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T H E C A B I N E T
S T A T E O F F L O R I D A

Representing:

STATE BOARD OF ADMINISTRATION
FINANCIAL SERVICES COMMISSION, OFFICE
OF INSURANCE REGULATION

The above agencies came to be heard before
THE FLORIDA CABINET, Honorable Governor Bush
presiding, in the Cabinet Meeting Room, LL-03, The
Capitol, Tallahassee, Florida, on Tuesday, January 11,
2006, commencing at approximately 9:05 a.m.

Reported by:

MARY ALLEN NEEL
Registered Professional Reporter
Notary Public

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1 APPEARANCES:

2 Representing the Florida Cabinet:

3 JEB BUSH
4 Governor

5 CHARLES H. BRONSON
6 Commissioner of Agriculture

7 CHARLIE CRIST
8 Attorney General

9 TOM GALLAGHER
10 Chief Financial Officer

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STATE BOARD OF ADMINISTRATION

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(Presented by Coleman Stipanovich)

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ITEM

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FINANCIAL SERVICES COMMISSION, OFFICE
OF INSURANCE REGULATION

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(Presented by Kevin McCarty)

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ITEM

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1 P R O C E E D I N G S

2 GOVERNOR BUSH: State Board of
3 Administration.

4 MR. STIPANOVICH: Good morning, Governor.
5 Good morning, members.

6 GOVERNOR BUSH: Good morning.

7 MR. STIPANOVICH: Item number 1 is the
8 minutes, request for approval.

9 CFO GALLAGHER: Motion on the minutes.

10 COMMISSIONER BRONSON: Second.

11 GOVERNOR BUSH: There's a motion and a
12 second. Without objection, Item 1 passes.

13 MR. STIPANOVICH: Item 2 is a request for
14 approval of fiscal determination of an amount not
15 exceeding 140 million in Florida Housing Finance
16 Corporation homeowner mortgage revenue bonds.

17 ATTORNEY GENERAL CRIST: Motion on 2.

18 CFO GALLAGHER: Second.

19 GOVERNOR BUSH: Motion and a second.
20 Without objection, the item passes.

21 MR. STIPANOVICH: Item 3 is a request for
22 approval of fiscal determination of an amount not
23 exceeding 7,700,000 tax-exempt Florida Housing
24 Finance Corporation multifamily mortgage revenue
25 bonds.

1 CFO GALLAGHER: Motion on 3.

2 ATTORNEY GENERAL CRIST: Second.

3 GOVERNOR BUSH: Motion on and a second.

4 Without objection, the item passes.

5 MR. STIPANOVICH: Item 4 is just simply for
6 information only, submitting the annual
7 investment report for the State Board of
8 Administration. I'll be happy to answer any
9 questions.

10 GOVERNOR BUSH: Any questions?

11 Okay. Item 5.

12 MR. STIPANOVICH: Reaffirmation of the
13 original appointment of the executive director,
14 which is required under the law annually.

15 ATTORNEY GENERAL CRIST: Motion on 5.

16 CFO GALLAGHER: Second.

17 GOVERNOR BUSH: There's motion and a second.

18 Now, are we caught up now?

19 MR. STIPANOVICH: I believe we are,
20 Governor. Thank you.

21 GOVERNOR BUSH: There's a motion and a
22 second. Without objection, the item passes.
23 Congratulations once again, Coleman. You've been
24 reappointed more times than any living --

25 CFO GALLAGHER: The motion covered '03 and

1 '06, just to make it clear.

2 GOVERNOR BUSH: So now we've dealt with the
3 backlog.

4 CFO GALLAGHER: We did '04 and '05, and we
5 had to do '03.

6 MR. STIPANOVICH: Thank you.

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1 GOVERNOR BUSH: Financial Services
2 Commission, Office of Insurance Regulation.

3 CFO GALLAGHER: Motion on the minutes.

4 ATTORNEY GENERAL CRIST: Second.

5 MR. McCARTY: Good morning Governor. Good
6 morning, members.

7 GOVERNOR BUSH: Good morning. There's a
8 motion and a second on Item 1. Without
9 objection, the item passes.

10 MR. McCARTY: Item 2 is approval of adoption
11 of amendments to Rule 690-170.0155 relating to
12 forms for the financial -- F.A.C. The proposed
13 amendment is to adopt forms for noticing premium
14 discounts for loss mitigation.

15 CFO GALLAGHER: Motion on 2.

16 COMMISSIONER BRONSON: Second.

17 GOVERNOR BUSH: There's a motion and a
18 second. Without objection, the item passes.

19 MR. McCARTY: Agenda item number 3 is
20 approval of adoption of amendments to Rule
21 Chapter 690-170, Part 1, relating to property and
22 casualty insurance rating rules, and also to Rule
23 690-175.003 relating to motor vehicle. The
24 proposed rule is the basis for agency action with
25 regard to rate filing. It addresses the practice

1 of companies of submitting incomplete rate
2 filings to the Office, requiring insurers to
3 provide information to the office to be
4 considered in support of the rate request. Also,
5 the proposed amendment would provide an expedited
6 rate review process for companies who
7 periodically need to adjust rates plus or minus
8 5 percent.

9 GOVERNOR BUSH: I'm sorry, Kevin. I was
10 looking at Treasurer Gallagher's report for the
11 United Way, where his percentage over the budget
12 was two-tenths of a percent higher than our
13 office.

14 MR. McCARTY: Every little bit helps.

15 GOVERNOR BUSH: So now we're going to be in
16 a bidding war. I'm going to have to go upstairs
17 when we're finished and write a personal check
18 and see if I can help.

19 CFO GALLAGHER: I might have to do the same
20 thing. Well, he's wealthier than I am. I'm in
21 trouble.

22 GOVERNOR BUSH: Not anymore.

23 MR. McCARTY: Competition is a good thing.

24 GOVERNOR BUSH: Any discussion on Item 3?

25 CFO GALLAGHER: Yes. I have an amendment.

1 I move that we propose the new language in
2 sections 4 and 5 be removed from Rule
3 690-170.013. And that's the language that's
4 found on the top of page 20 of the rule and
5 carries over to the bottom of page 21.

6 GOVERNOR BUSH: This removes the streamlined
7 review? Is that the --

8 CFO GALLAGHER: Right. That removes what
9 would be perceived as an automatic 10 percent
10 increase that could just, you know, fall in there
11 without really being --

12 GOVERNOR BUSH: 5 percent?

13 MR. McCARTY: Well, in fact, it is not an
14 automatic review. The Office still retains the
15 authority to approve or disapprove. The
16 recognition -- the concept behind the rule is a
17 rate streamlining process, to reduce the
18 frictional costs of making rate filings in
19 Florida, in recognition of what --

20 GOVERNOR BUSH: The what costs?

21 MR. McCARTY: Frictional.

22 GOVERNOR BUSH: Frictional?

23 MR. McCARTY: Yes.

24 GOVERNOR BUSH: Does that mean like too much
25 regulation?

1 MR. McCARTY: It means that -- it could be
2 perceived that way, yes, Governor. And what
3 we're trying to do is --

4 GOVERNOR BUSH: I've never heard that term
5 before.

6 MR. McCARTY: We're trying to balance the
7 protection of the consumers on the one hand with
8 the unnecessary regulation for relatively small
9 rate filings.

10 The fact of the matter is that insurance
11 companies on a rather routine basis across all
12 property and casualty lines are able to justify a
13 modest increase just to reflect the trend in
14 costs and increases in inflation. So what we're
15 trying to do is differentiate our review process
16 to focus on those rates that are above the
17 5 percent and those that are below. The Office
18 still retains the ability to disapprove a filing
19 if that rate is excessive. It still has to be
20 certified by an actuary that it is actuarially
21 sound.

22 GOVERNOR BUSH: Your concern relates more to
23 the perception than the --

24 CFO GALLAGHER: Yes. It pretty much is a
25 perception that could be pushed into a

1 quasi-reality. It could be blown up to be a lot
2 more than it is.

3 I think the most important part of this rule
4 is the rest of it, and the rest of it I think is
5 extremely important. Basically, that sets up the
6 parameters by which a filing would take place and
7 that all the information has to be given to the
8 Office of Insurance Regulation.

9 What is able to happen without this rule as
10 amended, if it does get amended, is that an
11 insurance company can file a rate increase, and
12 if that rate increase is disapproved, then they
13 can appeal it, either through a review panel or
14 to a hearing officer. And at this point, they
15 come to the hearing officer with a whole bunch of
16 additional information that the Department has
17 never seen, and they may well have gotten it
18 approved if they had given all the information in
19 the first place. So it costs a whole lot of
20 money and aggravation and everything else.

21 So what we're saying here is, bring all your
22 information to the Department and let them have
23 it all, and then they make a decision, and then
24 you appeal it. You're going to have to appeal
25 with the same information you brought them and

1 not add a bunch to it.

2 GOVERNOR BUSH: That makes sense. Are you
3 okay with the deletion?

4 MR. McCARTY: Yes, sir, certainly. I would
5 prefer to --

6 COMMISSIONER BRONSON: I'll second.

7 MR. McCARTY: I would -- yes, I'm absolutely
8 comfortable with the rule as amended.

9 CFO GALLAGHER: Everybody likes the way they
10 write it, you know.

11 GOVERNOR BUSH: There's a motion and a
12 second. Item 3 as amended passes without
13 objection.

14 MR. McCARTY: Item 4, Governor, I would like
15 to request that Item 4 be withdrawn at this time.

16 CFO GALLAGHER: Motion to withdraw.

17 ATTORNEY GENERAL CRIST: Second.

18 GOVERNOR BUSH: There's a motion to withdraw
19 and a second. Without objection, the motion is
20 withdrawn.

21 MR. McCARTY: Item number 5 is a request for
22 approval to reinstate the Commissioner of the
23 Office of Insurance Regulation to take action
24 regarding hearings by the Division of
25 Administrative Hearings in the numbers of the

1 cases in the agenda. This is the item I brought
2 to you before where I was asked to be recused.
3 They have withdrawn their objection to the Office
4 as being the final agency action.

5 CFO GALLAGHER: Motion on 5.

6 COMMISSIONER BRONSON: Second.

7 GOVERNOR BUSH: There's a motion and a
8 second. Without objection, the item passes.

9 MR. McCARTY: Thank you, Governor.

10 GOVERNOR BUSH: Thank you, Kevin. World
11 record, by far. No friction in this meeting.

12 (Proceedings concluded at 9:17 a.m.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA:
COUNTY OF LEON:

I, MARY ALLEN NEEL, Registered Professional Reporter, do hereby certify that the foregoing proceedings were taken before me at the time and place therein designated; that my shorthand notes were thereafter translated under my supervision; and the foregoing pages numbered 1 through 13 are a true and correct record of the aforesaid proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor relative or employee of such attorney or counsel, or financially interested in the foregoing action.

DATED THIS 18th day of January, 2006.

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