

FROM: Director, Worldwide Markets                      EXTN: 6677  
DATE: 20 June 2005    REF: Y3575  
SUBJECT: **Florida: Informational Memorandum issued by the Office of Insurance Regulation on the 2005 hurricane season**  
SUBJECT AREA(S): Insurers' reporting of information on property claims and disaster plans  
ATTACHMENTS: Florida Office of Insurance Regulation Informational Memorandum dated 8 June, 2005

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ACTION POINTS: **Managing agents to note potential requirement to provide information in the event of a Florida hurricane**  
DEADLINE(S): **None**

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### Purpose of bulletin

To bring to the market's notice an Informational Memorandum issued by the Florida Office of Insurance Regulation ("OIR"), concerning the 2005 hurricane season.

### The Informational Memorandum

The OIR has issued the attached Informational Memorandum to all property and casualty insurers in Florida, entitled "2005 Hurricane Season Reporting Requirements and Preparedness".

The Memorandum covers two areas:

- **Hurricane reporting:** The OIR states that, if Florida is affected by hurricanes this year, insurers will be required to report similar data elements to last year. The Memorandum lists out the data elements that will be collected.

In 2004, Lloyd's arranged to submit claims reports on a regular basis to the OIR, based on data available centrally. It proposes to seek to negotiate a similar arrangement for 2005. Nevertheless, managing agents should consider the extent to which they collect and hold the information set out in this Memorandum. Lloyd's will provide further details of any potential obligations on managing agents to report information in the event of a hurricane in due course.

- **Disaster recovery and response:** The Memorandum recommends that insurers review their disaster plans "...to ensure they address processes for expeditious and appropriate response to your policyholders following a natural disaster." It sets out some "benchmarks" which it suggests should be an integral part of an insurer's response plans.

A Lloyd's managing agent does not face the same physical exposures as a local insurer in the event of a Florida hurricane. Nevertheless, managing agents whose

syndicates write insurance business from Florida should be aware that the OIR expects all property and casualty insurers – including alien surplus lines insurers – to “...be prepared for the Disaster Recovery of company operations and the Disaster Response to policyholders in the event of a natural disaster.”

In the case of Lloyd’s managing agents this includes appropriate preparations for the consequences of physical damage to the offices of coverholders or other local third parties dealing with claims on behalf of Lloyd’s underwriters, as well as planning for the adjustment and settlement of large numbers of physical damage claims. The arrangements made by a managing agent could be of interest to the FSA. The FSA’s Handbook, in the “Senior Management Arrangements, Systems and Controls” (“SYSC”) section, includes two references that may be relevant:

SYSC 3.1.1 (RULE) states:

"A firm must take reasonable care to establish and maintain such systems and controls as are appropriate to its business."

SYSC 3.2.19 (Business Continuity) is guidance. It states:

"A firm should have in place appropriate arrangements, having regard to the nature, scale and complexity of its business, to ensure that it can continue to function and meet its regulatory obligations in the event of an unforeseen interruption. These arrangements should be regularly updated and tested to ensure their effectiveness."

## **Further information**

If you have any queries about this bulletin please contact Lloyd’s Worldwide Markets Services:

Lloyd’s Worldwide Market Services  
Tel: 020 7327 6677  
Email: [market.services@lloyds.com](mailto:market.services@lloyds.com)  
Box 190b, Gallery 1

This bulletin has been sent to active underwriters and the compliance officers of managing agents and Lloyd’s brokers.

Julian James  
Director  
Worldwide Markets



## INFORMATIONAL MEMORANDUM

OIR-05-007M

ISSUED

June 8, 2005

Florida Office of Insurance Regulation

Kevin M. McCarty, Commissioner

**To All Property and Casualty Insurers in the State of Florida**

### **2005 Hurricane Season Reporting Requirements and Preparedness**

The purpose of this memorandum is to inform the insurance industry of the Office's expectations regarding disaster reporting in the event of a storm for the 2005 Hurricane Season as well as remind all insurers to review and update Disaster Recovery and Disaster Response plans.

#### **Hurricane Reporting**

During the 2004 Hurricane Season, all property and casualty insurers transacting business in Florida were required to report information on property claims resulting from the four hurricanes. In the event that Florida is affected by hurricanes this year, companies will again be required to report similar data elements to the Office. Recognizing some of the information gathering challenges from last year, the Office is enhancing its hurricane data collection system to make the data input process easier for companies as well as enhance our ability to extract data into more user-friendly reports. Once the enhancements have been implemented and tested, specific instructions for inputting and/or uploading data will be distributed. All information will be reported separately for each disaster. Consistent with last year, data elements to be collected will include the following:

#### **General Information:**

- Locations, contact information and hours of operation for any mobile response units that are currently assisting with each disaster;
- Contact information for the individual submitting the information.

#### **Financial Projections:**

- Projected expected gross loss;
- Projected net retention;
- Model used in calculating the above.

#### **Claim Information –Provided by line of business and location (zip code or county):**

**NOTE: Information is to be provided by specific line of business categories, which are: Fire and Allied Lines, Homeowners, Farmowners, Mobile Homeowners, Commercial Multi**

**Peril (non-liability portion), Private Passenger Auto Liability & Physical Damage, Commercial Auto Liability & Physical Damage, Ocean Marine, Workers' Compensation, All Other Liability Lines, and All Other Property Lines. Some information may be requested solely for certain lines of business.**

- Number of claims reported;
- Number of total loss claims (total loss is defined as a claim that requires settlement of the maximum amount of insurance on the covered property);
- Total claim payments (\$);
- Total policies in force as of the date of the report submission;
- Aging of claims, including but not limited to:
  - Number of claims settled with policyholder;
  - Number of claims closed with no expectation of future payments;
  - Number of claims open less than thirty (30) days;
  - Number of claims open thirty (30) to sixty (60) days;
  - Number of claims open sixty-one (61) to ninety (90) days;
  - Number of claims open greater than ninety (90) days.
- Average number of days to close a claim;
- Additional data elements, by line of business, for Fire and Allied Lines, Farmowners, Homeowners, Mobile Homeowners, and Commercial Residential claims only:
  - Total claims payments (\$) for Additional Living Expenses (ALE);
  - Total claims payments (\$) for contents coverage;
  - Total claims payments (\$) for structure coverage;

Please note: All required information from the 2004 hurricane season should continue to be submitted via the Office website at <https://apps.fldfs.com/disasterreporting/Home.aspx>.

For further information, contact Market Research at (850) 413-1313.

**Disaster Recovery / Response**

In preparation for the 2005 Hurricane Season, all insurers should be prepared for the Disaster Recovery of company operations and the Disaster Response to policyholders in the event of a natural disaster. In light of Florida's experience during the 2004 Hurricane Season, it is recommended that you review your company's disaster plans to ensure they address processes for expeditious and appropriate response to your policyholders following a natural disaster. The following benchmarks, while not all inclusive, should be an integral part of your response plans:

**Disaster Recovery (to ensure company facilities are operational post-storm)**

***Physical Resources:***

- Office space
- Back-up power
- Telephone System: Back-up telephone system/call center/staffing/First Notice of Loss (FNOL) capabilities
- Cellular phones / Satellite phones

- Technology issues
  - Computers/laptops/printers/calculators
  - System access
  - Server alternatives
  - Contract resources for services restoration
- Alternate site needs assessment and timeline for activation

**Disaster Response (to ensure prompt and efficient response to policyholders post-storm)**

***Human Resources:***

- Infrastructure and Disaster Liaison with the Department of Financial Services and Office of Insurance Regulation
- Call center employees and workflow process
- On-site Company Resources – Process for handling influx of work from field adjusters
- Field Adjuster Resources (in-house) – how many field adjusters and seasoned catastrophe adjusters; method of contact
- Contracted Resources – how many; contracts prior to storm season; method of contact post-storm
- Process for licensing emergency adjusters
- Personnel Training for Disaster Response – pre and post disaster
- Training or expectations for independent adjusters and/or adjuster guide
- Quality Control / Quality Review provisions
- Damage assessment process and timeline after catastrophic event
- Process for suitable expansion of claims handling capacity in a variety of disaster scenarios, including, but not limited to provisions to cover:
  - Adequate, knowledgeable personnel
  - Experienced catastrophe response team availability
  - Access to disaster areas and personnel identification
  - Applications for temporary adjuster permits
  - Dissemination of company contact info
  - Process to handle large volume of FNOL

***Claims Processing:***

- Method for expediting ALE payments
- Different benchmark needs for different levels of severity/number of storms in one season
- Benchmark for first response to calls regarding FNOL
- Benchmark for inspection of property after FNOL
- Benchmark for claim closure after report of loss received
- Benchmark for handling re-opened claims
- Access to policyholder records/file restoration capability
- Consumer Complaint Process
- Internal Process for handling EStorm Workload from the Department of Financial Services
- Special Investigation Unit (SIU) Resources

For further information, contact Property & Casualty Financial Oversight at (850) 413-3148.