

**Understanding  
FSLSO's  
Variance Analysis  
Program**



## What is FLSO's Variance Analysis Program?

The FLSO developed the Variance Analysis Program in 2000 as a means to discern variances in the data submissions collected from Florida surplus lines agents and Florida eligible surplus lines insurers.

## How Does the Variance Program Work?

Within the Variance Analysis Program, an inspection of submitted insurer and agent policy information is conducted to find "variances" relevant to reported information, while providing an additional verification that all taxes, service fees and assessments have been paid correctly.

Since its inception in 2001, the Variance Program has been highly effective in the collection of taxes, fees and assessments relative to unreported premium. In 2009, more \$75 million in unreported premiums were discovered which resulted in more than \$4 million in taxes, fees, assessments and penalties.

As Florida eligible surplus lines insurers make policy information submissions to the FLSO, this information is automatically "matched" through FLSO's datacenter with its correlating policy information as submitted by Florida surplus line agents or Independently Procured Coverage (IPC) filers regarding the same policy. Information is linked based on a number of factors including policy number, premium amount and effective date.

As an example, Agent John Doe submits policy information on a Commercial Property Policy that has been written through XYZ Insurance Company. XYZ Insurance Company is, by Florida Statute, also required to file policy information regarding the Commercial Property Policy written with Agent John Doe. Both parties submit policy information for the risk, and this policy information is "matched" through FLSO's datacenter through corresponding policy information.

## What happens if there is not a match for policy information?

There are times when policy information submitted by the insurer does not match with a surplus lines agent or IPC filing. At this point, the Variance staff works to find the appropriate corresponding policy information to match up with the insurer filing.

The Variance staff primarily uses three components to match insurer filings with agent and IPC filings including:

- 1) Policy number
- 2) Premium amount
- 3) Effective date

If the matching filing cannot be located, the staff will then contact the insurer to gather additional information including the name of the agent or agency contact information, as well as a copy of the declarations page.

Staff will utilize this information to contact the responsible party to inquire if the matching policy filing was made and, if so, to supply the confirmation number or invoice number (IPC only) for the policy in question. If necessary, the Variance staff may also request that the agent or IPC filer provide documentation of the Florida Risk Allocation amount if there is a difference in premium from what the insurer filed.

If it is then determined that the submission has not been made, the Variance staff will request it be done at the earliest convenience to avoid any late payment penalties that could accrue. The Variance staff has up to 180 days to reconcile the outstanding policy before it is referred to the Department of Financial Services or to the Office of Insurance Regulation

## What happens when an agent or IPC filer neglects to file policy information that is later found by the Variance staff?

When the Variance staff locates unreported agent or IPC filings, late payment penalties may be assessed on policies that are taxable, feeable and/or are subject to applicable assessments. It should be noted that these penalties are being assessed for late

payment, not late filing. Late payment penalties will be assessed beginning the date that the taxes, fees and/or assessments became outstanding.

For agent filings, the agent shall pay interest on the amount of any delinquent tax due, at the rate of 9% per year, compounded annually, beginning the day the amount becomes delinquent per Florida Statute 626.936(2). For IPC filings, the tax imposed hereunder, if delinquent, shall bear interest at a rate of 6% per year, compounded annually per Florida Statute 626.938(5).

### Why would policy information not match up automatically?

#### 1) Incorrect Premium Amount

The main error commonly seen by the Variance staff is the discrepancies between premiums submitted by the agent/IPC filer and the insurer. Please take care to submit the premium as it appears on the declarations page of the policy.

Additionally, insurers should only file the premium amount that is applicable to Florida. Do not submit the entire premium amount if only a portion is applicable to Florida; file the Florida premium only.

#### 2) Incorrect Policy Number

There are a variety of factors that can contribute to an insurer filing not matching with a corresponding agent or IPC filing, attributable to human error in making the submission. As one of the matching criteria is the policy number, the addition of extra characters such as letters, numbers, hyphens and even spaces will lead to an unmatched policy number.

One way to avoid this is to make sure that the policy number that is submitted to FLSO is exactly the same as the one that appears on the declarations page of the policy. This way, both the insurer and agent/IPC filer are submitting the same policy number.

#### 3) Incorrect Insurer

Relative to the Agent and IPC filer, it is a common mistake to find that the wrong insurer was selected when making the policy submission. Again, when filing policy information, please be sure to select the insurer that is provided on the declarations page.

It is understandable that mistakes happen as there are several insurers that have similar names. That is why extra care should be taken when submitting the insurer's name.

#### 4) Incorrect Effective Date & Insurer Name

Submitting the incorrect effective dates will also create a variance. Again, take care to include the exact dates as listed on the policy and/or endorsements. This is also applicable to the insured's name. When submitting the insured name, you will need to include the entire insured name, as stated on the declarations page when filing with the FLSO. Do not submit the "doing business as" (d/b/a) portion of the name.

### How do I submit a layered policy?

When submitting a layered policy, agents and IPC filers need to enter each layer under the correct insurer that wrote its particular layer of business. If the policy number is the same for each insurer, agents will use the same policy number for the entire risk, but will need to break out the appropriate amount of premium allocated to each particular insurer. Because IPC filers currently do not have the capability to file multiple layers under one policy number, the layers must be filed individually.

If insurers have submitted different policy numbers for each layer of the policy, the agent and IPC filers will need to submit each policy separately using the appropriate policy number, again, paying close attention to file the policy number exactly as it appears on the declarations page.

### What if I have questions?

Should you have any questions regarding the Variance section of the FLSO, please do not hesitate to contact the Variance Staff at any time with questions.

Rachel Hoffman 800.562.4496 ext. 131  
[rhoffman@fslso.com](mailto:rhoffman@fslso.com)

Bobbi Harter 800.562.4496 ext. 130  
[bharter@fslso.com](mailto:bharter@fslso.com)

Kara Steele 800.562.4496 ext.108  
[ksteele@fslso.com](mailto:ksteele@fslso.com)