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AGENDA

- State of the State
- 2011 Florida Legislative Session
- Looking ahead . . .
- Questions

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STATE OF THE STATE



Above: An aerial view of Florida's Capitol




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STATE OF THE STATE

Florida Governor



Rick Scott, a Republican from Naples, was sworn in as Florida's 45th Governor on January 4, 2011.

His investment of more than \$73 million of his own money into the race ultimately proved to be the most expensive gubernatorial campaign in Florida's history.

Governor Scott previously created a political action committee known as "Conservatives for Patients' Rights," which he organized to oppose President Obama's national healthcare legislation.



Above:
Florida Governor
Rick Scott

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STATE OF THE STATE

"We're gonna freeze all regulations. Regulation is killing jobs, the paperwork, the delay, the uncertainty, so we're gonna freeze regulation and look at what we can roll back that doesn't hurt consumers."
-- Governor Scott's January 4, 2011 Inaugural Speech

"Citizens has got to become the insurance of last resort, not the insurance of first resort." -- Governor Scott, April 26, 2011

"A healthy, stable and competitive private insurance market is critical to the success of Florida, given the hazards we face. I commend the Florida Legislature, especially Sen. Richter and Rep. Wood, for bringing this important legislation forward." -- Governor Scott, May 17, 2011


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STATE OF THE STATE



Florida Cabinet

- **Jeff Atwater**, (R-Palm Beach), was elected as Florida's Chief Financial Officer by a vote of over 57%, beating the Democratic nominee, former State Representative Lorraine Ausley.
- Having served as Florida Senate President during the two-year period prior to his election as CFO, he oversaw and was actively involved in the passage of a number of insurance-related bills.



Right:
Florida Chief
Financial Officer
Jeff Atwater

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STATE OF THE STATE

Florida Cabinet

- **Adam Putnam** (R-Bartow), who had represented Florida's 12th Congressional District since 2001, was elected as Florida Commissioner of Agriculture and Consumer Services by a vote of over 56%, beating Scott Maddox (D).
- **Pam Bondi** (R-Tampa) was elected as Florida Attorney General by a vote of nearly 55%, beating Democratic nominee Dan Gelber.





Above: Florida
Commissioner of
Agriculture and Consumer
Services, Adam Putnam



Above: Florida
Attorney General
Pam Bondi

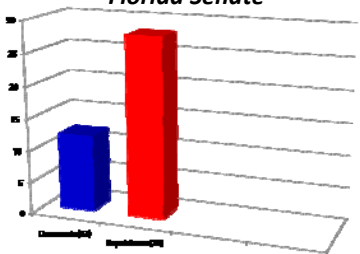
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STATE OF THE STATE



Florida Senate



Democrats: 10
Republicans: 20

Republicans hold a 2/3 majority in the Florida Senate.

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STATE OF THE STATE

Florida Senate

- Florida Senate President Mike Haridopolos' (R-Melbourne) presidency runs until 2012.
- He was first elected to the Florida House of Representatives in 2000 and then to the Florida Senate in 2003.
- On January 14, 2011, he officially announced his candidacy for the U.S. Senate against incumbent Democratic Senator Bill Nelson.



Right: Florida Senate President Mike Haridopolos

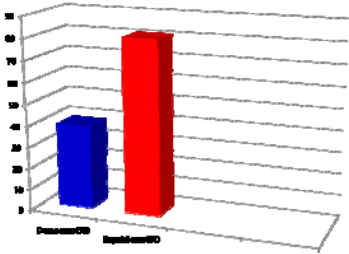



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STATE OF THE STATE

Florida House of Representatives



Democrats: 55
Republicans: 65

Republicans hold a 2/3 majority in the Florida House of Representatives.


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STATE OF THE STATE

Florida House of Representatives

- Speaker of the House **Dean Cannon**, a Republican from Winter Park, was re-elected to Florida's 35th House District in 2011.
- First elected to the House in 2004, he previously chaired the Finance & Tax Council and the Select Policy Council on Strategic Planning.




Above: Florida House Speaker Dean Cannon

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STATE OF THE STATE

- More than 2,000 bills were filed during the 2011 Legislative Session, but only 285 actually passed—the second-lowest amount in 10 years.
- In what has been labeled as a “meltdown,” the 2011 Session went into overtime, with exchanges between Republican leaders in both chambers.
- Citizens Property Insurance-related legislation was used as fodder at the tail end of the Session.
- The Legislature passed a new Medicaid program that will establish a competitive bidding process among interested managed care plans.
- The new program still needs federal approval.

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STATE OF THE STATE


Florida's 2011/2012 Budget

- Florida faces a projected \$3.5 billion deficit in 2011.
- Governor Scott proposed a “Jobs Budget” that cuts \$4 billion in property and corporate income taxes and cuts \$4.6 billion in spending.
- On May 6, 2011, the Senate passed a \$69.7 billion budget by a vote of 31 to 8. In the early morning hours of May 7, 2011, the House passed the budget with a vote of 79 to 39.
- The budget includes roughly \$30 million for corporate income tax “reform.”
- More than \$300 million in other tax cuts.

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STATE OF THE STATE

Florida's 2011/2012 Budget

- Governor Rick Scott signed the 2011-2012 Budget on May 26, 2011.
- Vetoed \$615 million in special-interest earmarks and called on House and Senate leaders to redirect vetoed special interest dollars into K-12 classrooms and schools.

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STATE OF THE STATE

- o While Florida's Legislature is in Session, the State Constitution allows a 7-day period following presentation of a bill to the Governor within which it can be signed, vetoed, or become law without the Governor's signature.
- o If the Legislature adjourns Sine Die before a bill is presented to the Governor, or while it is in the Governor's possession, the Governor has 15 days from the date of presentation in which to take action.

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2011 FLORIDA LEGISLATIVE SESSION

WHAT HAPPENED?



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2011 FLORIDA LEGISLATIVE SESSION

PROPERTY INSURANCE LEGISLATION



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2011 FLORIDA LEGISLATIVE SESSION

Cost Driver Bill
CS/CS/CS/SB 408 (CS/CS/HB 803)

NOW LAW

- CS/CS/CS/SB 408 was signed into law on May 17, 2011.

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2011 FLORIDA LEGISLATIVE SESSION

Cost Driver Bill
CS/CS/CS/SB 408 (CS/CS/HB 803)

- On November 8, 2010, the OIR published a review of a recent Sinkhole Data Call.
- Between 2006 and 2010, the OIR received 24,671 sinkhole claims with losses amounting to approximately \$1.4 billion.
- A Florida Senate Interim Report identified that sinkhole claims could threaten the solvency of domestic insurers and have a significant destabilizing effect on an already fragile market.

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2011 FLORIDA LEGISLATIVE SESSION

Cost Driver Bill
CS/CS/CS/SB 408 (CS/CS/HB 803)

- The bill's legislative intent declared there is a compelling State interest to maintain a viable and orderly private-sector market for property insurance.
- The bill also stated that declared losses associated with sinkhole claims adversely affect the public health, safety and welfare of Florida and its citizens.
- Uses the term "clarify" which will allow insurers to argue some of the changes are retroactive.

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2011 FLORIDA LEGISLATIVE SESSION

Cost Driver Bill
CS/CS/CS/SB 408 (CS/CS/HB 803)

- Redefines “structural damage.”
- Sinkhole claims must be filed within 2 years after the policyholder knew, or reasonably should have known about the sinkhole loss.
- Establishes new regulations on sinkhole testing.
- Requires policyholders to enter into a contract for sinkhole repairs within 90 days and requires the repairs to be completed within 12 months.

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2011 FLORIDA LEGISLATIVE SESSION

Cost Driver Bill
CS/CS/CS/SB 408 (CS/CS/HB 803)

- Repairs must be in accordance with engineer’s report. If the repairs cannot be made within policy limits, the insurer must pay to complete repairs or tender policy limits.
- Allows an insurer to nonrenew a policy if it has paid policy limits.
- Sinkhole loss payment may not include attorneys’ fees or PA fees if insurer pays the claim in compliance with the neutral evaluators recommendations.

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2011 FLORIDA LEGISLATIVE SESSION

Cost Driver Bill
CS/CS/CS/SB 408 (CS/CS/HB 803)

- Provides that an action for breach of a property insurance contract must be brought within 5 years from the date of loss.
- Allows insurers to renegotiate the terms of surplus notes issued through the Insurance Capital Build-Up Incentive Program.
- A windstorm or hurricane claim, supplemental, or reopened claim must be filed within 3 years from the date of the damage.

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2011 FLORIDA LEGISLATIVE SESSION


Cost Driver Bill
CS/CS/CS/SB 408 (CS/CS/HB 803)

- Expands the definition of “losses” under the Florida Hurricane Catastrophe Fund to include attorneys’ fees and public adjuster (“PA”) fees paid by the insurer and to exclude losses under liability coverage, losses other than the covered event, condominium and homeowner’s association assessments, and bad faith awards. Effective for contracts beginning June 1, 2011.

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2011 FLORIDA LEGISLATIVE SESSION


Cost Driver Bill
CS/CS/CS/SB 408 (CS/CS/HB 803)

- Requires the OIR to issue an approval or notice of intent to disapprove of a “file & use” filing within 90 days of submission.
- Extends the prohibition on “use & file” to May 1, 2012.
- Allows reinsurance cost for expedited filing.

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2011 FLORIDA LEGISLATIVE SESSION


Cost Driver Bill
CS/CS/CS/SB 408 (CS/CS/HB 803)

- Renames the Citizens “High-Risk” account as the “Coastal” account.
- Limits Citizens-related PA fees to 10%.
- All new or renewal Citizens’ policies issued on or after January 1, 2012, that cover sinkholes are restricted to dwellings.

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Cost Driver Bill
CS/CS/CS/SB 408 (CS/CS/HB 803)

- Exempts rates for sinkhole coverage from the Citizens 10% rate increase cap.
- Changes the time frames for notice of nonrenewal, cancellation or termination.
- For dwellings, allows the insurer to pay actual cash value (“ACV”), less the deductible.
- Changes the prior requirement that the insurer pays replacement cost value (“RCV”) without reservation or holdback.

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2011 FLORIDA LEGISLATIVE SESSION

Cost Driver Bill
CS/CS/CS/SB 408 (CS/CS/HB 803)

- For content, requires the insurer to offer RCV. If accepted, insurer must offer a policy with holdback, as well as one without holdback.
- Requires a property insurance claim to be paid or denied by the insurer within 90 days after receiving notice of the claim, unless there are factors beyond the insurer’s control, or 15 days after there are no longer factors beyond that control.


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2011 FLORIDA LEGISLATIVE SESSION

Citizens
CS/SB 1714 and CS/CS/HB 1243





DIED




- The bill would have increased Citizens rate “glide path” and provided additional eligibility restrictions.

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2011 FLORIDA LEGISLATIVE SESSION



Flex Rating
SB 1330 and CS/HB 885



DIED

- Provided that an insurer could raise its rates within the 15% flex band with very limited regulatory review under certain circumstances.

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2011 FLORIDA LEGISLATIVE SESSION

OTHER LEGISLATION




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2011 FLORIDA LEGISLATIVE SESSION



Surplus Lines
CS/CS/SB 1816 (CS/HB 1227)



NOW LAW

- Provides for tax and service fees to be based upon gross premium on multi-state surplus lines policies and independently procured coverage ("IPC") when Florida is the home state.
- Authorizes the Florida Department of Financial Services and the Office of Insurance Regulation to enter into a cooperative reciprocal agreement.
- The bill was signed by the Governor on May 26, 2011.

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2011 FLORIDA LEGISLATIVE SESSION

Commercial Deregulation
CS/CS/HB 99 (CS/CS/SB 178)

PASSED

- CS/CS/HB 99, exempts classes of commercial and all commercial motor vehicle insurance from rate filing requirements.
- Requires records to be maintained for 2 years after the effective date of the rate changes.
- Deletes authority for the OIR to require all necessary information in order to evaluate a rate change.
- If enacted, CS/CS/HB 99 is effective on October 1, 2011.

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2011 FLORIDA LEGISLATIVE SESSION



Personal Injury Protection
"PIP"

CS/SB 1694, SB 1930, CS/CS/HB 967 and CS/HB 1411

DIED

- CS/SB 1694 and CS/CS/HB 967 sought to provide attorneys' fee reform and other legislative fixes.
- SB 1930 and CS/HB 1411 intended to close loopholes in the PIP statute and provide increased fraud-fighting tools.

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2011 FLORIDA LEGISLATIVE SESSION

Bad Faith
CS/SB 1592 and HB 1187
Civil Remedies Against Insurers

DIED

- Permitted an insurer to assert an affirmative defense if a third-party claimant or the insured fails to cooperate.
- Clarified that only an insured or assignee may bring a bad faith claim.
- Revised the provisions of the law relating to civil actions against insurers and the grounds for bringing an action.

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2011 FLORIDA LEGISLATIVE SESSION

Medical Malpractice
CS/CS/CS/CS/HB 479 (CS/SB 1590)

PASSED

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2011 FLORIDA LEGISLATIVE SESSION

Medical Malpractice
CS/CS/CS/CS/HB 479 (CS/SB 1590)

- The Florida Department of Health would be required to issue expert witness certificates to certain physicians and dentists licensed outside of Florida.
- Provides for a new form authorizing the release of protected health information to accompany the notice of intent to initiate litigation.
- Provides that a volunteer physician shall not be liable for treatment or care unless such actions are rendered in a wrong manner.

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2011 FLORIDA LEGISLATIVE SESSION

Workers' Compensation and Insurer Notification
CS/HB 1087(SB 1252)

PASSED

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2011 FLORIDA LEGISLATIVE SESSION

Workers' Compensation and Insurer Notification

CS/HB 1087 (SB 1252)

- o Authorizes an insurer to deliver workers' compensation payments via a prepaid card.
- o Allows alien insurers to establish an office in Florida under certain circumstances.
- o Allows a service warranty company to move to Florida and establish an office.
- o Changes the designated recipient of certain insurance policy notices.

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2011 FLORIDA LEGISLATIVE SESSION

**Insurer Insolvency
CS/HB 1007 (CS/SB 1568)
PASSED**



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2011 FLORIDA LEGISLATIVE SESSION

**Insurer Insolvency
CS/HB 1007 (CS/SB 1568)**

- o CS/HB 1007 provides for Insurance Risk Management Trust Fund coverage for liability.
- o If signed by the Governor, the bill becomes effective on July 1, 2011.
- o Modifies the Insurance Capital Build-up Incentive Program to allow insurers to negotiate surplus notes.
- o Modifies Florida law to allow additional rating agencies for reinsurance and increases surplus requirements to \$250 million.
- o Redefines "covered claim."

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2011 FLORIDA LEGISLATIVE SESSION

**Credit Scoring
SB 938
DIED**

- **SB 938**, sponsored by Senator Ronda Storms (R-Brandon), prohibited an insurer that issues motor vehicle insurance from refusing to insure any individual because of educational level, credit report or credit score.
- Prohibited insurers from using credit reports and credit scores in making rating determinations.

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2011 FLORIDA LEGISLATIVE SESSION

**Captive Insurance
CS/CS/SB 1836 and HB 1235
DIED**

- Required that a Florida captive must maintain its principal place of business in Florida and hold at least one annual meeting in the State.
- Removed the requirement that a captive insurer must meet the same level of capital and reserves that are specified for various lines of insurance.

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LOOKING AHEAD...



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LOOKING AHEAD...

2011 Proposed Changes to the Florida Hurricane Catastrophe Fund

- Reducing the size of the mandatory coverage layer from the current \$17 billion over a three-year period.
- Increases the participating insurer copay by reducing the maximum available coverage percentage from the current 90 percent over a three-year period.
- Increases aggregate insurer retention to \$8 billion for the 2012-2013 contract year.

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LOOKING AHEAD...

2011 Proposed Changes to the Florida Hurricane Catastrophe Fund

- Reduces the maximum emergency assessment for a single year's losses to 5% (instead of 6%) and for all losses from all years to 8% (instead of 10%).
- Provides that the TICL coverage (optional coverage in excess of the mandatory FHCF layer) will not be available after the 2011 contract layer year.

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LOOKING AHEAD...

Redistricting in 2012


- Article III, Section 16(a) of the Florida Constitution: The Legislature is required, by a joint resolution during its Regular Session in the second year after the U.S. Census (2012 Regular Session), to apportion state legislative districts.
- This year, the Legislature advanced the start date of the 2012 Regular Session to **January 10, 2012**- 2 months earlier than usual.
- A Special Session or Sessions may be called by either the Governor or the Legislature.

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LOOKING AHEAD...

2012 Presidential Election Year



Republican National Convention in Tampa, Florida

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CONCLUSION

QUESTIONS



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