



OFFICE OF INSURANCE REGULATION

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May 15, 2017

David Altmaier
Commissioner of Insurance Regulation
Edwin Larson Building
200 East Gaines Street, Suite 101
Tallahassee, FL 32399-0326

**Re: Auditor General Report #2017-050: Operational Audit – Insurer Rate Filing Review
Process and Prior Audit Follow-Up**

Dear Commissioner Altmaier:

Pursuant to Florida Statutes, Section 20.055(6)(h), the Office of Inspector General is required to provide a written response to the agency head on the status of corrective actions taken no later than six months after publication of a report on the state agency by the Auditor General. A copy of the response is also filed with the Legislative Auditing Committee. Information regarding the status of corrective actions that have been taken in response to the findings that were documented in the referenced report is provided in the attached documentation.

Please let me know if you have any questions regarding this matter.

Sincerely,

Bonnie Deering
Inspector General

Enclosure

cc: Belinda Miller, Chief of Staff
Joint Legislative Auditing Committee



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BONNIE DEERING, INSPECTOR GENERAL
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OIR/OIG AUDIT FOLLOW-UP REPORT

Project Name: 1st Follow-Up to AG Report No. 2017-050
Project Number: AR-16/17-054
Follow-Up Date: 04/03/2017
Due Date: 04/21/2017

External Audit Title:
External Audit Report Date:
OIG Project Number:

Auditor General Report No. 2017-050
 Operational Audit – Insurer Rate Filing Review
 Process and Prior Audit Follow-Up
 November 2016
 AR-15/16-039

Finding Number	Finding Summary	Recommendation	Management Response (Included in Audit Report)	Management Follow-Up	Status
1	<p>A. The Office did not establish policies and procedures that specify the nature and extent of the Office's independent reviews of judgement, calculations, and conclusions made by Office actuaries and analysts during rate filings or the documentation to be maintained to evidence such reviews.</p> <p>B. The Office did not always maintain documentation evidencing the independent reviews of health, property, and casualty insurer rate filings.</p> <p>C. The Office records did not always demonstrate that approved health insurer rates had been accurately communicated to insurers or appropriately reviewed by Office actuaries and analysts.</p>	<p>A-B. We recommend that Office management establish policies and procedures to specify the nature and extent of the Office's independent reviews of the judgements, calculations, and conclusions made by Office actuaries and analysts during rate filing reviews and the documentation to be maintained to evidence such reviews.</p> <p>C. We also recommend that Office management ensure that approved health insurer rates are accurately communicated to insurers and that <i>Rate Filing Summary</i> forms are completed and maintained for all rate filing reviews.</p>	<p>The Office will develop additional procedures regarding the nature and extent of review of the judgment, calculations and conclusions of the Office actuarial staff in regards to rate filings and will maintain documentation of that review. This will include a review of the rate communication with the companies for accuracy and maintenance of related documentation.</p>	<p>In the Life & Health Product Review unit, they have developed training courses and are currently conducting classes instructing analysts on the analytic review of filings, actuarial standards of practice, as well as general professionalism standards. These classes train the analysts how to systematically review filings. This will assist the analysts and actuaries with the independent reviews of the calculations and conclusions. Coupled with these classes, a written guidance manual documenting the review procedures is currently being developed for use of the team. In addition, they are in the process of making sure documentation is added to each filing in the comment sections showing the thought process that occurred during the review of the submissions.</p> <p>In the Property & Casualty Product Review unit, a quality-</p>	Open

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					<p>assurance checklist has been drafted to be used for all Property & Casualty filings with a rate impact. This document would be similar to the transparency document that is included for all residential property rate filings. This document would include additional requirements of the following:</p> <ul style="list-style-type: none"> • Adding a brief description of the reason for any change by the Office actuary from the insurer's indication and how the recommendations by the Office actuary were determined. • Adding a section where the actuary lists the location of any supporting documentation. • Adding a section that lists the date that the filing was discussed with the Office's Senior Management and the decision that was made. <p>Lastly, a quality-assurance checklist is being developed for</p>
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the unit to be used on a random sample basis by the supervisor to ensure that all appropriate documentation was available and that the filing closing procedures were followed. This checklist is expected to be implemented with the performance review cycle of Fiscal Year 2017-18.			