

The Florida Senate
COMMITTEE MEETING EXPANDED AGENDA

BANKING AND INSURANCE
Senator Simmons, Chair
Senator Clemens, Vice Chair

MEETING DATE: Wednesday, December 5, 2012
TIME: 2:00 —4:00 p.m.
PLACE: *Toni Jennings Committee Room*, 110 Senate Office Building

MEMBERS: Senator Simmons, Chair; Senator Clemens, Vice Chair; Senators Benacquisto, Detert, Diaz de la Portilla, Hays, Lee, Margolis, Montford, Negron, Richter, and Ring

TAB	BILL NO. and INTRODUCER	BILL DESCRIPTION and SENATE COMMITTEE ACTIONS	COMMITTEE ACTION
1	Introduction of committee members and staff by the Committee Chair		Discussed
2	Overview of the committee's jurisdiction by the committee staff		Presented
3	Introduction of Agency Heads and brief discussion of top priorities		
	Commissioner Drew Breakspear, Office of Financial Regulation		Presented
	Commissioner Kevin McCarty, Office of Insurance Regulation		Presented
4	Other Related Meeting Documents		



Senate Committee on Banking and Insurance

320 Knott Building
404 S. Monroe Street
Tallahassee, FL 32399
(850) 487-5361

Chairman: David Simmons
December 5, 2012



Financial Services Industry

- Regulation of State Chartered Financial Institutions (banks, credits unions, etc.)
- Regulation of Credit, Debt, and Lending Activities
 - Consumer finance
 - Credit counseling and debt management services
 - Debt collection
 - Deferred presentment loans/payday loans
 - Mortgage brokers and loan originators
 - Title loans
- Securities regulation
- Money Services Businesses (check cashers and money transmitters)



Private Insurance Market

- Regulation of insurance companies and agents
- Regulation of insurance products
 - Automobile insurance
 - Bail bonds
 - Health insurance
 - HMOs contracts
 - Liability insurance
 - Life insurance
 - Long-term care insurance
 - Medical malpractice
 - Property insurance
 - Title insurance
 - Viatical Settlements
 - Workers' compensation



Jurisdiction of Agencies

- Department of Financial Services
- Office of Financial Regulation
- Office of Insurance Regulation



Department of Financial Services

Jeff Atwater, Chief Financial Officer (CFO)

- Consumer Services
- Funerals and Cemeteries
- Insurance Agents and Agencies
- Insurance Fraud
- Rehabilitation and Liquidation
- State Fire Marshall
- Treasury
- Unclaimed Properties
- Workers' Compensation



Financial Services Commission

Consists of the Governor and Cabinet Members

Rick Scott, Governor

Jeff Atwater, Chief Financial Officer (CFO)

Pam Bondi, Attorney General

Adam Putnam, Agricultural Commissioner

Commission's Oversight

- Office of Financial Regulation
- Office of Insurance Regulation



Office of Financial Regulation

Drew Breakspear, Commissioner

- Consumer Loans
- Debt Collection
- Financial Institutions
- Money Services Businesses
- Mortgages and Loan Originators
- Securities



Office of Insurance Regulation

Kevin McCarty, Commissioner

- Insurance Companies
- Insurance Products
- Warranty Associations
- Premium Finance Companies
- Viatical Settlements



Other Entities of Jurisdiction

Florida Hurricane Catastrophe Fund (FHCF)

Jack Nicholson, Chief Operating Officer

- Created by the Legislature in 1993
- Administered by the State Board of Administration
- Reimburses Florida admitted insurers for residential homeowners insurance hurricane losses



Other Entities of Jurisdiction (Cont.)

Insuring Entities Created by the Legislature

- Citizens Property Insurance Corporation
- Florida Automobile Joint Underwriting Association
- Florida Birth-Related Neurological Injury Compensation Association
- Florida Comprehensive Health Association
- Florida Medical Malpractice Joint Underwriting Association
- Florida Surplus Lines Service Office
- Florida Workers' Compensation Joint Underwriting Association



Other Entities of Jurisdiction (Cont.)

Insurance Guaranty Associations

- Florida Health Maintenance Organization Consumer Assistance Plan
- Florida Insurance Guaranty Association
- Florida Life and Health Insurance Guaranty Association
- Florida Workers' Compensation Insurance Guaranty Association

**Drew J. Breakspear, Commissioner
Office of Financial Regulation**

Mr. Breakspear brings more than 40 years of experience to the Office of Financial Regulation, having worked in the international banking industry and management consulting. He most recently served as Executive Vice President and General Auditor at State Street Corporation in Boston, joining the company in 1995. Previously, he worked as Senior Vice President and Director of Audit and Corporate Compliance Officer at First Nationwide Bank FSB in San Francisco, Vice President and Head of Consumer Services Audit at Citicorp/Citibank N.A. in New York, and as a management consultant at Touche Ross & Company in New York.

Mr. Breakspear is a respected expert on corporate governance, compliance, and risk management. He is known for his acumen in corporate strategy, for his effectiveness in guiding audit organizations, and working with regulators globally.

Mr. Breakspear received an MBA from the Harvard Business School and a bachelor's degree in Economics from the University of Witwatersrand.



Senate Banking and Insurance Committee

Drew J. Breakspear

Commissioner

December 5, 2012



Office of Financial Regulation

MISSION

To protect the citizens of Florida by carrying out the banking, securities and financial laws of the state efficiently and effectively and to provide regulation of business that promotes the sound growth and development of Florida's economy.



Office of Financial Regulation

Financial Services Commission

(Members: Governor, Attorney General, Chief Financial Officer, Commissioner of Agriculture)

Office of Financial
Regulation (OFR)

Office of Insurance
Regulation (OIR)



Office of Financial Regulation

OFR is comprised of four operational units:

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

These units are overseen by Executive Direction



Office of Financial Regulation

Office Locations





Office of Financial Regulation

Number of Regulated Industries As of June 30, 2012

Division of Financial Institutions

State-chartered banks – 150

State-chartered credit unions – 73

International offices – 32

Trust companies – 12



Office of Financial Regulation

Division of Securities

Securities firms – 7,691

Branches – 10,225

Stockbrokers – 282,276



Office of Financial Regulation

Division of Consumer Finance

Mortgage Brokers – 1,071

Mortgage Lenders (non-depository) – 489

Mortgage Servicers – 261

Mortgage Branches – 1,082

Loan Originators – 13,287

Money Services Businesses – 1,296

Money Services branches and vendors – 40,962

Payday Lenders – 163

Payday Lender Branches – 1,250

Collection Agencies – 1,703

Consumer Finance Companies – 303

Installment Sales Finance Companies – 6,289

Installment Sales Finance Branches – 1,739

Title Loan Lenders - 0



Office of Financial Regulation

Bureau of Financial Investigations

Criminal justice agency responsible for conducting investigations into alleged fraudulent and unlicensed activity under the jurisdiction of the OFR, including mortgage fraud, securities fraud, investment fraud, Ponzi schemes, and advance fee scams.

Last year, cases closed by the bureau resulted in 54 criminal convictions. On average, the harm to victims in the criminal conviction cases was over \$1,000,000. The 54 defendants were sentenced to over 125 years in prison and nearly 290 years of probation.



Office of Financial Regulation

Contact Information:

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(850) 410-9771

Kevin McCarty, Commissioner Office of Insurance Regulation

McCarty began his career in public service in 1988 becoming an expert in workers' compensation issues with the Department of Labor & Employment Security. His experience gained him a position with the Florida Department of Insurance in 1991. In 1992, McCarty became a point-man to implement strategies to improve the private marketplace following the devastation of Hurricane Andrew.

The Governor and Florida Cabinet announced McCarty as the first appointed insurance commissioner in January 2003.

Throughout his career, McCarty has cited three main principles that have guided his vision of government's role in society: 1.) Government should serve and ultimately be accountable to the people; 2.) Government should be transparent in its operations, and treat its clients fairly and equitably; and 3.) Government should promote a vibrant, competitive marketplace while protecting those unable to protect themselves.

McCarty has cemented his reputation as an innovator utilizing technology to improve the regulatory process, with the electronic rate and form filing and application processes, increasing speed to market for insurers and reducing administrative costs for insurers. He is a fierce defender of seniors and historically discriminated minorities and a national leader on national catastrophe strategy.

He continues to focus on stabilizing the Florida property insurance market, reforming personal injury protection (PIP) law and protecting Florida's consumers. McCarty has played a key role over the years in promoting lower workers' compensation premiums, and continues to chair the state's cost containment board – the Workers' Compensation Three Member Panel.

McCarty's work within the National Association of Insurance Commissioners (NAIC) ensures Florida consumers and insurers have a voice on national insurance issues. He is the current President of the NAIC. Florida is participating on 28 committees, task forces and working groups, chairing six and serving as vice-chair of the Senior Issues (B) Task Force. McCarty has previously chaired a number of substantive committees including the Financial Condition (E) Committee and the Property & Casualty (C) Committee, and has coordinated Florida's NAIC Financial Accreditation. Florida took the lead on organizing the U.S. regulation response to the International Monetary Fund's evaluation of the U.S. insurance sector.

He has elevated Florida's international presence by serving as a U.S. representative on the International Association of Insurance Supervisors' (IAIS) Executive and Technical Committees and the ComFrame Oversight Task Force, as well as the Joint Forum, a key group of leading international regulators from the insurance, banking and securities sectors.

McCarty has been privileged to testify on several occasions before the U.S. Congress on a number of insurance related matters.

McCarty and the Office received the 2010 Esprit de Corps Award for outstanding service to the NAIC. He was selected for the Spirit of Independence Award in 2011 from the National Association of Health Underwriters for his work to preserve the role of health insurance agents in light of federal health care reforms.

McCarty received his bachelor's degree and Juris Doctorate from the University of Florida.

THE FLORIDA SENATE
APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

12/5/12

Meeting Date

Topic QIR Presentation

Bill Number N/A
(if applicable)

Name Kevin McCarty

Amendment Barcode N/A
(if applicable)

Job Title Commissioner

Address 200 E. Gaines St.

Phone (850) 413-5042

Street

Tallahassee FL 32399

City

State

Zip

E-mail kevin.mccarty@flair.com

Speaking: For Against Information

Representing Office of Insurance Regulation

Appearing at request of Chair: Yes No

Lobbyist registered with Legislature: Yes No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

S-001 (10/20/11)

THE FLORIDA SENATE
APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

12/5/12

Meeting Date

Topic OFR Overview

Bill Number _____
(if applicable)

Name Drew J. Breakspear

Amendment Barcode _____
(if applicable)

Job Title Commissioner, OFR

Address 200 E. Gaines Street

Phone 850-410-9601

Street

Tallahassee

FL

32399

City

State

Zip

E-mail Drew.Breakspear@flofr.com

Speaking: For Against Information

Representing Office of Financial Regulation

Appearing at request of Chair: Yes No

Lobbyist registered with Legislature: Yes No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

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S-001 (10/20/11)

CourtSmart Tag Report

Room: EL 110

Caption: Senate Banking and Insurance

Case:

Judge:

Type:

Started: 12/5/2012 2:02:35 PM

Ends: 12/5/2012 3:54:54 PM

Length: 01:52:20

2:02:37 PM Meeting called to order
2:02:44 PM Roll call
2:03:14 PM Chairman Simmons makes opening statement
2:03:43 PM Vice Chair Clemens introduces himself.
2:04:40 PM Senator Benacquisto recognized.
2:04:51 PM Senator Detert recognized.
2:05:00 PM Senator Diaz de la Portilla recognized.
2:05:39 PM Senator Hays recognized.
2:05:52 PM Senator Lee recognized.
2:06:54 PM Senator Margolis recognized.
2:07:18 PM Senator Montford recognized.
2:07:48 PM Senator Negron recognized.
2:08:14 PM Senator Richter recognized.
2:08:41 PM Senator Ring recognized.
2:10:03 PM Chairman Simmons introduces committee staff.
2:12:02 PM Chairman Simmons recognized Steve Burgess to present committee overview.
2:12:37 PM Steve Burgess presents overview of Banking and Insurance Committee.
2:18:21 PM Chairman Simmons makes statement regarding future of committee and insurance services.
2:24:55 PM Senator Ring recognized.
2:28:17 PM Senator Ring asked how do we align rates with risk - that's key.
2:29:19 PM Senator Ring stated the issue is very complex - not just what State of Florida faces, but up and down east coast.
2:29:55 PM Is there an opportunity to share risk?
2:30:08 PM Asked that we think beyond borders of this state.
2:30:17 PM Senator Margolis recognized.
2:31:06 PM Senator Margolis said we need to look at past catastrophic situations.
2:31:42 PM Including taxation and increased business as a result of a disaster.
2:32:03 PM Senator Hays recognized.
2:32:34 PM Senator Hays stated we need to stop accepting actuararily unsound policies.
2:33:38 PM Chairman Simmons recognized Senator Richter.
2:34:14 PM Senator Richter identified other areas of concern.
2:36:13 PM Chairman Simmons recognized Senator Detert.
2:37:12 PM Senator Detert wants to know if we utilize maps?
2:38:12 PM Chair Simmons says yes we use coastal maps and coastal lines for Citizens.
2:38:48 PM Chairman Simmons makes futher statements regarding Citizens and private insurance companies.
2:40:58 PM Chairman Simmons makes comments regarding PIP.
2:45:33 PM Chairman Simmons recognized Senator Lee.
2:49:39 PM Chairman Simmons responds to Senator Lee.
2:53:34 PM Senator Ring recognized.
2:56:01 PM Chairman Simmons responds.
2:57:26 PM Chairman Simmons introduces Commissioner McCarty, Office of Insurance Regulation.
2:59:57 PM Commissioner McCarty recognized.
3:09:34 PM Chairman Simmons responds to Commissioner McCarty's presentation.
3:10:49 PM Chairman Simmons recognizes Senator Negron.
3:11:50 PM Senator Negron poses question regarding PIP reform.
3:13:45 PM Commissioner McCarty responds.
3:15:47 PM Senator Negron recognized for follow up.
3:16:27 PM Commissioner McCarty responds.
3:18:02 PM Chairman Simmons recognizes Senator Hays.
3:18:44 PM How viable is it to turn Citizens into a mutual company?
3:18:56 PM Commissioner McCarty responds.
3:19:09 PM Senator Hays responds.

3:19:29 PM Commissioner McCarty responds.
3:20:49 PM Senator Hays recognized.
3:21:50 PM Senator Hays asks Commissioner McCarty to bring a policy regardless of political impact.
3:22:45 PM Commissioner McCarty responds.
3:23:39 PM Chairman Simmons responds.
3:23:54 PM How long will it take to put plan together?
3:24:03 PM Commissioner McCarty responds.
3:24:14 PM Chair Simmons asks for it to be ready by first week of January and for stakeholders to do the same.
3:24:55 PM Presentations will be made first week of January.
3:25:54 PM Senator Ring recognized.
3:26:42 PM Commissioner McCarty responds.
3:27:07 PM Senator Ring recognized for follow up.
3:27:21 PM Commissioner McCarty responds.
3:28:19 PM Senator Ring asks Commissioner to investigate and follow up with Committee.
3:29:09 PM Commissioner McCarty responds.
3:29:14 PM Senator Hays recognized.
3:29:44 PM Commissioner McCarty responds.
3:29:56 PM Senator Hays follows up.
3:30:12 PM Commissioner Lee recognized.
3:30:24 PM Commissioner Lee asked for clarification of "charge" to Commissioner.
3:30:37 PM We want to de-populate Citizens, a direct writer of policies - is that a threshold matter?
3:30:55 PM Chairman Simmons responds.
3:31:14 PM He doesn't want the residents/citizens of Florida to be held accountable for catastrophic disasters.
3:31:42 PM Senator Lee responds.
3:34:47 PM Chairman Simmons responds.
3:36:12 PM Commissioner McCarty responds.
3:36:52 PM Chairman Simmons asked Commissioner McCarty to do a PIP presentation/proposal third week of January.
3:38:54 PM Chairman Simmons asked stakeholders to do the same - make proposals for third week of January.
3:40:17 PM Senator Richter recognized.
3:42:09 PM Chairman Simmons responds.
3:42:17 PM Senator Negron responds to Chairman Simmons.
3:42:31 PM Senator Lee recognized.
3:44:11 PM Chairman Simmons responds and asks Commissioner McCarty to give us his best solution.
3:45:08 PM Chairman Simmons recognizes Commissioner Drew Breakspear recognized.
3:46:17 PM Commissioner Drew Breakspear, Commissioner, Office of Financial Regulation presents.
3:54:08 PM Chairman Simmons responds.
3:54:30 PM Senator Negron moves we rise. Meeting adjourned.