

AGENDA
FINANCIAL SERVICES COMMISSION
Office of Insurance Regulation

September 19, 2006

MEMBERS
Governor Jeb Bush
Attorney General Charlie Crist
Chief Financial Officer Tom Gallagher
Commissioner Charles Bronson

Contact: Chris Bailey
(850-413-2552)

9:00 A. M.
LL-03, The Capitol
Tallahassee, Florida

ITEM	SUBJECT	RECOMMENDATION
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1. Minutes of the Financial Services Commission, August 1, 2006.

(ATTACHMENT 1)

FOR APPROVAL

2. Adoption of amendments to Rules 69O-149.005, .006, .007; "Reasonableness of Benefits in Relation to Premiums", "Actuarial Memorandum", and "Annual Rate Certification (ARC) Filing Procedures", F.A.C.

The proposed rule amendments interpret, clarify and implement the related statutes for Reasonableness of Benefits in Relation to Premiums; establish ARC filing procedures; and require the experience exhibit in the actuarial memorandum be in an Excel document.

The proposed rule amendments accomplish the following:

- a) Assures that when multiple products are available for sale with similar benefits, that the rates are actuarially consistent. This is required when the form is initially reviewed and approved, but sometimes the rates get out of sync over time.
- b) Requires that an offer to replace an issue age rate policy must recognize the policy reserve buildup (accumulated value) of the original policy, and that as a safe harbor an issuer may simply issue the new policy at the original issue age and terminating duration. What was originally the requirement is now the safe harbor.
- c) The currently proposed language does not change the existing meaning: it merely clarifies that all blocks of business are subject to the loss ratio requirements of 69O-149.005, and that if they are not in compliance, they need to be fixed.
- d) Clarifies that the annual rate certification standard for long term care is that contained in Rule 69O-157 for business issued subsequent to adoption of the NAIC rate stability model.

- e) Clarifies rule annual rate certification language which was intended to give 15% margin. This is in 69O-149.007(8). Several years ago provisions were included in the rule to allow some latitude in meeting the loss ratio requirements. This was intended for small closed or brand new blocks, where it did not make sense to order corrective action. It was not worded tightly enough, and it has been abused. By removing the 15% margin allowed, and restricting the latitude to only blocks which are not fully credible, we are returning to the original intent of the provision.

After the hearing on May 22, 2006, the Office considered the presentations and questions of those that participated and made several changes to the proposed rule. The changes included language to help define a statutorily required conversion provision and the deletion of extraneous paragraphs.

(ATTACHMENT 2)

APPROVAL FOR FINAL ADOPTION

3. Adoption of amendments to Rules 69O-154.203, .204 "Categories of Reserves" and "Specific Minimum Standards for Morbidity, Mortality and Interest", F.A.C.

The purpose of the proposed amendments is to revise the health reserve rules to reflect changes made by the NAIC in 2006 and to revise the Specific Minimum Standards for Morbidity, Mortality and Interest to reflect revisions made to the NAIC Accounting Practices and Procedures Manual in 2006.

(ATTACHMENT 3)

APPROVAL FOR FINAL ADOPTION

4. Repeal of Rule 69O-141.021, Procedures Implementing the Moratorium Phaseout in Section 627.7013, Florida Statutes, F.A.C.

This is an action to repeal Rule 69O-141.021 (Moratorium Phaseout) because this rule implements a statute that was repealed in 2001. The rule implements Section 627.7013, F.S., "Orderly Markets for Personal Lines Residential Property Insurance". This statute was repealed by its own terms on June 1, 2001.

(ATTACHMENT 4)

APPROVAL FOR REPEAL

5. Approval of Citizens Property Insurance Corporation's Plan of Operation.

Pursuant to Section 15 of Senate Bill 1980, Citizens Property Insurance Corporation shall operate pursuant to the plan of operation approved by the Financial Services Commission to be effective October 1, 2006.

Since August 1, 2002, Citizens Property Insurance Corporation's Plan of Operation has been approved by order of the Florida Office of Insurance Regulation. In accordance with Senate Bill 1980, passed during the 2006 Legislative Session, the Citizens Property Insurance Corporation's Plan of Operation shall be approved by order of the Financial Services Commission.

(ATTACHMENT 5)

FOR APPROVAL