



Task Force on Citizens Property Insurance Corporation Claims Handling and Resolution

Minutes of February 26, 2008
Senate Office Building, Room 401
Tallahassee, Florida

Call to Order

The ninth meeting of the Task Force on Citizens Property Insurance Corporation Claims Handling and Resolution (Task Force) was called to order by Chairman, Senator Mike Fasano at 9:00 a.m. on February 26, 2008. The meeting was held at the Senate Office Building, Room 401, Tallahassee, Florida. Roll was called by Vicki A. Twogood. The following members were in attendance: Chairman Mike Fasano; Scott Wallace; Mike Lancashire, Michael B. Twomey, Sr. and Interim Insurance Consumer Advocate, Terry Butler. Chairman Fasano declared a quorum. Heather Carruthers attended via conference call. Representative Julio Robaina joined later via conference call.

Legislative Charge and Overview

Chairman Fasano read the excerpt of House Bill 1A, which created the Task Force and established the legislative charge. An overview of the Task Force's work to date was provided.

Minutes

The minutes from the February 1, 2008, meeting in Jacksonville, Florida were read. Chairman Fasano asked for a motion to approved the minutes and allow staff to make clerical changes, if needed. Scott Wallace made a motion for the minutes to be approved and the motion was seconded by Mike Lancashire.

Citizens: Policy Administration

Mr. Paul A. Palumbo, Senior Vice President of Underwriting, Citizens Property Insurance Corporation (Citizens) provided the Task Force members with an overview of the process for personal and commercial lines applications. An outline of the underwriting workflow was provided as well as the number of new business and endorsements received for both lines of business in 2007. New business and endorsements began to decline in September 2007 as a result of other companies actually writing business and participating in the depopulation program. Citizens retention rate is approximately 90 percent. Citizens underwriting offices are located in Tampa and Jacksonville. There are approximately fifty commercial and one hundred

and five personal residential underwriting employees that fill the six positions in the underwriting offices. Citizens lines of business include Personal Residential and Commercial and consists of sixteen products combined. Underwriting workflow employs the use of an electronic, image based workflow. Policies are issued on three different policy systems; ePas (personal residential multiperil), eWind (all wind only) and CSC (commercial residential multiperil). The important factors in the underwriting process are eligibility and insurability, correct rating variables and insurance to value. The steps taken to confirm eligibility and insurability as well as determining the correct premium for the risk were provided. Examples of uninsurable risks were given, such as vacant or unoccupied property, property over 50 years old and property with certain heating and electrical sources, to name a few. Chairman Fasano asked if policy limits were previously paid by another carrier for sinkhole damage, would Citizens write a policy. Mr. Palumbo confirmed Citizens would; however, there are eligibility requirements that must be met. Ms. Carruthers asked how Citizens determines a property is vacant or unoccupied and what the time frame is for when vacation homes must be lived in. Mr. Palumbo stated the policy defines vacant and unoccupied. He will research and provide a response to the Task Force in regard to vacation homes. Measures used to ensure productivity and quality assurance was reviewed. Citizens contracts with a third party administrator (TPA), The McNeil Group, to process 40 percent of their personal lines applications. Underwriting guideline changes effective January 1, 2009, were provided and will take effect at renewal for current Citizens insureds. Homes over one million located in wind area will not be eligible unless declined by three standard market carriers and one surplus lines carrier. Chairman Fasano asked for a breakdown of the number of homes insured for one million and up and where they are located. Mr. Palumbo agreed to provide the information and advised the Task Force he estimates there are approximately 7,500 homes insured for one million or more located in the Wind Borne Debris Region (WBDR) without hurricane shutters. Mr. Palumbo's presentation included a map showing the number of policies in the High Risk Account (HRA) insured for \$750,000 or more within the WBDR and without shutters. An inspection criteria list was reviewed and Mr. Palumbo advised the Task Force that less than fifty percent of homes require an inspection. Citizens utilizes a replacement cost estimator built into their ePas system to determine current replacement costs. Premium billing and collection processing was reviewed. Policyholders have the option to pay quarterly, semi annual or in full. There is a one time set up fee of ten dollars and a three dollar per payment charge for the payment options. A four percent installment fee is charged on commercial policies. Citizens renewal process was reviewed and most policyholders are sent a renewal offer at least sixty days prior to the expiration of their current policy. Commercial residential multiperil policies are nonrenewed each year and policyholders must reapply via a shortened application process. However, effective July 1, 2008, policies are scheduled to renew automatically and re-underwritten periodically. An outline of recent accomplishments in the area of personal and commercial lines was provided and scheduled improvements were also discussed. As of February 15, 2008, Citizens had 1,252,999 policies inforce. A breakdown of the number of new applications received from August 2007 through January 2008 was reviewed.

Citizens: Consumer Services Call Centers

Mr. Robert GoFourth, Vice President of Operations, Citizens Property Insurance Corporation, provided statistics on the call volume from July 2007 through December 2007 for the following: Customer Care Call Center, Technical Resource Center, Lynx Catastrophe Call Center, Daily Claims Calls and 2nd Tier Claims Call Center. Citizens is currently undergoing a consolidation of their call centers in the departments where appropriate. This will provide uniform customer service and lead to greater efficiency and a reduction of costs.

Department of Financial Services: Consumers' Daily Claim Concerns and Policyholder Forum (Feb. 11 - Bradenton)

Mr. Tom Terfinko, Deputy Director, Division of Consumer Services, provided a policy count comparison with percentages of market share between Citizens and three other insurance companies as of September 30, 2007. A ratio of complaints to policy count was presented from 2004 through 2007 and non-hurricane complaint statistics given for this time period. A comparison between Citizens and the three companies, including reasons for complaints from 2004 through 2007, was presented. A chart for 2007 alone was reviewed. The complaint reasons shown were for cancellation, miscellaneous and premium issues. A comparison chart for the number of calls to Consumer Services Helpline for 2007 was given; however, it does not provide a ratio to number of policies in force. Recommendations were suggested for Citizens in regard to agent responsibilities, underwriting and premium issues. A review of the Department of Financial Services complaint data to determine which issues continue to be a problem was also suggested.

Citizens: Claims Handling - Additional Living Expenses (ALE)

Mr. Eduardo Mareovich, Senior Vice President of Claims, Citizens Property Insurance Corporation, advised the Task Force that ALE is an incurred expense, but may be advanced during a catastrophic event or if a policyholder does not have the means to pay for temporary living expenses. An advance is the expected expense, not to exceed \$5,000. Citizens mobilizes their mobile response vehicles with satellite and telephone connectivity during a catastrophe which allows quick verification of policyholder status, thereby allowing immediate on-site payment of ALE. Citizens may also provide temporary housing via an ALE vendor who will bill Citizens direct.

Citizens: 2004/2005 Open Claims - Update - Mediation, Appraisal and Litigation - Overview of Re-opened/Supplemental Claims

Mr. Curtis Hutchens, Assistant General Counsel, Citizens Property Insurance Corporation, provided an update on the 2004/2005 open claims as of January 31, 2008, which shows a total of eighty-nine percent are closed. A Hurricane Claim Activity Report and chart were reviewed on new and reopened claims since June 18, 2007 as of January 31, 2008. Also, a graph of claims closed as of September 30, 2007, December 31, 2007 and January 31, 2008 was presented.

Task Force Discussion - Other Areas of Interest

- 1) Statute of Limitations: Michael Twomey made a motion to close, Heather Carruthers seconded and motion was carried.
- 2) Consolidation of Accounts: Michael Twomey made a motion for the Task Force to continue to monitor, Scott Wallace seconded and motion was carried.
- 3) Monitor Court Decisions: Scott Wallace made a motion to close, Michael Twomey seconded and motion was carried.
- 4) Tax Revenue Funding for Catastrophic Events: Michael Twomey made a motion to take no action, Heather Carruthers seconded and motion was carried.
- 5) Sarbanes – Oxley: Terry Butler made a motion to close, Scott Wallace seconded and motion was carried.
- 6) Systematic Review and Evaluation of Services Levels and Operations: Scott Wallace made a motion to close, Heather Carruthers seconded and motion was carried.
- 7) Citizens Agent Training: Postponement for Terry Butler to provide an update in the near future.
- 8) Value Policy Law: Scott Wallace made a motion to close, Terry Butler seconded and motion was carried.
- 9) Wind Driven Rain Exclusion: Heather Carruthers made a motion to recommend for Legislature to look at requiring insurers to offer optional coverage for wind-driven rain. Motion seconded by Michael Twomey and motion was carried.

Property Insurance Appraisal Umpire Legislation

Mr. Richard Benrubi, Chairman of the Florida Justice Association's Insurance Committee, presented fourteen amendments to the Task Force on SB 1018/HB 563 - Property Insurance Appraisal Umpires Bill. Eight amendments were approved, five rejected and one withdrawn. Mr. Wes Baldwin, National Association of Public Insurance Adjusters (NAPIA), expressed his concerns with the proposed legislation citing additional cost to insureds and a reduction in the number of quality umpires. Mr. Daniel Montgomery, Catastrophic Insurance Specialist, is of the opinion that umpires should have the expertise, be required to have forty hours of training and judges should be certified as well. Mr. Saul Cimber, Florida Insurance Claim Resolutions, also suggested having the forty hour certification training as a requirement and focus on certification rather than licensing.

Public Testimony

Chairman Fasano asked for public testimony. Mr. William Merlin, Jr., Merlin Law Group, commends the Task Force for all that has been accomplished and stated Citizens has improved as a result. However, it is his opinion insureds will bear more expense with the proposed legislation. Ms. Lisa Miller, American Strategic Insurance Company, thanked the Task Force for their accomplishments.

Task Force Discussion

Chairman Fasano asked the Task Force to monitor the progress of the legislation and stated the purpose is to protect consumers. Representative Robaina gave a special thank you to Vicki Twogood for all her hard work. Chairman Fasano advised the next Task Force meeting is to be announced and will be held, most likely, via conference call.

Adjourned