

AGENDA
FINANCIAL SERVICES COMMISSION
Office of Insurance Regulation

September 16, 2008

MEMBERS

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

Contact: Monte Stevens
(850-413-2571)

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

ITEM	SUBJECT	RECOMMENDATION
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1. Request for Approval to Adopt Proposed Rule 69O-203.210; Forms Incorporated By Reference; Discount Medical Plan Organization Annual Report

Pursuant to Section 636.218, F.S., within three months after the end of the fiscal year each discount medical plan organization (DMPO) must file an annual report with the Office. These reports must be on forms prescribed by the Financial Services Commission.

The purpose of the proposed amendment is to adopt the form for the annual reports.

(ATTACHMENT 1)

APPROVAL FOR FINAL ADOPTION

2. Request for Approval to Adopt Proposed Rule 69O-149.205,.206,.207 F.A.C.; Standard Risk Rates

Health insurers are required to provide a conversion policy to an insured whose insurance under a "group" policy has been terminated and is then turned into an "individual" policy.

Section 627.6675(3)(c), F.S., requires the Office to conduct an annual survey of the individual market (as contrasted with the group market) to determine standard risk rates for health insurers offering individual coverage via conversion policies. The maximum a health insurer can charge for a conversion policy is 200% of the standard risk rate.

This rule implements the results of the survey.

(ATTACHMENT 2)

APPROVAL FOR FINAL ADOPTION

3. Request for Approval to Adopt Proposed Rule 69O-144.007; Credit for Reinsurance

Reinsurance is insurance for insurance companies. In the Florida property insurance market, reinsurance is purchased by a primary insurer to cover catastrophic losses that exceed what the company could pay on its own. The cost of reinsurance is one component included in the cost to the homeowner of a property insurance policy.

Currently, if a primary insurer buys reinsurance from an entity which is authorized or accredited in Florida, the primary insurer gets a favorable accounting credit because those reinsurers do not have to post any collateral. However, an unauthorized or unaccredited reinsurer must post collateral for the full amount of the risk transferred for an insurer to get the same favorable accounting credit

In the 2007 regular session, the Florida Legislature amended Section 624.610(3)(e), F.,S., thereby giving the Insurance Commissioner the ability to establish lower collateral requirements for foreign reinsurers that are highly rated (by A.M. Best or Moodys, for example) and are financially sound.

This rule implements this statutory change by setting up a procedure for a reinsurer to become eligible to receive the benefit of this new law, and for a primary insurer to receive credit when it purchases reinsurance from an eligible reinsurer. This rule will allow for greater competition in the reinsurance marketplace and will increase the amount of new capital that can be devoted to insure losses in Florida.

(ATTACHMENT 3)

APPROVAL FOR FINAL ADOPTION

4. Request for Approval for Publication of Proposed Rule 69O-164.040; Determining Reserve Liabilities for Preneed Life Insurance

This proposed rule conforms Florida with the National Association of Insurance Commissioners (NAIC) guidelines relating to reserve liability for Preneed Life Insurance policies. Preneed Life Insurance is a product that is purchased by consumers who seek to pre-fund funeral services before their death. This insurance is typically bought in anticipation of impending death, on a guaranteed-issue basis with no underwriting. This differs from "regular" life insurance, where underwriting is an important factor in determining premiums and if coverage will be issued at all.

This rule will help ensure that companies selling this product have adequate reserves to pay for funeral services for their consumers. By conforming the Florida Administrative Code to the NAIC standards for preneed life insurance products, this rule will put Florida in lockstep with other states and reduce the frictional costs of doing business in Florida.

(ATTACHMENT4)

APPROVAL FOR PUBLICATION

5. Request for Approval for Publication of Proposed Rule 69O-204.010,.020,.030,.040,.050; Viatical Settlement Providers.

Pursuant to the Viatical Settlement Act, Part X of Ch. 626, F.S., the Office regulates viatical settlement providers which are companies that purchase life insurance policies from the owners (the viators). The policies are purchased at a discount from the face value for the purposes of investment. The viatical settlement providers in turn sell the viaticated policies to institutional investors. When the insured dies the investors receive the full face amount, less costs, thereby recouping their initial purchase price, plus interest.

Section 626.9925, F.S., gives the Financial Services Commission the authority to adopt rules to administer the Viatical Settlement Act. This proposed rule implements that section by defining two terms not defined in statute, "control or effective control" and "secondary market", prescribes two forms for the industry to utilize for reporting purposes, prevents the provider from collecting double fees, and requires the provider to document compliance with its anti-fraud plans.

(ATTACHMENT 5)

APPROVAL FOR PUBLICATION

6. Request for Approval for Publication of Proposed Amendment to Rule 69O-138.005; Exams by Non-Employees

Section 624.316, F.S., and other sections of the Insurance Code require the Office to examine licensees for compliance with the Insurance Code and regulations of the Financial Services Commission. These examinations can be performed by Office employees or can be performed by outside contractors. In 2007, the Legislature changed subsection 624.316(2)(e), F.S. concerning the examinations performed by contractors by taking away an insurance company's role in negotiating the contract with outside vendors.

Subsection 624.316(2)(e), F.S., further states that the Commission shall adopt rules providing that an examination of an insurer may be conducted by independent (non-employee) certified public accountants, actuaries, investment specialists, information technology specialists, and reinsurance specialists meeting criteria specified by rule. The Legislature also set forth specific criteria for the selection of a vendor/contractor in order to make sure that consumers are safe from potential conflicts of interest between examiners and insurance companies.

The subsection also requires that the rates charged by outside vendors/contractors must be consistent with rates charged in the industry.

This rule implements this subsection by setting criteria for the specialists, establishing an application process, and the manner by which vendors/contractors are compensated.

(ATTACHMENT 6)

APPROVAL FOR PUBLICATION