



Insurance & Banking Subcommittee

Action Packet

Wednesday, February 9, 2011

9:00 AM - 12:00 PM

404 HOB

COMMITTEE MEETING REPORT
Insurance & Banking Subcommittee

2/9/2011 9:00:00AM

Location: 404 HOB

Summary:

Insurance & Banking Subcommittee

Wednesday February 09, 2011 09:00 am

HB 99	Favorable With Committee Substitute	Yeas: 14	Nays: 0
HB 4081	Favorable	Yeas: 14	Nays: 0
HB 4083	Favorable	Yeas: 13	Nays: 0

Committee meeting was reported out: Wednesday, February 09, 2011 2:52:50PM

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Insurance & Banking Subcommittee

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Attendance:

	<i>Present</i>	<i>Absent</i>	<i>Excused</i>
Bryan Nelson (Chair)	X		
Ben Albritton	X		
Mack Bernard	X		
Jim Boyd	X		
Rachel V. Burgin	X		
Janet Cruz	X		
Daniel Davis	X		
Erik Fresen	X		
Bill Hager	X		
Clay Ingram	X		
Evan Jenne			X
John Julien	X		
Perry Thurston, Jr.	X		
John Wood	X		
Ritch Workman	X		
Totals:	14	0	1

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COMMITTEE MEETING REPORT
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Location: 404 HOB

HB 99 : Commercial Insurance Rates

Favorable With Committee Substitute

	Yea	Nay	No Vote	Absentee Yea	Absentee Nay
Ben Albritton	X				
Mack Bernard	X				
Jim Boyd	X				
Rachel V. Burgin	X				
Janet Cruz	X				
Daniel Davis	X				
Erik Fresen	X				
Bill Hager	X				
Clay Ingram	X				
Evan Jenne			X		
John Julien	X				
Perry Thurston, Jr.	X				
John Wood	X				
Ritch Workman	X				
Bryan Nelson (Chair)	X				
Total Yeas: 14		Total Nays: 0			

Appearances:

Commercial Insurance Rates

William Standes, Asst. V.P. (Lobbyist) - Proponent
 Property Casualty Insurers Association of America
 P.O. Box 11174
 Tallahassee FL 32302
 Phone: 850-681-2615

Commercial Insurance Rates

Gary A. Guzzo (Lobbyist) - Waive In Support
 Liberty Mutual, Florida Insurance Council
 1085 S. Monroe St., Suite 200
 Tallahassee FL
 Phone: 850-681-0024

Commercial Insurance Rates

Kyle Ulrich, SVP (Lobbyist) - Waive In Support
 Florida Association of Insurance Agents
 3159 Shamrock S.
 Tallahassee FL 32309
 Phone: 850-893-4155

Commercial Insurance Rates

Jose L. Gonzalez, VP Govt. Affairs (Lobbyist) - Proponent
 Associated Industries of Florida
 516 N. Adams St.
 Tallahassee FL 32301
 Phone: 850-224-7173

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Commercial Insurance Rates

Jeye Reeves, Policy Director (Lobbyist) - Waive In Support

Florida Chamber

136 S. Bronough St.

Tallahassee FL

Phone: 850-521-1235

Commercial Insurance Rates

Gerald Wester (Lobbyist) - Waive In Support

Zurich American Insurance Association

101 E. College

Tallahassee FL 32301

Phone: 850-445-7206

Commercial Insurance Rates

Pitts, Brian - Information Only

Justice-2-Jesus

1119 Newton Ave. S.

St. Petersburg FL 33705

Phone: 727-897-9291

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COUNCIL/COMMITTEE AMENDMENT

Bill No. HB 99 (2011)

Amendment No. 1

COUNCIL/COMMITTEE ACTION

ADOPTED	—	(Y/N)
ADOPTED AS AMENDED	—	(Y/N)
ADOPTED W/O OBJECTION	<input checked="" type="checkbox"/>	(Y/N)
FAILED TO ADOPT	—	(Y/N)
WITHDRAWN	—	(Y/N)
OTHER	_____	

1 Council/Committee hearing bill: Insurance & Banking
2 Subcommittee
3 Representative(s) Drake offered the following:

4

5 **Amendment**

6 Remove lines 54-56 and insert:

7 d. Errors and omissions.

8 e. Directors and officers, employment practices, fiduciary
9 liability, and management liability.

COUNCIL/COMMITTEE AMENDMENT

Bill No. HB 99 (2011)

Amendment No. 2

COUNCIL/COMMITTEE ACTION

ADOPTED	—	(Y/N)
ADOPTED AS AMENDED	—	(Y/N)
ADOPTED W/O OBJECTION	<input checked="" type="checkbox"/>	(Y/N)
FAILED TO ADOPT	—	(Y/N)
WITHDRAWN	—	(Y/N)
OTHER	_____	

1 Council/Committee hearing bill: Insurance & Banking
2 Subcommittee
3 Representative(s) Drake offered the following:

4
5 **Amendment (with title amendment)**

6 Remove line 90 and insert:
7 rates and are subject to examination by the office. The office
8 may require the insurer to incur the costs associated with an
9 examination. Upon

10
11
12 -----
13 **T I T L E A M E N D M E N T**

14 Remove line 13 and insert:
15 requiring the insurer to incur examination expenses; removing a
16 requirement that a rating organization maintain

Amendment No. 3

COUNCIL/COMMITTEE ACTION

ADOPTED	___	(Y/N)
ADOPTED AS AMENDED	___	(Y/N)
ADOPTED W/O OBJECTION	<input checked="" type="checkbox"/>	(Y/N)
FAILED TO ADOPT	___	(Y/N)
WITHDRAWN	___	(Y/N)
OTHER	_____	

1 Council/Committee hearing bill: Insurance & Banking
 2 Subcommittee
 3 Representative(s) Drake offered the following:

Amendment (with title amendment)

6 Remove line 109 and insert:
 7 examination by the office. The office may require the rating
 8 organization to incur the costs associated with an examination.
 9 Upon examination, the office shall,

12 -----
 13 **T I T L E A M E N D M E N T**

14 Remove line 17 and insert:
 15 organization for a specified time; requiring a rating
 16 organization to incur examination expenses; deleting authority
 17 for

Amendment No. 4

COUNCIL/COMMITTEE ACTION

ADOPTED	—	(Y/N)
ADOPTED AS AMENDED	—	(Y/N)
ADOPTED W/O OBJECTION	✓	(Y/N)
FAILED TO ADOPT	—	(Y/N)
WITHDRAWN	—	(Y/N)
OTHER	—	

1 Council/Committee hearing bill: Insurance & Banking
 2 Subcommittee
 3 Representative(s) Drake offered the following:

Amendment (with title amendment)

6 Remove line 146 and insert:
 7 and are subject to examination by the office. The office may
 8 require the insurer to incur the costs associated with an
 9 examination. Upon examination,

10
 11
 12 -----
 13 **T I T L E A M E N D M E N T**

14 Remove line 30 and insert:
 15 for a specified time; requiring an insurer for commercial motor
 16 vehicle insurance to incur examination expenses; removing a
 17 requirement that a rating

COUNCIL/COMMITTEE AMENDMENT

Bill No. HB 99 (2011)

Amendment No. 5

COUNCIL/COMMITTEE ACTION

ADOPTED	—	(Y/N)
ADOPTED AS AMENDED	—	(Y/N)
ADOPTED W/O OBJECTION	<input checked="" type="checkbox"/>	(Y/N)
FAILED TO ADOPT	—	(Y/N)
WITHDRAWN	—	(Y/N)
OTHER	_____	

1 Council/Committee hearing bill: Insurance & Banking
2 Subcommittee
3 Representative(s) Drake offered the following:

4
5 **Amendment (with title amendment)**

6 Remove line 165 and insert:
7 and are subject to examination by the office. The office may
8 require the rating organization to incur the costs associated
9 with an examination. Upon examination,

10
11
12 -----
13 **T I T L E A M E N D M E N T**

14 Remove line 35 and insert:
15 rating organization for a specified time; requiring a rating
16 organization for commercial motor vehicle insurance to incur
17 examination expenses; deleting

COMMITTEE MEETING REPORT
Insurance & Banking Subcommittee

2/9/2011 9:00:00AM

Location: 404 HOB

HB 4081 : Repeal of Obsolete Insurance Provisions

Favorable

	Yea	Nay	No Vote	Absentee Yea	Absentee Nay
Ben Albritton	X				
Mack Bernard	X				
Jim Boyd	X				
Rachel V. Burgin	X				
Janet Cruz	X				
Daniel Davis	X				
Erik Fresen	X				
Bill Hager	X				
Clay Ingram	X				
Evan Jenne			X		
John Julien	X				
Perry Thurston, Jr.	X				
John Wood	X				
Ritch Workman	X				
Bryan Nelson (Chair)	X				
Total Yeas: 14		Total Nays: 0			

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Location: 404 HOB

HB 4083 : Workers' Compensation

Favorable

	<i>Yea</i>	<i>Nay</i>	<i>No Vote</i>	<i>Absentee Yea</i>	<i>Absentee Nay</i>
Ben Albritton	X				
Mack Bernard	X				
Jim Boyd	X				
Rachel V. Burgin	X				
Janet Cruz	X				
Daniel Davis	X				
Erik Fresen			X		
Bill Hager	X				
Clay Ingram	X				
Evan Jenne			X		
John Julien	X				
Perry Thurston, Jr.	X				
John Wood	X				
Ritch Workman	X				
Bryan Nelson (Chair)	X				
Total Yeas: 13		Total Nays: 0			

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Other Business Appearance:

Workshop on insurance issues/sinkholes

Monte Stevens, Director of Gov't Affairs (Lobbyist) (State Employee) (At Request Of Chair) - Information Only
Office of Insurance Regulation
200 E. Gaines Street
Tallahassee FL 32399
Phone: 850-413-5042

Workshop on insurance issues/sinkholes

Susanne Murphy, Chief Administraiton Officer (Lobbyist) (At Request Of Chair) - Information Only
Citizens Property Insurance Corporation
101 N. Monroe Street
Tallahassee FL
Phone: 850-513-3757

Workshop on insurance issues/sinkholes

Ashley Mayer, Director Legislative Affairs/CFO Atwater (Lobbyist) (State Employee) (At Request Of Chair) - Information Only
Department of Financial Services
Capitol
Tallahassee FL
Phone: 850-413-4938

Workshop on insurance issues/sinkholes

Wade Barber, Chief Deputy Property Appraiser (At Request Of Chair) - Information Only
Pasco County
101 6th Street
Dade City FL 33523
Phone: 352-521-4436

Workshop on insurance issues/sinkholes

Greg Armstrong - Information Only
6330 US Hwy. 19
New Port Richey FL 34652
Phone: 727-495-2424

Workshop on insurance issues/sinkholes

Tom Jerger, CEO Modern USA - Information Only
Florida Based CFO Group
7781 66st Street
Pinellas Park FL

Workshop on insurance issues/sinkholes

Locke Burt, President & Owner, Security First Florida - Information Only
Security First Insurance Co.
140 S. Atlantic Avenue, Suite 200
Ormond Beach FL 32176
Phone: 386-523-2300

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Location: 404 HOB

Workshop on insurance issues/sinkholes

Andrew Deckert, Asst. General Counsel (At Request Of Chair) - Information Only

Nationwide

3300 SW Williston Road

Gainesville FL

Phone: 352-384-5143

Workshop on insurance issues/sinkholes

Ron Broadrick, President - Information Only

Florida Association of Sinkhole Stabilization Specialists

2620 Hunt Road

Land O Lakes FL 34638

Phone: 813-909-8000

Workshop on insurance issues/sinkholes

Daniel Barton, Secretary-GeoTechnical Engineer - Information Only

Florida Association of Sinkhole Stabilization Specialists

13214 Moran Dr.

Tampa FL 33618

Phone: 813-760-0077

Workshop on insurance issues/sinkholes

Eric Thorn (Lobbyist) - Information Only

Florida Association of Sinkhole Stabilization Specialists

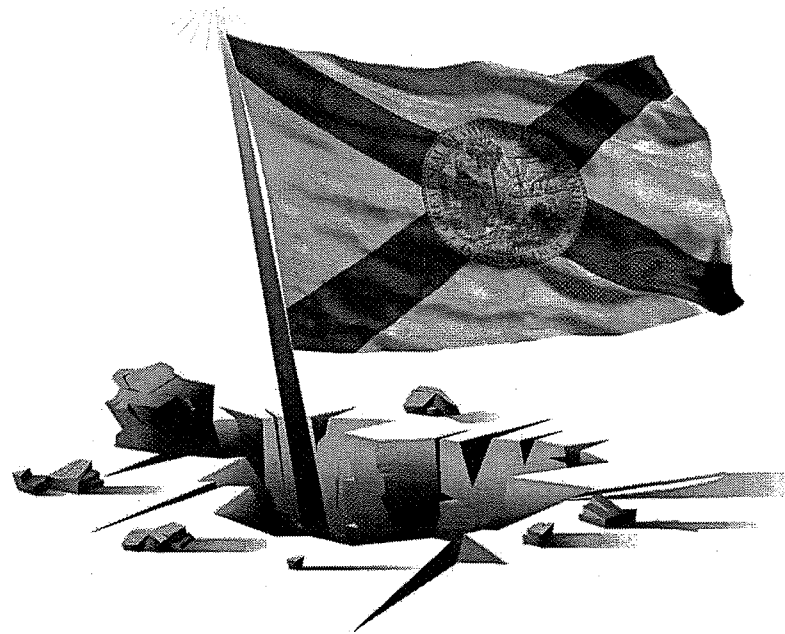
2617 Marston Rd.

Tallahassee FL 32308

Phone: 850-510-2165

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What's wrong with this picture?



Presentation to
Florida House of Representatives

By: Locke Burt, Chairman and President
Security First Insurance Company

2/9/11



Security First Sinkhole Loss Experience

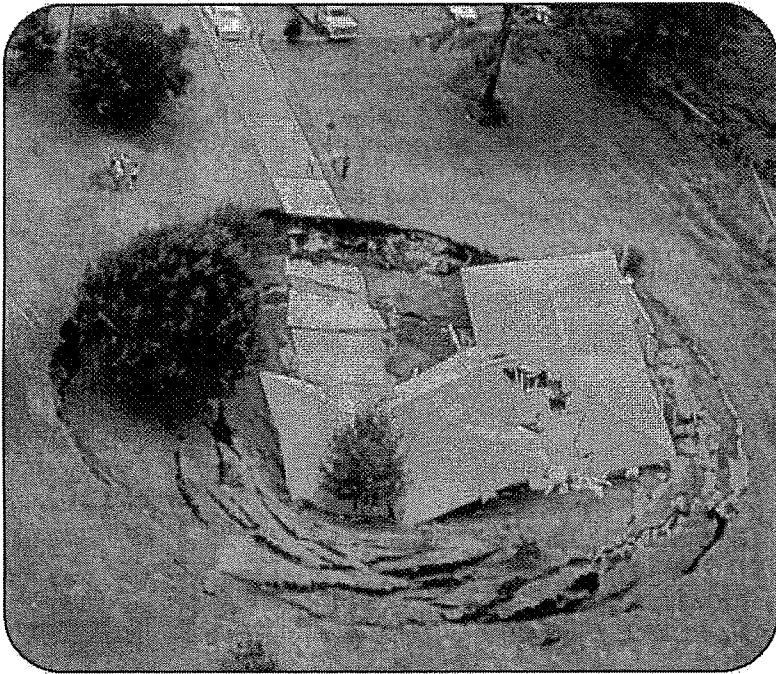
Jan 1, 2006 to Dec 31, 2010

Sinkhole claims are costing all Security First customers increasing amounts of money. Since 2006, our sinkhole claims have grown from “sinkhole alley” to almost half of the state’s 67 counties. It has gone from being a contained issue on the west coast to a statewide pandemic, affecting every single Florida homeowner.

Year	Claim Count	Frequency of Claims	Average Sinkhole Claim Severity	Pure Premium (Loss Cost Per Policyholder)	Total Loss Incurred	Counties with Claims
2006	0	0	\$0	\$0	\$0	0
2007	6	.020%	\$70,529.81	\$14.11	\$423,179	3
2008	29	.052%	\$68,732.47	\$35.55	\$1,993,242	14
2009	55	.089%	\$80,120.57	\$71.37	\$4,406,632	12
2010	72	.078%	\$77,531.36	\$60.54	\$5,582,258	18
Total	162				\$12,405,310	28



Catastrophic Ground Cover Collapse



Insurance companies are **required** by law to provide coverage for Catastrophic Ground Cover Collapse and include in the base policy.

Florida law affirms that catastrophic ground cover collapse does not occur until all of the following four conditions are met:

- There is an abrupt collapse of the ground cover;
- There is a depression in the ground cover clearly visible to the naked eye;
- There is structural damage to the building, including the foundation; and
- The structure is condemned and ordered to be vacant by the local government agency responsible for issuing condemnation orders.



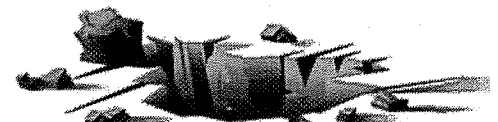
Catastrophic Ground Cover Collapse

This type of loss almost NEVER happens.

According to the OIR's Sinkhole Report, this type of claim is only **1%** of total sinkhole claims reported in 2009.

When these losses occur the picture is clear. You know:

- a.) when it happened;**
- b.) what caused it; and**
- c.) the house is a total loss**



Sinkhole Activity Coverage – The Real World

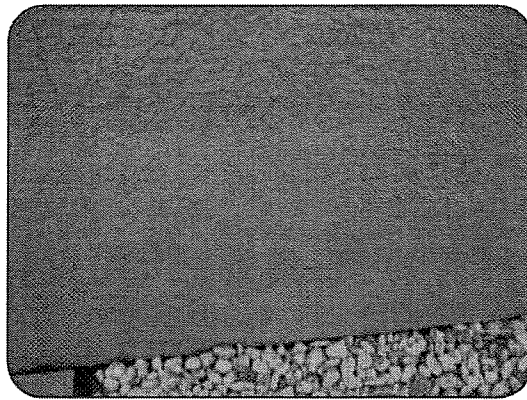
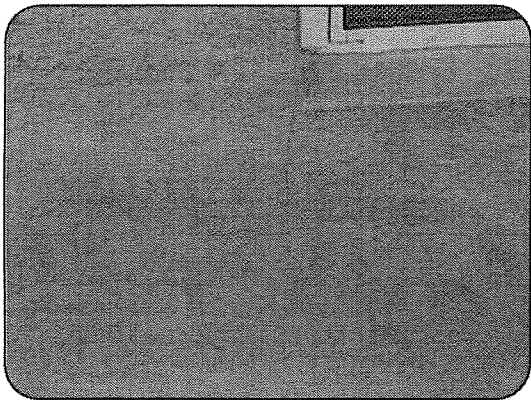
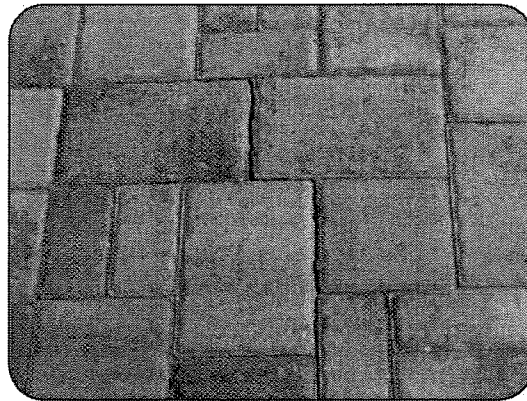
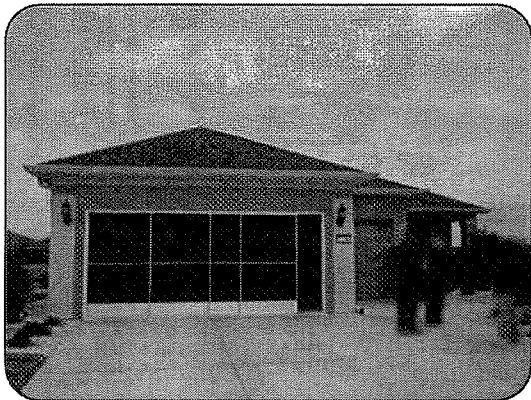
A Security First sinkhole claim.

Characteristics:

- Location: Ocala, middle of the state
- Single family dwelling built in 2008
- Masonry Construction
- Estimated Date of Loss:
January 2010

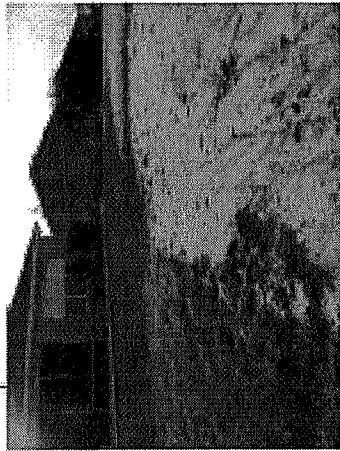
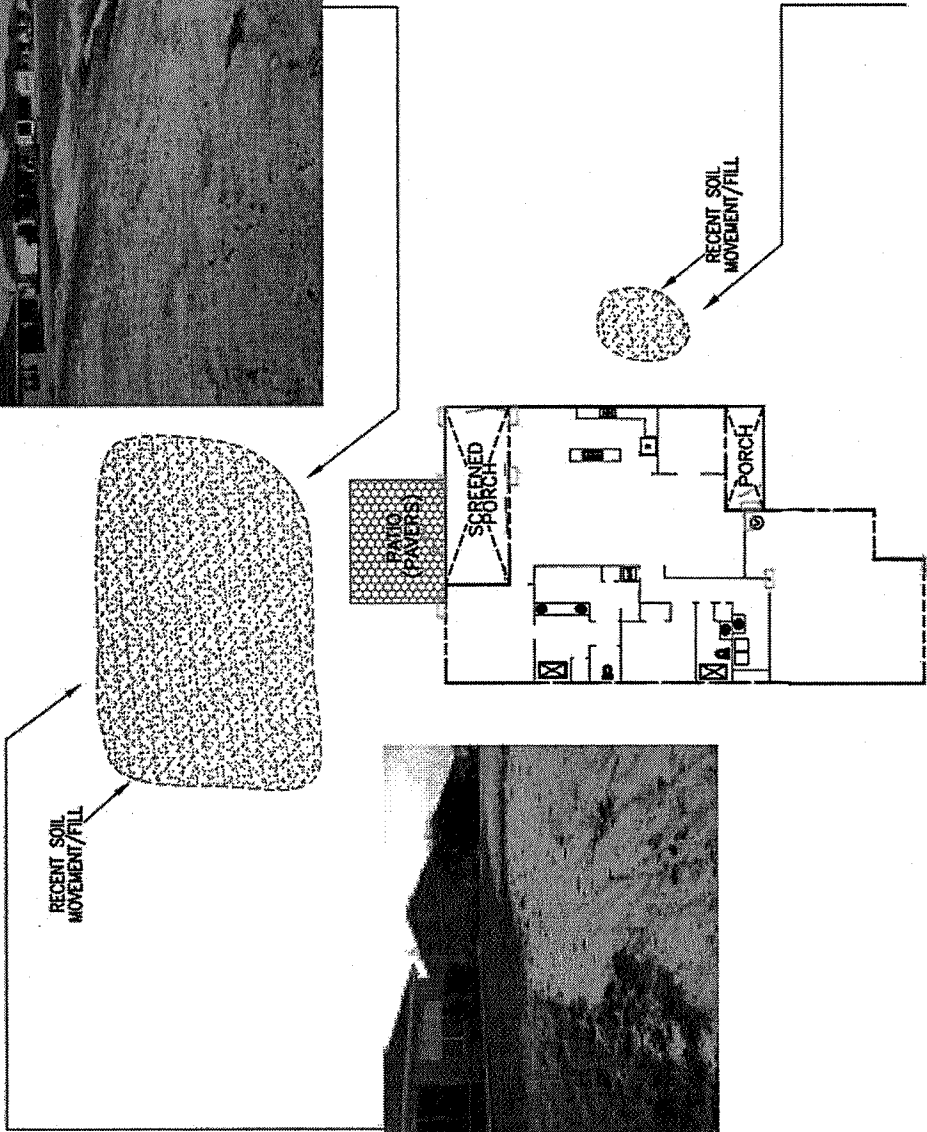
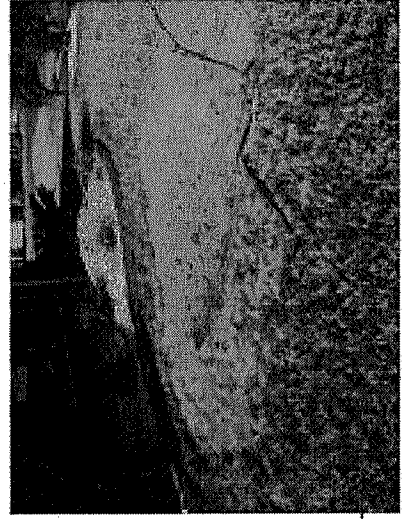


Sinkhole Activity Coverage – The Real World



“Damage to the insured risk was minimal. There was some very light cracking on the rear elevation wall, separation in the pavers, light crack on the floor in the exterior entry and two small areas of cracking in the interior on the rear elevation wall.”

*~ Security First Adjuster Claim
File Note*



Security First  **Insurance**

Insuring Florida Homes

Sinkhole Activity Coverage – The Real World

Security First Remediation Process

1. Stabilize subsurface soils: grout injection to compact and densify soils beneath structure.
 - a) 26 injection points spaced 10' on center around the structure's perimeter
 - b) Each injection 15' deep
2. Stabilize and re-level the foundation of the structure by installing underpinning piles.
 - a) Depth of underpinning piles 40'.
 - b) 37 piles installed.



Sinkhole Activity Coverage – The Real World

Estimated Cost to Remediate
(not including cosmetic repairs)

Install Grout Pipes: 37 @ 40 ft @ \$17/ft	\$25,160
Grouting: 350 cubic yards (cy) @ \$170/cy	\$59,500
Install pin piles: 37 piles @ \$1,475/each	\$54,575
Monitoring and Clarification:	\$15,100
Total	\$154,335



Sinkhole Activity Coverage – The Real World

Policy's Coverage A (Dwelling):	\$214,000.00
Security First's Paid Claim:	\$282,964.80

"The damage to the residence is considered cosmetic in nature."

~ Inspection Company Engineering Report

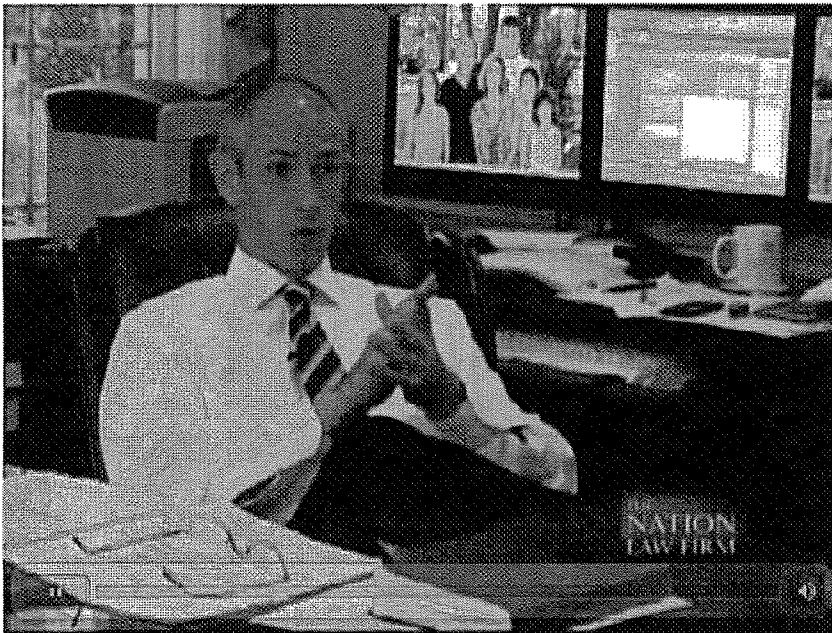


Sinkhole Activity Coverage – The Real World

Mark Nation, The Nation Law Firm – Longwood, Florida

I Love My Job

[Submit Online Case Inquiry](#)



“And you don’t have to prove the damage is from a sinkhole. Contrary to what your insurance company may tell you, your insurer is responsible to pay for the repairs unless your insurance company can prove that a sinkhole wasn’t the cause. In order to deny a claim, your insurance company must prove that a sinkhole cannot be a potential cause of the damage. If your insurance company can’t do that, then the insurer must pay to repair the damage.”

~ article in Seminole Magazine, November 2010



The Muddy Water of Sinkhole Activity Coverage

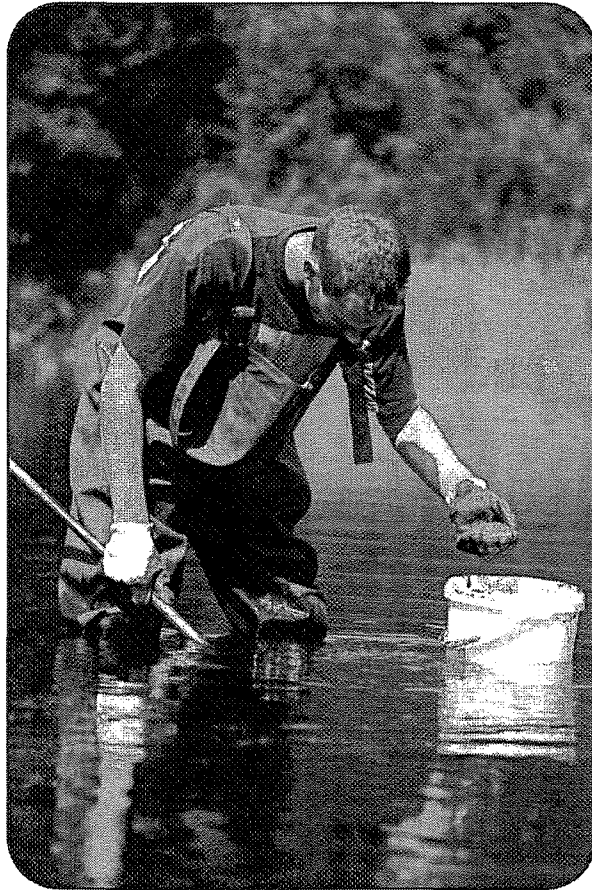


When your home is destroyed by a hurricane, catches fire, or damaged due to a broken water pipe you and your insurance company know:

- when the loss occurred
- what caused the loss
- how much it will cost to repair the damage
- and be reasonably certain that the repairs will be effective if you hire a licensed contractor



The Muddy Water of Sinkhole Activity Coverage



When you see cracks in your wall, ceiling or foundation neither you nor the insurance company know for certain:

- the date of loss;
- the cause of loss;
- the extent of subsurface damage;
- the cost of remediating the ground; and
- if the repairs to the ground will prevent further damage

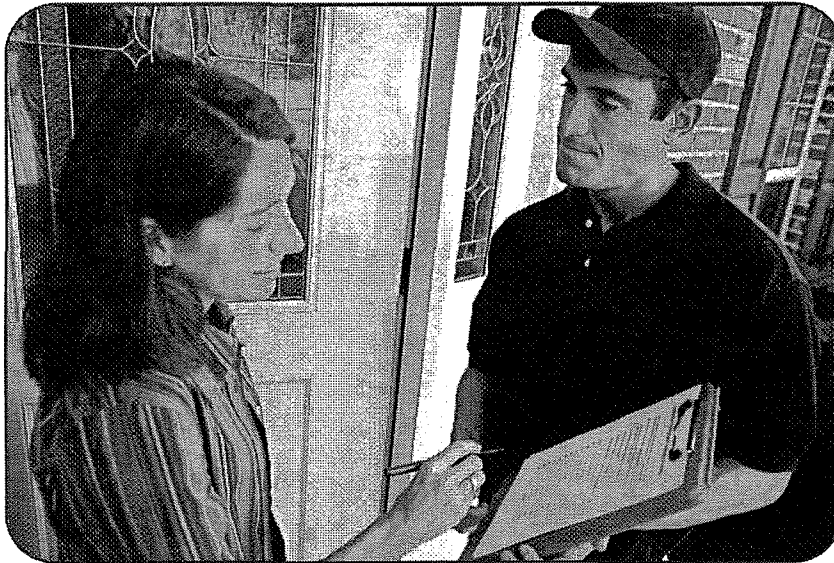


The Muddy Water of Sinkhole Activity Coverage

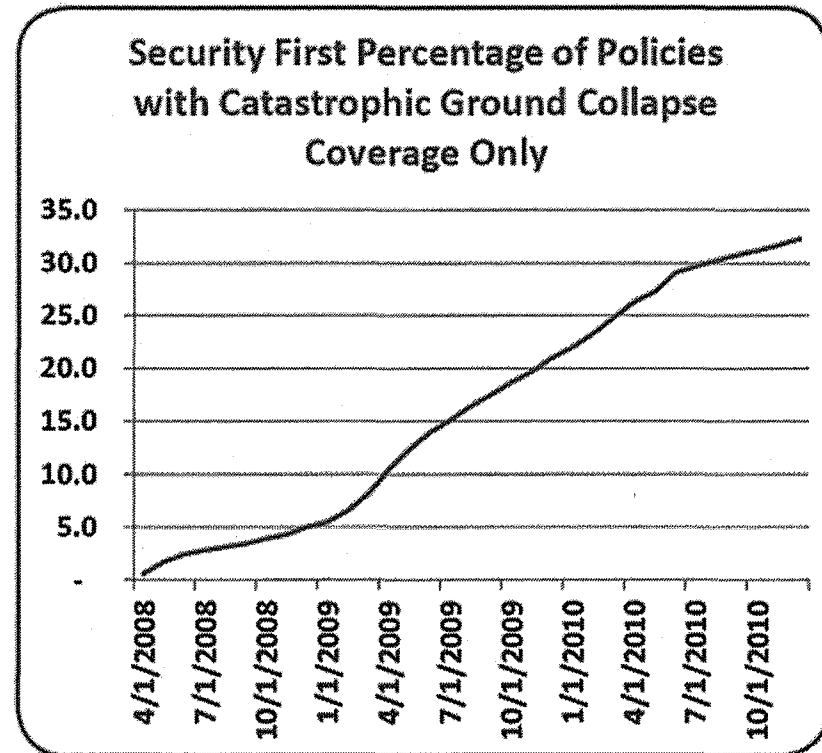
The result of wading through the muddy water of sinkhole activity coverage is a long and expensive process, mandated by statute, to determine who gets paid and how much they get paid.



Security First Strategies for Reducing Sinkhole Activity Claims



Implement an inspection program prior to offering sinkhole activity coverage. Security First launched their sinkhole program in early 2008.



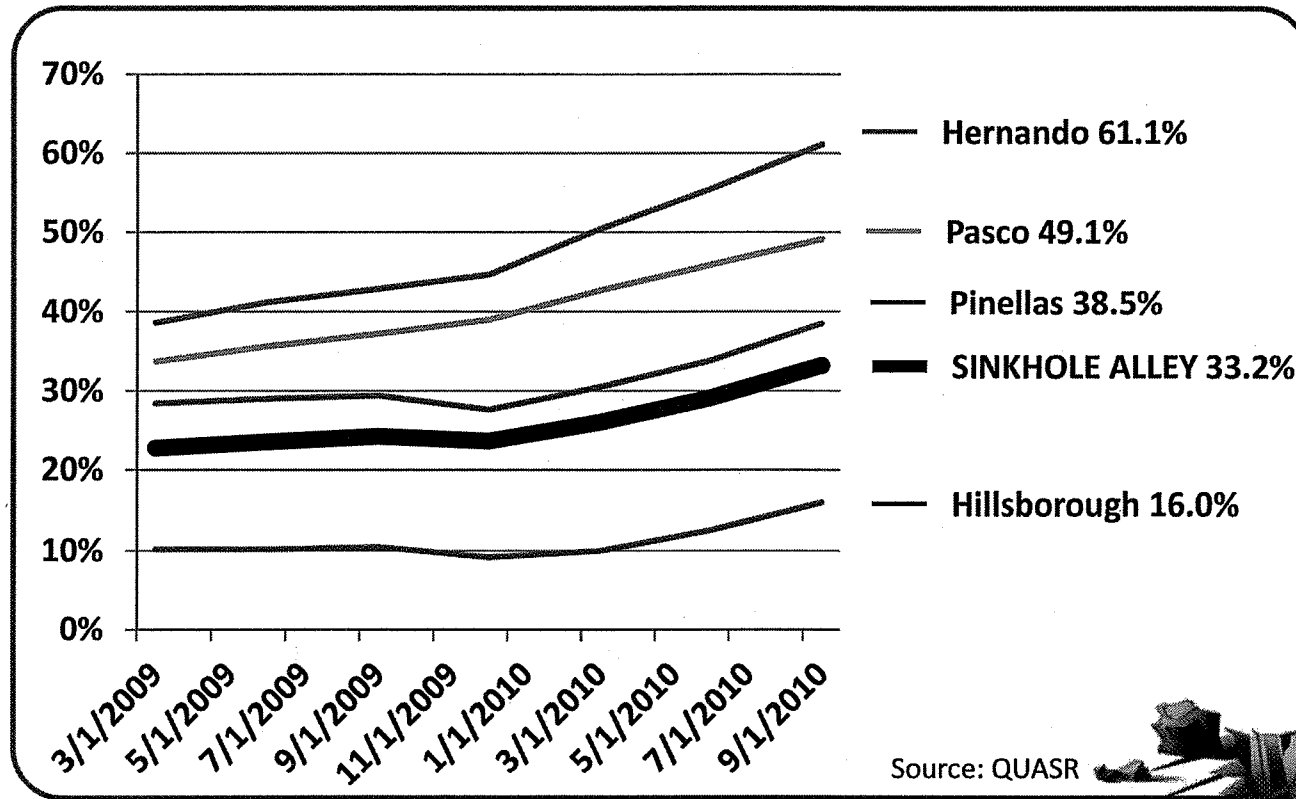
Raise the price of sinkhole coverage to encourage people not to buy.



Result: The Private Market is Shrinking, Citizens is Growing

Citizens Market Share by County

Sinkhole Alley



Source: QUASR



The Cost of Sinkhole Activity

Direct Costs to Policyholders

OIR Sinkhole Report, pg. 6

Using the trend in the claim counts judgmentally adjusted to anticipate lower claim counts with a 20% severity trend applied to the 2009 claims, the result would be a projected paid loss and expense of \$396,000,000 for 2010 claims and \$468,000,000 for 2011 claims.

Almost 1/2 billion dollars in projected sinkhole claims in 2011 means each one of Florida's 4 million homeowners will have to pay \$120 this year to cover the cost of approximately 10,000 sinkhole claims.

Failing to address this issue will only ensure that those costs rise.

Security First's projected loss due to sinkholes is \$4,160,000. This is .85% of the statewide total, significantly less than our market share of 2.3%.

This is a burden that is shouldered by all our policyholders because the OIR won't let us charge 100% of the claims' cost to the 60% of our customers who have sinkhole activity coverage.

Solving the Sinkhole Problem

The 2010 Florida Statutes

[Title XXXVII](#)
INSURANCE

[Chapter 627](#)
INSURANCE RATES AND CONTRACTS

[View Entire Chapter](#)

627.706 Sinkhole insurance; catastrophic ground cover collapse; definitions.—

(1) Every insurer authorized to transact property insurance in this state shall provide coverage for a catastrophic ground cover collapse and shall make available, for an appropriate additional premium, coverage for sinkhole losses on any structure, including contents of personal property contained therein, to the extent provided in the form to which the coverage attaches. A policy for residential

Recommended Changes to Current Law:

- Eliminate the requirement that insurance companies offer every customer sinkhole activity coverage (F.S. 627.706(1))
- Allow companies to eliminate sinkhole activity coverage on renewal business without non-renewing the entire policy (proposed statute 627.4341 passed as part of SB2044)
- Give insurance companies the flexibility to develop new products to cover this exposure by allowing rate and form flexibility (claims made forms, sublimit for sinkhole coverage, exclusion for cosmetic damage, high deductible)

Solving the Sinkhole Problem

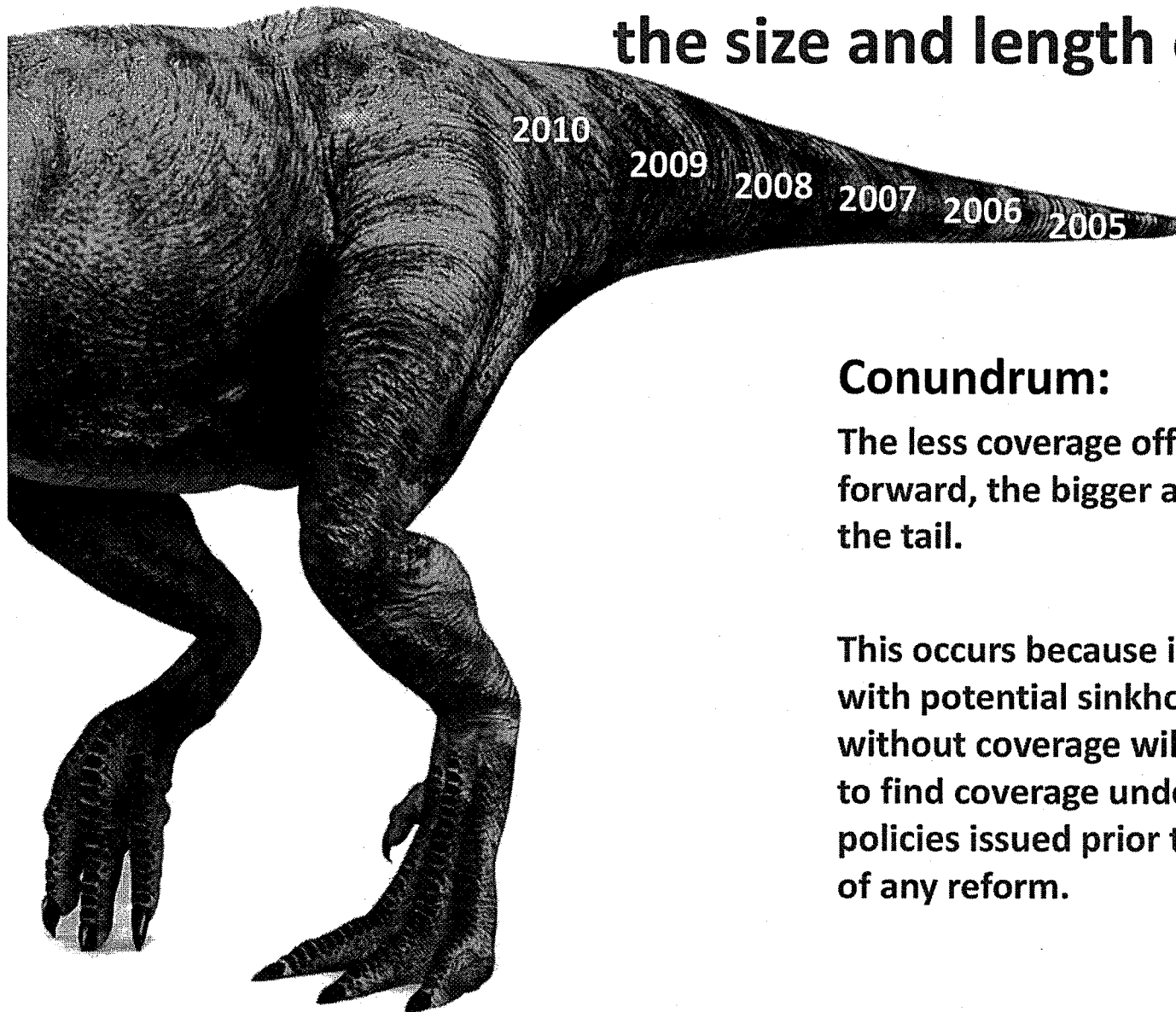
Recommended Changes to Current Law:

- Require insureds to repair damage to their property caused by sinkholes
- Allow insurance companies to contract directly with licensed contractors to repair sinkhole damage
- Limit fees paid to policyholder attorneys and public adjusters to \$100 per hour subject to a maximum fee of \$5,000.
- Shorten Statute of Limitation on filing sinkhole claims to two years.
- Rewrite existing statute to clarify duties and responsibilities of insurance companies, insureds, attorneys, and public adjusters in handling these type of losses.



The big unknown:

the size and length of the tail.



Conundrum:

The less coverage offered going forward, the bigger and longer the tail.

This occurs because insureds with potential sinkhole claims without coverage will attempt to find coverage under expired policies issued prior to the date of any reform.

**Do the Representatives
have any questions?**



Contact Information:

Locke Burt

(386) 523-2300

Lburt@SecurityFirstFlorida.com

POTENTIAL SOLUTIONS TO FLORIDA'S SINKHOLE CLAIMS CRISIS

Generated by Angel Bostick
Presented by Andrew Deckert



UNDERSTANDING THE PROBLEM

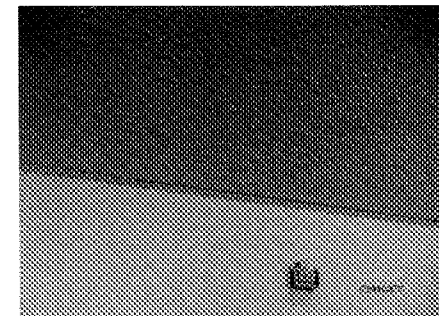
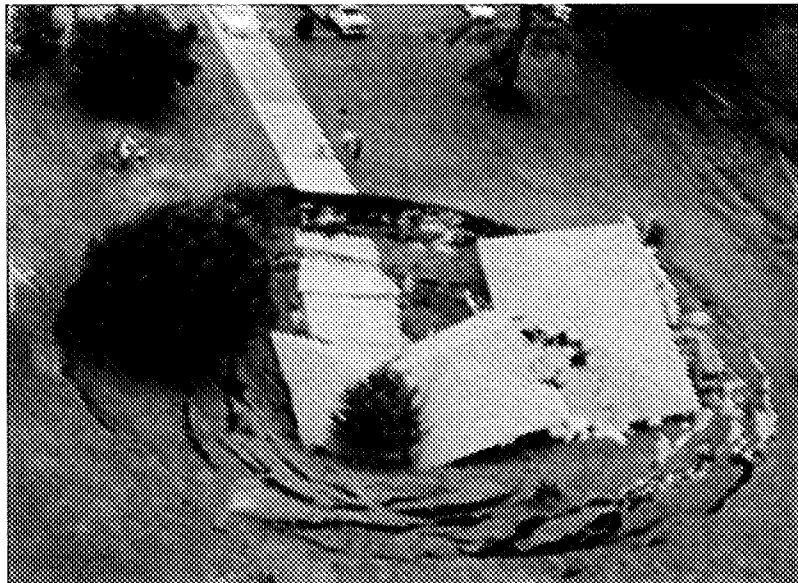
■ HOW BAD IS IT?

- Almost 1200% increase in claims since 1999
- NO geological reason
- Losses = a yearly catastrophe (\$1.4B for 2006 – August 2010)
- A profit-driven sinkhole-claims industry exists with approx. \$120M per year to attorneys & public adjusters
- Lawsuits on 20.8% of sinkhole claims vs. 2.8% of claims for AOP
- Homes not being repaired & tax base shrinking
- Stability of private market is in peril
- Citizens is growing – 38% in 2010
- Citizens lost \$77M on sinkhole peril in 2009 alone
- Insurance premiums are being driven up
 - Ex: Citizens' pure premium in Hernando is \$5,300 vs. \$775 charged

UNDERSTANDING THE PROBLEM

- PRIMARY CAUSES

- Expansion of “sinkhole” to settling & cracking

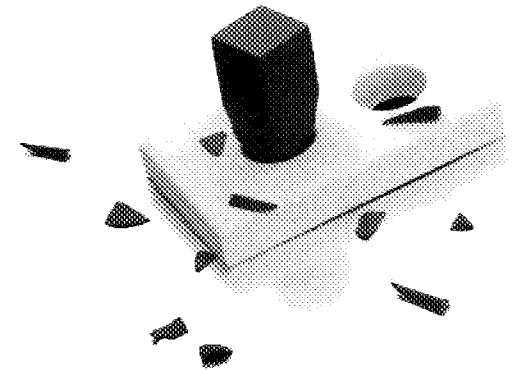


UNDERSTANDING THE PROBLEM

■ PRIMARY CAUSES

□ Issues regarding insurability of sinkholes

- Sinkhole is unlike other perils (fire, hurricane, etc.)
- No coverage for land
- Causation not fortuitous, is long-term earth movement
- Causation not clear, is underground, experts disagree
- Damages not easily quantifiable
- Date of loss issues





UNDERSTANDING THE PROBLEM

■ PRIMARY CAUSES

- Inability of insurers to enforce legislative intent
 - Bad faith allegations
 - Battle of experts over nebulous peril and science

- Incentives to insureds to file claims and keep cash proceeds
 - Failure to repair (one study showed 79% did not make repairs)
 - Hernando Co. has lost \$173 million in total market value
 - Decreases market value of neighborhoods; erodes tax base; negatively impacts financial stability of local governments



UNDERSTANDING THE PROBLEM

■ PRIMARY CAUSES

- Incentives to attorneys and public adjusters
 - Attorneys fees
 - One-way fees plus multipliers
 - Public adjuster fees
 - Based on percentage of recovery



2915 S. Federal Hwy., Fort Lauderdale, FL 33316 • (877) Storm15
 (954) 462-5150 • Fax: (954) 337-0120 • www.storm15.com

IMPORTANT NOTICE
 Concerning Your Insurance Claim **“SIX TIMES MORE MONEY”**

August 25, 2010



Dear [Redacted]

Our records indicate that your recent insurance claim may have been underpaid.

ACCORDING TO THE Florida Office of Program Policy Analysis & Government Accountability, HOMEOWNERS WHO HIRED A PUBLIC ADJUSTER for their Citizens Property Claims RECEIVED NEARLY SIX TIMES (574%) MORE MONEY THAN HOMEOWNERS WHO DID NOT HIRE A PUBLIC ADJUSTER (see OPPAGA report on following page). This means that if you received \$10,000 for your claim, we may be able to get you \$57,400 in additional settlement money.

We would like to review your recent insurance claim **AT NO CHARGE TO YOU** and determine if you are owed more money.

Citizens Public Insurance Adjusters are State certified, licensed and bonded private adjusters that work exclusively for you, the homeowner, to ensure that you are paid the maximum amount for your claim under the law and your insurance policy. We work for you, never the insurance company.

Citizens Public Insurance Adjusters would like to offer you a free 14 point inspection and evaluation of your insurance claim to see if you were underpaid. Simply complete the reverse side of this letter. →

The inspection is free and our services are completely free unless we get you more money.

Even if you have already settled your claim and cashed your check, we can re-open your claim at no cost or risk to you. You owe it to yourself to know what you're entitled to!

**OUR REPRESENTATION IS FREE, UNLESS WE GET YOU MORE MONEY!
 YOU HAVE NO RISK.**

Call (954) 462-5150 for a free consultation or simply complete the reverse side of this letter. →

Very truly yours,

Jacob Pollock, P.A.

Florida Department of Financial Services Public Adjuster License Number E141195

We can get you money for any of the following damage to your home, whether you filed a claim or not:

- | | | |
|---------------------------------|----------------------|---------------------------|
| • Hurricane Damage | • Water Heater Leaks | • Tornado Damage |
| • Fire | • Mold Damage | • Tenant Damage/Vandalism |
| • Air Conditioner leak | • Roof Leaks | • Water Damage |
| • Broken Pipes | • Sink Holes | • Wind Damage |
| • Dishwasher/Refrigerator Leaks | • Smoke Damage | • Lightning |
| • Toilet Overflow | • Storm Damage | • Business Interruption |

Citizens Public Insurance Adjusters is not affiliated with Citizens Property Insurance Corp.

Agreement on reverse side →



4107 Woodacre Lane
 Tampa, FL 33624
 phone (813) 283-2581
 fax (813) 283-2598

Dear Neighbor:

TIME IS RUNNING OUT!

***** Sinkhole Activity*****

We have been successful in recovering large claim checks for several of your neighbors in Florida. Do you have cracking in your foundation, walls, floor, pavement, or pool deck? If so, you may be entitled to a large insurance settlement. Many of your neighbors were simply unaware of damage sustained by the recent sinkhole activity. The insurance companies are actively working to eliminate coverage from their policies. Don't miss out on the monies you are owed! Imagine what it would feel like to have to pay out-of-pocket for an expensive repair when the insurance company should have compensated you properly all along.

We are not contractors, and we do not perform the repairs. We are professional public claims adjusters licensed through the State of Florida and we get you the money to make you whole again. If the insurance company owed you a check for damages, would you want to collect it?

Call for a complimentary 11-point inspection and enjoy the following benefits:

- Find out the current status of cracks in your walls, floors, pavement, and pool deck.
- Review of your insurance paperwork to make sure you were paid properly.
- Receive peace of mind.
- You could potentially receive a check!

Call us for some names of neighbors we're helping in your area!

Sincerely,

Preston Runyan, PCA
 Public Claims Adjuster
 (813) 283-2581 office
 License # P128100

SERVING THE COUNTIES OF
 PINELLAS – HILLSBOROUGH – PASCO – HERNANDO – CITRUS – POLK



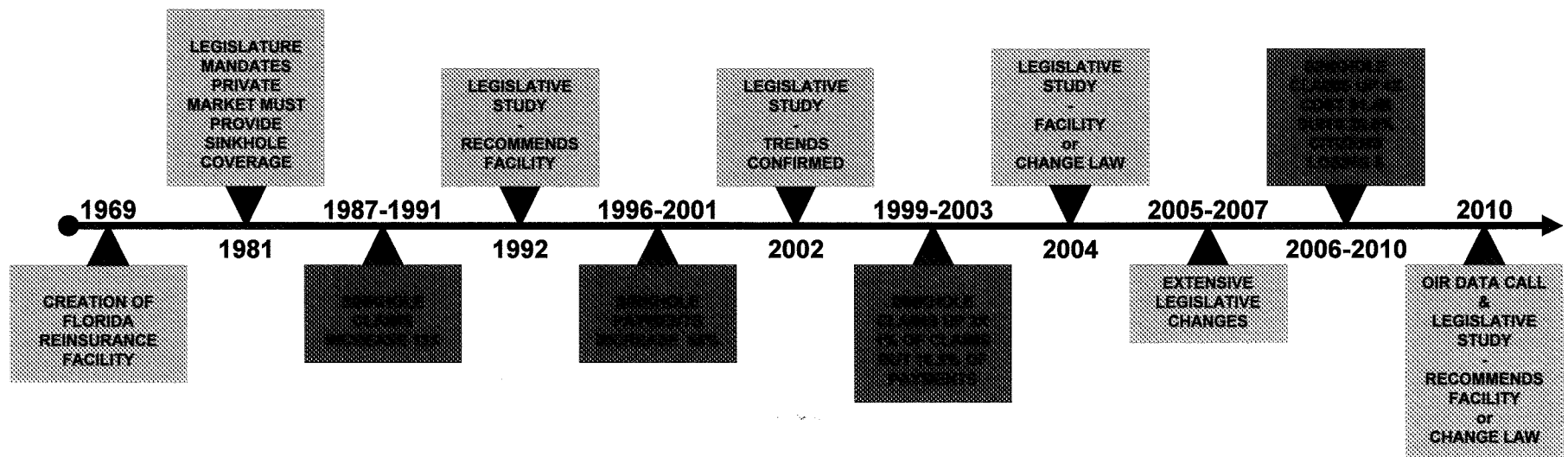
UNDERSTANDING THE PROBLEM

■ PRIMARY CAUSES

- Existing law allows ambiguity arguments
 - Mandatory coverage with burden of proving a negative
 - “Structural damage” is required but not defined
 - No time limit to file a claim

POSSIBLE SOLUTIONS

- WHAT DATA DO WE HAVE?
 - OIR Data Call & 4 Legislative Studies



APPROX. 1200% INCREASE IN CLAIMS FROM 1999 TO 2010

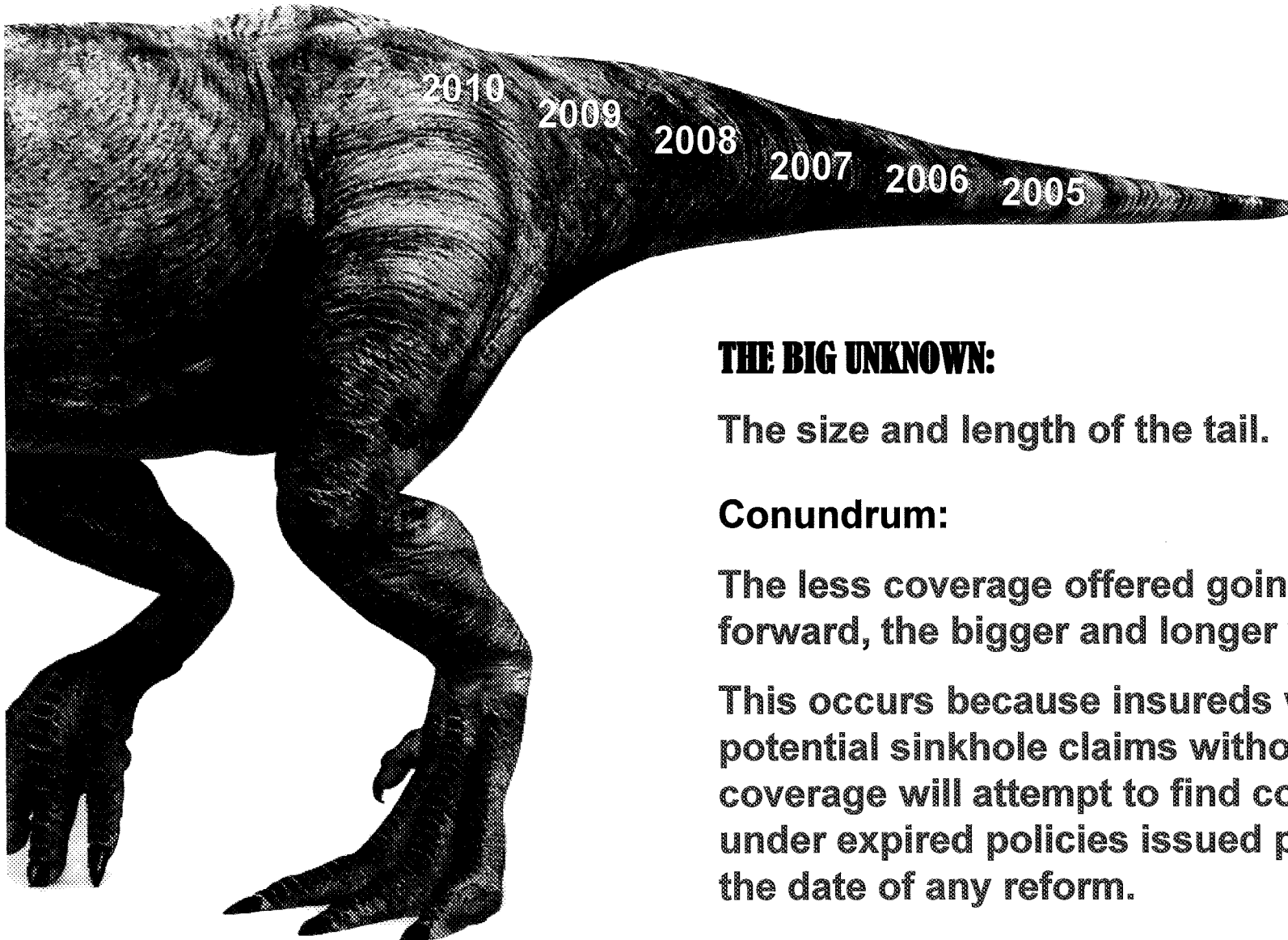


POSSIBLE SOLUTIONS

THREE POTENTIAL DIRECTIONS:

1. Establish a sinkhole repair program;
2. Enact statutory reforms for the private market;
or
3. Combine statutory reforms with a transitional sinkhole reinsurance facility

CONSIDER THE “TAIL”



THE BIG UNKNOWN:

The size and length of the tail.

Conundrum:

The less coverage offered going forward, the bigger and longer the tail.

This occurs because insureds with potential sinkhole claims without coverage will attempt to find coverage under expired policies issued prior to the date of any reform.

POSSIBLE SOLUTIONS

- ESTABLISH A SINKHOLE REPAIR PROGRAM
 - Recommended in the 1992, 2005, and 2010 legislative studies
 - Reminiscent of Florida's successful 1969 facility
 - Consistent with how ground subsidence is handled in other states
 - Would eliminate questionable sinkhole claims and pay real ones
 - Benefits:
 - Make coverage available and affordable
 - Depopulate Citizens
 - Restore stability and encourage growth in the private market
 - Protect consumers by fixing their homes and preserving tax base
 - Reduce govt resources dedicated to handling sinkhole issues
 - Reduce lawsuits and abuses
 - Potentially the only complete and immediate fix





POSSIBLE SOLUTIONS

■ ESTABLISH A SINKHOLE REPAIR PROGRAM

□ How would it work?

- All claims proceeds would be used to repair buildings/stabilize land
- Bad faith immunity
- Eliminate the automatic award of attorneys fees
- Potentially cap attorney and public adjuster fees
- Claims-made to avoid date of loss issues/policy shopping
- Addresses the tail and makes reforms immediate
- Require more than hairline cracks to make claim
- Centralized and consistent loss adjustment services
- Require insurers and Citizens to initially fund program by transferring unearned premium to program and cede sinkhole policies to program
- Establish actuarially sound rates
- Establish 2 year statute of limitations



POSSIBLE SOLUTIONS

■ PRIVATE MARKET REFORMS - STATUTORY CHANGES & THE “TAIL”

- Current legislative efforts could correct many of the existing problems from the passage date of the Act forward
 - Leading up to the passage date, claims will increase sharply (*same occurred in 2005 and 2009*)
 - After passage, claims will continue to be made on policies that have expired to reap the benefits of the current, less restrictive law
 - These claims can last for the next 5 years or more
- Retroactivity is necessary on some elements to address the tail



POSSIBLE SOLUTIONS

■ PRIVATE MARKET REFORMS - STATUTORY CHANGES

□ What could potentially be done:

- Keep CGCC mandatory but make sinkhole offer optional
- Require insureds to repair
- Define structural damage
- Create time limit on filing claim
- Clarify burden of proof
- Make coverage claims-made
- Limit fees paid to attorneys and public adjusters
- Allow rate and form flexibility
- Eliminate statutory cap on Citizens sinkhole rates
- Allow insurance companies to contract directly with licensed contractors to repair



POSSIBLE SOLUTIONS

- PRIVATE MARKET REFORMS – OTHER EFFORTS
 - Revise Florida Building Code
 - Pre construction soil testing
 - During construction, increase foundation thickness and add reinforcing steel bars

 - Revise Neutral Evaluation Process
 - Establish standards for conflicts of interest/professionalism

 - Impose restrictions on public adjusters
 - Similar to solicitation and advertising prohibitions which passed the Legislature last year in CS/CS/SB 2044



POSSIBLE SOLUTIONS

■ COMBINATION OF PRIVATE MARKET REFORMS AND TRANSITIONAL REINSURANCE FACILITY

- Future forward – statutory changes could have full effect in 5 or more years
- The tail – a facility could be used as a transition mechanism to give immediate effect to the legislative intent
- Once statutory changes take full effect:
 - Law would be settled;
 - Tail would expire;
 - Facility could become obsolete; and
 - Private market should be healthy and, provided the statutory changes were effective, it could provide coverage for real sinkholes

CHOOSE & IMPLEMENT A SOLUTION

- Without immediate action and a tail solution:
 - Some carriers will go insolvent
 - Private market destabilization will worsen
 - Citizens will grow
 - Assessments and premiums continue to increase

- The time is now





Settling Your Sinkhole Claim Where to Find Help

Resolving Disputed Sinkhole Claims

If your insurance company has denied a sinkhole claim or you cannot agree on the method of repair and remediation, the Florida Department of Financial Services is available to assist you through its Neutral Evaluation program. This process, which involves the use of a state-certified Neutral Evaluator, is authorized through Florida Statute 627.7074.

Your insurance company is required to pay all costs associated with the Neutral Evaluation program.

How Does the Neutral Evaluation Program Work?

The Neutral Evaluation program provides a professional engineer or geologist to serve as an objective third party to determine the existence of a sinkhole loss and the method of repair and remediation. The evaluator will schedule a conference with you and your insurance company to gather information to help him or her reach a decision.

Neutral Evaluation is mandatory if requested by you or your insurer. The evaluation is nonbinding, and both parties retain their right to pursue legal action. The evaluator's written recommendation is admissible in any subsequent legal action.

You and your insurer may settle the claim at any time during this procedure. If no agreement is reached, the evaluator will file a report stating that the sinkhole loss has been verified or eliminated. If verified, the report will include estimated costs for stabilizing the land and any covered structures or buildings and other remediation or structural repairs. Copies of the report will be sent to all involved parties and the Department.

If the evaluator verifies the existence of a sinkhole, and the estimated costs for loss and repair exceed the amount the insurer has offered to pay, and the insurer must pay up to \$2,500 in attorney fees for the attorney's participation in the Neutral Evaluation process.

How Do I Request the Use of a Neutral Evaluator?

Either you or your insurance company representative may initiate the use of a Neutral Evaluator. To request an evaluator, you will need to fill out the [Request for Neutral Evaluation Form \(DFS-14-1784\)](#), which must include the reason for the request and an explanation of the issues in dispute.

Then What?

DFS will provide a list of certified Neutral Evaluators to you and your insurance company. You have 10 business days to mutually select an evaluator. If you and your insurer cannot agree on one within 10 business days, the Department will appoint an evaluator from the list.

Once assigned, the evaluator has five business days to notify you and your insurer of the date, time and place of the conference. The conference will be scheduled within 45 days after the receipt of the request, and can be conducted by telephone if desired.

You have the right to request a DFS insurance specialist be available for consultation if you are participating without an attorney. The specialist will provide detailed information about the program, and help you understand technical information concerning your claim. The specialist cannot provide legal advice.



• Florida Association of •
Sinkhole Stabilization Specialists

**NOT COVERED
UNDER THE
PROPOSED
"STRUCTURAL
DAMAGE"
DEFINITION**

