



Insurance & Banking Subcommittee

Tuesday, November 5, 2013

1:00 PM

Sumner Hall (404 HOB)

MEETING PACKET

Committee Meeting Notice

HOUSE OF REPRESENTATIVES

Insurance & Banking Subcommittee

Start Date and Time: Tuesday, November 05, 2013 01:00 pm

End Date and Time: Tuesday, November 05, 2013 03:00 pm

Location: Sumner Hall (404 HOB)

Duration: 2.00 hrs

Presentation by Citizens Property Insurance Corporation regarding the following:

- Implementation of the Clearinghouse Program
- Status report on the November and December takeouts

Presentation regarding Florida's workers' compensation rates and competitiveness in the market

NOTICE FINALIZED on 10/29/2013 15:23 by McCloskey.Michele



The Florida House of Representatives

Regulatory Affairs Committee

Insurance & Banking Subcommittee

Will Weatherford
Speaker

Bryan Nelson
Chair

AGENDA

Tuesday, November 5, 2013

404 HOB

1:00 pm – 3:00 pm

- I. Call to Order
- II. Roll Call
- III. Presentation regarding Florida's workers' compensation rates and competitiveness in the market
 - a. Kevin M. McCarty, Insurance Commissioner
Florida Office of Insurance Regulation
 - b. Gary Guzzo, Legislative Consultant to
National Council on Compensation Insurance (NCCI)
- IV. Presentation by Citizens Property Insurance Corporation regarding the following:
 - a. Status report on the November and December takeouts
 - b. Implementation of the Clearinghouse Program

Christine Ashburn, Vice President of Communications, Legislative & External Affairs
- V. Adjournment

Workers' Compensation Insurance Market

House Insurance & Banking Committee

November 5, 2013

Kevin M. McCarty
Insurance Commissioner

Workers' Compensation Insurance Rate Regulation

- Prior approval in Florida (rates, rating plans, forms)
- National Council on Compensation Insurance (NCCI) files rates, rating plans and forms on behalf of all insurers



OIR Rate Review

Overall Standard:

Rates may not be excessive, inadequate, or unfairly discriminatory

Some factors considered:

- Past and prospective loss experience
- Underwriting profit and contingencies
- Investment income
- Past and prospective expenses
- Any other relevant/judgment factors



Rating Plans

- Experience rating plan
- Premium discounts by policy size
- Drug-free workplace premium credit
- Employer safety premium credit
- Florida Contracting Classification Premium Adjustment Program
- Small deductibles
- Coinsurance



Insurer Competition Based on Price

- Large deductibles
- Retrospective rating plans
- Policyholder dividends
- Deviations
- Intermediate deductibles
- Consent-to-rate



Insurer Competition Based on Factors Other Than Price

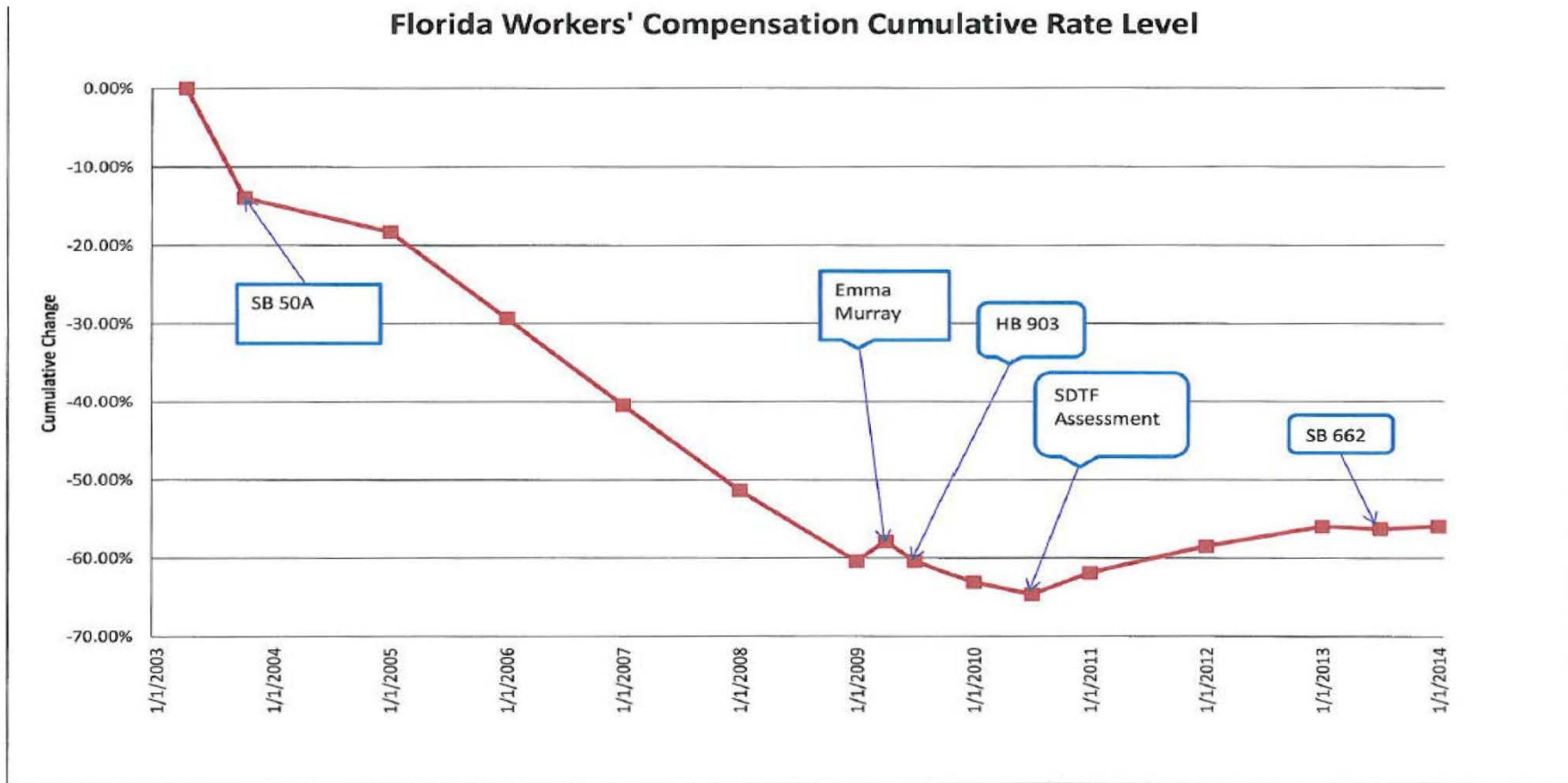
- Premium payment plans
- Specialized loss control
- Claims handling and fraud detection
- Higher agent commissions
- Policyholder services (auditing, policy issuance or Certificates of Insurance)

Workers' Compensation Market Since 2003

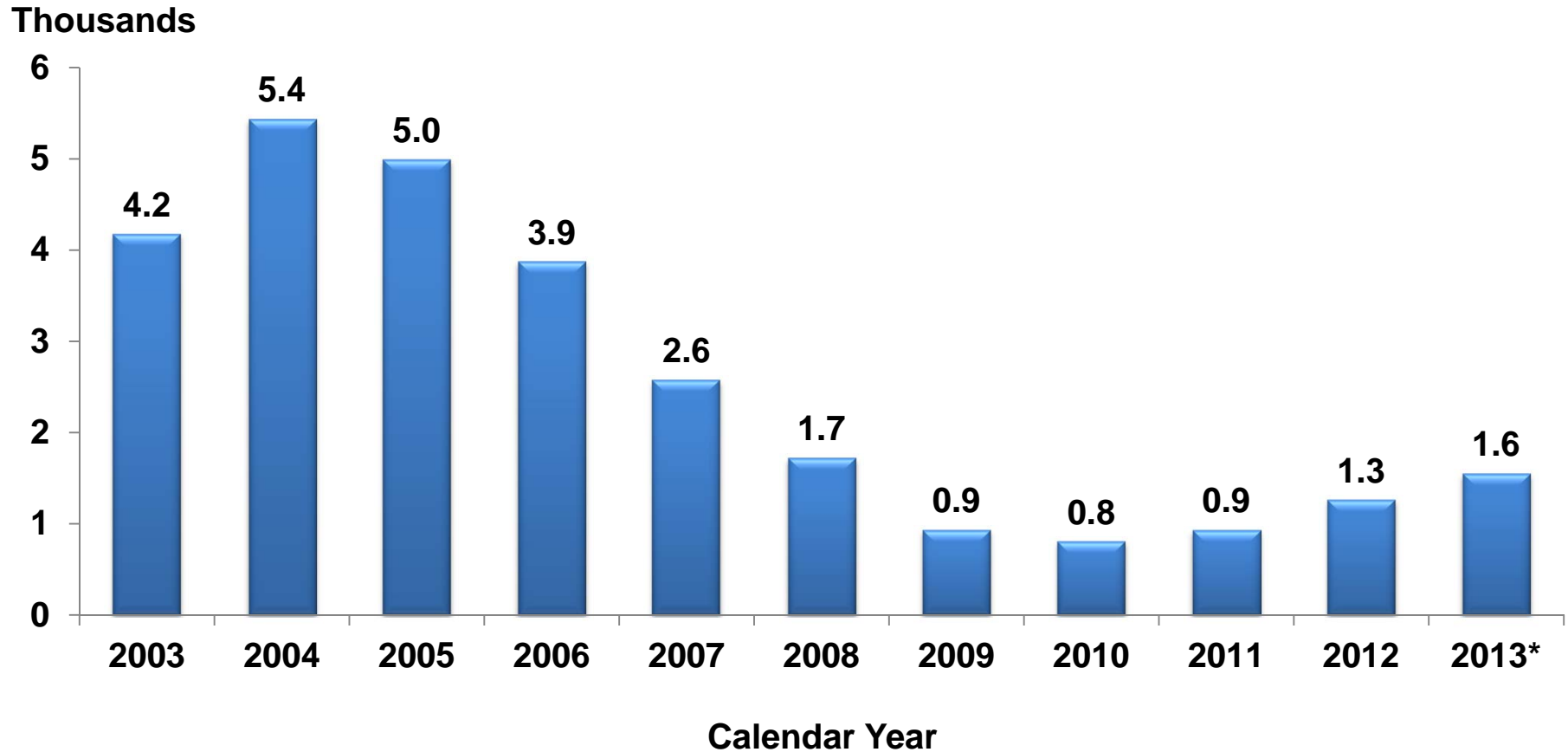
- Overall rate reduction of 56%
- Relatively small residual market
- More carriers actively writing (236 to 248)
- Competitive-based market concentration



Rate Levels Since 2003 Reform Legislation



Florida Workers' Compensation Joint Underwriting Association (WCJUA) Policy Count



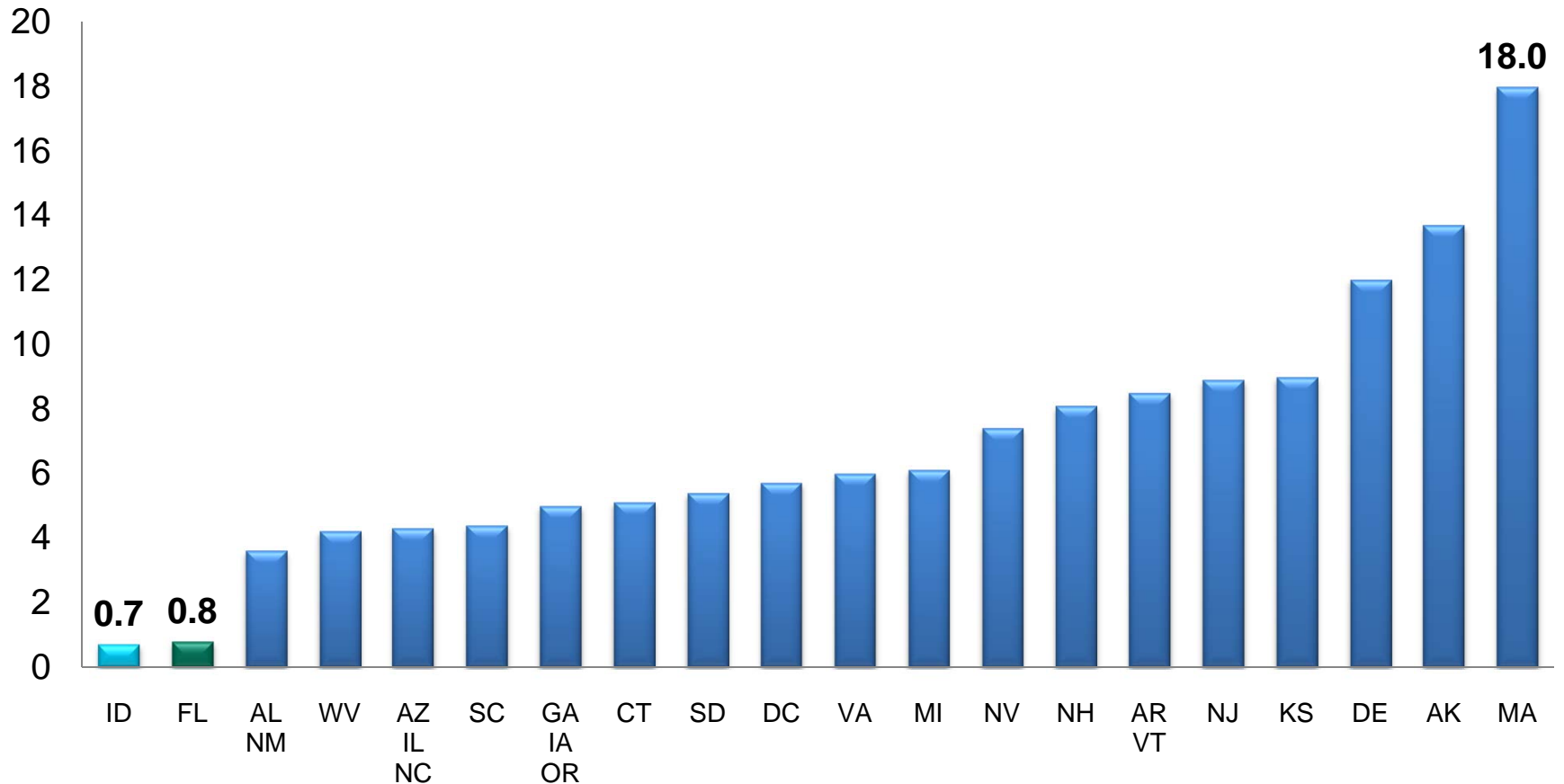
Source: Florida WCJUA, Inc.
*Projected



Residual Market Share

Calendar Year 2012

Percent (%)



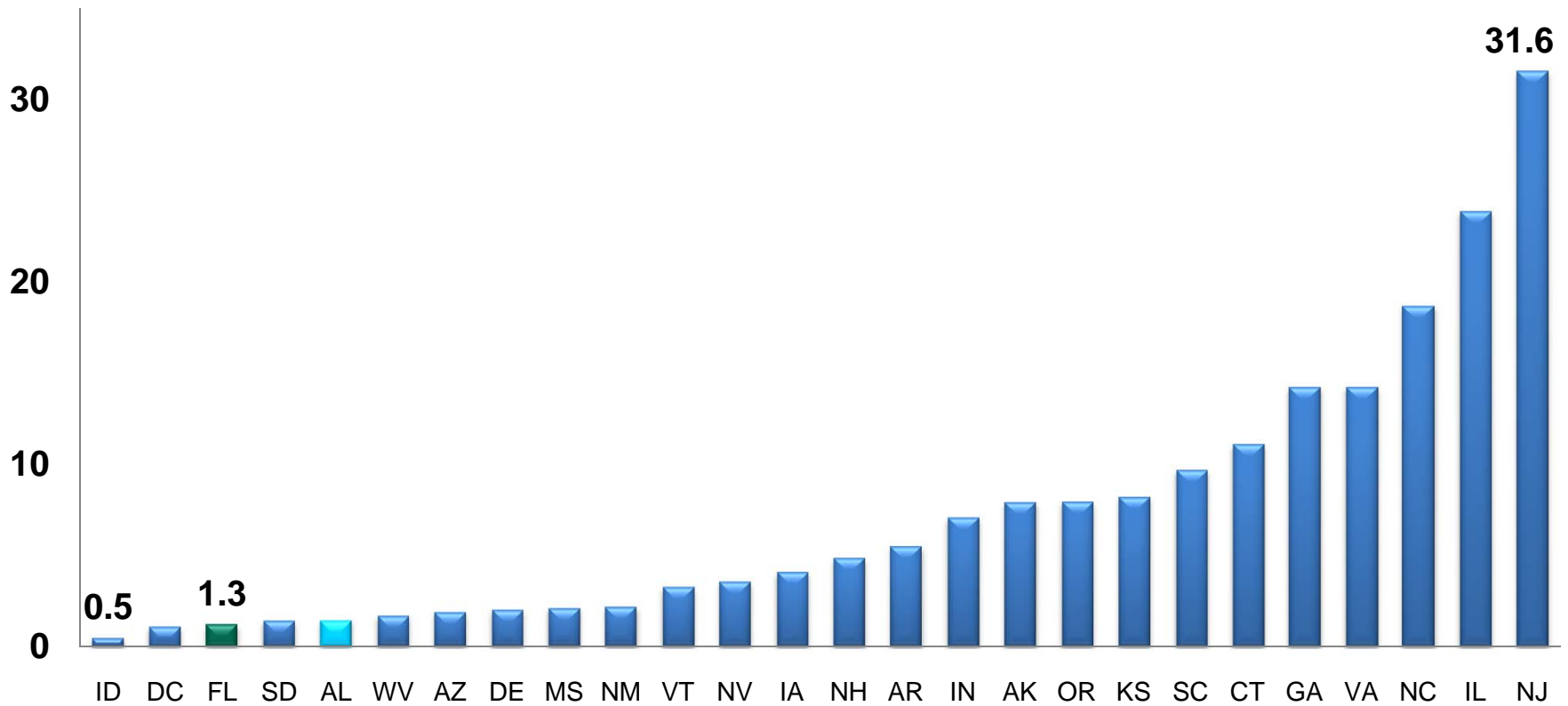
Data is evaluated as of 12/31/2012
Source: NCCI



Residual Market Share Policy Count

Policy Year 2012

Thousands



Data is evaluated as of 12/31/2012
Source: NCCI



Conclusion

- Market is functioning well
- Market is competitive
- Rates have been reduced 56% since 2003 reforms
- More insurers are actively writing in Florida
- Monitor pending court cases



Questions?

Kevin M. McCarty
Florida Insurance Commissioner
Kevin.McCarty@flair.com



Kevin McCarty began his career in public service in 1988 becoming an expert in workers' compensation issues with the Department of Labor & Employment Security. His experience gained him a position with the Florida Department of Insurance in 1991. In 1992, McCarty became a point-man to implement strategies to improve the private marketplace following the devastation of Hurricane Andrew.

The Governor and Florida Cabinet announced McCarty as the first appointed insurance commissioner in January 2003.

Throughout his career, McCarty has cited three main principles that have guided his vision of government's role in society: 1.) Government should serve and ultimately be accountable to the people; 2.) Government should be transparent in its operations, and treat its clients fairly and equitably; and 3.) Government should promote a vibrant, competitive marketplace while protecting those unable to protect themselves.

McCarty has cemented his reputation as an innovator utilizing technology to improve the regulatory process, with the electronic rate and form filing and application processes, increasing speed to market for insurers and reducing administrative costs for insurers. He is a fierce defender of seniors and historically discriminated minorities and a national leader on national catastrophe strategy.

He continues to focus on stabilizing the Florida property insurance market, implementing personal injury protection (PIP) reform and protecting Florida's consumers. McCarty continues to support depopulation efforts of the state-run property insurer, Citizens Property Insurance Corporation. He has played a key role over the years in promoting lower workers' compensation premiums, and chairs the state's cost containment board – the Workers' Compensation Three Member Panel. McCarty is also the chair of the Florida Health Insurance Advisory Board. In that capacity, he will work with Florida's leadership on state and federal regulations concerning health care and health care reforms.

McCarty remains committed to promoting growth and attracting capital to the Florida insurance market through continued interactions with domestic and foreign companies as well as global reinsurers and investor groups. As an advocate for encouraging business and capital growth, McCarty supports expanded opportunities for international insurers to operate in Florida.

He was a leader in turning the life industry to a different paradigm returning millions of dollars to consumers through market conduct exams of life insurance companies' use of the Social Security Administration's Death Master File (DMF). The Office, through combined efforts with Chief Financial Officer Jeff Atwater and Attorney General Pam Bondi, was the first insurance regulator in the nation to enter into a regulatory settlement agreement requiring corrective actions pertaining to these claims settlement practices and the reporting and remitting of unclaimed property. Florida currently chairs the task force created by the National Association of Insurance Commissioners (NAIC) to guide and coordinate the multi-state examination process.

McCarty's work within the NAIC ensures Florida consumers and insurers have a voice on national insurance issues. He served as President of the NAIC in 2012, and achieved the organization's key initiatives which included: approving changes to the Actuarial Guideline 38 (AG38); and the adoption of the Valuation Manual for implementing Principle Based Reserving. Florida will participate in over 50 committees, task forces and work groups in 2013, of which Florida will chair five. McCarty also serves as Secretary of the Non-Admitted Insurance Multi-State Agreement (NIMA) group.

He has elevated Florida's international presence by serving as a NAIC representative on the International Association of Insurance Supervisors' (IAIS) Executive and Technical Committees and is the co-vice chair of the IAIS Executive Committee.

McCarty has been privileged to testify on several occasions before the U.S. Congress on a number of insurance related matters.

McCarty and the Office received the 2010 Esprit de Corps Award for outstanding service to the NAIC. He was selected for the Spirit of Independence Award in 2011 from the National Association of Health Underwriters for his work to preserve the role of health insurance agents in light of federal health care reforms. He was also selected as the 2008 Regulator of the Year by LexisNexis.

McCarty received his bachelor's degree and Juris Doctorate from the University of Florida.



Florida

Workers Compensation Market 2013

November 5, 2013

What is NCCI?

- Manager of the nation's largest database of workers compensation information
- Organized over 80 years ago
- Membership organization operating under not-for-profit philosophy
- Provides workers compensation information, tools, and services to:
 - More than 900 reporting organizations; and
 - Approximately 40 state governments



NCCI's Role in Florida

Statistical Agent

- Collection and validation of various types of data
- Summarizing data and providing reports to OIR

Advisory/Rating Bureau

- Filing of rates & rating values
- Production of experience rating modifications
- Develop/Maintain classification system
- Develop/Maintain state specific programs
- Regulatory & legislative reform analysis

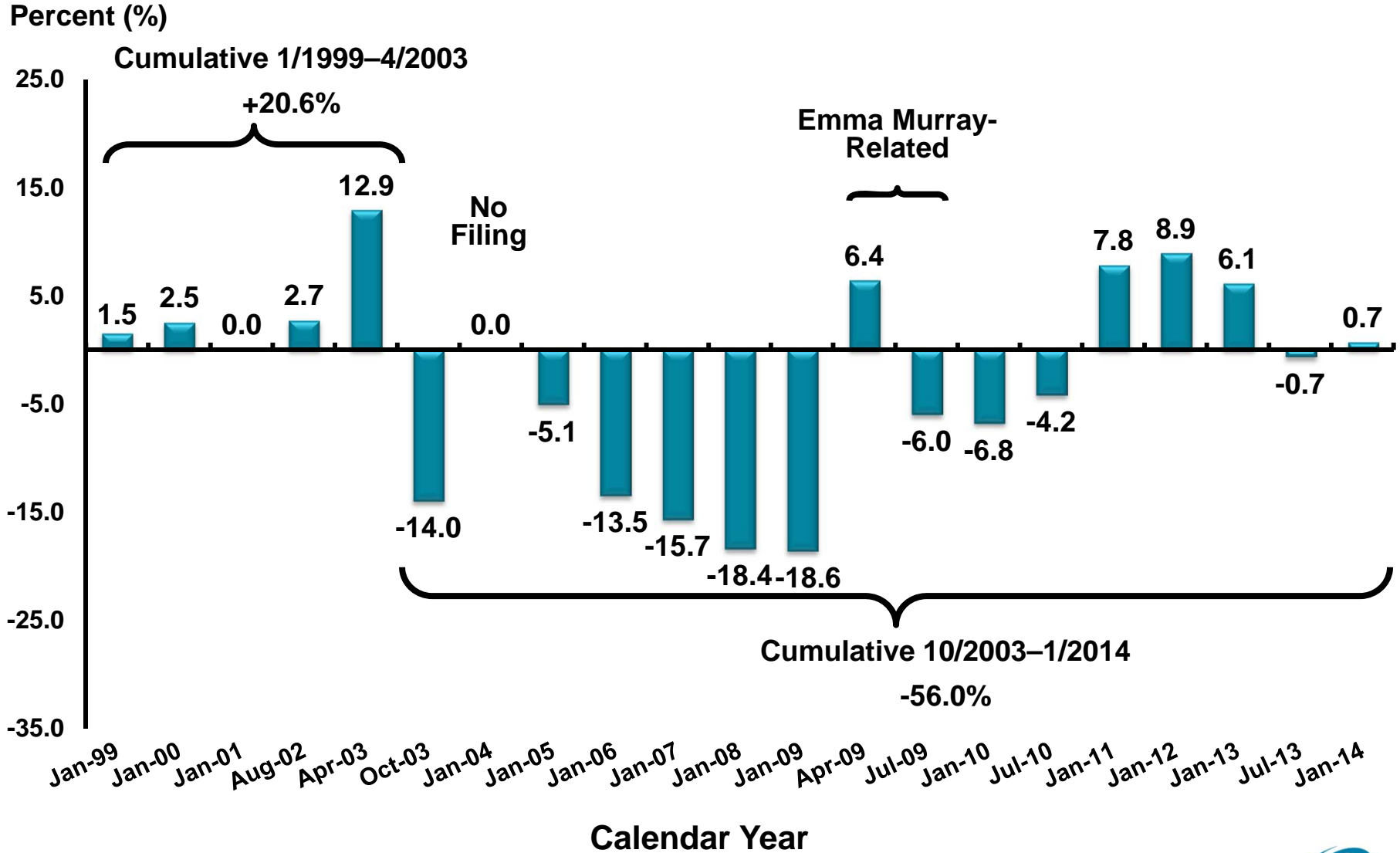


Florida Workers Compensation Rates

	Approved Change 1/1/2014	Cumulative Change 10/1/2003 – 1/1/2014
Manufacturing	-3.5%	-53.9%
Contracting	+3.2%	-57.6%
Office & Clerical	0.0%	-58.3%
Goods & Services	+0.8%	-54.4%
Miscellaneous	+0.6%	-54.1%
Overall Average	+0.7%	-56.0%



Florida Historical Rate Changes



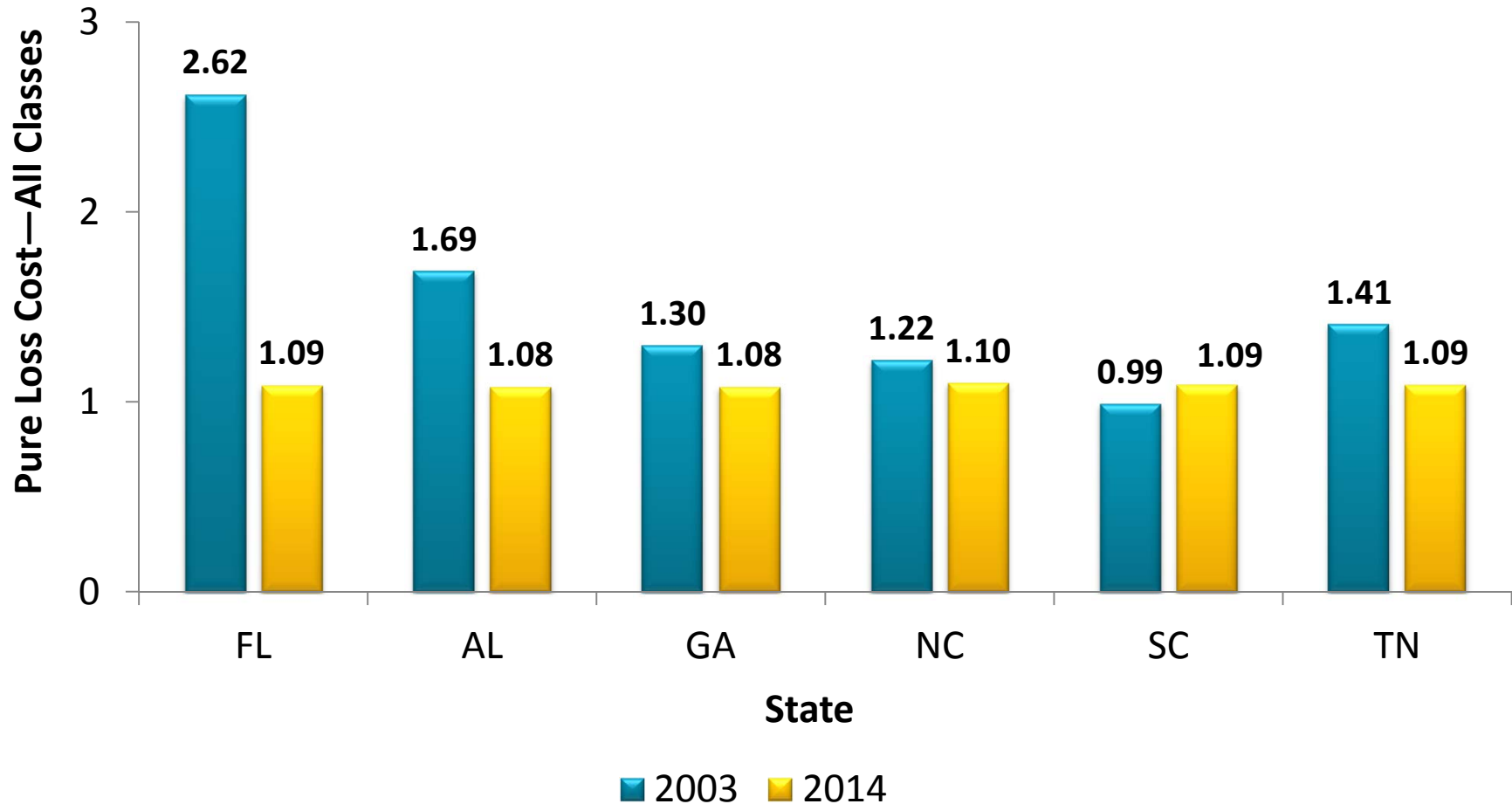
SB 50A –Effective 10/1/03

- Dropped Florida from ranking of #1 (2000) or #2 (2002) highest rates in the country to at one time 12th lowest (2010) – Oregon study
- Florida rates dropped 64.7%* from 10/1/03 to 7/1/10 (lowest point)
- Most significant changes from a rate perspective in SB 50A:
 - Tightening of standard for permanent total disability
 - Limitation on attorney fees (change from hourly fee to sliding scale based on percentage of benefits secured)
- In recently producing 1/1/14 rates, NCCI notes that Florida has reached point of rate stability for first time since 2003 reform
- Rate changes within +/-5% generally reflect “normal” year to year changes

* Note that there were other events impacting the workers compensation system during the last decade, such as an economic boom followed by an economic bust. NCCI is unable to isolate the impact of SB 50A from these or any other events. NCCI does however assume that SB 50A is a large contributor to the 64.7% decrease.



Current Average Voluntary Pure Loss Costs Using Florida's Payroll Distribution

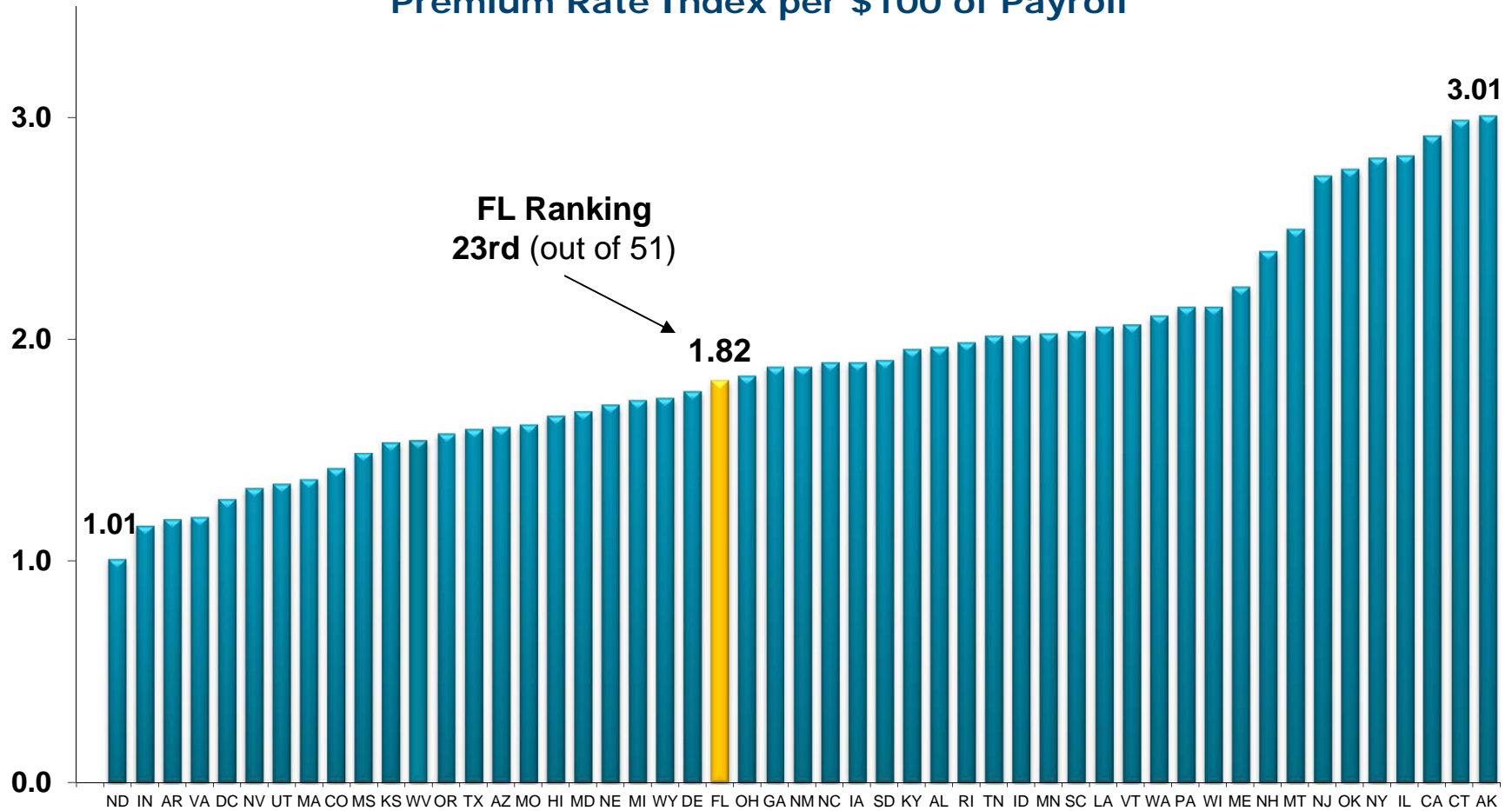


Based on the latest NCCI approved rates and loss costs in the various states



Workers Compensation Premium Rate Ranking

Premium Rate Index per \$100 of Payroll



Source: 2012 Oregon Workers' Compensation Premium Rate Ranking Summary
 Indexes based on rates in effect on January 1, 2012



Cost Drivers: FL Outpaces Countrywide in Two Areas of Medical

- **Drugs (2013 cap on drug repackaging may help but will not likely eliminate differential between FL and CW)**
- **Facilities (Hospital Inpatient/Outpatient, Ambulatory Surgical Centers)**

Examples of Cost Control Initiatives in Other States:

- **Drugs - Restrict physician dispensing, lower reimbursement rate, lower dispensing fee, introduce drug formulary**
- **Facilities – Move from charge-based system to multiple of Medicare**

Morales v. Zenith Insurance Company¹

Background

The estate of a landscaper killed on the job sought workers' compensation benefits and also filed a wrongful death action in state court against the employer. The employer's insurance policy provided both workers' compensation insurance (Part I of the policy) and employer liability insurance (Part II of the policy). Part II of the policy contained an exclusion barring employer liability insurance coverage for "any obligation imposed by a workers' compensation...law" (the workers' compensation exclusion).

The Workers' Compensation Claim

The insurer settled the workers' compensation claim (Part I coverage) while the wrongful death action was ongoing. The settlement agreement included an "Election and Waiver" providing that the estate waived all rights to any workers' compensation benefits and specified that the agreement constituted an election of remedies by the estate with respect to the employer and the insurer as to coverage provided to the employer.

The Wrongful Death Action

The insurer began its defense of the employer in the wrongful death action, but was subsequently allowed to withdraw from the case due to the employer's failure to cooperate. The employer also failed to cooperate with discovery. As a sanction, the court struck the employer's pleadings and entered a default judgment for the estate. After a trial on damages, a jury awarded the estate \$9.25 million.

The Estate's Lawsuit Against the Insurer to Recover the Damages Award

The estate then filed a lawsuit against the insurer in state court to collect the damages award, alleging that the insurer had breached its insurance policy with the employer by not paying the judgment in the wrongful death case. The insurer removed the case to federal court, which granted summary judgment to the insurer. The court found that the workers' compensation exclusion in Part II of the insurance policy (which provided employer liability insurance coverage) barred coverage of the award by the insurer. The court determined that the lawsuit fell within the exclusion because it "triggered an obligation imposed by" Florida's workers' compensation law.

In its decision, the court cited Florida case law holding that a workers' compensation exclusion in a liability insurance policy barred coverage of an employee's negligence-based tort claim, and distinguished a Florida case stating that such an exclusion did not bar coverage. Among other matters, the court noted that allowing the estate to collect in the tort action would permit double dipping, as the estate would be allowed to recover under workers' compensation and in tort. Additionally, the court found that the insurer did not waive its defense based on the workers' compensation exclusion in Part II of the policy by withdrawing from the employer's defense in state court, as a contractual exclusion can always be raised to contest coverage.

¹ 714 F.3d 1220 (11th Cir. 2013).

The Estate's Appeal

The estate appealed to the United States Court of Appeals for the Eleventh Circuit (11th Circuit). The 11th Circuit determined that resolution of the appeal depended on resolution of unsettled Florida law, and certified the following questions to the Florida Supreme Court for determination under Florida law.

1. Does the estate have standing to bring its breach of contract claim against the insurer under the employer liability policy?
2. If so, does the provision in the employer liability policy which excludes from coverage "any obligation imposed by workers' compensation...law" operate to exclude coverage of the estate's claim against the insurer for the tort judgment?
3. If the estate's claim is not barred by the workers' compensation exclusion, does the release in the workers' compensation settlement agreement otherwise prohibit the estate's collection of the tort judgment?

The case is scheduled for oral argument before the Florida Supreme Court on March 5, 2014.

Westphal v. City of St. Petersburg²

Background

An injured firefighter who had received 104 weeks of temporary disability indemnity benefits, the maximum duration under Florida's workers' compensation law, sought permanent total disability benefits. The Judge of Compensation Claims (JCC) denied the request, finding that since the firefighter had not reached "maximum medical improvement"³ he was not eligible for permanent total disability benefits.

Appeal from Decision of the JCC

On appeal, the First District Court of Appeal (1st DCA) reversed, holding that the 104-week limit on temporary disability benefits violated the Florida Constitution, denying access to courts to workers who remain totally disabled but are still improving when their temporary benefits expire. The 1st DCA also revived a repealed portion of the workers' compensation statute that had provided up to 260 weeks of temporary total benefits for injured employees (the maximum duration had been reduced from 260 weeks to 104 weeks in 1994). The State of Florida and the City of St. Petersburg then successfully moved for rehearing en banc (before the entire panel of judges).

² 2013 WL 5302584 (Fla. App. 1 Dist.).

³ Florida's workers' compensation law defines "date of maximum medical improvement" as the date after which further recovery from, or lasting improvement to, an injury or disease can no longer reasonably be anticipated, based upon reasonable medical probability. See s 440.02(10), F.S.

En Banc Decision of the 1st DCA

Upon rehearing, the 1st DCA withdrew the panel opinion that held the 104-week limitation unconstitutional, and held that a worker who is totally disabled as a result of a workplace accident and remains totally disabled by the end of their eligibility for temporary total disability benefits is deemed to be at maximum medical improvement by operation of law and is therefore eligible to assert a claim for permanent and total disability benefits. The 1st DCA also reversed the order of the JCC, remanded the case for consideration of the permanent total disability claim, and certified the case for review by the Florida Supreme Court on the ground that the decision concerns the following question of great public importance:

Is a worker who is totally disabled as a result of a workplace accident, but still improving from a medical standpoint at the time temporary total disability benefits expire, deemed to be at maximum medical improvement by operation of law and therefore eligible to assert a claim for permanent and total disability benefits?

Castellanos v. Next Door Company⁴

Based on the formula for calculating workers' compensation attorney fees set forth in s. 440.34(1), F.S., a Judge of Compensation Claims awarded the attorney for an injured employee \$164.54 in fees for 107.2 hours of legal work that was legally necessary to secure the employee's workers' compensation benefits. The fee award was affirmed on appeal. The First District Court of Appeal (1st DCA), based on past decisions of the court, found the statutory attorney fee provision constitutional on its face and as applied. Due to the circumstances of the case, the 1st DCA also certified to the Florida Supreme Court the following question of great public importance.

Whether the award of attorney's fees in this case is adequate, and consistent with the access to courts, due process, equal protection, and other requirements of the Florida and Federal Constitutions.

⁴ 2013 WL 5744449 (Fla. App. 1 Dist.).

Citizens Property Insurance Corporation

Christine Ashburn, Vice President of Communications, Legislative & External Affairs

November 5, 2013



Traditional Depopulation Overview

Depopulation Overview

Florida law requires Citizens Property Insurance Corporation to “adopt one or more programs subject to approval by the Office [of Insurance Regulation] for the reduction of both new and renewal writings in the corporation.”

At any point in time, a licensed authorized company may request, for purposes of depopulation and subject to an appropriate confidentiality agreement, a data file of policies from Citizens. All policies not currently pending cancellation, not set for non-renewal or tagged for another insurer as described below, will be included in the data file.

Companies begin the assumption process with the Office of Insurance Regulation (Office). Companies must meet or exceed Florida’s rigorous statutory requirements to attain a license from the Office to sell property insurance in the state. The Office will issue a Consent Order approving the company to participate. Citizens uses the Consent Order and approved takeout plan to facilitate the assumption process.

Depopulation Overview

At least 100 days
prior to
assumption date

- Takeout companies (TOCs) apply to the Office by submitting a Depopulation Plan
- Specific requirements are located at <http://www.floir.com/sections/pandc/takeoutcompanies.aspx>
- The Office review process can take up to 30 days

60 – 70 days *prior*
to assumption
date

- The Office will issue a Consent Order approving the company to participate in a specific assumption
- Consent Orders traditionally, require the following:
 - TOCs shall allow agents a minimum of 14 days to review solicitations
 - Agents must accept appointment from TOC prior to affected policyholders are notified
 - TOCs shall give at least 30 days advance notice to affected policyholders of pending assumption
 - Financial reporting to the Office
- TOCs execute an Assumption Agreement with Citizens
- TOCs submits a logo and signature block for Certificate of Assumption letters

Depopulation Overview

30 - 45 days *prior*
to assumption
date

- The TOCs policy selection must be submitted to Citizens. By submitting this selection file, the TOC is certifying that all associated agents have either been appointed by the assuming TOC or agreed to have their policies assumed under the provisions of “Consumer Choice.”
 - Citizens validates policy selection and if necessary runs algorithm to assign duplicate policy selections
 - Citizens returns the Opt Out Mailer list to TOCs
- TOCs mails Opt Out Letters and Forms to selected policyholders. The notification explains to the policyholder the 30-day pre assumption opt out timeframe and the 30-day post assumption opt out timeframe. The notice must be approved by the Office and Citizens and must be sent to every policyholder the TOC intends to assume. It is the TOCs responsibility to collect, retain and report responses from the notice.

- Per Consent Order 94539-08, TOCs must submit a list of policies associated with agents that have declined to participate or did not respond to the TOC (specific to assumption date).
 - Citizens mails Agent Decline Letter to affected policyholders.
- Citizens mails Encouragement Letters to selected policyholders.

Depopulation Overview

6 days *prior* to
assumption date

- The TOCs must provide the associated Citizens policy number for all policyholders that have chosen not to be assumed. Citizens will remove those policyholders from the TOCs policy selection file for that assumption date.
- Late Agent Agreements are policies where the declining agent decides to participate in the assumption after the policy selections have been submitted. These policyholders do *not* receive the Opt Out Mailer and Form mailed prior assumption.

Assumption Date

- Citizens processes the assumption and policies are 'tagged' as assumed. Successfully assumed policies are set to non-renew.
- TOCs become liable for losses that occur on or after the assumption date
- Citizens mails the Notice of Nonrenewal and Assumption and Certificate of Assumption
- Citizens provides a list of policies to the TOCs including successfully and unsuccessfully assumed policies
- Citizens provides a list of policies to the affected agents including successfully assumed policies

Depopulation Overview

5 – 7 days *post* assumption

- Citizens sends a Results Extract file to the TOCs (includes detailed policy level information of successfully assumed policies)

post assumption

- TOCs will continue to receive Opt Out Forms and will send to Citizens a spreadsheet on a monthly basis. Citizens will 'untag' eligible policies.
- Agents are notified via email of the successful/unsuccessful untags.
- Successfully untagged policyholders receive an Opt Out Confirmation Letter.
- Citizens releases Month End Extracts to TOCs for 14 months with updated policy information.

Depopulation Overview

Notes

- Citizens services assumed policies until the expiration date and the policy is renewed on the TOCs paper
- Agents are notified via email of the successful/unsuccessful untags.
- Successfully untagged policyholders receive an Opt Out Confirmation Letter.
- For 14 months after an assumption, Citizens releases Month End Extracts (reports) to TOCs which include the most current policy information.

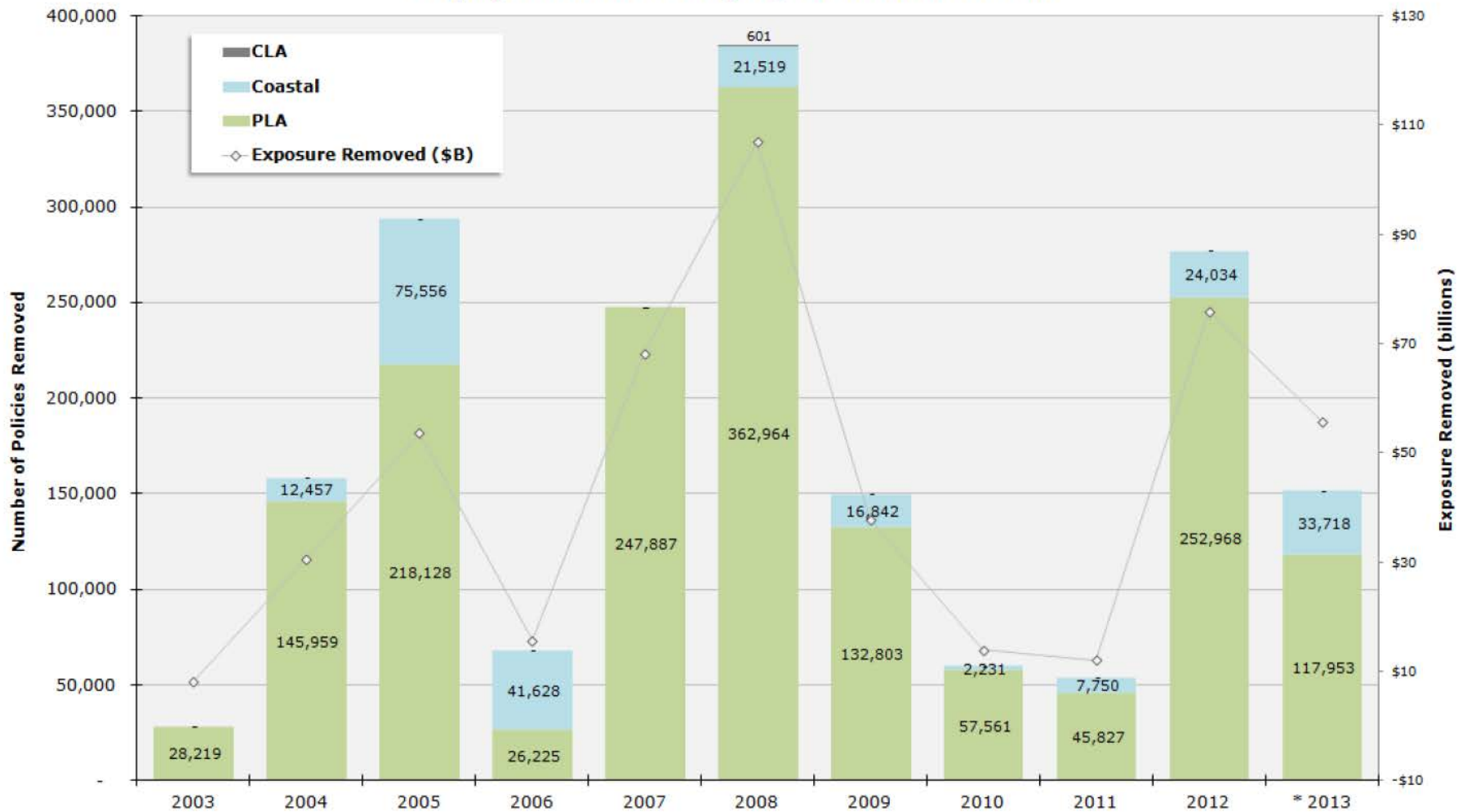
Citizens Depopulation Website

- Frequently Asked Questions
- Sample Letters and Documents
- Calendars
- Statistics
- Non-Bonus Takeout Plans

www.citizensfla.com/about/depoinfo.cfm

Historical Depopulation Activity (2003-2013)

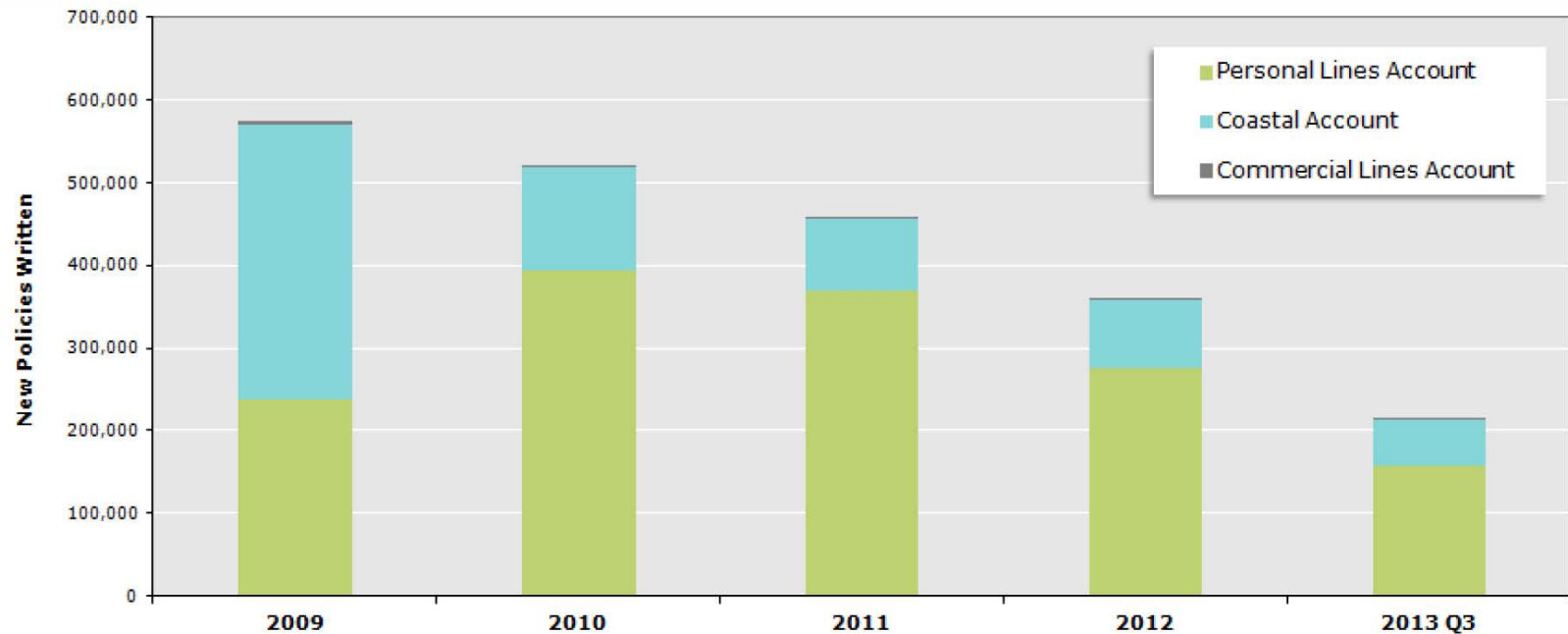
Depopulation Activity by Account and Year



Notes:

- 2013 data is as of 09/10/2013
- The number of policies and exposure removed are derived from the initial assumption; does not account for opt-out policies reported after the assumption date

Reduction in New Business

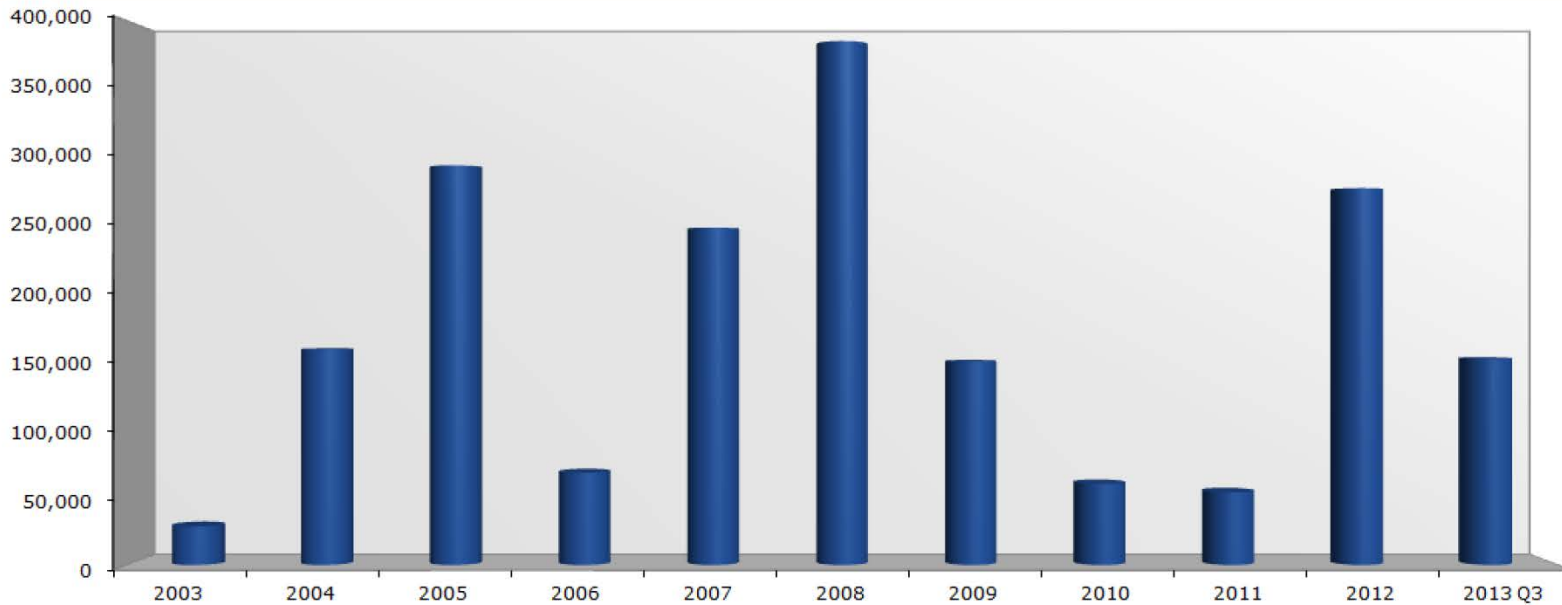


	Personal Lines Account	Coastal Account	Commercial Lines Account	Total
2009	236,659	334,401	3,454	574,514
2010	393,726	126,394	2,248	522,368
2011	369,995	86,728	1,841	458,564
2012	275,728	82,092	1,270	359,090
2013 Q3	156,634	57,392	696	214,722

Notes:

- 1) In February 2009, existing PR-W policies began transitioning to a new policy administration system, although new PR-W policies were written into the new system beginning in December 2008. The policies on the "old" system expired, with those policies renewed on the new system as "new business." Therefore, both the new business and expirations/non-renewals statistics are abnormally high. This trend continued through January 2010.
- 2) New Business includes any policy issued under a new policy number; prior study indicated approximately 10-15% of new business may be rewritten policies.
- 3) These figures are estimates based on month end snapshots of change in new business; counts are not based on transactional data.

Number of Policies Assumed by Year



Year	Total Participating Companies	Total Policies Assumed	Citizens Inforce Policies	Assumed Policies as % of Prior Year's Total Policy Count	Total Exposure Assumed	Citizens Inforce Exposure	Assumed Exposure as % of Prior Year's Total Exposure
2003	1	28,219	820,255	3.3%	\$8,140,681,906	\$217,450,883,067	3.6%
2004	4	158,416	873,996	19.3%	\$30,663,076,480	\$230,720,440,860	14.1%
2005	10	293,684	810,017	33.6%	\$53,658,840,059	\$234,862,370,160	23.3%
2006	4	67,853	1,298,922	8.4%	\$15,637,589,369	\$410,403,433,613	6.7%
2007	7	247,887	1,304,949	19.1%	\$68,259,426,361	\$500,504,349,762	16.6%
2008	14	385,084	1,084,237	29.5%	\$106,870,490,165	\$413,551,149,539	21.4%
2009	11	149,645	1,029,214	13.8%	\$37,784,506,743	\$405,990,629,344	9.1%
2010	6	59,792	1,283,538	5.8%	\$13,888,913,857	\$460,703,299,504	3.4%
2011	3	53,577	1,472,391	4.2%	\$12,057,882,629	\$510,675,120,913	2.6%
2012	7	277,002	1,314,811	18.8%	\$75,927,165,347	\$429,424,399,130	14.9%
2013 Q3	9	151,671	1,222,166	11.5%	\$55,696,749,927	\$373,166,709,667	13.0%

Note: The number of assumed policies does not account for any opt-out policies reported after the assumption date

Citizens' Existing Book of Business

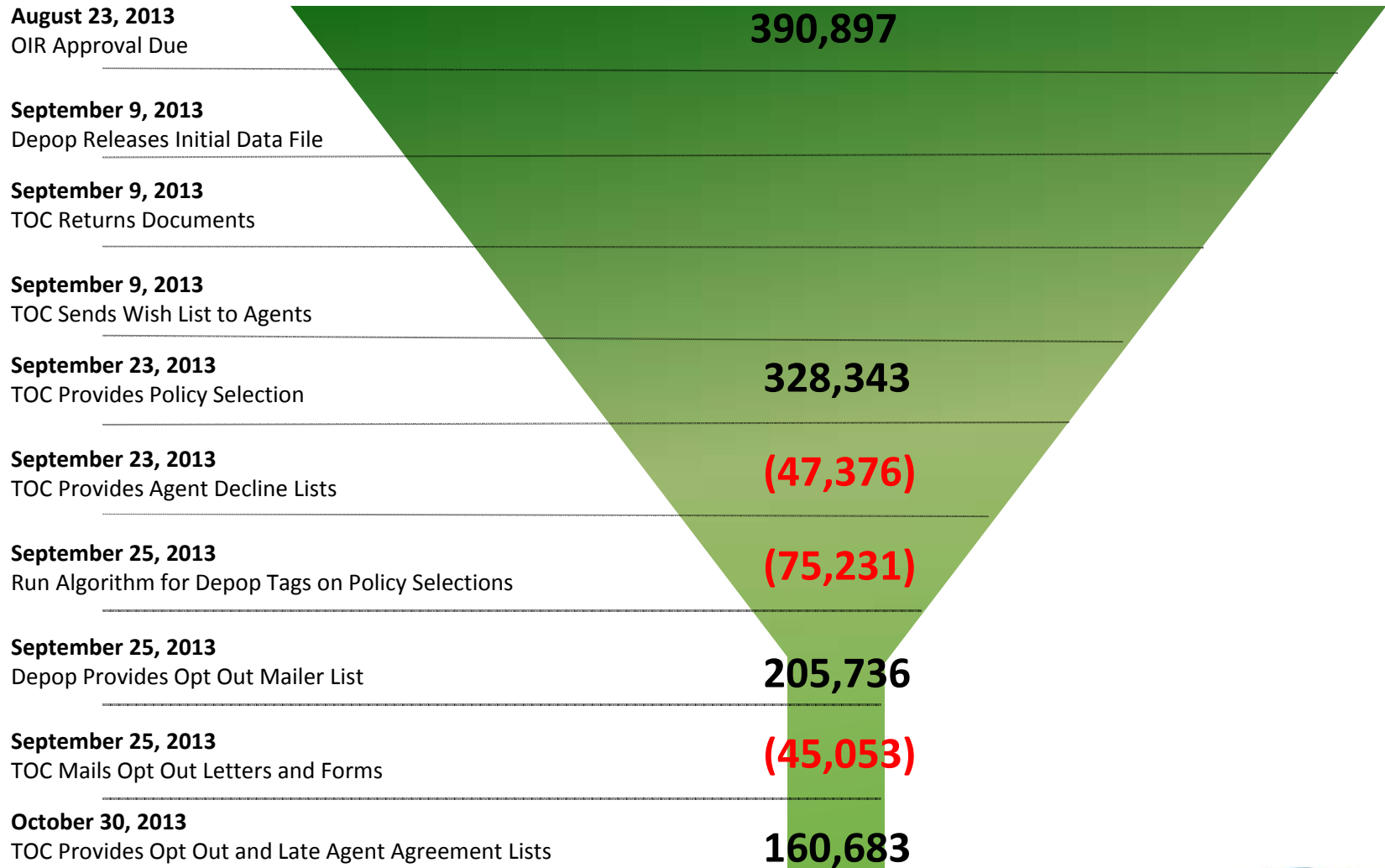
Account	Policies Inforce	Premium	Total Exposure	100-Year Probable Maximum Loss
Personal Lines	787,616	\$ 1,303,759,492	\$ 156,127,893,745	\$ 5,305,558,000
Coastal	415,103	\$ 1,124,368,321	\$ 176,271,393,992	\$ 11,987,983,000
Commercial Lines	7,746	\$ 197,496,723	\$ 37,704,310,946	\$ 1,208,052,000
TOTAL	1,210,465	\$ 2,625,624,536	\$ 370,103,598,683	\$ 18,623,156,000

As of June 30, 2013

Depopulation Progress

- Policy estimates for November include 205,000 assumptions out of 392,000 requests. Final count 160,683 policies being removed.
- There are 220,000 requests being sent in December and another 100,000 being sent in January 2014.
- Reasonable projection for policy count at the end of January 2014 is below 1 million. Lowest policy count since mid-2006.

November Depopulation Overview



Assumption date: November 5, 2013

What Could Citizens Look Like?

Properties Citizens will likely cover as the Insurer of Last Resort include the following characteristics:

- Coastal Properties
- Older Homes
- Older Mobile Homes
- Portion of the Sinkhole Prone areas
- Older, Taller and Higher Value Condominium Associations
- Rental Properties
- Commercial Non-Residential

Policy Count				
	9/30/2013	Returned to Private Market *	Citizens Retains	Percent Reduction
PLA	797,305	445,000	352,305	56%
Coastal Account	417,134	46,000	371,134	11%
CLA	7,727	4,000	3,727	52%
Total	1,222,166	495,000	727,166	41%

* Returned to Private Market counts include expected November and December 2013 takeout policy counts adjusted at a rate of 30% for opt outs

Citizens Property Insurance Clearinghouse Update

Clearinghouse Goals and Benefits

Goals:

- Ensure that all Citizens applicants have access to every possible private insurance option, including better policy coverage, before choosing Citizens
- Ensure that all Citizens renewal customers have expanded access to every possible private insurance option, including better policy coverage, before choosing to renew with Citizens
- Provide private carriers expanded market distribution
- Ensure that only policies meeting statutory eligibility requirements are placed with Citizens

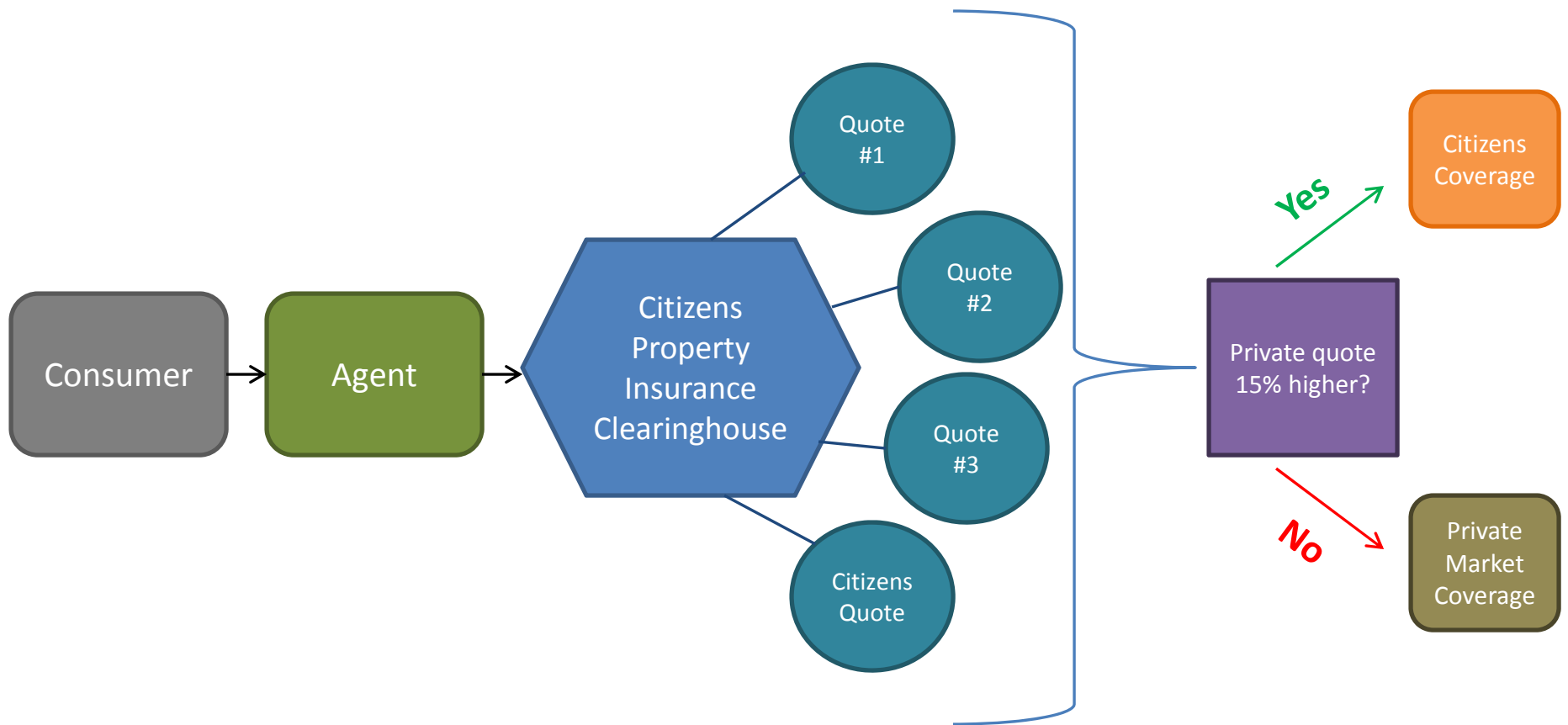
Benefits for the State:

- Gives applicants a clear picture of their private market options
- Reduce homeowners' assessment liability by shrinking Citizens
- Expand the private carrier access to potential policyholders
- Creates a mechanism for shrinking Citizens and returning it to a true market-of-last resort

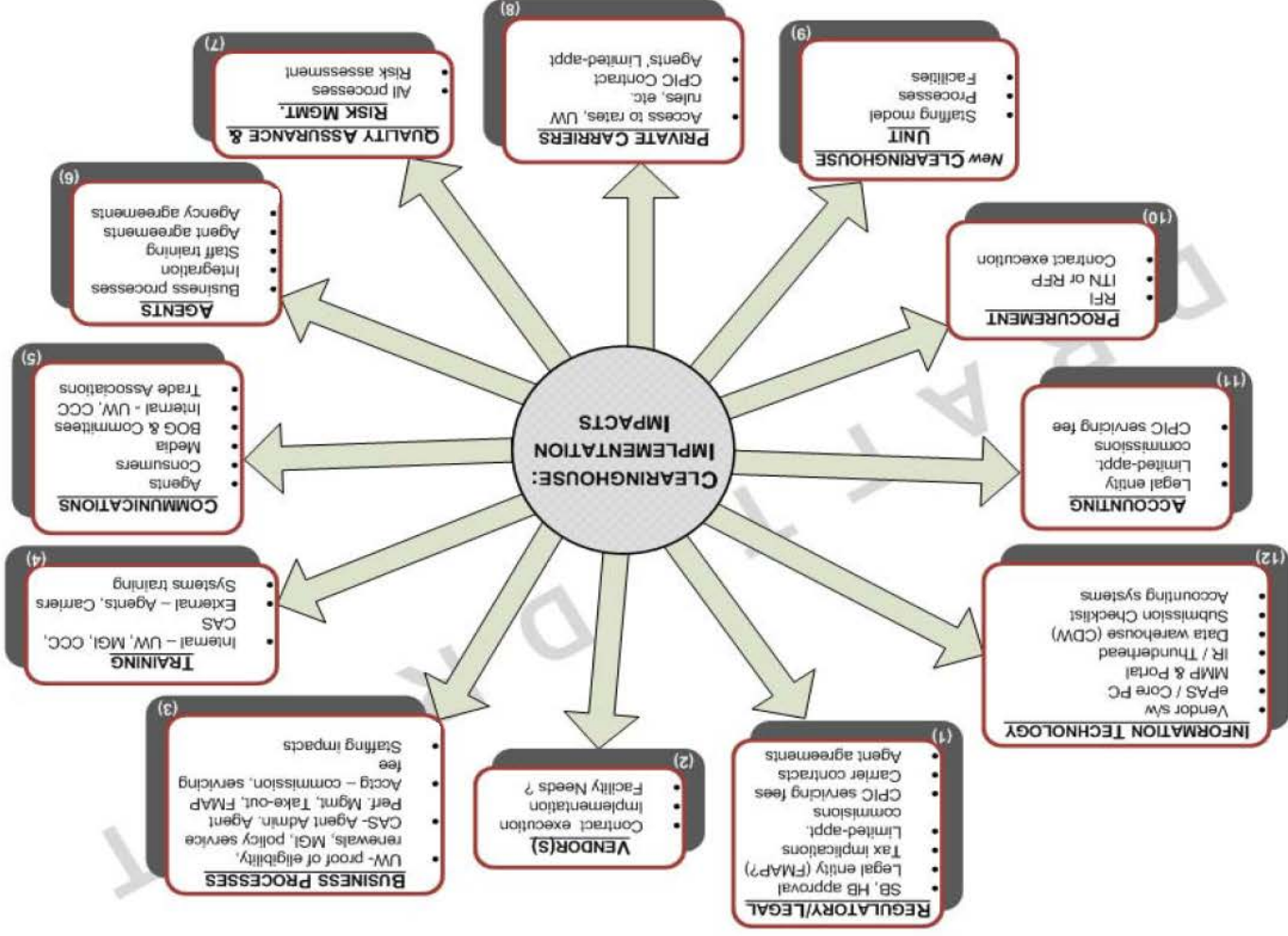
Overview of Approach

- SB 1770 mandates the implementation of a Citizens Clearinghouse by January 1, 2014
- A real-time mechanism that will systematically enable private insurers to make an offer of coverage to personal lines' applicants seeking coverage from Citizens
- Procure a SEMCI (Single Entry Multi-Carrier Interface) software tool
- Based on private carriers' underwriting, exposure and selection criteria, request offers of coverage from "eligible" private insurers participating in the Clearinghouse
- All offers, including coverage and pricing, will be delivered back to the producing agent
- Business placement is guided by statute
 - For new business if the premium is less than 115% of Citizens quote for comparable coverage, the offer renders the applicant ineligible for Citizens coverage
 - If the premium is greater than 115% of Citizens' premium, the consumer makes the choice
 - If there is no private market offer of coverage rendering the applicant ineligible, the business is placed with Citizens
- For renewal business, if the premium is equal to or less than Citizens quote for comparable coverage, the offer renders the applicant ineligible for Citizens coverage
- A report regarding the Clearinghouse approach for commercial residential business is due January 1, 2014

Process Flow



Functional Impact Assessment



Progress Update

- Request for Information (RFI) Solicitation
 - Used to obtain current market information, gain a better understanding of vendor capabilities and provide a basis for developing the solicitation.
 - Four responses received on April 12, 2013
- Invitation to Negotiate (ITN) Solicitation
 - Competitive solicitation process consistent with Citizens' policy and 287.057, F. S.
 - Six Responses were received on June 25, 2013
 - The top two vendors advanced to the negotiation phase
 - The negotiation team identified Bolt, Inc. as providing the best value offer to Citizens because:
 - Ability to implement by January 1
 - Multiple integration platforms enable broad carrier participation
 - Demonstrated required functionality and ease of use
 - Competitive pricing
 - Board of Governors approved contract August 23, 2013

Progress Update

- Carrier Visits
 - 31 meetings conducted
 - Misconceptions clarified
 - High interest from private carriers to participate
- Agent Interests
 - Discussions with agent association representatives
 - Impact analysis meetings with high-volume Citizens agents
 - Communications and training are being drafted on process and roll out for agents
- Carrier on-boarding process initiated September 13, 2013
 - Review and sign the participation agreement; complete the carrier readiness questionnaire
 - Timely response and readiness assessment will ultimately determine the on-boarding schedule

Progress Update

- Executive Steering Committee meetings held regularly
- Bolt resources arrived on-site September 4, 2013
- Citizens and Bolt teams are transitioning into one, collaborative team
- Planning, scheduling, requirements, and delivery are occurring in parallel
- Multiple teams and workstreams have been established and will run in parallel
 - Bolt Clearinghouse Platform
 - Carrier Integrations
 - Third Party Report Services
 - Communications and Training
 - Operational Readiness
 - Back-End IT Systems
 - Commercial Report
- Scope management will be a key variable for a January 1, 2014 delivery
- Final scope and implementation plan targeted for mid-November

Participating Carriers

- Participating carriers include:
 - American Integrity
 - Ark Royal
 - Bankers Insurance Group
 - Capitol Preferred
 - Federated National
 - Florida Peninsula
 - Heritage
 - Modern USA/American Traditions
 - Olympus Insurance
 - People's Trust
 - Safe Harbor (Cabrillo)
 - Security First
 - Southern Fidelity/Southern Fidelity Property & Casualty
 - Southern Oak
 - Tower Hill Signature
 - United Property & Casualty

Clearinghouse Timeline Overview

