

**AGENDA**  
**FINANCIAL SERVICES COMMISSION**  
**Office of Insurance Regulation**

**November 14, 2007**

**MEMBERS**

Governor Charlie Crist  
Attorney General Bill McCollum  
Chief Financial Officer Alex Sink  
Commissioner Charles Bronson

**Contact: Chris Bailey**  
**(850-413-2552)**

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

<b>ITEM</b>	<b>SUBJECT</b>	<b>RECOMMENDATION</b>
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1. Approval of the September 19<sup>th</sup>, 2007 and October 16<sup>th</sup>, 2007 meeting Minutes.

**(ATTACHMENT 1)**

**FOR APPROVAL**

2. Request for Approval to Adopt Amendments to Rule 69O-149.003 (6)(d); Maximum Trend, F.A.C.

“Medical trend” refers to the amount medical bills are expected to increase over the next year. It is used by health insurers in calculating the appropriate rates to be charged for medical insurance. If an insurer has credible data, it can determine medical trend on its own. However, if an insurer does not have credible data the maximum medical trend the insurer can use is the amount that is published in this rule. The rule, therefore, establishes the “maximum medical trend” for medical insurance that can be used by an insurer that does not have the credible data needed to make its own determination as to medical trend. The amounts set forth in the rule are the average of the medical trends that have been used in filings that we have approved in recent rate filings. This rule lowers the medical trend factors. The authority for this rule is Section 627.410(6)(b), which provides that the Commission may establish by rule, for each type of health insurance form, procedures to be used in ascertaining the reasonableness of benefits in relation to premium rates.

**(ATTACHMENT 2)**

**APPROVAL FOR FINAL ADOPTION**

3. Request for Approval to Adopt Amendments to Rule 69O-162.203; Preferred Mortality Tables, F.A.C.

Section 625.121, F.S., requires the Office to annually value an insurer's required reserves. An insurer's reserves are money set aside reflecting claims that are expected to occur, based upon statistical projections. The calculation of these statistical projections include the use of mortality tables, which tell the probable death dates for people based upon factors

such as age, smoking, health conditions, etc. Until now, insurers used the 2001 CSO Smoker or nonsmoker Mortality table. This rule would allow an insurer to use, in specified conditions, a different mortality table, the 2001 preferred class structure mortality table. So long as the specified conditions are met, the use of the 2001 preferred class structure mortality table allows for a more accurate evaluation of the reserves.

Section 625.121(5)(a)3, F.S., allows the Commission to adopt, by rule, mortality tables that were adopted by the NAIC.

**(ATTACHMENT 3)**

**APPROVAL FOR FINAL ADOPTION**

4. Request for Approval to Adopt Amendments to Rule 69O-164.030; Application of Rule 69O-164.020 to Various Product Designs, F.A.C.

Section 625.121, F.S., requires the Office to annually value, that is, put a value on, an insurer's reserves, to see if they meet the minimum required. An insurer's reserves are money set aside reflecting claims that are expected to occur, based upon statistical projections. Rule 69O-164.020 is one of the rules that implements this statute, explaining how the reserves are to be valued. This rule, Rule 69O-164.030, helps the insurers apply Rule 69O-164.020, by setting out various factual scenarios, and then explaining how Rule 69O-164.020 would be applied to each scenario. This rule is based upon the new National Association of Insurance Commissioners (NAIC) Model Regulation.

**(ATTACHMENT 4)**

**APPROVAL FOR FINAL ADOPTION**

5. Request for Approval to Adopt Amendments to Rule 69O-149.002; Rating Rule, F.A.C.

Rule 69O-149.002 is being amended to adopt the recent National Association of Insurance Commissioners (NAIC) interstate compact standard for defining incidental for accelerated death benefits. "Accelerated benefits" are benefits payable under a life insurance contract to the owner of the policy, during the owner's lifetime, in anticipation of death or upon the occurrence of specified life threatening or catastrophic conditions. The accelerated benefits received reduce the death benefit otherwise payable to the beneficiaries. The rule states that forms that provide for accelerated benefits are not subject to the annual rate filings or Annual Rate Certification (ARC) filings if the benefits are incidental to the total life insurance coverage. The rule defines "incidental".

**(ATTACHMENT 5)**

**APPROVAL FOR FINAL ADOPTION**

6. Request for Approval to Adopt proposed Rule 69O-186.003, .005; Junior Loan Rule, F.A.C.

A junior loan mortgage is a loan is made on property upon which there already exists a loan. The existing loan has priority on the security. The new loan, therefore, is said to be "junior" to the existing loan. Junior loan title insurance provides lenders with a lower cost title insurance product that provides limited coverage for junior lien mortgage loans.

Section 627.782 provides that the Commission must adopt a rule specifying the premium to be charged for title insurance. This rule sets the premium for this type title insurance.

**(ATTACHMENT 6)**

**APPROVAL FOR FINAL ADOPTION**

7. Approval for publication of proposed amendment to Rule 69O-167.004; Required Preinsurance Inspection of Private Passenger Motor Vehicles, F.A.C.

Section 627.744 requires auto insurers which are insuring cars that have not been insured without interruption for the prior two years to perform a preinsurance inspection. The statute authorizes the Commission to adopt a form, by rule, for the purposes of this section. This amendment adopts a revision to the existing form to comply with changes in the statute.

**(ATTACHMENT 7)**

**APPROVAL FOR PUBLICATION**

8. Approval for publication of proposed new Rule 69O-204.101; Disclosures to Viator of Disbursement

Pursuant to section 626.9925, F.S., the Commission may adopt rules establishing disclosures to viators. This proposed new rule requires a viatical settlement provider to disclose to viators the gross amount it is paying for the insurance policy being viaticated, the net being paid to the viator, and a break down of all funds it is paying to other persons, such as viatical settlement brokers.

**(ATTACHMENT 8)**

**APPROVAL FOR PUBLICATION**

9. Approval for publication of proposed amendments to Rules 69O-149.003, .004, .007, Health Rate Filings, F.A.C.

Florida law requires that rates for health insurance be reasonable in relation to the benefits provided. These rules provide guidelines for insurers so they can be assured the rates they charge comply with this requirement. There are three amendments to the rules. The first establishes rules for pooling of cancer claims. The second prohibits an insurer knowingly pricing an individual rate to be charged to an insured to be excessive. The third tightens up the requirements for rate certifications, to make sure that when an insurer annually states its rates meet Florida law, that statement is true. The rule does this by setting forth the steps an insurer must take if the Office determines a rate certification was inaccurate.

This rule was approved for publication by the Commission on May 1, 2007, however, before it could be published the Office made several changes to it.

**(ATTACHMENT 9)**

**APPROVAL FOR PUBLICATION**

10. Approval of the Proposed Vendor to Conduct the Workers' Compensation Peer Review.

Pursuant to Section 627.285, F.S., the Financial Services Commission shall at least once every other year contract for an independent actuarial peer review and analysis of the ratemaking processes of any licensed rating organization that makes rate filings for workers' compensation insurance.

**(ATTACHEMENT 10)**

**FOR APPROVAL**

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

Pursuant to Section 627.351(6), F.S., Citizens Property Insurance Corporation shall operate pursuant to a Plan of Operation approved by the Financial Services Commission. On February 13, 2007, the Financial Services Commission approved the plan of operation; however, Senate Bill 2498, passed during the 2007 Legislative Session, contained items requiring the plan of operations be amended.

**FOR APPROVAL**