

Insurance & Banking Subcommittee

Wednesday, February 3, 2021
4:30 PM - 6:00 PM
Morris Hall (17 HOB)

Meeting Packet

Chris Sprowls
Speaker

Nick DiCeglie
Chair

The Florida House of Representatives

Commerce Committee

Insurance & Banking Subcommittee

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Meeting Agenda

Wednesday, February 3, 2021
4:30 PM – 6:00 PM
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I. **Call to Order**

II. Roll Call

III. Welcome and Opening Remarks

IV. Current Financial Regulatory Issues Impacting Florida Businesses

Russell C. Weigel, Commissioner, Office of Financial Regulation

Insurance Company Consumer Impacts and Trends in Property and Motor Vehicle Insurance Claims

Greg Thomas, Director – Division of Insurance Agent & Agency Services and Director - Division of Consumer Services, Florida Department of Financial Services

Tasha Carter, Florida's Insurance Consumer Advocate, Florida Department of Financial Services

David Altmaier, Commissioner, Office of Insurance Regulation

V. Closing Remarks

VI. Adjournment

Office of Financial Regulation

OFFICE OF FINANCIAL REGULATION

Current Financial Regulatory Issues Impacting Florida Businesses

Commissioner Russell C. Weigel, III

Agency Overview

OFR is organized to regulate three financial sectors:

- Division of Financial Institutions
- Division of Consumer Finance
- Division of Securities

The Divisions oversee and regulate a wide range of financial enterprises and individuals, such as banks, credit unions, mortgage loan originators, securities industry participants, consumer finance companies, money transmitters, foreign currency exchangers, and payday lenders.

Agency Overview

- Civil Enforcement:
  - Each Division has examination staff who inspect their licensees
  - Office of the General Counsel conducts administrative and civil litigation
- Criminal Enforcement:
  - OFR's Bureau of Financial Investigations has analysts and investigators

Agency Overview

Reports to Financial Services Commission

- Governor
- Attorney General
- Chief Financial Officer
- Commissioner of Agriculture

Fiscal Year 2019-20:

- Employees: 354
- Budget: $41.3 million
- Registrants: 462,575



Mission

To protect Florida's financial services consumers, promote a safe and sound financial marketplace, and contribute to the growth of Florida's economy through fair, innovative, and excellent regulation of the financial services industry.

Division of Securities

Growing Florida's Economy by Sparking a Small Company Eco-System

Lack of Capital Market for Small Companies

Problem

- Florida ranks #3 nationally in formation of new companies
- But we rank in the bottom 10 in growth of companies
- Therefore, job creation by startups is low
- Companies and Floridians leave the state

Why?

- No capital market in Florida
- Current system of in-state securities offerings stifles small company financings
- Crowdfunding and registered offering laws are too difficult and costly to comply with
- Therefore, entrepreneurs bootstrap

Crowdfunding Applications and Registrations

Applications

	2015	2016	2017	2018	2019	2020
Intermediaries	0	0	1	1	1	0
Issuers	0	0	1	0	0	0

Registrations

	2015	2016	2017	2018	2019	2020
Intermediaries	0	0	1	1	0	0
Issuers	0	0	0	0	0	0

Merit Review
Securities Offerings

	2015	2016	2017	2018	2019	2020
Applications	4	6	9	5	4	4
Withdrawals	1	3	7	1	0	2
Approvals	2	3	2	2	3	2

Create Capital Market for Small Businesses

Solution

- Stimulate a small company financial eco-system to support entrepreneurial activity
  - Incentivize networking of capital sources with entrepreneurs
  - Lower barriers to crowdfunding
  - Lower barriers to registered securities offerings

Division of Consumer Finance

REGULATORY UNCERTAINTY POST-*ESPINOZA*

Division of Consumer Finance Industry Issues

The Office of Financial Regulation has historically interpreted Ch. 560 to regulate intermediaries in money transmission only.

Problem

- A 3rd DCA opinion involving the sale of virtual currency expands beyond intermediaries to include peer-to-peer transactions, thus destabilizing Florida law.
- The Office has 11 petitions for a declaratory statement currently pending that are awaiting legislative action to resolve this conflict.

Solution

- Legislative clarification of money transmitter definition.

Division of Consumer Finance
Industry Issues

Unnecessary Regulations:

- High School Education Requirement for Mortgage Loan Originators
- Commercial Collection Agencies

Division of Financial Institutions

Keeping Florida's Financial Institutions Competitive

Keeping Florida's Financial Institutions Competitive

Problem

Florida's financial institutions face heavy competition from other out-of-state and nationally chartered financial institutions. More significantly, they face heavy competition from non-depository financial services entities that do not have the same regulatory oversight or operating parameters.

Solution

Modernizing certain statutory provisions would greatly enhance Florida's financial institutions' ability to compete, continue to modernize services and grow in the marketplace.

Examples:

- **Modification to New Commercial Bank Applications**
- **Modernizing Prospective Market Approach**

Bureau of Financial Investigations

Strengthening OFR's Investigations Capacity

Bureau of Financial Investigations

Problem

The traditional reactive methods in which our agency investigates financial crimes is not in line with the updated technology criminals are currently using.

Solution

Modernizing our approach to proactively seeking and engaging bad actors in cyberspace and elsewhere. This involves expanding our investigative techniques and methods to ensure a safe financial marketplace, such as expanding our ability to conduct blockchain analysis for cryptocurrency crimes, growing our new Internet Surveillance Unit, and ensuring statewide coverage of vulnerable investor populations.

Bureau of Financial Investigations

Reactive (Traditional) Investigative Posture

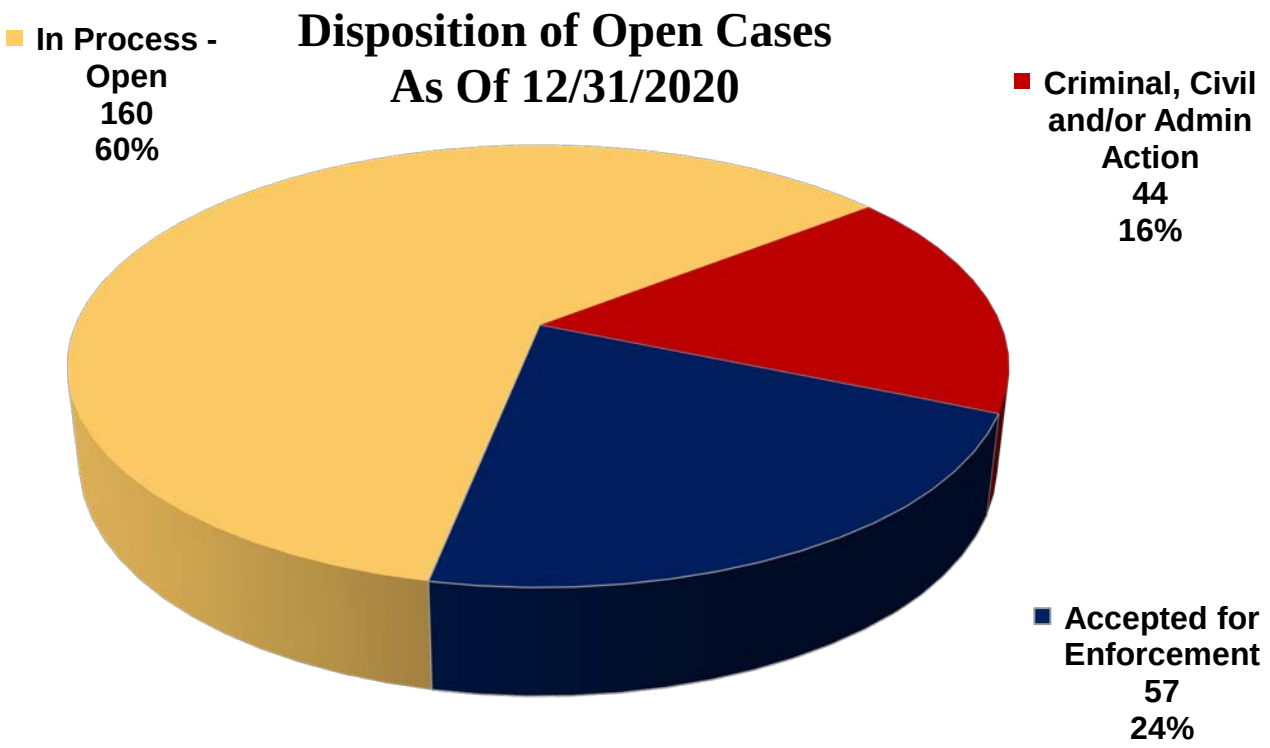
- Investigate complaints and tips made to OFR by:
  - General public and news media
  - Other law enforcement agencies
  - Generated internally from OFR examination programs
- Support criminal and civil prosecutions
  - Federal, state and local law enforcement agencies, and prosecutors
  - Department of Financial Services Division of Investigative and Forensic Services
  - Office of Attorney General

Bureau of Financial Investigations

Proactive Investigation Posture

- Using existing powers to get ahead of financial crime
  - Informal cease and desist authority
  - Internet surveillance unit
  - Consensual monitoring activities
  - Increased technology utilization (software licenses)
  - Updated subpoena process
  - Embedding telework investigators in vulnerable communities

Bureau of Financial Investigations



Office of Financial Regulation

Questions?

www.flofr.com

Alex Anderson, Legislative Affairs

(850) 410 - 9789

Department of Financial Services

DEPARTMENT OF FINANCIAL SERVICES

Assisting Consumers with Auto and Home Insurance Issues

House Insurance and Banking Subcommittee

February 3, 2021

Greg Thomas, FLMI, CPCU, CLU, CPM, ASLI, AIC, ACS

Director, Division of Consumer Services

CFO JIMMY PATRONIS

How Consumer Services is Serving Floridians

- Proactively educate and assist Florida's insurance and financial consumers through responsive, professional, and innovative service and consumer advocacy. (Section 624.307, Florida Statutes)
  - Insurance Consumer Helpline: 1-877-MY-FL-CFO (1-877-693-5236)
  - Consumer Service Requests
  - Alternative Dispute Resolution
  - Civil Remedy

Consumer Helpline

- Total Calls Handled in 2020: 248,744
- Portion Related to Auto or Home Insurance: 13,391 (5.4%)
- Other Call Types:
  - Insurance Fraud Reporting (1,081);
  - Rehab & Liquidation (14,891);
  - Other Lines of Insurance (58,804);
  - Unclaimed Property (51,597); and
  - Licensing (108,980)

Consumer Service Requests (Complaints)

- Total Consumer Service Requests in 2020: 19,010
- Portion Related to Auto or Home Insurance: 7,319 (38.5%)

Hurricane Helpline Calls

- **Hurricane Michael insurance-related calls:**
  - 42% general information and claim process questions
  - 41% concerns with a delay in handling of claims, such as prolonged delays or no follow-up or response from the company
  - 9% policy coverage questions
  - 7% claim denial, cancellation, or policy non-renewal issues
- **Complaints against an insurance company:**
  - 59% complaints regarding claim handling/adjuster delay
  - 39% complaints regarding claim denial, claim underpayment, or unsatisfactory claim settlement offer

Hurricane Helpline Calls

- **Hurricane Irma insurance-related calls:**
  - 51% general information and claim process questions
  - 28% concerns with a delay in handling of claims, such as prolonged delays or no follow-up or response from the company
  - 9% policy coverage questions
  - 12% claim denial, cancellation, or policy non-renewal issues
- **Complaints against an insurance company:**
  - 29% complaints regarding claim handling/adjuster delay
  - 69% complaints regarding claim denial, claim underpayment, or unsatisfactory claim settlement offer

Alternative Dispute Resolution

- Alternative Dispute Resolution (Mediation & Neutral Evaluation)
- All Programs in 2020: 9,418
- Homeowners Mediation: 9,295 (98.6%)
- Sinkhole Neutral Evaluation: 56 (.6%)
- Auto Mediation: 46 (.5%)
- Other Programs: 21 (.2%)

Civil Remedy

- Civil Remedy – Section 624.155, Florida Statutes
- Notices Related to Homeowners Insurance in 2020: 27,369
- Notices Related to Automobile Insurance in 2020: 38,309

Questions?

Meredith Brock Stanfield, Director of Cabinet and Legislative Affairs

DFS Legislative Affairs Office: (850) 413-2863

DEPARTMENT OF FINANCIAL SERVICES



CFO JIMMY PATRONIS

Insurance Consumer Advocate

FLORIDA'S INSURANCE CONSUMER

ADVOCATE

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

Tasha Carter

CONSUMER IMPACT AND TRENDS IN PROPERTY AND AUTOMOBILE INSURANCE

HOUSE INSURANCE AND BANKING SUBCOMMITTEE

FEBRUARY 3, 2021

TASHA CARTER

Florida's Insurance Consumer Advocate

CFO JIMMY PATRONIS

INSURANCE CONSUMER ADVOCATE

FLORIDA'S INSURANCE CONSUMER ADVOCATE
DEPARTMENT OF FINANCIAL SERVICES
Tasha Carter

CREATED BY FLORIDA LEGISLATURE IN 1992

- Section 627.0613, Florida Statutes

OVERSEEN BY THE CHIEF FINANCIAL OFFICER

- Appointed by Chief Financial Officer Jimmy Patronis
- Reports Directly to the Chief Financial Officer
- Works Independently from the Department of Financial Services

ROLE OF THE INSURANCE CONSUMER ADVOCATE

- Official Representative of FL's Insurance Consumers
- Examine Rate and Form Filings Submitted to OIR
- Recommend Actions to the Legislature, Department and OIR

KEY FOCUS AREAS

FLORIDA'S INSURANCE CONSUMER ADVOCATE
DEPARTMENT OF FINANCIAL SERVICES
Tasha Carter

BALANCING FLORIDA'S INSURANCE MARKET

- Viable, Competitive Market and Accessible, Affordable Insurance

IDENTIFYING TRENDS AND IMPROVING MARKET PRACTICES

- Market Reports
- Consumer Complaints
- Industry Stakeholders

INCREASING CONSUMER AWARENESS AND EDUCATION

- An Informed Consumer Can Be Their Own Best Advocate

KEY FOCUS AREAS

FLORIDA'S INSURANCE CONSUMER ADVOCATE
DEPARTMENT OF FINANCIAL SERVICES
Tasha Carter

ASSISTING CONSUMERS WITH INSURANCE - RELATED MATTERS

- One-on-One Assistance

ENGAGING LEGISLATIVELY TO REPRESENT FLORIDA'S INSURANCE CONSUMERS

- Florida Legislature
- Chief Financial Officer
- Department of Financial Services
- Office of Insurance Regulation
- Division of Administrative Hearings
- Appointed Boards

Serving Floridians by actively engaging with consumers and working with stakeholders to find consumer - focused solutions on all insurance matters.

FACTORS IMPACTING INSURANCE MARKET

FLORIDA'S INSURANCE CONSUMER ADVOCATE
DEPARTMENT OF FINANCIAL SERVICES
Tasha Carter

INSURANCE FRAUD

- Total cost of insurance fraud (non-medical) = $40 billion+
- Costs the avg. family between $400 and $700/year of increased premiums
- Occurs in approx.10% of property-casualty claims

CONTRACTOR SOLICITATION FRAUD

- 36% of homeowners say fraud is one of their biggest concerns when hiring contractors
- The highest number of complaints related to residential property insurance is home improvement/construction

FACTORS IMPACTING INSURANCE MARKET

FLORIDA'S INSURANCE CONSUMER ADVOCATE
DEPARTMENT OF FINANCIAL SERVICES
Tasha Carter

LOSSES FROM MULTIPLE HURRICANES

- Hurricane Irma - $17b+ estimated insured losses; 1m+ claims
- Hurricane Michael - $9b+ estimated insured losses; nearly 160,000 claims

INCREASED REINSURANCE COST

- 15% increase in purchases
- 57% increase in cost
- Causes: catastrophe claims, water claims, loss creep

INCREASED LITIGATION

- 27,416 lawsuits in 2013; 85,007 in 2020 (all companies)
- 45% of lawsuits were filed in the tri-county area (2020)

CONSUMER IMPACT

FLORIDA'S INSURANCE CONSUMER ADVOCATE
DEPARTMENT OF FINANCIAL SERVICES
Tasha Carter

INCREASED INSURANCE RATES

- 3rd highest property insurance premiums in country - $3,643 avg. premium
- Represent nearly 8% of premium of all premiums written in the U.S.

LACK OF AVAILABILITY

- Stricter Underwriting Guidelines
- Reduced Capacity
- Retreating from High-risk Areas

INCREASED MORTGAGE PAYMENTS

- Insurance included in mortgage payment resulting in an overall increase

CONSUMER STORIES

FLORIDA'S INSURANCE CONSUMER ADVOCATE
DEPARTMENT OF FINANCIAL SERVICES
Tasha Carter

- **ORGANIZED CONTRACTOR SCHEME IN SW FLORIDA COMMUNITY**
  - 32 Claims; 43 AOB's; Invoices totaling $816,000
- **ROOFING CONTRACTOR SOLICITATION IN THE VILLAGES**
  - Door-to-Door Solicitations; 420% increase in roofing permits
- **DIRECTION TO PAY AGREEMENT**
  - Gutted home; Failed to complete the work; Filed $100,000 lien against the insured property
- **HOMEOWNER UNABLE TO FIND COVERAGE**
  - Living on fixed income; 2 options that are unaffordable

FLORIDA'S INSURANCE CONSUMER

ADVOCATE

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

Tasha Carter

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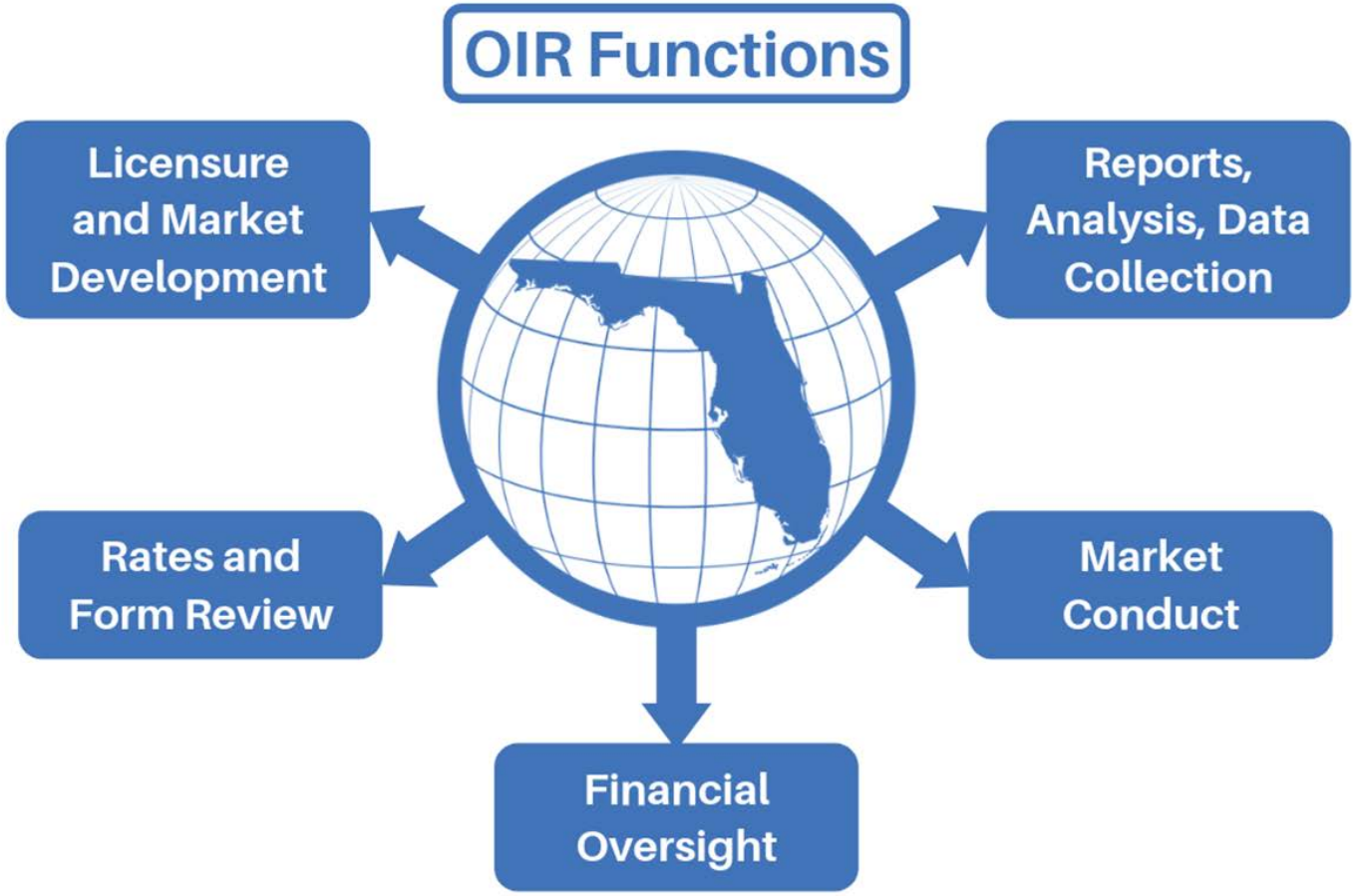
FLORIDA OFFICE OF
INSURANCE REGULATION

Market Regulation

FLORIDA OFFICE OF INSURANCE REGULATION

David Altmaier, Insurance Commissioner
February 3, 2021

Florida Office of Insurance Regulation (OIR) Overview



OIR partners with DFS to serve and protect Florida's insurance consumers.

Department of Financial Services

The DFS is responsible for all activities concerning:

- Insurance agents and agencies
- Insurance consumer services
- Insurance fraud
- Workers' compensation administration
- Rehabilitation and liquidation

Office of Insurance Regulation

OIR is responsible for all activities concerning insurers and other risk bearing entities to include:

- Certificates of authority
- Product review to include policy forms and rates
- Market regulation
- Financial oversight

Consumer Complaints



Division of Consumer Services

OIR Market Regulation

FLORIDA OFFICE OF INSURANCE REGULATION

Market Regulation

OIR Market Regulation monitors the conduct of insurers in the marketplace, enforcing Florida Statutes through remediation and administrative action.



OIR receives information from a variety of stakeholders and takes action to identify issues and best protect consumers.

INQUIRY	INVESTIGATION	EXAMINATION

FLORIDA OFFICE OF INSURANCE REGULATION

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FLORIDA OFFICE OF
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