



## OFFICE OF INSURANCE REGULATION

**DAVID ALTMAIER**  
COMMISSIONER

**FINANCIAL SERVICES  
COMMISSION**

**RON DESANTIS**  
GOVERNOR

**JIMMY PATRONIS**  
CHIEF FINANCIAL OFFICER

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ATTORNEY GENERAL

**NICOLE "NIKKI" FRIED**  
COMMISSIONER OF  
AGRICULTURE

September 30, 2021

Chris Spencer, Policy Director  
Office of Policy and Budget  
Executive Office of the Governor  
1702B Capitol  
Tallahassee, Florida 32399-0001

Eric Pridgeon, Staff Director  
House Appropriations Committee  
221 Capitol  
Tallahassee, Florida 32399-1300

Tim Sadberry, 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 2022-23 through Fiscal Year 2026-27. 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

# Long Range Program Plan

*Fiscal Years 2022-2023 through 2026-2027*

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**David Altmaier**  
Insurance Commissioner



**David Altmaier**  
**Florida 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.

Commissioner Altmaier was voted President of the National Association of Insurance Commissioners (NAIC) for 2021, after serving as President-Elect in 2020 and Vice President in 2019. In his role as NAIC President, Altmaier serves as Chair of the Executive Committee, Internal Administration Subcommittee, Government Relations Leadership Council, and Co-Chair of the Special Committee on Race and Insurance. Commissioner Altmaier also serves as a Vice Chair of the Executive Committee for the International Association of Insurance Supervisors (IAIS), representing insurance regulators and supervisors of more than 200 jurisdictions worldwide.

Commissioner Altmaier was appointed by Governor DeSantis to serve as a member Florida’s Blockchain Task Force and during the COVID-19 pandemic, selected to participate in the Governor’s Re-Open Florida Task Force Industry Working Group on Agriculture, Finance, Government, Healthcare, Management and Professional Services.

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 promote a stable and competitive insurance market for consumers.

## **Vision**

OIR 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 that is 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 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
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 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
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 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
98%	98%	98%	98%	98%	98%

- 4) OUTCOME 1.B.2: Applications for a new certificate of authority for life & health and property & casualty companies processed within 90 days.

Baseline FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
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 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
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 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
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 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
98%	98%	98%	98%	98%	98%

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

Baseline FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
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 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
10%	10%	10%	10%	10%	10%

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

Baseline FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
10%	10%	10%	10%	10%	10%

# OIR Budget

## Fiscal Year 2021-2022

<b>Table 1. Appropriations Overview - Office of Insurance Regulation</b>			
<b>Positions</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>	<b>Change</b>
Full-time equivalent (FTE) positions	283	279	(4)
<b>Funding (By Budget Category)</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>	<b>Change</b>
Salaries and Benefits	\$21,039,617	\$22,102,869	\$1,063,252
Other Personal Services (OPS)	\$330,169	\$429,106	\$98,937
Expenses	2,418,973	2,418,973	\$0
Operating Capital Outlay	\$98,000	\$1,000	(\$97,000)
Contracted Services	\$1,780,726	\$1,780,726	\$0
Financial Examination Contracts*	\$4,626,763	\$5,151,763	\$525,000
Florida Public Hurricane Loss Model (Maintenance)	\$969,689	\$969,689	\$0
Lease or Lease-Purchase of Equipment	\$47,603	\$47,603	\$0
Risk Management Insurance	\$182,751	\$89,428	(\$93,323)
DMS Human Resources Contract	\$90,647	\$90,616	(\$31)
<b>TOTAL</b>	<b>\$31,584,938</b>	<b>\$33,081,773</b>	<b>\$1,496,835</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>			



# Linkage to Governor's Priorities

## Economic Development and Job Creation

**1. Focus on Florida's 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 203,000 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 2020-21, OIR approved an additional 5,635 policies for take-out.<sup>2</sup> As of June 30, 2021, Citizens' policy count had increased from the previous year to 638,263.

**3. Regulatory Reform.** In Fiscal Year 2020-21, the Financial Services Commission (FSC) updated 12 rules proposed for repeal by OIR. OIR also updated 25 rules through the FSC.

## Public Integrity

**1. Accountability Budgeting.** OIR does not receive any state General Revenue dollars and is exclusively funded by the Insurance Regulatory Trust Fund. OIR continues to keep its cost of regulation low relative to other states

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 Fiscal Year 2020-2021, OIR continued to have improved performances by integrating and utilizing data analytics. These automation and technology efficiencies continue to result in savings of staff time and costs, when reviewing form and rate filings.

**3. Reduce Taxes.** See item number 2 under "Economic Development and Job Creation" above.

<sup>1</sup> The cited jobs number is from regional data published by the U.S. Department of Commerce, Bureau of Economic Analysis, [https://apps.bea.gov/iTable/iTable.cfm?reqid=70&step=30&isuri=1&year\\_end=-1&acrdrn=4&classification=naics&state=0&yearbegin=-1&unit\\_of\\_measure=levels&major\\_area=0&area=12000&year=2019&tableid=31&category=431&area\\_type=0&statistic=1004](https://apps.bea.gov/iTable/iTable.cfm?reqid=70&step=30&isuri=1&year_end=-1&acrdrn=4&classification=naics&state=0&yearbegin=-1&unit_of_measure=levels&major_area=0&area=12000&year=2019&tableid=31&category=431&area_type=0&statistic=1004)

<sup>2</sup> [www.citizensfla.com](http://www.citizensfla.com) Total Policies Approved and Assumed 2020 and Total Policies Approved and Assumed 2021.

# Trends and Conditions

## Primary Statutory Responsibilities of OIR

The Florida Legislature created the Office of Insurance Regulation (OIR) in 2003. Section 20.121,(3)(a)1, Florida Statutes states “The Office of Insurance Regulation, which shall be responsible for all activities concerning insurers and other risk bearing entities, including licensing, rates, policy forms, market conduct, claims, issuance of certificates of authority, solvency, viatical settlements, premium financing, and administrative supervision, as provided under the insurance code or chapter 636. The head of the Office of Insurance Regulation is the Director of the Office of Insurance Regulation, who may also be known as the Commissioner of Insurance Regulation.”

The Insurance Commissioner is appointed by the Financial Services Commission. The Commission is comprised of the Governor, the Attorney General, the Chief Financial Officer, and the Commissioner of Agriculture. The Commission serves as agency head for purposes of rulemaking pursuant to sections 120.536-120.565, Florida Statutes. The Insurance Commissioner is considered the agency head for purposes of final agency action for all areas within the regulatory authority delegated to 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; and
- 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 Fiscal Year 2021-22 is \$33.1 million, with 279 full-time equivalent positions. It is funded entirely through the Insurance Regulatory Trust Fund and receives no state general revenue funds. In FY 2020-21, OIR spent over 92 percent of every dollar received on regulatory responsibilities. Administrative costs accounted for less than 8 percent of the funds spent.

#### a. Certificates of Authority

OIR is actively engaged in licensing insurance companies and certain other insurance related entities through the Certificate of Authority (COA) application process. Florida law requires OIR to approve or deny a complete application for a new COA for an insurance company within 180 days of receipt. OIR must approve or deny a new COA for other entities within 90 days, with the exception of continuing care retirement communities, which are approved or denied within 45 days. Amendments to existing COA for insurance companies must be approved or denied within 90 days.<sup>3</sup>

In Fiscal Year 2020-21, OIR approved 67 new COAs and processed 88 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. OIR has worked to provide insurers with additional options for getting products to market more expeditiously. Insurers submitting forms for certain property and casualty commercial products 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 Fiscal Year 2020-21, OIR processed a total of 12,052 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. Finalized examination reports must be published 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.

In Fiscal Year 2020-21, OIR completed 58 financial examinations.

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 Fiscal Year 2020-21, OIR completed 9,854 financial analyses.

<sup>3</sup> Section 120.60(1), F.S.

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 Fiscal Year 2020-21, OIR completed 9,854 financial analyses.

#### **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, and targeted examinations and collaborative multi-state examinations, rather than routine examinations performed at regular intervals. The examinations identify issues such as 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.

In Fiscal Year 2020-21, OIR completed and finalized a total of 3 examinations and 57 investigations resulting in the recovery of \$2.6 million on behalf of Florida consumers.

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 2020-21, OIR recovered over \$5.8 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 Fiscal Year 2020-21, an additional 179 insurance and insurance-related entities entered the Florida market and 401 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, there were newly licensed Property & Casualty and Life & Health insurers.

<sup>4</sup> Compiled by the Florida Office of Insurance Regulation from the COREN database as of July 19, 2021.

## **f. Data Collection and Analyses**

OIR engaged in extensive data collection and analyses in FY 2020-21 related to:

- Access Control List Review (Twice per year for network security)
- Annual Reinsurance Data Collection (3 individual data calls)
- Assignment of Benefits (one-time)
- Auditor General IT survey (annual)
- Catastrophe Stress Test (annual)
- Catastrophe Reporting Form for Hurricane Michael (5 individual data calls)
- Catastrophe Reporting Form for Hurricane Irma (1 individual data calls)
- Donor Annuity Agreements (ongoing)
- Department of Revenue /Legislature Tax Premium Report (annual)
- HMO Provider Contract Terminations (ongoing)
- Long-Term Care Claims Denial Reporting (ongoing)
- Long-Term Care Replacement/Lapse (annual)
- Long-Term Care Rescission (annual)
- Long-Term Care Suitability (annual)
- Major medical and other accident and health enrollment and premium reporting with life and annuity policy breakdowns added (annual)
- Market Conduct Annual Statement (annual)
- Market Conduct Rescinded Policy reporting (ongoing)
- Medicare Supplement Multiple Reporting Form (annual)
- Motor Vehicle in Force Policy Count Report (quarterly)
- Motor Vehicle excess profits and policy count reporting (annual)
- Multiple Medicare Supplement Report (annual)
- Professional liability claims reporting (ongoing)
- Property and casualty annual calendar year experience (annual)
- Property and casualty personal and commercial residential policy data (quarterly)
- Quarterly Comprehensive Health Reporting (quarterly)
- Regulatory Life Settlement Agreements reporting to the states (quarterly)
- Title agency data call (annual)
- Title underwriter Florida-only financial data calls (annual)
- Unfair discrimination based on travel annual life insurance survey (annual)
- Update Disaster Contacts and Claims Number (annual)

OIR completed numerous statutorily required reports related to its data collection in Fiscal Year 2020-21.

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

OIR has one of the most sophisticated regulatory technology systems in the country, featuring applications that receive and process insurance company form, rate, data, and financial filings. OIR continues to look for ways to enhance its technology and made specific advancements in FY 2020-21.

Several new Insurance Regulation Filing System (IRFS) applications were developed during the past year.

- The Public Records Request Tracking (PRRT) allows Legal to manage their public record requests in a single location that provides a consistent automation of their business process, permits input from other business units, and provides necessary data searching and reporting modules.
- The Insurance Consumer Advocate Tracking (ICA) provides Communications with a method to enter, manage, and report upon the requests they receive.
- The Legal Case Tracking application has been created, and the first module to be developed is one to manage Consent Orders. Discussions have begun to migrate existing consent order data from the previous system NetDMS to IRFS.
- The Market Regulation Tracking System (MRTS) has been designed. The effort began with the Property & Casualty unit but now includes Life & Health as well. This application, like PRRT, will automate an existing business process, gather input from other business units, and provide necessary data searching and reporting modules. Additionally, a method to add data from spreadsheets will be developed.
- Analysis and design began to bring Company Admissions process into IRFS. It would replace the iApply/WECAA systems currently in use.

OIR made additional IRFS enhancements throughout the year, which include:

- Enhanced recording of modification history in Administrative Tools
- Enhanced recording of modification history in the Application Process Control (APC) areas Users, Applications, Privileges, and Templates
- Added writing ratios for Life & Health and Property & Casualty companies on the Dashboard
- Added administrative privileges to external IRFS so that companies control their filers access and manage their filings
- Allow password protected documents to be uploaded into IRFS - only edit passwords – not open passwords
- In the Internal Review part of IRFS
  - Provided the ability to generate RCS territory sets as Excel templates
  - Allow bulk send of invoices
  - Changed the way outgoing emails containing trade secret information are handled
- Internal Search of IRFS was enhanced to display data from the new systems PRRT, ICA, and Legal Tracking

Changes were also made to other systems

- Modified FAME to use IRFS invoices
- Built an application prototype that uses the Elasticsearch search engine to search document content. It allows a user to enter a phrase and it will search across the documents in its indices for matches and provide a score to indicate the level of match.
- The FileNet Migration utility was built to move EDMS documents from FileNet to the file share and update a table. If a document is not searchable, a process will make it searchable for the Elasticsearch tool

- Added the ability to mark uploaded documents as trade secret in RCS

Throughout the year, the team made various modifications to backend processes and services. An Outlook plug-in is now available to associate emails and attachments to existing IRFS filings. The PDF Generation, Convert, Stamp and API services were updated to the latest version of Aspose.

In coordination with the National Association of Insurance Commissioners (NAIC) and the Department of Financial Services Office of Information Technology (OIT), we completed the pilot phase of the NAIC’s project to change the way we access data in the NAIC systems to use a web-based data warehouse (Snowflake) instead of an Open Database Connectivity (ODBC) interface. The company dashboard was successfully tested using the new method. We await information on implementation from the NAIC.

### 3. Market Conditions in Florida

As of July 12, 2021, OIR had oversight of 4,793 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

See section 1.e above regarding new entities and new lines of business for existing entities.

#### b. Market Concentration

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

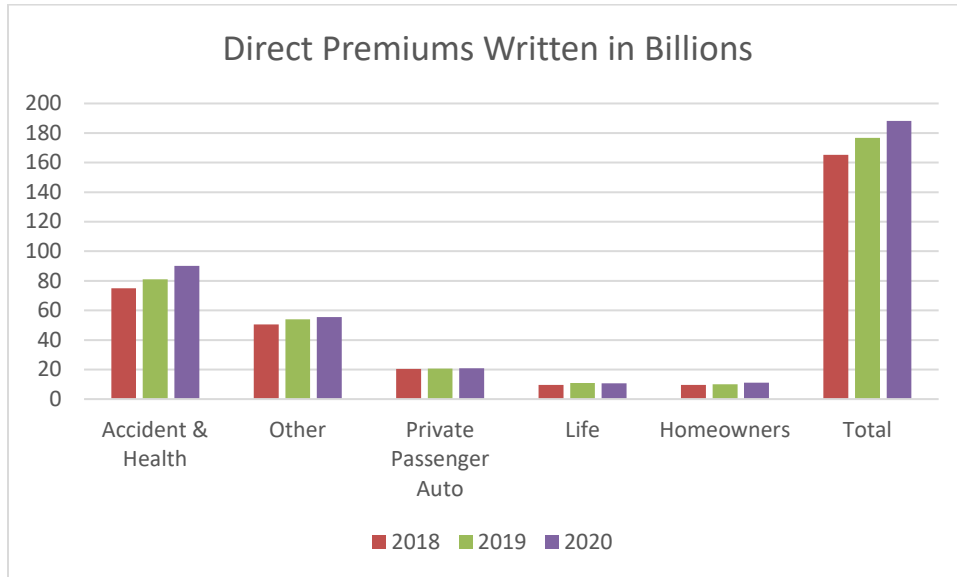
<b>Line of Business</b>	<b>Top Writer</b>	<b>Top 5 Writers</b>	<b>Top 10 Writers</b>
Accident and Health	13.2	47.4	65.9
Commercial Multi-Peril	4.8	20.0	34.4
Homeowners Multi-Peril	10.4	30.1	45.5
Life	8.4	28.0	44.4
Medical Malpractice	15.2	49.2	63.3
Private Passenger Auto	13.6	55.3	70.7
Title	28.6	77.7	93.3
Workers Compensation	5.1	22.7	37.1

<sup>5</sup> Compiled by the Florida Office of Insurance Regulation from the COREN database as of July 12, 2021.

### c. Premium volume

As shown in Figure 2, Florida is continuing to experience steady premium growth. Among all writers, total written premium expanded from \$165.3 billion at year-end 2018 to \$188.3 billion in year-end 2020<sup>6</sup>. This increase primarily resulted from a surge in premium written by accident and health providers. In 2018, Florida ranked tenth globally in total direct written premium.<sup>7</sup>

Figure 2<sup>8</sup>



### d. Premium rates

Rate trends vary across insurance lines. Health insurance rates continue to increase because 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 are trending upwards due to a combination of higher reinsurance costs for the 2019 and 2020 hurricane seasons and the impact of higher non-catastrophe claim costs due principally to water and roof claims containing litigation and Assignment of Benefits (AOB) costs.

<sup>6</sup> Compiled by the Florida Office of Insurance Regulation from NAIC Calendar Year 2019 company-reported premium data.

<sup>7</sup> Premium data based on retrievals from NAIC - data reported for Calendar Year 2019.

<sup>8</sup> Premium data based on retrievals from NAIC - data reported for Calendar Year 2019.

<sup>9</sup> National Association of Insurance Commissioners, 2018 Premium Volume -- Worldwide (An Alternative Look), 2017. The average rate change is based upon rate filings submitted to the Florida Office of Insurance Regulation.



OIR conducted two data calls in February 2016, and January 2018 to collect claims information regarding AOB. The results of the data calls showed an initial increase in the frequency and severity of water loss claims and annualized loss trends for frequency and severity of water loss claims that more than doubled those shown in the first data call report. During the 2019 Legislative Session, HB 7065, AOB Reform, was signed into law to reduce AOB abuse.

During the 2021 Legislative Session, additional reforms in SB 76 were signed into law to increase the cap on premium increases that Citizens policyholders may receive in a year, increase the reduce the number of years for which a property claim could be filed, require claimants to provide a notice of intent to initiate litigation at least 10 days prior to filing suit for property claims, and to limit the attorney fees that may be awarded under a suit arising under a property policy.

These important consumer protections should help reduce the amount of AOB and litigation abuse in the market and may offset some of the recent rate activity.

Workers' compensation rates are down an average of approximately 70 percent since 2003. There have been several major decisions which have impacted the workers' compensation market.

- Senate Bill 1402 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 and one rate decrease in 2019, 2020, and 2021. The contributing factors to the recent 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. 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 continue to see incremental rate increases due to increasing medical costs, and higher repair costs. There were significant declines in the frequency of auto accidents due to COVID-19 stay-at-

home orders, and many insurers have provided significant refunds and credits to policyholders due to this unexpected drop in claims.

During the 2021 Legislative Session, SB 54 proposed to repeal PIP and revise the minimum required limits for Financial Responsibility but was ultimately repealed. The Office contracted with Pinnacle Actuarial Resources to estimate the impact of repealing PIP in SB 76 would have on Florida drivers. Pinnacle estimated that the bill would result in an overall increase in premiums of 13.3% for all coverages combined or \$202 per car annually for the average vehicle.

#### **e. Financial condition**

The Florida life and Health insurance markets are stable and competitive, and domestic insurers are well positioned to meet the needs of the market. Though written premium decreased 3.97% from 2019 for domestic life insurers due to the COVID-19 pandemic, policyholder surplus increased 4.29% from 2019 and is up 28.93% since 2016. For health insurers, direct written premium is up 8.90% from last year. Policyholder surplus increased 7.55% from last year and 27.54% from 2016.

In the property insurance sector, Florida domestics continue to be stable and competitive. Comparing the results from year-end 2019 to year-end 2020, direct premiums written increased 5.97 %.<sup>10</sup> Policyholder surplus increased .24 % and surplus is up 27.84 % since 2015.<sup>11</sup> Florida's domestic property insurers have decreased their policies in force by 1.62 % while foreign insurers have increased policies in force by 18.36 % which should satisfy the demand from continued population growth.

#### **f. Residual markets<sup>12</sup>**

Growth in residual markets are generally associated with stagnant or declining 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, increased its policies in force by 29.12% from year-end 2019 to year-end 2020 which is still a 13.34 % decrease in its policy count since 2014.

### **4. New Laws**

OIR continues to track and implement legislative changes at the state and national level.

#### **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 continue to evolve and shape the requirements of the Act through annual agency rulemaking, guidance, and frequently asked questions.

<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.

## **b. Florida**

For a comprehensive list of legislation that passed during the 2021 Session affecting various types of insurance products and lines, see OIR's [2021 Legislative Summary](#).

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

OIR priorities are selected as a result of market conditions, in accordance with 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:

- Evaluating approaches to promote a stable and competitive individual and group health insurance markets;
- Actively engaging in regulatory activities to help stabilize the property insurance market to promote greater resiliency 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;
- Working with industry stakeholders to promote best practices in COVID-19 and monitoring short and long-term impacts to consumers;
- 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 boards and commissions, including the following:

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

- Continuing Care Advisory Council
- Florida Employee Long-Term Care Plan
- Florida Health Maintenance Organization Consumer Assistance Plan
- Florida Health Insurance Advisory Board
- Florida Interagency Coordinating Council for Infants & Toddlers
- Florida KidCare Coordinating Council
- State Consumer Health Information and Policy Advisory Council

### **b. Property and casualty**

- Citizens Property Insurance Corporation
  - Citizens Market Accountability Advisory Committee and other committees
- Florida Insurance Guaranty Association
- Florida Automobile Joint Underwriting Association
- Florida Commission on Hurricane Loss Projection Methodology
- Florida Workers' Compensation Joint Underwriting Association
- Florida Workers' Compensation Insurance Guaranty Association
- Workers' Compensation Three Member Panel
- 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
- Birth-Related Neurological Injury Compensation Association (NICA)

## **2. Studies and reports**

### **a. Annual reports**

- Accident and Health Gross Annual Premium Report
- “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 (within the Annual Report)
- Workers’ Compensation—Marketplace Availability and Affordability
- Continuing Care Retirement Communities (CCRC) Annual Industry Report

**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.

# 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 (FSC):** 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 section 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.



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