

**TASK FORCE ON CITIZENS CLAIMS HANDLING & RESOLUTION**  
**PROPERTY INSURANCE**

<http://taskforceoncitizensclaimshandling.org>

August 7, 2008

The Honorable Charlie Crist  
Governor, State of Florida  
The Capitol, Plaza Level 05  
Tallahassee, FL 32399-0001

The Honorable Alex Sink  
Florida Chief Financial Officer  
The Capitol, Plaza Level 11  
Tallahassee, FL 32399-0301

The Honorable Ken Pruitt  
Senate President  
The Capitol, Suite 409  
Tallahassee, FL 32399-1100

The Honorable Marco Rubio  
Speaker of the House of Representatives  
The Capitol, Room 420  
Tallahassee, Florida 32399-1300

The Honorable Kevin McCarty  
Florida Insurance Commissioner  
Office of Insurance Regulation  
200 E. Gaines Street  
Tallahassee, FL 32399-0326

Scott Wallace  
Executive Director  
Citizens Property Insurance Corporation  
8301 Cypress Plaza Drive, Suite 500  
Jacksonville, Florida 32256

RE: Citizens Property Insurance Corporation / Florida Hurricane Catastrophe Fund  
2005 Hurricane Wilma Claims

Dear Appointing Officials:

This is in reference to the Cabinet meeting that was held on June 10, 2008. At that meeting, the State Board of Administration gave a presentation regarding the effect that the re-opened 2005 Hurricane Wilma claims are having on the Florida Hurricane Catastrophe Fund (CAT Fund). The Cabinet was concerned with the number of re-opened claims and requested assurance that the claims are legitimate and handled appropriately. Although the Task Force had prepared its Third and Final Report regarding Citizens Property Insurance Corporation's (Citizens) closure and handling of the 2004/2005 Hurricane Claims, it appeared to be advantageous for the Task Force to extend the scope of its review.

The Task Force's preliminary review found that Citizen's Office of the Internal Auditor (OIA) will be conducting a targeted independent audit and issuing a report regarding this issue. The primary scope of work will be to evaluate and review the internal control environment surrounding the claims handling process for Hurricane Wilma claims, potential impact of claims handling process resulting from Florida Hurricane Catastrophe Fund reimbursements and will include sampling of the 2005 Hurricane Wilma re-opened claims through 2008. It is expected that the report will be completed by mid-October 2008, and copies will be provided to Citizens' Board of Governors, the Florida Legislature and the Financial Services Commission in accordance with Section 627.351(6)(h)1.c., Florida Statutes.

As noted in the Task Force's report dated June 10, 2008, the Office of the Auditor General (OAG) has begun its statutorily required operational audit of Citizens and it will include a sampling of the 2005 Hurricane Wilma re-opened claims. The OAG has entered into a contract with a vendor who has demonstrated expertise in property insurance to assist in

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evaluating the adequacy of the Citizens' internal policies and procedures used to adjust, examine and pay related claims, and determining the sufficiency of the claims documentation. The OAG fieldwork is expected to be completed in September 2008, and the final report submitted to the Florida Cabinet and Florida Legislature by February 1, 2009. The contracted vendor will also be available to comment on matters relating to the audit to legislative committees and the Florida Cabinet, if deemed necessary.

In addition, the Office of Insurance Regulation (OIR) has begun its statutorily required market conduct examination and operations review on July 21, 2008. OIR has advised that the scope of its review is likely to include dates from May 2005 through May 2008, and that the final report will be submitted to the Financial Services Commission and Florida Legislature by February 1, 2009. Although this is not a comprehensive claim review, OIR has confirmed that their auditors will review the process used by Citizens in relation to its established claim handling procedures in the processing of the 2005 Hurricane Wilma claims. The review will include a random sample of claims processed before and after the CAT Fund was triggered. OIR's claims review will be performed by staff and contracted property insurance professionals who are experts in all aspects of the policy and claim processes.

Since May 21, 2007, the Task Force has noted that Citizens has taken great strides to improve not only its claim handling practices, but all aspects of its operations. In view of the fact that Citizens' Office of the Internal Auditor will be issuing its report in mid-October, and that the Office of the Auditor General and the Office of Insurance Regulation will include a sampling of the 2005 Hurricane Wilma reopened claims in their review, it appears that any review conducted by the Task Force would be duplicative. Therefore, the Task Force will not conduct an independent review, but will remain available to support the OAG and OIR in their efforts. However, it should be noted that while the focus has been placed on Citizens, it is not the only insurer that paid re-opened and newly reported claims in 2006-2008 for losses caused by Hurricane Wilma. According to the CAT Fund, although loss data is considered confidential per insurer, this situation may have impacted a wide segment of the insurance industry due to the observation of similar adverse loss experience.

The Task Force will expire on November 1, 2008. Until that time, the Task Force will continue to monitor the requests for assistance that are filed with the Department of Financial Services, Division of Consumer Services and with the Florida Insurance Consumer Advocates' Office to ensure that Citizens' consumer service standards are meeting the needs of its policyholders.

If you or your staff have any questions or concerns regarding this matter, please feel free to contact me at (727)848-5885 or Vicki A. Twogood with the Office of the Insurance Consumer Advocate, Department of Financial Services at (850)413-2970.

Sincerely,

A handwritten signature in black ink that reads "Mike Fasano". The signature is written in a cursive, flowing style.

Mike Fasano, Chairman  
Florida State Senate – District 11  
Task Force on Citizens Property Insurance  
Claims Handling and Resolution

cc: The Honorable Bill Posey, Florida Senate  
The Honorable Don Brown, Florida House of Representatives