, a strong 10.3 percent increase. This increase primarily resulted from a surge in premium written by accident and health providers. During this period, Florida ranked 10th globally in total direct written premium.⁸

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 2017 plan year were 19 percent higher than rates for the 2016 plan year.⁹ Filed rates for individual major medical plans for the 2018 plan year were for an average increase of 18 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, the Office conducted a data call to collect claims information from the top 25 property & 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. An update to the data call is scheduled to be released in October 2017.

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 55 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.

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 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. Particularly concerning 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 2016, gross written premium decreased 9 percent and policyholder surplus stayed consistent.¹⁰ Surplus is up 47 percent since 2011.¹¹ Florida's domestic property insurers are well-positioned to satisfy the demand from continued population growth.

f. Residual markets¹²

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.

4. New Laws

a. Federal

Patient Protection and Affordable Care Act.¹³ 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 2017 Session affecting various types of insurance products and lines, see the Office's "2017 Legislative Summary" at: <http://www.floir.com>.

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 of insurers and insurance-related entities for coherence and readability.
- Promptly reviewing premium rates of insurers and insurance-related entities for actuarial soundness and compliance with Florida law.
- Thoroughly monitoring and analyzing the financial condition of insurers.
- 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, and issue related reports.
- 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

- 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
- 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

¹ 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.

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

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

³ Section 120.60(1), F.S.

⁴ Compiled by the Florida Office of Insurance Regulation from the COREN database. Entity counts are based on September 25, 2017 retrieval.

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

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

⁷ Premium data based on 2017 retrievals from NAIC and Office FAME data reported for Calendar Year 2016.

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

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

¹⁰ Information contained in the NAIC Financial Data Repository.

¹¹ Calculated from information contained in the NAIC Financial Data Repository.

¹² 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.

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



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