

Changes in the Florida Market: 2003 Update

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Florida Farm Bureau Insurance Cos.
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Session Overview

- 2003 Florida Legislative (in)activity
- Special Sessions Update
- Property Residual Market
- Wind Mitigation Class Plan Implementation
- Medical Malpractice Market
- Investments and Ratemaking: A Primer for the Uninformed

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2003 Legislature

- Overview and Status
- PIP: "Fix it or flush it"
- Credit Scoring
- Flex Rating
- Florida Hurricane Catastrophe Fund
- Dept. of Financial Services Implementation
- Citizens Property Insurance Corp.

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Legislative (in)Activity Overview

- Least productive in recent history
 - ◆ No state budget (required by Constitution)
 - ◆ No action on market crises in Workers Comp, medical malpractice, PIP auto
- Very few insurance measures passed
- Special session May 12-27 to pass budget, unclear how many insurance issues will be identified (must be specifically considered)

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Legislature: Special Session Update

- 30 bills, many dealing with insurance, added to budget-related special session:
 - ◆ PIP
 - ◆ Workers Comp
 - ◆ Credit Scoring
 - ◆ FHCF
- NOT medical malpractice – saved for its own special session later

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PIP Reform Package

- Supported by broad coalition (lawyers, doctors, insurers) and taken up in special session underway now
- Key provisions:
 - ◆ Confidentiality of police accident reports
 - ◆ Licensing beefed up for PIP clinics
 - ◆ Tighter standards for medical services
 - ◆ 15 days to pay (up from 7)
 - ◆ Expanded fraud definition + voids covg.
 - ◆ Sunset of no-fault in 3 years

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Credit Scoring

- CS/S204 "passed", but will only become law if a companion public records exemption passes (in special session underway now)
- Key features:
 - ◆ Applies to personal auto and property
 - ◆ Defines "adverse decision" to include rate increases as well as rejection/nonrenew
 - ◆ Provides confidentiality of filed models
 - ◆ Requires re-scoring at 2-year intervals
 - ◆ Spells out consumer notification

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Credit Scoring: Notification

- Inform "applicant or insured" that score requested to quote
- If adverse decision:
 - ◆ Provide path to free copy of credit report
 - ◆ Provide up to four "reason codes"
 - ◆ Provide avenue of appeal to insurer
- Fair Credit Reporting Act notification provisions still apply
 - ◆ Inform when "adverse action" taken

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Credit Scoring: Prohibitions

- Request of report/score prohibited based on:
 - ◆ Race, color, religion, marital, gender, etc.
 - ◆ Place of residence (new item)
- Adverse decision prohibited based on:
 - ◆ "Solely" credit report/score
 - ◆ No-hit (no ID) and no-score (thin file)
 - ◆ Medical collections (industry code)
 - ◆ Other added by regulatory rule
 - ◆ Open-ended?

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Flex Rating Possibilities

- Not passed, but industry & regulators agree to work out this summer for 2004 session
- Key provisions:
 - ◆ +/- 15% in auto, 10% home (30 days notice)
 - ◆ Only if no consumer sees more than +40% in auto, +25% in home
 - ◆ Right of disapproval but not retroactive
 - ◆ No arbitration for +20% or more overall change in homeowners (+40% any one)
 - ◆ CPIC must charge higher than market

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Florida Hurricane Cat Fund

- Up in special session now
- Key provisions:
 - ◆ Index current hard \$11B cap on payout
 - ◆ 4/6% (one year/all years) assessment limit to 5/8%
 - ◆ Include surplus lines in assessment base
 - ◆ Several technical cleanups on investments, small insurer exemption, reinsurance
- Would increase first season capacity without killing second season capacity – a stabilizer

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Citizens Property Insurance Corp.

- Some language in H513:
 - ◆ Requires new actuarial development of wind-only rates
 - ◆ Requires semi-annual rate updates to ensure higher than private market
- And see language in flex rating bill
- Next speaker will discuss CPIC in more detail

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