



Insurance & Banking Subcommittee

**Thursday, October 12, 2017
8:00 am
Sumner Hall (404 HOB)**

**Richard Corcoran
Speaker**

**Danny Burgess
Chair**

Committee Meeting Notice

HOUSE OF REPRESENTATIVES

Insurance & Banking Subcommittee

Start Date and Time: Thursday, October 12, 2017 08:00 am

End Date and Time: Thursday, October 12, 2017 10:00 am

Location: Sumner Hall (404 HOB)

Duration: 2.00 hrs

Property Insurance Update:

- Department of Financial Services
- Office of Insurance Regulation
- Florida Hurricane Catastrophe Fund
- Citizen Property Insurance Corporation

NOTICE FINALIZED on 10/05/2017 4:01PM by Young.Kimberly



The Florida House of Representatives

Commerce Committee

Insurance & Banking Subcommittee

Richard Corcoran
Speaker

Danny Burgess
Chair

AGENDA

October 12, 2017

404 House Office Building

8:00 AM – 10:00 PM

I. Call to Order & Roll Call

II. Property Insurance Update

- A. David Altmaier, Insurance Commissioner, Office of Insurance Regulation
- B. Christine Ashburn, Vice President of Communications, Office of Legislative and External Affairs, Citizens Property Insurance Corporation
- C. Anne Bert, Chief Operating Officer, Florida Hurricane Catastrophe Fund
- D. Elizabeth Boyd, Legislative Affairs Director, Department of Financial Services

III. Adjournment



Florida Office of Insurance Regulation

Hurricane Irma Update

Presented to:

House Insurance & Banking Subcommittee

October 12, 2017



Pre-Hurricane Irma Actions Taken to Benefit Consumers

- Issued more than 18 consumer outreach announcements
- Prepared catastrophe claims data call for insurance company reporting
- Maintained close contact with insurance company presidents to determine unmet needs and stress importance of expediting claims handling for consumers
- Followed up on implementation of evacuation plans for more than 70 licensed continuing care retirement facilities in Florida
- Issued an early prescription refill notice to all health insurance companies
- Reminded consumers about available contact information for homeowners insurance companies to help in reporting a claim



Post-Hurricane Irma Actions Taken to Benefit Consumers

- Issued more than 78 consumer outreach announcements
- Monitoring consumer complaints received by DFS Consumer Services
- Met with Roy Wright, National Flood Insurance Program Director, to discuss flood claims affecting Floridians
- Activated catastrophe claims data call reporting for insurance companies
- Issued an Emergency Order



Emergency Order Issued in Response to Hurricane Irma

The Office issued an Emergency Order on September 13, 2017 that:

- Specifically prohibits cancellation or nonrenewal of any residential policy if the property sustained damage from Hurricane Irma until 90 days after it has been repaired;
- Broadly prohibits cancellation or nonrenewal of any insurance policy between September 4th through October 15th;
- To date, suspends over 300 new rate filings for rate increases from taking effect between September 4th through December 3rd



2017 Hurricane Season

Event	Total Claims	Estimated Losses	% Claims Closed
Irma (2017)	703,671	\$4.57 billion	24.6%
Matthew (2016)	119,345	\$1.18 billion	90.0%
Hermine (2016)	19,699	\$139 million	92.9%

*Irma data is as of October 6, 2017 while Matthew and Hermine is as of March 3, 2017

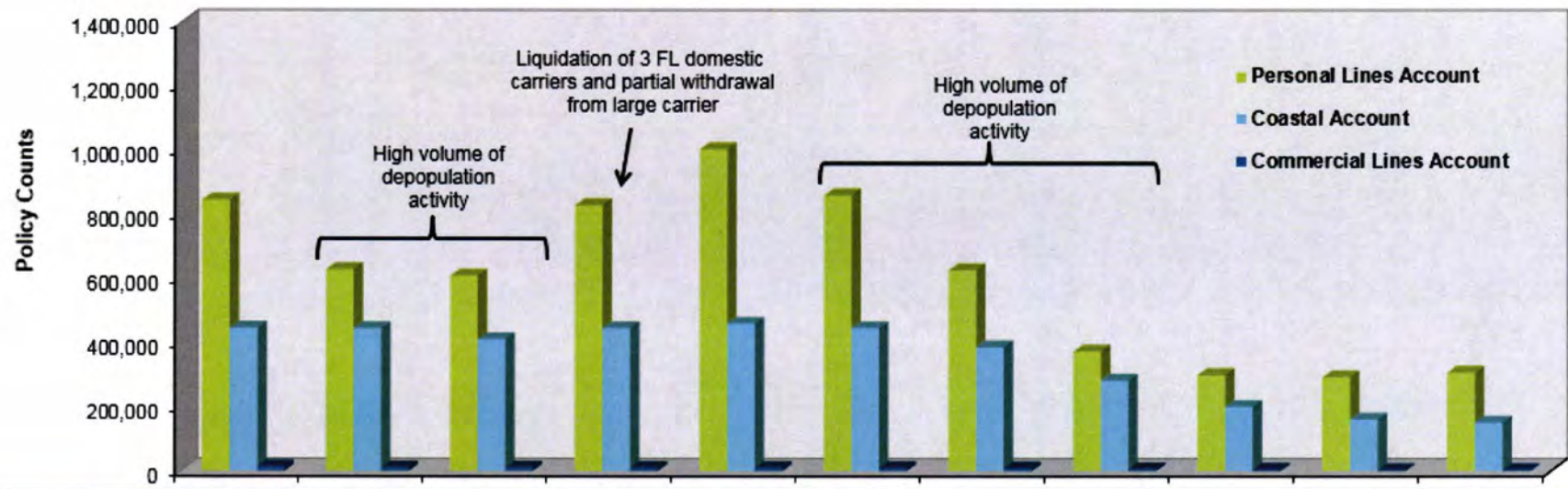
Citizens Property Insurance Corporation Hurricane Irma Preparation and Response

Christine Ashburn
Vice President of Communications,
Legislative and External Affairs





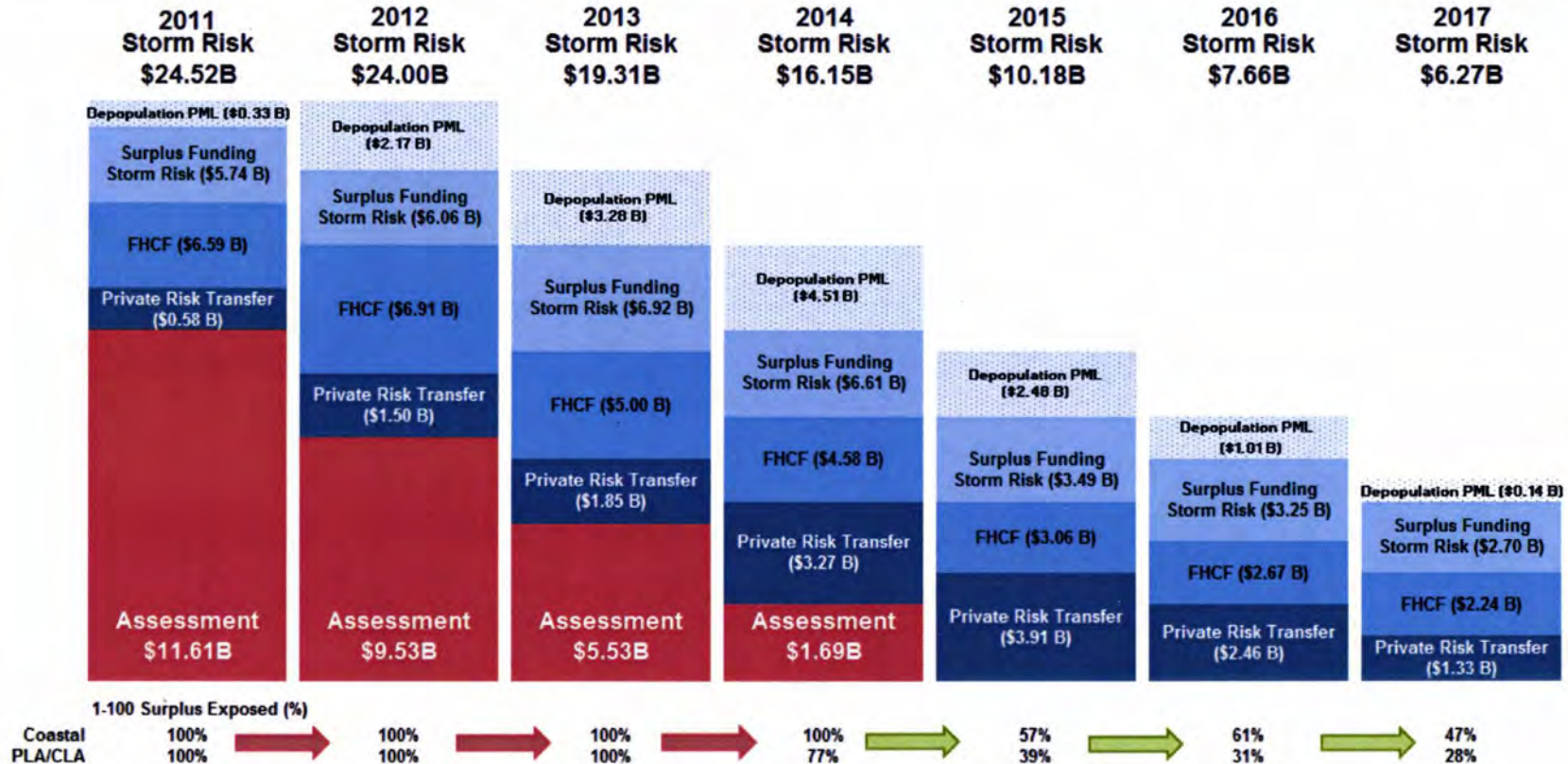
Inforce Policy Counts by Account and Year



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	3Q 2017
Personal Lines Account	845,857	629,467	609,652	829,406	1,003,856	860,502	627,391	373,617	299,902	293,118	306,947
Coastal Account	446,184	445,200	410,436	445,679	460,161	446,163	386,688	282,863	200,842	160,834	150,901
Commercial Lines Account	12,908	9,570	9,126	8,453	8,374	8,146	7,615	4,681	3,121	1,891	1,495
Total	1,304,949	1,084,237	1,029,214	1,283,538	1,472,391	1,314,811	1,021,694	661,161	503,865	455,843	459,343



Risk Transfer and Assessment Reduction



Notes:

- Storm Risk is as measured by 1-in-100 year probable maximum loss (PML) plus estimated loss adjustment expenses using the Florida Hurricane Catastrophe Fund (FHCF) account allocation where PLA and CLA are combined. PLA/CLA combined PMLs are added to the Coastal PMLs to be consistent for surplus distribution.
- Surplus, Florida Hurricane Catastrophe Fund (FHCF) & Assessments are as projected at beginning of storm season. Not all PLA/CLA surplus is needed to fund storm risk in 2014. In 2015 - 2017, not all surplus in PLA/CLA and the Coastal Account is needed to fund storm risk. Remaining surplus is available to fund a second event. Percent of surplus exposed is based on pre-hurricane projections.
- 2017 Depopulation PML data is as of 9/30/17. Depopulation PMLs are not included in storm risk totals.
- 2017 FHCF projections are preliminary and actual amounts may differ significantly from these projections.
- PMLs from 2011-2014 use a weighted average of 1/3 Standard Sea Surface Temperature (SSST) and 2/3 Warm Sea Surface Temperature (WSST). 2015 - 2017 PMLs reflect only SSST event catalog. 2017 Storm risk is based upon 06/30/2017 inforce data.



Citizens' Market Share Policies with Wind Coverage

County Name	Total Insured Value Market Share <i>(as of 06/30/17)</i>
Palm Beach	6.2%
Broward	10.3%
Miami-Dade	19.9%
Monroe	59.6%

- Notes:**
1. Includes admitted insurers (and Citizens) writing personal and commercial residential property statewide.
 2. State Farm Florida filed QUASR data as "trade secret" with the OIR beginning first quarter 2014. This exhibit reflects values for State Farm Florida as reported for fourth quarter 2013.



Hurricane Irma Claims Data

HURRICANE IRMA

Top 10 Counties with Claims

Miami-Dade	20,191
Monroe	8,254
Broward	7,973
Pinellas	3,187
Palm Beach	2,513
Lee	1,936
Collier	1,908
Brevard	1,099
Sarasota	822
Pasco	801

As of October 10, 2017



- As of October 10, Citizens had received 53,945 claims. The bulk of claims have come from Miami-Dade (37.5 percent), Monroe (15.3 percent) and Broward Counties (14.8 percent).
- Over the next 18 to 24 months, that figure is expected to reach 70,000.



Hurricane Irma Costs and Financial Outlook

- The gross modeled loss related to Irma is \$1.2 billion
- Projected reinsurance recoveries are \$193.6 million
- Projected net loss is \$1.0 billion

This means that surplus of \$7.4 billion will be reduced by the projected net loss of \$1.0 billion – remaining surplus of \$6.4 billion.

Citizens has not encountered any difficulties with the payment of claims. We have sufficient liquidated funds for the projected losses related to Hurricane Irma



Communications Efforts

- Nine press releases were sent to advise the press and stakeholders of important developments and recovery efforts
- Customer and agent emails were leveraged to ensure customers and agents were both prepared and informed about storm-related and recovery activities
 - A total of 18 emails were sent throughout September with over 637,941 recipients
- Radio advertising to encourage pre-storm preparations and notify listeners of the CRC locations ran in four key markets: Tampa Bay, Miami, Ft. Myers/Naples and the Keys
 - A total of 1,792 radio spots ran from 9/8-9/27
- Website traffic on Irma-focused pages remained steady throughout the month
 - There were 25,027 views of the Hurricane Irma page and FAQ page
 - From 9/5-9/30, there was an average of 12,600 sessions per day
- Social media posts also were used to help promote a message of preparedness and notify of CRC locations
 - Ads were rotated on both Twitter and Facebook to ensure maximum reach and relevance
 - The combined campaigns amassed 655,130 impressions for Citizens' accounts



Catastrophe Response Centers (CRCs)

- A CRC is a fully functioning remote office, equipped with necessary supplies and technology, including a mobile generator and satellite solutions
- Functions are customer-facing and include:
 - Verifying coverage
 - Filing First Notice of Loss (FNOL)
 - Providing Additional Living Expense (ALE) advance checks, when appropriate
- Deployed as soon as it was safe to travel, including:
 - Three Field Service Vehicles (FSVs) which provide the technology and supplies needed for each CRC
 - 50+ employees from all Citizens locations throughout the state



CRC Locations Operation and Production

- Opened three CRCs on Friday, September 15th, within days of the storm exiting Florida and maintained presence for three full weeks
 - Key Largo (9/15 – 10/5)
 - Naples* (9/15 – 9/17)
 - Florida City* (9/15 – 9/18)
 - Marathon Key (9/19 – 10/5)
 - North Miami Beach (9/20 – 9/24)
 - Satellite office in Big Pine Key (9/20 – 10/5)

**Relocated CRCs as demand changed*

The CRCs :

- Assisted over 2,500 people, including close to 1,800 policyholders
 - Provided information to non-policyholders regarding other assistance available in area
- Filed over 800 FNOLs
- Provided over \$1.1M in ALE advances



Call Center Support

- Partnered with five vendors for 24/7 First Notice of Loss call center support consisting of over 865 trained Customer Service Representatives across 11 site locations
- Serviced over 88,000 calls with a Service Level of 83.2%
 - 83.2% of all phone calls were answered < 20 seconds
- Activated proactive outbound calling campaigns promoting an efficient and accurate claim experience for policyholders, focusing on the following:
 - Verified policyholder contact information for the adjuster
 - Reminded policyholders of repair options to property if applicable
 - Educated policyholders on any Citizens' Catastrophe Response Centers open in Monroe County for Additional Living Expense advancements



Citizens Agency Support

- Providing daily report of claim activity to Agency Principals
- Conducted seven post-landfall Agency conference calls
 - Provided updates on claim counts and activities
 - Updates on Catastrophe Response Center (CRC) locations
 - Provided support material (Coverage Q&A's)
 - Conducted live Q&A
- Deployed Agency Management resources to help impacted agencies and customers
 - Collier, Monroe Counties
 - Resources "in-agency" to assist customers and provide ALE
- Conducting targeted outreach to agencies with more than 100 claims



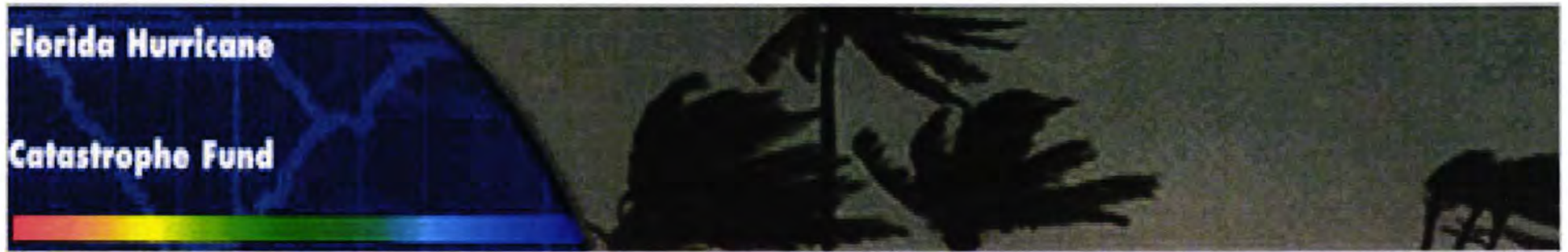
Claims Response

- Citizens has 1,314 dedicated claims resources handling Irma claims
- Specialized CAT Task Field and CAT Desk Teams established:
 - Fast-Track Desk unit handling lower severity claims
 - Homeowners and Commercial Desk Adjusters working moderate severity claims
 - Large Loss Specialized Teams handling high severity claims
 - Dual-peril loss claims group is evaluating claims where surge has been identified at FNOL
 - A Claims Resolution team is handling reopened claims or reassignments from the fast-track team
- Citizens utilized drones and roof reports from our estimating software to assist in the adjustment of the claims and reviewed post event aerial imagery to evaluate the severity of damages in the Florida Keys and coastal areas impacted by Hurricane Irma.



Claims Response Additional Teams

- Key West Operations: Citizens has established a base claims operation response in Key West, under one roof, at a local hotel with a deployment of 100 tenured, experienced Citizens Staff and contracted adjusters, under Citizens' management.
- SIU Operations: Citizens' Staff Special Investigation Unit has established a specialized team to investigate all areas of potential insurance fraud, consumer price gouging, agency improprieties, Public Adjuster improprieties, reporting to Department of Financial Services as identified.



State Board of Administration

Florida Hurricane Catastrophe Fund

House Insurance & Banking Subcommittee

October 12, 2017

WHY WAS THE FHCF CREATED?

- The Legislature created the FHCF to provide market stability in the wake of dislocations in the Florida economy in general and the property insurance market in particular, as well as the contraction in world reinsurance capacity, caused by Hurricane Andrew in 1992
- FHCF is critical to the health of the Florida economy both before and after a catastrophic hurricane
- *Created and structured to:*
 - Provide a long term *stable and ongoing* source of reimbursement to insurers for a portion of their catastrophic hurricane losses
 - Provide *additional on-going insurance capacity* for the state

WHY WAS THE FHCF CREATED?

- Help build a *stable and competitive residential property insurance market* for the long term
- *Lessen the impact* of market shocks after major events when they occur in the future
- Limit coverage to *catastrophic losses* in order to build up claims paying capacity for major events
- Allow high probability, low-loss events that *can easily be handled by the private sector* to remain exclusively with the private sector
- Be *exempt from federal taxation*
- Be *stable, predictable, and reliable*

HOW IS THE FHCF OPERATED?

- The FHCF *implements* the law and is operated to:
 - Maintain *full liquidity* when economically feasible
 - *Maximize* capacity
 - *Minimize* potential reliance on assessments
 - Provide *clarity and transparency* through the rulemaking process

HOW IS COVERAGE DETERMINED

- Mandatory participation:
 - All admitted residential property insurers must participate in the FHCF as a condition of doing business in Florida
- Reimbursement Contract
 - Adopted annually by the SBA Trustees by Feb 1 - each insurer executes by March 1
 - Provides wind coverage for residential structures, contents, and additional living expenses
 - Participating insurers select coverage 45%, 75%, or 90% and absorb co-payment as well as a deductible (retention)

HOW IS COVERAGE DETERMINED

- Insurer Reporting
 - Data Call adopted annually by the SBA Trustees - report of insured value (exposure) for each insurer
 - Proof of Loss Reports adopted annually by the SBA Trustees
 - Interim, year-end mandatory, and quarterly (on-going)
- Premium Formula
 - Required by law to charge “Actuarially Indicated Premiums”
 - Determined by an independent consultant
 - Calculated using models found acceptable by the FCHLPM
 - Unanimously approved annually by the SBA Trustees

HOW IS COVERAGE DETERMINED

- FHCF Premiums
 - Calculated based on an insurer's exposure
 - Rating Factors: Type of business, location, construction, deductibles, & mitigation factors
- FHCF Coverage is determined by FHCF premiums
 - Insurer retention (deductible) is a multiple of FHCF premiums and is established in the ratemaking formula report each March
 - Limit of coverage (payout) is a multiple of FHCF premiums and is estimated in the ratemaking formula report each March

LOSS REIMBURSEMENTS

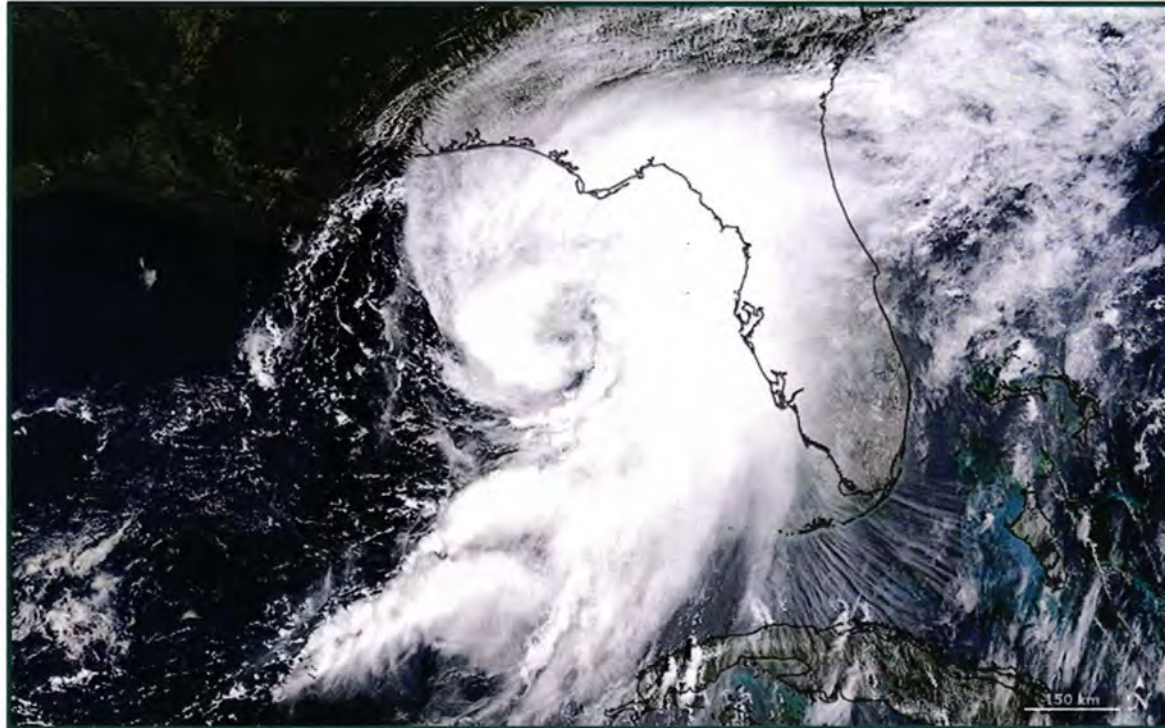
- Participating insurers are reimbursed on a paid basis
- **Limited Liability** equal to cash and the amount we are able to bond (up to \$17B limit) but there is a responsibility to take reasonable steps to:
 - Maximize capacity
 - Ensure we can perform and pay claims timely and sufficiently
 - Pay on an on-going basis
- **Emergency assessments** - If cash is insufficient to continue to pay claims, the FHCF must issue revenue bonds which are paid with emergency assessments on a broad base of Florida policyholders

FHCF'S FINANCIAL STRENGTH

- The FHCF is fully liquid up to and slightly over its maximum limit for the 2017-2018 contract year:
 - \$17.0B Maximum Statutory Limit
 - \$14.9B Projected Year-End Fund Balance
 - \$2.7B Pre-event Bonds
 - \$1.0B Risk Transfer
- No post-event bonds outstanding
- Emergency assessments ended – 0% on all policies new or renewed on or after 1/1/15

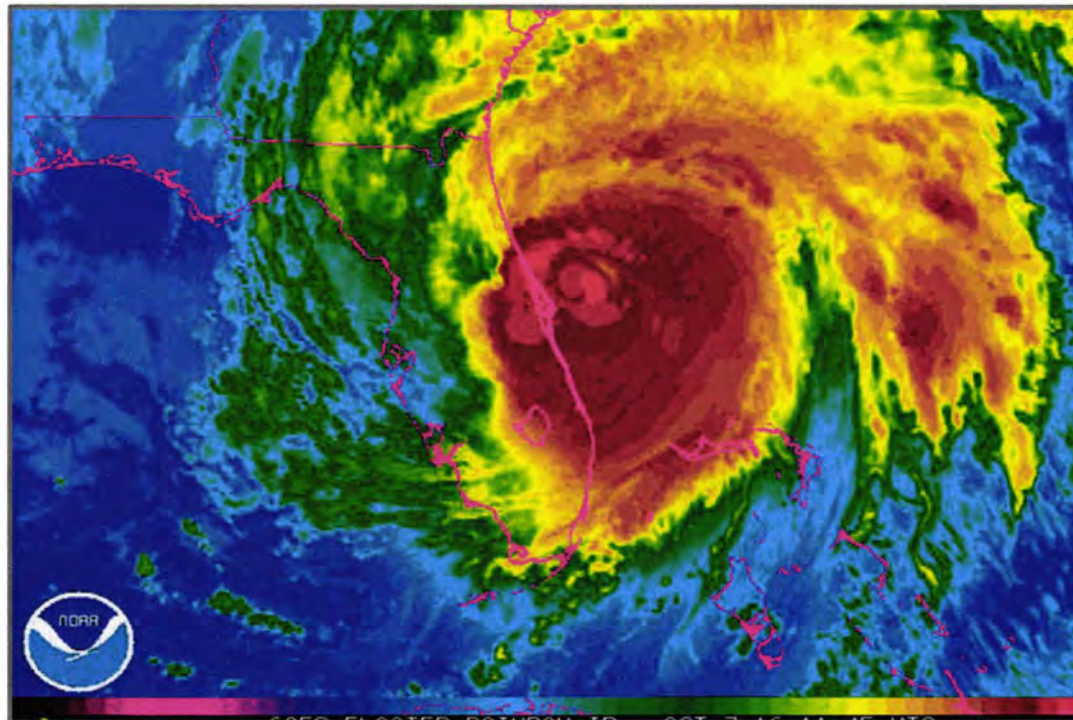
HURRICANE HERMINE

- Landfall on September 2, 2016
- No Hurricane Hermine loss reimbursement requests received to date



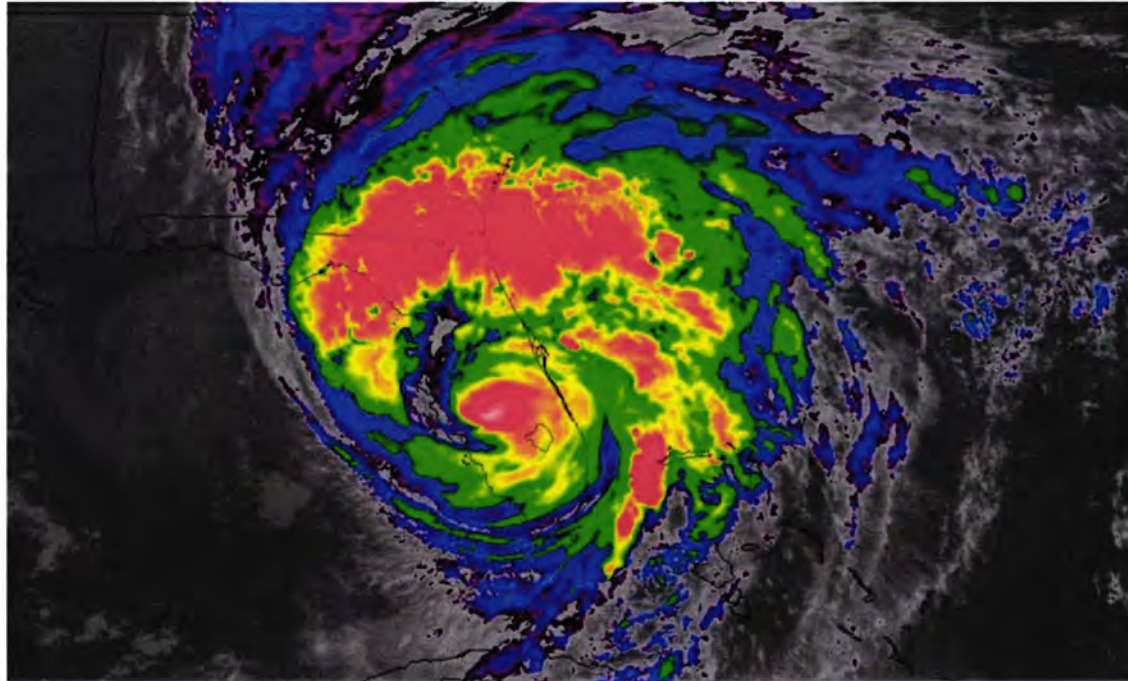
HURRICANE MATTHEW

- Eye by-passed Florida on October 7
- No Hurricane Matthew loss reimbursement requests received to date



HURRICANE IRMA

- First Landfall on September 10, 2017 at Cudjoe Key as Cat 4
- Second Landfall at Marco Island as Cat 3



HURRICANE IRMA - FHCF LOSSES

Update on FHCF Loss Estimates

CONTACT INFORMATION

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State Board of Administration of Florida
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Tallahassee, Florida 32308

Department of Financial Services

Response to Hurricane Irma

House Insurance and Banking Subcommittee October 12, 2017



Chief Financial Officer Jimmy Patronis
State of Florida

DFS' Role in Response

- Division of State Fire Marshal
 - Coordinate mutual aid for fire and rescue services, through the pre-staging of resources and organizing personnel and resource needs post-storm
 - Coordinate urban search and rescue missions as well as incident management teams throughout the state
- Division of Investigative and Forensic Services (DIFS)
 - Mutual aid missions for local law enforcement
 - Staff urban search and rescue missions
 - Post storm anti-fraud strike teams
- Division of Consumer Services
 - Pre-storm and post-storm consumer/media alerts
 - Post-storm insurance villages & consumer PSAs
 - One-on-one insurance advice for Floridians
 - Clearinghouse of consumer insurance complaints
- Division of Insurance Agents and Agency Services
 - Licensing emergency adjusters
 - Extending continuing education deadlines for licensees



State Fire Marshal Response

- The Division of State Fire Marshal is responsible for Emergency Support Function (ESF) 4 – Firefighting and ESF 9 – Urban Search and Rescue
- ESF 4 is responsible for coordinating resources for structural firefighting and EMS services
- ESF 4 & 9 mobilized more than 1,100 Federal, State and regional personnel
- Specifically, 31 Urban Search and Rescue teams were utilized along with six reconnaissance teams
- Two Incident Management Teams with 72 specialized personnel and another 47 fire/rescue liaisons, PIO officers and EOC support personnel were mobilized



DIFS Response

- The Bureau of Fire and Arson Investigations assists with the Division of State Fire Marshal for all urban search and rescue activities via the State of Florida's ESF 9
- 30 Bureau of Fire and Arson Investigations detectives were deployed for urban search and rescue or recon missions



- DIFS dispatched 86 detectives on 14 missions for Hurricane Irma response through ESF 16 (Law Enforcement)
- DIFS' detectives respond to mutual aid requests for assistance through the EOC and are assigned to missions, for example, providing security for water/MRE distribution centers

DIFS Response

- The CFO has formed (3) anti-fraud strike teams to be deployed across the state to educate and protect consumers during their post-storm recovery
- (3) 5-member squads will work in areas heavily impacted by Hurricane Irma:
 - South Florida, including Miami-Dade and Monroe counties
 - Southwest Florida, including Lee and Collier counties
 - Central Florida, including Polk and Orange counties
- These detectives will work with communities to educate homeowners, homeowners' associations and local law enforcement about the red flags associated with insurance fraud, such as:
 - Unlicensed adjustors and contractors
 - Workers' compensation fraud
 - False intent from vendors
- DIFS staff continues to work in Monroe County, and DIFS has deployed personnel to assist with Puerto Rico relief efforts through the Emergency Management Assistance Compact



Consumer Services Response

- The Division of Consumer Services held hurricane preparation events in St. Augustine and Pensacola this summer, allowing our insurance experts to walk consumers through their policies in advance of storms
- Prior to landfall, the Division released consumer and media alerts full of pre-storm preparation tips
- A Hurricane Irma insurance resources webpage was created to serve as a one-stop shop for insurance information, including: tips for filing claims, fraud prevention tips, and direct links to FEMA, NFIP, and the Small Business Administration



- After Irma, the Division co-hosted (4) insurance villages with U.S. Senator Marco Rubio's office at FEMA Disaster Recovery Centers:
 - Located in Jacksonville, St. Augustine, Ft. Myers and Naples
 - 35 Companies attended along with FAIA and the Consumer Protection Coalition
- Additional staff have attended local events to provide claims filing assistance or answer any insurance-related questions
- The Division will soon host insurance events in Monroe County

Consumer Services Response

- The Department's Helpline has received 2,203 Irma-related calls
- Approximately 74% of the callers requested assistance with general information:
 - Company contact information
 - Claims-filing process
 - Coverage questions – what is covered, what's not
 - Financial options to assist with non-insured damage/hurricane deductible
- 154 calls have resulted in complaints against an insurance company – no company trends have been identified
- Complaints are mostly related to waiting for an adjuster, the cancellation/non-renewal of a policy or a claim denial
- Helpline assistance is most used when a claim has matured, therefore we expect to see our Hurricane Irma complaints increase as claims are paid or denied



Agents and Agency Services Response

- The Division of Insurance Agents and Agency Services is responsible for the licensing of insurance professionals, including those who can adjust claims on behalf of a company or an insured
- As of September 30, 2017:
 - 227,910 individuals licensed to adjust property insurance claims
 - 225,926 can adjust claims on behalf of insurers
 - 115,665 All-Lines Adjuster licenses
 - 95,606 General Lines Agents licenses
 - 14,655 Emergency Adjuster licenses
 - 1,984 are Public Adjusters
- By comparison, Florida had 198,538 total licensees in these categories at this point last year, an increase of 29,372 licensees during the past 12 months.



Agents and Agency Services Response

- During the month of September, the Department issued 17,857 new licenses, authorizing the licensee to adjust property claims:
 - 14,655 Emergency Adjuster licenses
 - 2,432 All-Lines Adjuster licenses
 - 724 General Lines Agents licenses
 - 46 Public Adjuster licenses.
- By comparison, we issued 4,742 licenses in these same categories during September 2016
- At this time there are 39,789 licensed adjusters without appointments



Agents and Agency Services Response

- Chief Financial Officer Jimmy Patronis extended continuing education deadlines for licensed insurance professionals in Florida, allowing them to focus on assisting with post-storm claims
- Continuing education deadlines are set by the licensee's birthday month, and any licensee with a deadline in September, October, or November will now have an extended deadline of December 31, 2017, to complete their continuing education requirements
- The extension applies to all insurance professional licensees that require continuing education, including insurance adjusters, agents and customer representatives. No form or application process is required to be approved for this extension. The Department updated its online database to automatically reflect the new deadline.
- Additionally, the Bureau of Investigations has conducted many hours of investigative field work checking insurance adjusters in the field to confirm they are licensed. This effort is in partnership with the Division of Workers Compensation which was checking contractors in the field for proper workers' compensation insurance.

Department of Financial Services

Questions?

DFS Legislative Affairs: 850-413-2863



Chief Financial Officer Jimmy Patronis
State of Florida