

FLORIDA OFFICE OF INSURANCE REGULATION

KEVIN M. McCARTY
Insurance Commissioner



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Press Release

New Standards for Insurance Companies to Benefit Florida Consumers

Wednesday, April 30, 2014

Tallahassee - New legislation passed today and sponsored by Senator David Simmons and Representative Clay Ingram will modernize insurer solvency regulation in Florida to the benefit of Florida policyholders. The bill, SB 1308, makes fundamental changes in the way insurance companies and their affiliates are supervised by state regulators. The bill also adopts a principle-based approach to establishing insurer reserves for term life and certain universal life insurance products popular with Florida consumers.

“The new solvency requirements are in part responsive to the financial crisis and helped strengthen the state regulation of insurance holding companies,” said Kevin McCarty, Florida’s Insurance Commissioner, who helped develop the standards during his tenure as NAIC President in 2012. “Having a more complete picture of the entire enterprise will put us in a much better position to respond effectively to threats to the financial stability of insurance companies. We thank the Legislature for passing, and Senator Simmons and Representative Ingram for sponsoring, this important Office priority during this legislative session,” he added.

The solvency changes largely adhere to national standards developed by the National Association of Insurance Commissioners (NAIC) in the aftermath of the 2008 financial crisis. They equip the Office with the tools needed to better monitor and respond to the risks posed to the financial stability of entire insurance enterprises. An International Monetary Fund review following the 2008 turmoil in the US financial markets was complimentary of U.S. regulation, but noted the need for a “big picture” look when examining a company’s various groups and the way in which they interact and affect the financial stability of the overall enterprise. The NAIC responded proactively and devised a more effective set of standards and requirements.

Specifically, the revisions call for enterprise risk reporting at the holding company level, enhanced regulator access to data and information from non-insurance operations, clear authority to participate in supervisory colleges, and enhanced information sharing between regulators.

The bill also establishes a new approach to looking at a life insurance company’s reserves that is designed to ensure that appropriate reserve levels are established for various life products.

“Principle-based reserving will replace the current ‘one-size-fits-all’ formula to determine appropriate reserve levels with an approach that more closely reflects the risks associated with today’s highly complex insurance products,” said McCarty. “It will ‘right-size reserves’—reducing reserves that may be too high for some products and increasing reserves that may be too low for other products.”

Florida will become the 14th state to adopt the new principle-based reserving standard, which takes effect in 2017, upon the approval of 42 states adopting the same measure. So far, six state legislatures are considering the measure, which became available last year for adoption. It is expected to be expanded to health insurance and eventually other insurance lines.

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MEDIA AVAILABILITY: Commissioner McCarty is available for media interviews today & tomorrow in his office.

About the Florida Office of Insurance Regulation

The Florida Office of Insurance Regulation has primary responsibility for regulation, compliance and enforcement of statutes related to the business of insurance and the monitoring of industry markets. For more information about the Office, please visit www.floir.com or follow us on Twitter [@FLOIR_comm](https://twitter.com/FLOIR_comm) and [Facebook](https://www.facebook.com/floir).

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