



## **Task Force on Citizens Property Insurance Corporation Claims Handling and Resolution**

**Minutes of October 5, 2007**

Cabinet Room, The Capitol (Lower Level)  
Tallahassee, Florida

### **Call to Order**

The seventh meeting of the Task Force on Citizens Property Insurance Corporation Claims Handling and Resolution (Task Force) was called to order by Chairman Milligan at 9:00 a.m. on October 5, 2007, in the Cabinet Room of the Capitol (Lower Level), Tallahassee, Florida. Roll was called by Vicki A. Twogood. The following members were in attendance: Chairman Robert Milligan; Heather Carruthers; Scott Wallace; Mike Lancashire and Michael B. Twomey, Sr. Chairman Milligan declared a quorum. Senator Mike Fasano and Representative Julio Robaina arrived later after the roll was called.

### **Legislative Charge and Overview**

Chairman Milligan read the excerpt of House Bill 1A, which created the Task Force and established the legislative charge.

### **Minutes**

The minutes from the August 1, 2007, meeting in Tallahassee, Florida were read. Chairman Milligan asked for a motion to approved the minutes and allow staff to make clerical changes, if needed. Michael B. Twomey made a motion for the minutes to be approved and the motion was seconded by Heather Carruthers.

### **Citizens: 2004/2005 Open Claims Update**

Mr. Curtis Hutchens, Assistant General Counsel, Citizens Property Insurance Corporation (Citizens) provided the Task Force members with an update on open claims. Overall, seventy-two percent have been closed. This is an average of claims closed that were in mediation, appraisal, litigation and supplements/others. The total number closed was 4,531, which is comprised of existing claims, reopened claims and new claims. As of September 30, 2007, 2,094 claims remain open. Mr. Hutchens stated Citizens is doing site visits to expedite claims closures and has also reached out to the Collins Center for Public Policy, Inc. for assistance on closure of claims in appraisal. Chairman Milligan asked that Citizens continue to provide monthly reports on claims update.

Mr. Roderick (Rod) Petrey, President of the Collins Center for Public Policy, Inc., addressed the Task Force and advised the appraisal process needs guidance and they are in discussions with Citizens regarding a pilot program with the possibility of entering into a contract. Chairman Milligan asked that the Collins Center maintain their independence, for which Mr. Petrey concurred.

#### **Citizens: Independent Adjusters Update**

Mr. David Emery, Executive Vice President of Operations, Citizens, provided an update on their Independent Adjusters training. Mr. Emery stated that as of September 25, 2007, all 45 contracted independent adjusting firms have certified they have trained a total of 6,755 adjusters. Also, Citizens deployed an online Learning Management System (LMS) in August 2007. Through the use of the LMS, Citizens is moving toward a fully integrated pre-deployment certification process for this storm season. In 2008, all adjusters will be permitted to add to their current transcripts and certify completion on new classes focusing on: Coverage, Policy, Enhanced Customer Service/Sensitivity training, and other areas.

Mr. Emery also discussed Ordinance or Law coverage for which many of Citizens policies contain limited coverage and provided an example timeline for an Ordinance or Law claim. These claims are paid on an incurred basis and Citizens' Xactimate program does not estimate for Ordinance or Law upgrades. The adjuster must input all information related to the claim so that an appropriate adjustment amount is calculated. Mr. Bill Steelman, Director of Quality Assurance and Claims Training, Citizens, stated that a large number of the newly reported claims could be due to the Florida Building Code change in 2006, which would allow policyholders beginning repairs for damage from 2004 and 2005 to file claims for Ordinance or Law for upgrades in 2007.

#### **Citizens: Daily Claims Department**

Mr. David Emery, Executive Vice President of Operations, Citizens, provided an overview of Citizens Claims Department standards and procedures. These standards range from first notice of loss reporting to the mailing of customer satisfaction surveys with final payments at file closing on all claims except catastrophe claims. Citizens will implement the survey process for catastrophe claims in the future. Currently, Citizens survey results reflect a 95 percent satisfaction rating. In regard to response time for inspections of property damage, each claim is assigned a severity code at the time it is reported to enable the adjusting firms to prioritize their inspections. Citizens anticipates the availability of debit cards for Additional Living Expense (ALE) will be in place by the 2008 hurricane season. Mr. Emery discussed mitigation and advised that Citizens has implemented a variety of loss mitigation activities to efficiently respond to critical situations that require prompt intervention to reduce the severity of the loss and assist policyholders.

#### **Citizens: Insurance Agents Update**

Susanne K. Murphy, Executive Vice President, Citizens, provided an update on Insurance Agents training and responsiveness to policyholders. To ensure that agents and their staff are equipped to serve the public and their policyholders, the Agent Administration Department is committed to providing education and training in the area

of rules, processes, systems, rates and legislative changes. The top three initiatives for the remainder of 2007 include the implementation of the Agent Certification Program, Online and Field Training Program and Increased Agent Reviews. The Agent Certification Program will be provided online for all agents applying for an appointment and for existing agents upon their annual appointment renewal. This will be required every other year after the initial year. Currently, there are 8,859 agents appointed with Citizens.

Ms. Murphy also provided the Task Force with a presentation on agents commissions and advised that Citizens proposes the adoption of a commission restructuring program to achieve specific goals outlined in the presentation. Recommendations were presented for both commercial and personal lines to show current effective commission rates and recommended changes. Citizens Board of Governors has directed staff to workshop this agent commission proposal with appropriate groups and associations and bring a recommendation to the board at its next meeting.

#### **Citizens: Office of the Internal Auditor Update**

Susanne K. Murphy, Executive Vice President, Citizens, informed the Task Force that on September 20, 2007, Citizens Board of Governors selected Ms. Joyce Bellows as Chief of Internal Audit. Ms. Bellows is a Certified Financial Services Auditor with over 15 years of auditing experience and will assume her new responsibilities at Citizens on November 5, 2007. In June, the Citizens Board hired an outside consulting firm, Huff, Thomas & Company, to ensure that the internal audit function continued while the search for a Chief of Internal Audit was underway. Huff, Thomas & Company audit and examination work is projected to be completed by the end of October. A copy will be provided to the Task Force when it becomes public record.

#### **Office of the Insurance Consumer Advocate: Statute of Limitations**

Lauri A. Goldman, Senior Attorney, Office of the Insurance Consumer Advocate, provided an informative presentation that defined the Statute of Limitations, explained their purpose, and that they vary by state, length of time and by type of claim. Statute of Limitations for the Southeastern coastal states was provided, which range from one year in Louisiana to six years in Alabama. Louisiana has an exception for Hurricane Katrina claims which is two years. Ms. Goldman provided questions for the Task Force to consider before proposing Legislative changes to lower Florida's five year Statute of Limitations. There was a consensus of the Task Force members that lowering the Statute of Limitations would be a detriment to the citizens of Florida and would not address the underlying issues. Chairman Milligan advised this issue would be tabled to allow Senator Mike Fasano and Representative Julio Robaina to review the supporting documentation.

#### **Office of the Insurance Consumer Advocate: Proposed Legislation for Public Adjusters**

Mr. Terry Butler, Senior Attorney, Office of the Insurance Consumer Advocate, reviewed the Summary of Proposed Public Adjuster Legislation which would implement the Task Force recommendations and encompasses fees, prohibited practices, qualifications and examination for licensure, apprentice license, continuing education requirements,

contracts and proof of loss certification. The proposal to prohibit entering into a contract until at least 72 hours after occurrence of the loss was discussed and the members of the Task Force agreed this should be the policyholder's prerogative. Michael B. Twomey made a motion to correct the proposed legislation to allow an insured to enter into a contract with a public adjuster within 72 hours after occurrence of an event if initiated by the insured. Heather Carruthers seconded the motion.

### **Public Testimony**

Chairman Milligan asked for public testimony. The following speakers addressed the Task Force with suggestions and comments regarding the proposed legislation: Wes Baldwin, National Association of Public Insurance Adjusters (N.A.P.I.A.), Mark Boardman, Florida Association of Public Insurance Adjusters (F.A.P.I.A.), Ken Plante, F.A.P.I.A., Steven McCaffrey, American Association of Public Insurance Adjusters (A.A.P.I.A.), William "Chip" Merlin, Jr., Merlin Law Group, Ron Papa, N.A.P.I.A., Daniel Montgomery, P.A., Lisa Miller, American Strategic Insurance Company and Raymond Altieri, F.A.P.I.A.

A request to hold workshops to further discuss the proposed legislation was made and agreed to by the Task Force members. Notification of the date, place and time will be provided when confirmed.

After further discussion, an additional change was made to the proposed Legislation. An insured may cancel a contract within 3 business days after the contract is executed or for 3 business days after the client has notified the insurer of the claim, whichever is later. The public adjuster must disclose this to the client.

The proposed Legislation will be filed at this time with the changes noted. Any additional changes to the Legislation as a result of future workshops will be made as they are adopted.

### **Office of the Insurance Consumer Advocate: Proposed Legislation for Property Insurance Loss Appraisers**

Mr. Terry Butler, Senior Attorney, Office of the Insurance Consumer Advocate, reviewed the Summary of Proposed Property Insurance Loss Appraiser Legislation which would implement the Task Force recommendations and encompasses education, experience or other license required, examination requirements, disciplinary action, standards for development of appraisal, property insurance loss appraisal report and ethical standards.

### **Public Testimony**

Chairman Milligan asked for public testimony. The following speakers addressed the Task Force with suggestions and comments regarding the proposed legislation: Bob Freeman, Attorney, Wes Baldwin, N.A.P.I.A., William "Chip" Merlin, Jr., Merlin Law Group, Ron Papa, N.A.P.I.A. and Daniel Montgomery, P.A.

### **Task Force Discussion**

Chairman Milligan advised the proposed Public Adjuster Legislation will be filed with the changes noted and the Property Insurance Loss Appraisers Legislation will be filed with

no changes at this time. Any changes to either of these as a result of future workshops will be made as they are adopted. Michael B. Twomey made a motion to file the Legislation and Scott Wallace seconded the motion. Chairman Milligan reviewed the focus of the next Task Force meeting which will be held on January 28<sup>th</sup> or 29<sup>th</sup>, 2008, in Jacksonville, Florida. Also, Chairman Milligan requested that Citizens continue to provide monthly reports on open claims. A second interim Task Force report will be available shortly.

**Adjourned**