

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Banking and Insurance Committee

BILL: SB 1152

INTRODUCER: Senator Richter

SUBJECT: Repeal of Workers' Compensation Actuarial Peer Review Requirement

DATE: January 13, 2012      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Rubio	Burgess	BI	<b>Favorable</b>
2.	_____	_____	BC	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

**I. Summary:**

Under Section 627.285, F.S. the Financial Services Commission (Commission) is required to contract every other year for an independent actuarial peer review of the ratemaking processes for any licensed rating organization that makes rate filings for workers' compensation insurance. The final report must be submitted to the Commission, the President of the Senate, and the Speaker of the House of Representatives by February 1st.

Senate Bill 1152 repeals s. 627.285, F.S., therefore repealing the requirement of an independent actuarial peer review.

This bill repeals the following sections of the Florida Statutes: 627.285

**II. Present Situation:**

Under s. 627.285, F.S., the Financial Services Commission must contract every other year for an independent actuarial peer review of the ratemaking processes of any licensed rating organization that makes rate filings for workers' compensation insurance. The Commission oversees the Office of Insurance Regulation (OIR) and through the OIR publishes Request for Proposals (REPs) and executes contracts every other year for consultant actuarial services to perform the required independent peer reviews. The independent peer reviews must be submitted to the Commission, the President of the Senate, and the Speaker of the House of Representatives by February 1<sup>st</sup>.<sup>1</sup> A total of four reports have been submitted since the enactment of the statute in

<sup>1</sup> Section 627.285, F.S.

2003 and a fifth is due on February 1, 2012.<sup>2</sup> The costs of the independent actuarial peer reviews are paid from the Workers' Compensation Administration Trust Fund and have ranged in costs from \$104,000 for the 2004 report to \$35,000 for the 2010 report.<sup>3</sup>

Section 627.285, F.S., only applies to the National Council on Compensation Insurance (NCCI) since it is the sole licensed rating organization responsible for making workers' compensation rate filings on behalf of Florida insurers. The NCCI independently conducts actuarial analyses and presents its recommendations on its rate filing to the OIR. The OIR then undertakes an extensive actuarial review of the filing before it is approved or denied by the OIR. Since the OIR performs an extensive actuarial review of NCCI's rate filing, s. 627.285, F.S., serves to add an additional independent actuarial review on top of the OIR's review.

### **III. Effect of Proposed Changes:**

The bill would repeal s. 627.285, F.S., thereby repealing the requirement of an independent actuarial review in addition to the OIR's review of the NCCI ratemaking processes. The OIR suggests that the requirement of an additional independent actuarial review does not serve to enhance the process of actuarial reviews conducted by the OIR. The OIR indicates that the past independent reviews have mainly served to validate the actuarial reviews conducted by the OIR, because any issues raised or proposed solutions discussed in the independent reviews were items already identified by the OIR.<sup>4</sup> The repeal of s. 627.285, F.S., would allow the OIR to save the resources currently required to complete and review the RFPs.<sup>5</sup>

The repeal would take effect on July 1, 2012.

#### **Other Potential Implications:**

### **IV. Constitutional Issues:**

#### **A. Municipality/County Mandates Restrictions:**

None.

#### **B. Public Records/Open Meetings Issues:**

None.

#### **C. Trust Funds Restrictions:**

None.

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<sup>2</sup> Florida Office of Insurance Regulation Bill Analysis, January 10, 2012.

<sup>3</sup> Florida Office of Insurance Regulation Bill Analysis, January 10, 2012.

<sup>4</sup> Florida Office of Insurance Regulation Bill Analysis, January 10, 2012.

<sup>5</sup> Florida Office of Insurance Regulation Bill Analysis, January 10, 2012.

**V. Fiscal Impact Statement:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

The actuarial consulting firms that otherwise would be hired to conduct the independent actuarial peer review would lose these contracts.

**C. Government Sector Impact:**

The repeal of s. 627.285, F.S., would save the Workers' Compensation Administration Trust Fund approximately \$35,000 to \$104,000 in actuarial consulting fees for the independent reviews.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Additional Information:****A. Committee Substitute – Statement of Substantial Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

**B. Amendments:**

None.