

THE CABINET
STATE OF FLORIDA

Representing:

DIVISION OF BOND FINANCE

FINANCIAL SERVICES COMMISSION, OFFICE OF
INSURANCE REGULATION

DEPARTMENT OF REVENUE

DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES

FLORIDA LAND AND WATER ADJUDICATORY COMMISSION

BOARD OF TRUSTEES, SOUTH FLORIDA WATER
MANAGEMENT DISTRICT

BOARD OF TRUSTEES, INTERNAL IMPROVEMENT TRUST FUND

STATE BOARD OF ADMINISTRATION

The above agencies came to be heard before
THE FLORIDA CABINET, Honorable Governor Crist presiding,
in the Cabinet Meeting Room, LL-03, The Capitol,
Tallahassee, Florida, on Tuesday, January 30, 2007,
commencing at approximately 9:05 a.m.

Reported by:

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APPEARANCES:

Representing the Florida Cabinet:

CHARLIE CRIST
Governor

CHARLES H. BRONSON
Commissioner of Agriculture

BILL McCOLLUM
Attorney General

ALEX SINK
Chief Financial Officer

* * *

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

2 (The agenda items commenced at 9:38 a.m.)

3 GOVERNOR CRIST: All right. The next Cabinet
4 meeting will be Tuesday, February 13th. And now we
5 will go on to Bond Finance with Ben Watkins. Ben,
6 good morning.

7 MR. WATKINS: Good morning, Governor and
8 Cabinet members.

9 Item Number 1 is approval of the minutes of
10 the December 19th meeting.

11 COMMISSIONER BRONSON: Motion on Item 1.

12 GOVERNOR CRIST: Is there a second?

13 CFO SINK: Second.

14 GOVERNOR CRIST: Motion and a second. Without
15 objection.

16 MR. WATKINS: Item Number 2 is a resolution
17 authorizing the competitive sale of \$150 million in
18 Florida Forever revenue bonds to continue funding
19 for the conservation land buying program.

20 COMMISSIONER BRONSON: Motion on Item 2.

21 ATTORNEY GENERAL McCOLLUM: Second.

22 GOVERNOR CRIST: Is there any objection or

23 questions? Show it approved without objection.

24 Item 3.

25 MR. WATKINS: Item 3 is a report of award on

1 the competitive sale of \$443,290,000 in Turnpike
2 revenue bonds. The transaction was a multipurpose
3 issue with about 276 million in new money and
4 167 million in a refinancing transaction. The
5 bonds were awarded to the low bidder at a true
6 interest cost of 4.29 percent, and the refinancing
7 component of the transaction resulted in gross debt
8 service savings of approximately \$15-1/2 million
9 for \$10-1/2 million on a present value basis.

10 COMMISSIONER BRONSON: Motion on Item 3.

11 GOVERNOR CRIST: Is there a second?

12 ATTORNEY GENERAL McCOLLUM: Second.

13 GOVERNOR CRIST: Motion and a second. Show it
14 approved without objection. Ben, thank you very
15 much.

16 MR. WATKINS: Thank you.

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1 GOVERNOR CRIST: Office of Insurance
2 Regulation, Kevin McCarty. Commissioner, good
3 morning.

4 MR. McCARTY: Good morning, Governor.

5 GOVERNOR CRIST: How are you?

6 MR. McCARTY: Doing well, sir. Thank you very
7 much.

8 GOVERNOR CRIST: I wanted to mention that I've
9 placed an emergency rule before us as a good cause
10 item on the agenda for the Financial Services
11 Commission. I think it's important to adopt this
12 emergency rule, members, in order to ensure that
13 the recently enacted reforms that the Legislature
14 brought about to the people of Florida and
15 Florida's Insurance Code are implemented without
16 exception. To allow rate filings that do not
17 incorporate the criteria and standards of the new
18 law would undermine the legislative purpose and
19 intent and threaten the public health, safety, and
20 welfare.

21 Commissioner McCarty, if you would be so kind
22 as to explain the rule to the members.

23 MR. McCARTY: Yes. Upon your request,
24 Governor, as you have already articulated, there
25 were sweeping changes that were enacted in House

1 Bill 1A, providing in relevant part an expansion of
2 Florida's Cat Fund, and for all policies that are
3 issued in our state by insurance companies on or
4 after June 1st, must reflect those savings in
5 accordance with the new law. In order to promote
6 that concept and to eliminate any possibility of
7 confusion and frustration of that legislative
8 intent, we're supporting the emergency rule that
9 addresses the immediate risk to Florida's safety,
10 health, and welfare.

11 This rule would require that any residential
12 filing incorporate the cost savings that are
13 anticipated by House Bill 1A. It also provides in
14 part that companies cannot non-renew or cancel
15 policies during this period except for specified
16 reasons, such as nonpayment of premium or fraud.

17 GOVERNOR CRIST: Any questions? Commissioner?

18 COMMISSIONER BRONSON: Yes. Thank you,
19 Governor. There are a few things that I wanted to
20 be very clear on on this, and that is -- well,

21 first of all, I don't understand why -- usually
22 something of importance would be added with the
23 signage of the bill upon signature of the Governor,
24 which probably would have preempted us having to
25 even talk about this. And I don't know why -- if

1 there was a reason why that wasn't done originally
2 with the bill that just passed the Legislature in
3 special session, why that didn't go into effect. I
4 believe I saw a date of March 15th or something
5 like that.

6 GOVERNOR CRIST: I think that's when estimates
7 have to come back. Kevin, maybe --

8 MR. McCARTY: Right. The Legislature
9 anticipated a very aggressive timetable for the
10 implementation of the House Bill. For instance,
11 the presumed factor needs to be promulgated by the
12 Office by March 15, according to the law.

13 But in order to allow the companies sufficient
14 time to do that, we believe that time really has to
15 be probably more like March 1st or the first week
16 of March in order to allow -- you have to backdate
17 the time for companies that have to give notice to
18 their policyholders. So we're looking at -- the
19 companies have to make the filings to be effective
20 April 15th, so we're trying to work back from that

21 time line.

22 And if you have other filings in the pipeline

23 or the companies were to make filings in the normal

24 course of business, that would frustrate the

25 legislative intent, which is only giving us

1 approximately a month to review approximately 300
2 filings. In order to do that, this would clear the
3 pipeline, so to speak, and allow us to implement
4 those changes.

5 But this rule is only in effect for 90 days.

6 Once all the rate filings are made, reviewed, and
7 completed that contemplate the savings that were
8 for the expansion of the Florida Cat Fund, we would
9 resume the normal course of filings.

10 COMMISSIONER BRONSON: A couple more --

11 GOVERNOR CRIST: Commissioner, sure.

12 COMMISSIONER BRONSON: -- Governor, just so I
13 can be clear on this.

14 One of the things that I know has gotten the
15 public very antsy about, and that is cancellation
16 of their policies, and people who are on limited
17 incomes, those elderly who retired years ago and
18 are on very limited incomes are very concerned
19 about that. And I understand this rule would keep
20 that from happening for 90 days.

21 I'm also concerned, and have been from the
22 beginning, as I've made it very clear here before,
23 I certainly don't want to lose companies willing to
24 do business in the State of Florida, because if you
25 limit those to only one or two companies willing to

1 write, you know, insurance, then we really don't
2 have a very competitive state when it comes to
3 shopping around for insurance. And I for one am
4 very concerned about Citizens being the only
5 recourse and the State having to back in good faith
6 Citizens as well, just as we expect insurance
7 companies to do the same thing to protect our
8 citizens in payment, as to whether -- how
9 actuarially sound we're going to remain from that
10 standpoint.

11 So I'm looking at this, and not being in the
12 insurance business and that type of thing, maybe I
13 don't know as much about it as I should. But I'm
14 very concerned for those reasons, and how does that
15 affect this.

16 Number one, is there going to be a problem if
17 we do enact this for 90 days from the amount of
18 businesses that may be writing insurance in this
19 state, and whether or not we're going to have
20 businesses leaving the state, if this has any

21 effect on that. I would like to feel comfortable
22 about that.

23 MR. McCARTY: Yes, I understand. And perhaps
24 we will allow the companies -- I notice a number of
25 company representatives here. I believe they're

1 here to rise in opposition of the emergency rule,
2 and we'll give them the opportunity to address
3 those issues, but they would probably better be
4 positioned as to what they plan to do in terms of
5 their market.

6 The truth of the matter is, since hurricane
7 season, even before hurricane season 2004, a number
8 of large carriers in Florida, many of them
9 multistate carriers, have been aggressively
10 non-renewing their book of business in Florida
11 anyway. Citizens has arisen to be the number one
12 insurance carrier. We believe we're already in an
13 insurance crisis, and the continuing non-renewal
14 and cancellations, which we believe is adding to
15 the crisis.

16 We believe that the expansion of the Florida
17 Cat Fund will do a lot to bring long-term stability
18 to our marketplace. It has been the benchmark of
19 our recovery from Hurricane Andrew, and it is a
20 model for the nation in terms of providing for

21 safety and security in the reinsurance marketplace
22 in a catastrophic event. So we believe that the
23 Cat Fund is tried and tested and proven, and we
24 believe expanding that Cat Fund is necessary to
25 provide the long-term stability. But in order for

1 us to effectuate the changes that the Legislature
2 had intended, we need this bridge period of time.

3 I believe that these suggestions are very
4 limited in effect and temporary in effect, and
5 believe that after that time has passed, we'll have
6 an opportunity to evaluate the insurance industry's
7 intentions in our marketplace.

8 Again, we have Guy Marvin here. We have
9 William Stander. We have Robert Reyes and Mark
10 Delegal here representing the industry, and I'm
11 sure they will articulate their position quite
12 well.

13 GOVERNOR CRIST: They are very skilled.

14 MR. McCARTY: They are indeed, sir.

15 GOVERNOR CRIST: CFO Sink.

16 CFO SINK: Yes. I have a number of comments
17 and questions. Governor, I was not made aware of
18 this order until approximately 5:15 yesterday. My
19 staff was not aware of it until four o'clock
20 yesterday. It's my understanding that your staff

21 has been working with OIR, and I'll address this
22 with Kevin, for approximately a week. Is that
23 correct?

24 MR. McCARTY: No. I didn't meet with the
25 Governor until Friday after the bill signing to

1 discuss -- we had been discussing some
2 implementation issues, but not specifically any
3 draft with regard to an emergency room until
4 Friday.

5 CFO SINK: Well, Governor, with all due
6 respect, I have a number of questions about this
7 order, and I have not had the opportunity to talk
8 to anybody except for my own staff.

9 And there are -- I have concerns, and I would
10 like to be able -- it would be my preference, first
11 of all, that -- we're all new at this -- that our
12 staffs do a little bit better job of informing the
13 Cabinet members of something of this importance,
14 because I know emergency orders are very rare, and
15 we need more notification. If I had been aware on
16 Friday that this was in the works, then my staff
17 and I would have spent all weekend and a good deal
18 of yesterday getting my questions answered.

19 So it would be my preference actually to
20 approve the rate freeze, which I understand is a

21 pretty common practice among insurance in the
22 industry and among states. Is that not correct?
23 It doesn't happen all the time, but insurance
24 companies understand that there are rate freezes.
25 But the second part of this, the

1 non-cancellation of policies raises a lot of
2 potential for unintended consequences. It would
3 have been my preference to approve the rate freeze
4 today and defer the second part of it. I'm under
5 the impression that that's not your pleasure, so if
6 you don't mind, I'll ask my questions.

7 GOVERNOR CRIST: I don't mind at all, but let
8 me address your first concern first. We've just
9 passed historic legislation in this town, and I'm
10 very grateful to the Legislature for having done
11 so.

12 What I've also learned during my time in
13 Tallahassee is that the insurance industry is very
14 skilled at lobbying and is very aggressive when
15 they do so. We did talk to Kevin Friday to see if
16 this might be possible, to pass an emergency rule,
17 which I know happened several times. You know,
18 your predecessor, in fact, brought about a lot of
19 them that would occur as I got to this meeting
20 rather than the day before.

21 CFO SINK: Well, I'm not my predecessor,

22 fortunately.

23 GOVERNOR CRIST: No, you're certainly not.

24 But my point, CFO, is that in facing this industry

25 and the aggressive nature that it sometimes can

1 operate in -- and I apologize to you for not having
2 even more notice. That's a good point. But we
3 tried to contact your office I think around noon
4 yesterday about it.

5 But be that as it may, the important point
6 was, we didn't want the insurance industry to have
7 the opportunity to go ahead and file rate increases
8 and cancel policies before we got this emergency
9 rule into place. And so what we did is, we got the
10 information to the fellow Cabinet members so they
11 would have an opportunity yesterday, last night,
12 again this morning if necessary.

13 But I think the intent is very clear. What
14 we're trying to do is protect the people. We're
15 trying to make sure that in the interim of this law
16 going into effect, that policies are not canceled.
17 That's an important part of it. Allstate Insurance
18 alone has already canceled 106,000 policies on the
19 people of Florida. My parents' policy was canceled
20 last week. And the notion that we might let this

21 go I think is unacceptable.

22 I think it's very important in addition to

23 that that we have a rate freeze. The other thing

24 we didn't want to give the insurance industry the

25 opportunity to do was over the course of the

1 weekend file rate increases on the backs of the
2 people of Florida that we've just tried to protect
3 in this special session.

4 I'm a little passionate about it. I
5 apologize, but I think it's important. And I want
6 you to understand the motivation. You deserve
7 that, and that's why I'm elaborating on it, because
8 I think it's fundamental to protect the people of
9 Florida with this good new law that the Legislature
10 has brought about. And I think it's fundamental
11 that we make sure no more policies are canceled,
12 that we make sure no rate increases are slipped
13 under the door before this law becomes effective.
14 That's why I think it's so important to have this
15 emergency rule.

16 And we would love to entertain your questions,
17 of course, CFO.

18 CFO SINK: Thank you.

19 GOVERNOR CRIST: You're welcome.

20 CFO SINK: It's my understanding that the rule

21 will be in effect for 90 days; is that correct?

22 MR. McCARTY: That is correct. That's the
23 term for an emergency rule, 90 days.

24 CFO SINK: So I'm going to focus more on the
25 non-renewal of policies aspect of this rule. So

1 that means that the rule will be lifted
2 approximately May the 1st. At that point in time,
3 what is to prevent the companies from making
4 decisions to cancel and non-renew policies?

5 MR. McCARTY: They would have to follow the
6 normal course in terms of non-renewal, but they
7 could non-renew at that point, just as currently
8 they're able to do before the initiation of the
9 emergency rule.

10 CFO SINK: Okay. So this is a part of what I
11 look at as unintended consequences of this part of
12 the rule. That means that in May, by passing this
13 part of the rule, then we're subjecting ourselves
14 to having cancellations and non-renewals occur in
15 May, right at the front of hurricane season.

16 MR. McCARTY: No, because they would have to
17 -- the new legislation requires them to give a
18 longer notice requirement, so they would not be
19 able to non-renew during that period of time.

20 CFO SINK: So walk me through --

21 MR. McCARTY: It should get us through

22 hurricane -- it should get us --

23 CFO SINK: Well, just walk me through, walk

24 all of us through. May the 5th comes, and a

25 company who wanted to non-renew a group of

1 policies, you know, has been held up from doing it
2 for whatever reason.

3 MR. McCARTY: Right.

4 CFO SINK: Walk me through what happens.

5 MR. McCARTY: In the new law, the companies
6 cannot non-renew during hurricane season, so if it
7 expires on May 1st, a 45-day requirement for
8 non-renewal notification would not allow them
9 enough time by law, so they wouldn't be able to
10 non-renew during the pendency of the hurricane
11 season, so that would bring us through hurricane
12 season in that scenario.

13 CFO SINK: Okay. So in effect, by passing
14 this rule, there will be no non-renewals or
15 cancellations until the end of the year?

16 MR. McCARTY: Except as otherwise provided by
17 law, yes.

18 GOVERNOR CRIST: This provides a bridge, in
19 essence, yes, ma'am.

20 CFO SINK: Okay. So what -- you know, one of

21 the things we're getting ready to do here is -- as
22 Commissioner Bronson said, we're in the insurance
23 business, like it or not, and I want to be sure
24 that we don't become the only property insurer in
25 our state.

1 And one of the things that I'm most interested
2 in is, Governor, you and I going out and
3 encouraging the companies who are not writing
4 insurance here now to come back to Florida to write
5 business. And I have a concern that when we go
6 visit these companies -- and I've already set up a
7 couple of visits myself -- and they say to me,
8 "Well, how can we do business in Florida when we
9 don't know what the rules of the game are? You're
10 interfering, you're telling us who we can and
11 cannot do business with." Having government
12 intrusion into telling companies who they can or
13 cannot do business with, it sets a dangerous
14 precedent.

15 And I too am really concerned about these
16 cancellation and non-renewals, and in my business,
17 I would have never done it that way, because I
18 think it sheds poor light on these companies. But
19 be that as it may, if we're trying to aggressively
20 pursue rebuilding our private insurance market in

21 the state, Kevin, what do you think the reaction of
22 insurance companies who want to do business in
23 Florida or might be interested in it will be to
24 this somewhat capricious action on our part to tell
25 them what they can and cannot do with their own

1 business customers?

2 MR. McCARTY: Well, I don't believe that the
3 actions for the freeze, in particular with respect
4 to the freeze, were unanticipated by the industry.
5 There was widespread discussion by industry and
6 industry representatives during the pendency of the
7 legislation of the possibility of a rate freeze in
8 order for us to do as the law had intended, which
9 is to provide for a time period to allow the Office
10 to put into effect the presumed factor to realize
11 the savings of the new law.

12 I think the element of the moratorium is
13 probably a little more unexpected, although the use
14 of a moratorium is a pejorative and loaded term.

15 What we really -- the intent of the legislation is
16 to provide that you cannot non-renew until you put
17 these provisions in effect, and essentially saying
18 until you comply with the law as it's currently
19 required by House Bill 1A.

20 I think again the industry is much better

21 positioned to address what their individual and
22 collective desires would be with regard to this.

23 I would say, as Commissioner Bronson has
24 alluded to, the industry of insurance is like any
25 other industry. They prefer an environment of

1 certainty and stability, and certainly as part of
2 their all-factors consideration, they look at the
3 environment in Florida to make a decision on
4 whether or not it's a lucrative environment. I can
5 tell you that we've been working with investor
6 groups this past week, and there's still an
7 appetite for doing business in Florida. So I think
8 those are going to be individual decisions made in
9 individual board rooms across Florida and across
10 this country.

11 CFO SINK: So you're willing to say that this
12 action will not destabilize the insurance market
13 and our ability to attract new capital into the
14 state?

15 MR. McCARTY: I would say that we're already
16 in a period of chaos and crisis in our state, with
17 1.3 million policies in Citizens. And that's part
18 of the solution that Florida has. The other part
19 is, we're not only in the insurance business, but
20 we're the major reinsurer for the State of Florida.

21 So we are already in the business of insurance in
22 this state, and I believe that it will take some
23 more time for us to bring that stability in our
24 marketplace.

25 And the companies will tell you in the

1 legislative hearings, and they'll tell you today
2 that almost any action the government wants to take
3 in protection of its consumers they're going to
4 view as a hostile act, and they're going to say, as
5 they have said many times before, that they will
6 threaten to leave the state. I've probably heard
7 it 10,000 times since Hurricane Andrew. Some have
8 left. Some have come back. Some have invested
9 hundreds of millions of dollars in the future of
10 Florida's marketplace.

11 CFO SINK: Well, I'm certainly no defender of
12 the insurance companies myself, and in fact, I do
13 want the record to show that, Governor, I have not
14 had a single conversation with a lobbyist or a
15 representative of insurance companies. But I am
16 very, very concerned about this aspect of the rule.
17 I'm concerned about the process and the quickness
18 and my inability to do the kind of due diligence
19 that I as Chief Financial Officer like to do before
20 I have to vote on something that's hurried and

21 rushed and has a potential negative impact on
22 consumers, actually. I do remain very concerned
23 about this.

24 Let me just ask one more question. Kevin,
25 sometimes companies need to non-renew their

1 policies because of their capital position and
2 their financial situation, and they need to
3 regroup. Is this rule going to prohibit them from
4 staying, remaining as financially strong companies
5 because they're not able to adjust their book of
6 business?

7 MR. McCARTY: No, I don't believe that will
8 have that impact. I've been in conversations with
9 my legal staff and my general counsel for whatever
10 exceptions there are under the Administrative
11 Procedures Act in the event that we need to do that
12 for solvency purposes.

13 CFO SINK: Okay. Are we going to -- I also
14 believe, Governor, very strongly in letting anyone
15 who's impacted by our rule have a fair hearing, and
16 I gather from Kevin that there are representatives
17 of insurance companies here, I guess some well
18 respected insurance companies. They're not all
19 deadbeats. And I would like very much to give them
20 the opportunity to present their case, because I

21 think it's only fair that we hear from the business
22 that is going to be impacted by this rule.

23 MR. McCARTY: I think having paid \$36 billion
24 in claims, they would certainly take exception to
25 the characterization as deadbeats. Yes, there are

1 representatives here, yes, ma'am.

2 Mr. Marvin? Do you want to hear --

3 GOVERNOR CRIST: I think the General has some
4 questions first.

5 MR. McCARTY: Sure.

6 ATTORNEY GENERAL McCOLLUM: I do,
7 Commissioner. I just wanted to ask a question to
8 refine a little bit of what you said. I know that
9 this emergency rule would prohibit new rate
10 filings, but I gather there are some that are
11 pending in the pipeline now. You alluded to that.
12 You used the term "pipeline."

13 Is this in some way going to be viewed,
14 legally or otherwise, as discriminating against the
15 applicants that are currently pending, that may
16 have been for some time? My understanding is that
17 there are a number that may have had obligations
18 that they have not been able to remedy, where other
19 companies have recently been given some rate
20 increases prior to the legislation that was just

21 passed. So as opposed to looking forward in trying
22 to do what we all would probably say we agree with
23 you on, we're going to restrain the future rate
24 filings, are we doing anything that might be viewed
25 as inappropriate to those that have something

1 pending before you?

2 MR. McCARTY: Well, the pending filings, rate
3 filings, are prospective, so they have to
4 anticipate what their anticipated claims payment
5 and expenses are for the next year in the future.

6 So any pending rate filing now would have to take
7 into effect the changes for House Bill 1A anyway,
8 since everybody's contract for reinsurance wraps
9 around that June 1st date.

10 So some of the ones that are in the pipeline
11 now are "use and file," which means they've already
12 been charging it. The way the rule is drafted, it
13 says those rates in effect at the time of the rule,
14 which means those ones who have "use and file" and
15 have opted to use that would continue to do so.

16 Those who have "file and use," which is --
17 they've sent into the office pending the 90-day
18 review period, their rate, in effect, would be the
19 rate, of course, that does not anticipate their
20 rate increase, so those would be affected by the

21 issuance of this rule. There's only a handful of
22 those companies we're looking at on an individual
23 basis to see how that would impact them in terms of
24 their ability to collect a rate that is adequate.

25 ATTORNEY GENERAL McCOLLUM: Again, I'm new to

1 the Cabinet, as is CFO Sink, so I'm asking this
2 question without any experience to know it, but is
3 there anything peculiar about this particular rule
4 or what we might be doing today that might generate
5 more litigation than something else that we would
6 normally do or in past history of doing any kind of
7 rate adjustment or freezes or policies you can't
8 cancel or whatever?

9 MR. McCARTY: Well, the rate review process
10 and the regulation of insurance from time to time
11 tends to be a litigious issue. There is a
12 reasonable degree of disagreement as to what
13 constitutes a fair and adequate rate, so we've been
14 in litigation with industry on these issues over
15 time.

16 No, I believe that the rate freeze is an
17 appropriate action, because I do believe it's very
18 difficult for the Office to achieve the legislative
19 intent, which is to review over 300 filings in
20 about a three-week, maybe four-week window. So in

21 order to do that, we really have -- in my mind, the
22 Legislature intended us to provide for a regulatory
23 framework to achieve that goal, so I think this
24 rule does facilitate that.

25 And at any point in time whenever you initiate

1 some kind of change, somebody is going to be
2 affected in that pipeline. We're going to make our
3 best efforts to be fair and objective in those
4 situations.

5 ATTORNEY GENERAL McCOLLUM: I think you've
6 explained that very well. I just wanted to clarify
7 it, because I'm sure there will be those who raise
8 it. We don't have the advantage of asking you the
9 questions, at least now, after we've heard those
10 who may complain, so we're all up here guessing a
11 little bit what they might be.

12 I think everybody up here wants to do
13 something right about the citizens of Florida, and
14 the rate issue and the problem with cancellation of
15 policies has been a tremendous problem for us.

16 But, of course, the explanation you've given us is
17 very good. On the other hand, I think that CFO
18 Sink and Commissioner Bronson have made an
19 excellent point. Nobody here also wants to see us
20 lose more of our private insurers. So it's a

21 delicate balance. And I suppose anything we do,
22 just as anything the Legislature does, could have
23 unintended consequences, but not to act is
24 irresponsible, so I'm sure we will act. But thank
25 you very much.

1 MR. McCARTY: Thank you, sir. Thank you,
2 General.

3 Mr. Marvin. Mr. Marvin and Mr. Delegal and
4 Mr. Stander and Mr. Reyes.

5 MR. MARVIN: Thank you, Commissioner.

6 GOVERNOR CRIST: Good morning.

7 MR. MARVIN: Governor and members of the
8 Cabinet, my name is Guy Marvin. I'm president of
9 the Florida Insurance Council. And that amount of
10 homeowners business that remains in the private
11 market, the members of the Florida Insurance
12 Council write the vast majority.

13 I would like to say that we are concerned
14 about the very things that we've heard expressions
15 of concern about up here. Obviously, on the rate
16 freeze, we are concerned that those companies who
17 have applied for and in some cases actually already
18 received a rate approval, a rate increase approval,
19 but have not yet implemented it, will not be able
20 to implement it, and they will therefore be

21 operating with a rate which is presumably

22 inadequate for a period of time.

23 This rule will also effectively prevent

24 companies, going to CFO Sink's questions, from

25 implementing provisions which rating agencies have

1 told the companies they must implement in order to
2 maintain their ratings. Those ratings are
3 important, because in order for the paper which
4 insurance companies issue to be recognized by
5 financial lending institutions, you must have your
6 A. M. Best ratings.

7 So those are concerns that we have about this
8 rule. We think that the rule will have, even
9 though it is over a 90-day period, which is the
10 maximum the law allows for an emergency rule, will
11 have a drastic negative impact on the financial
12 statements of some of our members.

13 Thank you.

14 GOVERNOR CRIST: Thank you.

15 CFO SINK: Mr. Marvin --

16 GOVERNOR CRIST: CFO Sink.

17 CFO SINK: Can you describe a little bit more
18 about the relationship with the rating agencies?
19 What are these specific rules or guidelines that
20 the rating agencies have that could impact the

21 ratings of the companies, please?

22 MR. MARVIN: I cannot give you a great deal of

23 detail because I'm simply not familiar with it.

24 But as the results of the 2004 and 2005 hurricane

25 seasons became more apparent, it was obvious that

1 the risks associated with insuring structures in
2 Florida were greater than anybody had anticipated.
3 As a result, insurance companies were told that
4 they have more risk in Florida than their capital
5 permitted them to back up, and the rating agencies
6 said, "You've got two choices, more capital, or
7 reduce your risk." And a lot of the non-renewal
8 activity that you see is in response to those
9 provisions coming from the rating agencies.

10 ATTORNEY GENERAL McCOLLUM: Could I ask a
11 question too? What is the impact of a rating
12 agency lowering its rating? Is this dealing with
13 the ability to gain loans, or interest rates, or
14 what is the impact, and how do we understand that?

15 MR. MARVIN: General, that is in fact what the
16 impact is. You understand it correctly. In order
17 for companies to be qualified to insure the
18 collateral of mortgage lenders, it is required that
19 they maintain a good A. M. Best rating. And I'm
20 not absolutely sure what it is, but I think it's

21 B --

22 MR. McCARTY: B+ and above.

23 MR. MARVIN: B+ and above. Thank you. Thank

24 you, Commissioner. B+ and above.

25 ATTORNEY GENERAL McCOLLUM: Would this cause,

1 this rule, in your opinion, the ratings to drop
2 below the B+ for several companies that might be
3 affected?

4 MR. MARVIN: General, I was covering up plants
5 last night when I heard about this rule at home,
6 and I haven't read it in its entirety, but I can
7 speculate that ratings might in fact be affected by
8 the inability of companies to manage their block of
9 business, yes, sir.

10 ATTORNEY GENERAL McCOLLUM: But we don't know
11 how much, how low it would be and it would go?

12 MR. MARVIN: That would be absolute
13 speculation. I wouldn't even want to do that.

14 ATTORNEY GENERAL McCOLLUM: All right. Thank
15 you.

16 COMMISSIONER BRONSON: Governor?

17 GOVERNOR CRIST: Commissioner.

18 COMMISSIONER BRONSON: Thank you, Governor.

19 One of the things that I would like to know, and I
20 guess it's an industry -- well, I say industrywide.

21 Maybe it is, and maybe it isn't. Maybe some are
22 more affected than others.

23 But the issue of reinsurance and whether these
24 ratings have the direct impact on reinsurance has
25 me concerned, simply because, even if they pick up

1 or stay in with the businesses that they have, if
2 their ratings are such that says they cannot
3 effectively pay off for a major disaster, and only
4 a certain amount of people are going to get paid,
5 and then there's not enough to pay the rest, that's
6 just as bad to the consumer in this state as if
7 they didn't have insurance at all.

8 And so I'm concerned about that issue as well,
9 and that's the reason why I've been concerned about
10 whether businesses stay or leave, simply because I
11 don't know that we're helping the consumers out.
12 If they have no insurance or their insurance
13 company can't pay off the losses, that's just as
14 devastating as not being able to get insurance at
15 all.

16 And I'm trying to -- this is a very important
17 issue for the consumers. And I'm one of those
18 consumers whose insurance have doubled, so I'm very
19 concerned about the -- especially those who are on
20 limited incomes. Those are the ones I'm thinking

21 about the most. Those are the ones that are going
22 to get hit and hurt the most, and I need to know
23 about that.

24 MR. MARVIN: I can say this. When we talk
25 about capital requirements for insurance companies,

1 reinsurance is a very, very important part of the
2 capitalization of the companies. In fact, some of
3 the smaller companies depend more heavily on
4 reinsurance than the larger companies do. So that
5 is a part of the capitalization of the industry.

6 With respect to the solvency of carriers, we
7 have a very rigorous program in place under
8 Commissioner McCarty that looks at the solvency of
9 carriers in Florida and tries to monitor that.

10 That's one of the major, major provisions of the
11 law that charges Commissioner McCarty and his staff
12 with that responsibility.

13 GOVERNOR CRIST: Thank you, Guy.

14 MR. MARVIN: Thank you, Governor.

15 GOVERNOR CRIST: Kevin, I think you wanted to
16 make a point about the rating question.

17 MR. McCARTY: Just a couple of things,
18 Governor, if I may, and I appreciate that
19 opportunity. First of all, those companies that
20 have been approved but the final documents aren't

21 in, those filings that have been approved would be
22 in effect at the time, so we would -- I think that
23 issue that Mr. Marvin raised we will address for
24 those companies.

25 With regard to the rating organizations --

1 CFO SINK: Excuse me, Kevin. Go back. For --

2 MR. McCARTY: If they've been approved --

3 CFO SINK: If they've been approved for an
4 increase already before --

5 MR. McCARTY: Then they will not be affected
6 by the rule.

7 CFO SINK: Okay. Anyone who comes in now and
8 does a rate filing asking for --

9 MR. McCARTY: And if they do not have approval
10 from the Office prior to today, those filings would
11 be affected by the rule. But the "use and file,"
12 they're already in effect, so those won't be
13 affected, which are about 20 filings that are with
14 us. So --

15 CFO SINK: Right.

16 MR. McCARTY: I don't think it's going to have
17 the consequence that he anticipated. We'll be
18 happy to work with Mr. Marvin and his -- members of
19 his group that are concerned about the unfair
20 implementation of this rule, but it wouldn't affect

21 them.

22 CFO SINK: Okay.

23 MR. McCARTY: And the other issue, with regard

24 to rating organizations, we are not aware of anyone

25 who's on the cusp of a B+ that's going to be

1 affected by this. Furthermore, the Legislature has
2 limited the amount that you can non-renew in any
3 particular area. And there are states in this
4 country, for instance, Pennsylvania, that do not
5 allow non-renewals or cancellations ever unless
6 it's for nonpayment of claim (sic) or fraud. So
7 that effect it might have on their rating I think
8 may be exaggerated. But we will carefully monitor
9 companies to ensure that they promptly pay their
10 claims too, Commissioner Bronson.

11 Mr. Delegal.

12 GOVERNOR CRIST: Good morning.

13 MR. DELEGAL: Good morning. I'm Mark Delegal,
14 and I represent Nationwide Insurance Companies.
15 You often see me representing State Farm, and I'll
16 probably make a few comments that we can attribute
17 to State Farm this morning, but I'm primarily here
18 on behalf of Nationwide this morning.

19 I guess I always like to start these
20 conversations by saying the industry as a whole is

21 not the enemy. We recognize that the rates out
22 there are unaffordable for many Floridians. We
23 also recognize that when those homes blew down and
24 those roofs blew off, our companies, mutual
25 companies, the two that I just mentioned owned by

1 policyholders here in Florida, came in and paid the
2 claims and made right a wrong that the hurricanes
3 caused.

4 The other thing that I want to say as a
5 backdrop to this is really kind of the key point as
6 to Nationwide. It's not as if Nationwide has come
7 in in the dark of night after the passage of this
8 legislation and tried to do anything. Let me tell
9 you what has happened.

10 They made a filing on July 6th to include in
11 that filing the increased costs that they projected
12 to pay hurricane claims and also the increased
13 costs of reinsurance that they were being charged.
14 That rate filing was denied on October 18th. They
15 filed for arbitration on November -- in November of
16 2006, and they were scheduled for hearing the first
17 day of the special session on January 16th. The
18 hearing has been postponed, not through cause of
19 Nationwide, but through an illness that the chief
20 actuary at the Department has had. So that will

21 take place in mid March. It will be April by the
22 time the arbitration panel renders a decision.

23 So from a point of fairness, Nationwide has
24 asked for a rate in July to reflect the costs that
25 they are incurring to provide coverage. And that

1 is the promise that insurance companies make, to
2 provide coverage when the wind blows. But this
3 rule ensnares them in, because their rate is not in
4 effect now, and so now they are delayed yet more
5 and more months. They have been stripped of the
6 rights to secure a rate, even though it may impact
7 their solvency. And I'm not here to say that it
8 might -- it will, but it might.

9 GOVERNOR CRIST: Mr. Delegal.

10 MR. DELEGAL: Yes, sir.

11 GOVERNOR CRIST: Can you tell us what the
12 profits were for Nationwide last year?

13 MR. DELEGAL: No, sir. I'm not prepared to
14 tell you that. I would be happy to get that
15 information to you. So I don't know.

16 But, sir, what I would say in response to that
17 is that as far as property insurance goes,
18 Nationwide I suspect has lost more money than it
19 has made here in Florida. And it's important that
20 even in their property insurance business, which

21 they may have made some money last year, and thank
22 God they did so that they can pay the losses that
23 occur in 2004, 2005, and in the future. That's
24 what we want our companies to do, is to make nice
25 profits in years when the wind doesn't blow.

1 GOVERNOR CRIST: We don't have a problem with
2 nice profits. We have a problem with egregious
3 profits.

4 And I'll give you an example of your other
5 client. The Lieutenant Governor went to Pensacola
6 yesterday, and he met with a gentleman named Ronald
7 Mills, and Ronald Mills' insurance rate from State
8 Farm one year ago was \$1,061.29. It had been
9 increased to \$5,746.22 in the course of one year.

10 Now, those are the kinds of things that we're
11 trying to protect people from. This is not
12 directed at you personally. This is directed at
13 the industry, though. Make no mistake about it, it
14 is.

15 And I am so proud that the Legislature had the
16 backbone to do what was right. And what we're
17 talking about in this emergency rule is this
18 Cabinet having the backbone to do what's right and
19 to implement this law. We're the executive branch.
20 The legislative branch has met their obligation.

21 They have done their job.

22 I believe -- I can only speak for me -- that
23 we have a duty as the administrative and executive
24 branch of government to make sure that the good law
25 that was put into place is respected and honored,

1 and that's what this rule is about. That's what
2 we're attempting to do, is to protect people like
3 Mr. Mills that the Lieutenant Governor met with
4 yesterday from getting gouged again.

5 And if we don't put an emergency rule into
6 place, companies have the opportunity to stick
7 their nose under the door and do this very thing to
8 them again. And they can also cancel them, like
9 Allstate did to 106,000 of our fellow Floridians.

10 That's what this rule is about. So I don't want to
11 lose context.

12 You've heard from the Commissioner talking
13 about the rating, that he does not believe it will
14 affect it. What would you expect the industry to
15 tell us today? Would you not expect them to tell
16 us that it's gloom and doom? That's what they told
17 the Legislature all last week, and to the
18 Legislature's great credit, they fought back. They
19 stood for the people, and they didn't back down.

20 It's a little lengthier question that you

21 anticipated, but I appreciate your indulgence,

22 Mr. Delegal. You're a gentleman.

23 MR. DELEGAL: I appreciate your comments. And

24 Governor, I understand exactly what you're saying,

25 because before Lieutenant Governor Kottkamp gets

1 the calls, our agents get them and I get them, and
2 I hear about it, and it is not a pretty scene for
3 many Floridians.

4 The realities are, though, that hurricanes
5 have caused this pain, in my personal view. It is
6 not the insurance companies.

7 State Farm, for example -- I do know about
8 them -- since 1985 has lost in underwriting over
9 \$6-1/2 billion. After you consider tax credits,
10 et cetera, and profits from investment income,
11 they've lost over \$3-1/2 billion. So State Farm, I
12 can speak to, has not been making excessive profits
13 in property insurance in the state.

14 I guess I would just urge you to consider the
15 Nationwide example, where this is a company that is
16 trying to do the right thing. It is not
17 non-renewing business in this state. It is trying
18 to stay here and is trying to be committed, and it
19 has been asking for a rate since July. And this
20 rule is going to come in an ensnare them and

21 basically thwart their attempt to get -- and albeit
22 I think there's debate -- I mean, the regulator
23 understands they need a rate increase. It may not
24 be the 71 percent that they've requested, but it's
25 certainly at least half, close to at least half, in

1 fact, half of that I think would be their position.

2 The other thing I want to mention is the
3 cancellation and non-renewals. I think it doesn't
4 incorporate reality in the sense that there may be
5 a material change in the risk. That's not
6 contemplated in this. For example, if we were to
7 go out to a home and see that there was a meth lab
8 in the garage, that's not contemplated by this
9 rule, that we could non-renew that policy.

10 In addition, companies are constantly managing
11 their books. For example, State Farm is in the
12 process of non-renewing some of the wind into the
13 wind pool. Its MAPs plan is approved by the
14 office, and it hopes to write more policies back
15 off the water and net gain in the number of
16 policies that will be written. So these kinds of
17 things businesses do all the time, and again,
18 they're not contemplated by this rule.

19 I laud the objective. I'm like you. I think
20 we need to take into account the changes. And they

21 were fine changes on the Cat Fund to produce
22 savings, and you are to be commended for that,
23 Governor. Your leadership in that area has been
24 second to none. But there's also consequences
25 about these types of actions which I think CFO Sink

1 has mentioned about the market implications,
2 moratoriums and rate freezes.

3 The rate freeze doesn't concern me as much in
4 the sense that you stop new filings. But the fact
5 that Nationwide has come in here eight months ago,
6 if my math is right -- I'm a lawyer, not a
7 mathematician -- and asked for a rate increase, and
8 now they're caught up in this deal, I just think is
9 fundamentally unfair. I just think that everyone
10 would agree that's unfair.

11 So I appreciate the opportunity --

12 GOVERNOR CRIST: I don't think the people of
13 Florida would agree with your assessment that it's
14 unfair. They have rate increase after rate
15 increase after rate increase, and they are sick and
16 tired of it, and they can't afford it anymore,
17 quite frankly. They would not agree. They think
18 it's unfair that the increases have gone up and up
19 and up. And that's why I ran, was to fight for
20 them, and that's why we're here, and that's why

21 I've introduced this rule today.

22 I've said enough.

23 MR. DELEGAL: Thank you, sir. I appreciate
24 the opportunity to speak about this. Thank you.

25 GOVERNOR CRIST: Thank you, Mark.

1 MR. McCARTY: William Stander from PCI.

2 MR. STANDER: Thank you, Governor and members
3 of the Cabinet.

4 GOVERNOR CRIST: Good morning.

5 MR. STANDER: I'm William Stander. I'm the
6 assistant vice president and regional manager for
7 the Property and Casualty Insurers Association of
8 America.

9 We are a national trade association of over
10 1,000 insurance companies, many of whom do business
11 here in the state. And many of my members are
12 home-grown Florida businesses. They are the
13 limited apportionment companies, small Florida
14 companies that are not pups of out-of-state groups,
15 but in fact were started here in Florida and employ
16 Floridians and pay taxes here. And my concerns for
17 those folks spur me to speak today, particularly
18 the issue of suspending the non-renewals.

19 As several people have noted, and I won't
20 repeat that, companies have to manage their books

21 of business in order to stay solvent, in order to
22 stay within their financial requirements from
23 either the rating agencies or the Office of
24 Insurance Regulation or other covenants they may
25 have.

1 And I appreciate Commissioner McCarty's
2 statement that they're going to work with companies
3 to make sure that those companies are able to --
4 you know, make sure they're able to operate
5 properly within the confines of this rule, but I
6 can assure you, for some of those folks who woke up
7 this morning to read the e-mail from myself that
8 the Financial Services Commission was contemplating
9 taking this action, they are extremely worried.

10 They are extremely distraught. And I recognize,
11 Governor, that the feelings of the executives right
12 now is not the number one priority on your plate.

13 GOVERNOR CRIST: That would be correct.

14 MR. STANDER: But let me just say this. Those
15 executives, who are Floridians -- I am a native
16 Floridian. Those folks, sure, they're in business
17 to make money, but they're in business to serve
18 their customers. If they don't serve their
19 customers, if they don't serve their policyholders,
20 then they're not in business either.

21 And I know that there's certainly a lot of
22 discussion these days about motivations. And,
23 Governor, I know that you're doing what you think
24 is best for the people of Florida, and I know that
25 the executives of the companies who I represent

1 believe that they're doing the best thing as well.

2 They're trying to serve their customers.

3 I would recommend, Governor and members of the
4 Cabinet, that this particular emergency order -- as
5 you mentioned, we really just got wind of it late
6 last night. It does have some substantial effects,
7 and particularly the non-renewals. CFO Sink, as
8 you pointed out, given the suspension of the
9 non-renewals and the fact that the new law now says
10 that you have to give at least 100 days notice, but
11 no later than June 1st, would essentially mean that
12 you can't non-renew until the end of the year.

13 That puts many companies, particularly small
14 home-grown Florida companies, in a very difficult
15 financial position.

16 And I would simply request, sir, that we
17 consider at least giving us an opportunity to talk
18 about this more, work with you, perhaps improve it,
19 and bring it back at the next Cabinet meeting.

20 GOVERNOR CRIST: Thank you. Thank you.

21 MR. McCARTY: Governor, may I make a point of
22 clarification to General McCollum. I'm not sure
23 that I fully answered your question with regard to
24 those companies that might be in litigation at this
25 time. That litigation, all of that process will

1 proceed. They will have their due process through
2 either the arbitration process or through the
3 Division of Administrative Hearings.

4 ATTORNEY GENERAL McCOLLUM: Thank you. Thank
5 you, Kevin.

6 MR. McCARTY: And just also remind you, we
7 have been in litigation with Nationwide. They
8 asked for a 71 percent statewide increase, and I
9 would invite you to look at our website for the
10 public hearing with regard to that rate filing.

11 GOVERNOR CRIST: Thank you. Any other
12 questions?

13 CFO SINK: Well, I gather there won't be a
14 public hearing if we pass this order. Is that
15 correct?

16 MR. McCARTY: No, that's not -- no. We've
17 already had the public hearing with regard to that,
18 as required by Florida law to have a public
19 hearing. We've also disapproved the rate filing,
20 have been in -- we're scheduled for March for

21 arbitration. This would not stop any rate -- any
22 of the process that is in place, required due
23 process by Florida law.

24 CFO SINK: Okay. Governor, I share -- is that
25 the last speaker?

1 GOVERNOR CRIST: Were there any other -- does
2 anybody else wish to speak?

3 MR. McCARTY: No, I believe that concludes it,
4 Governor.

5 GOVERNOR CRIST: Thank you.

6 CFO SINK: Governor, I share your passion
7 about people hurting out there. We've all been out
8 talking to Floridians for the last 18 months, and
9 insurance rates are too high, and they are.

10 They're unaffordable. And I think the Legislature
11 did excellent, outstanding work, in which I, as you
12 know, was very intimately involved for many, many,
13 many days. And I think that we did pass a good
14 law, and it's going to have good impact for many,
15 many Floridians.

16 And I'm on record as being on Jim DeFede's
17 Miami radio show last week saying that I don't
18 think any insurance company in this state would
19 have the guts -- although I didn't use the word
20 "guts," I used another word -- to raise rates in

21 this period when we know that what our anticipation
22 is that we're supposed to be -- we're looking
23 forward to lower rates, not higher rates.

24 So I -- unfortunately, it looks like
25 Nationwide is going to get caught up in this, as

1 Mr. Delegal said, in an order that freeze rates.
2 But I happen to agree that we ought to send a
3 strong message to Floridians that they're not going
4 to be subjected to further rate increases until we
5 get to the point in time where we know what their
6 decreases are going to be.

7 You heard Marta Arrington say that all the
8 calls flowing in here into my call center the last
9 week have been all about when do I get my rebate
10 check. So that's what we're dealing with, and
11 that's what the anticipation of Floridians is.

12 On the matter of the non-renewals, I think
13 there are serious consequences here. I've
14 literally spent seven hours up until midnight last
15 night reading through the order myself, and I've
16 had an opportunity to get a lot of my questions
17 answered today. But you did hear that the people
18 have -- the industry, I believe, does deserve a
19 fair hearing. And you heard Mr. Marvin say he was
20 covering up his bushes last night and hadn't even

21 had an opportunity to read through the thing.

22 And Mr. Stander -- let's talk about the

23 Florida-based companies who are here. Many, many

24 small Florida companies have been starting up to

25 help provide competition in our market, because we

1 just don't have a lot of competition in our market.
2 So I don't believe that they have had a fair
3 hearing and that we fully understand what the
4 unintended consequences of what this non-renewal
5 policy is. And I would ask Commissioner McCarty,
6 have you been informed by companies that they are
7 intending to have massive cancellations and
8 non-renewals?

9 MR. McCARTY: We've had discussions with
10 companies that have discussed their agenda with
11 regard to a reduction both in terms of wind
12 policies and overall state policies.

13 CFO SINK: Because they're looking at their
14 overall risk profile in the state, and that's
15 something they do as a normal course of business.

16 MR. McCARTY: That among other reasons.

17 CFO SINK: Well, I understand, Governor -- my
18 staff informs me, since I'm new at this, that you
19 can't make a motion. So I'll make a motion that we
20 approve the executive order as regards to freezing

21 rates and that we defer the discussion of the
22 non-renewals and cancellations until the other
23 Cabinet members have an opportunity to receive a
24 full hearing on both sides of the issues and that
25 we defer that part of the order to the next Cabinet

1 meeting.

2 GOVERNOR CRIST: You have a motion. Is there
3 a second?

4 COMMISSIONER BRONSON: Well, I've got a
5 question before I make a decision on this,
6 Governor, and that is, if we do the amended motion
7 to discuss the second part of that at the next
8 meeting on the 13th, what are the implications
9 between now and the 13th? What may happen?

10 GOVERNOR CRIST: Well, people might get
11 canceled. That's the point.

12 COMMISSIONER BRONSON: Do we have any
13 implication that there will be cancellations from
14 the industry sitting here today? Is that in the
15 process and that's going to happen no matter what?

16 GOVERNOR CRIST: I can't speak to that, but I
17 just heard what they said, and one of the things
18 that each and every one of them said is that
19 they're concerned about not being able to cancel
20 people. And, you know, what that says to me is, if

21 we give them till February the 13th, they're

22 probably going to cancel people.

23 General.

24 ATTORNEY GENERAL McCOLLUM: Governor, I have a

25 broad, overall concern that, even though I'm very

1 supportive in general of what the Legislature has
2 just done and the law that's going to be coming
3 into effect, that the big picture issue on
4 reinsurance is not going to be as fully addressed
5 as it's going to have to be with your work that I'm
6 sure you're going to do in the coming months to try
7 to get us broader risk-spreading across the nation,
8 or at least across the region among other states,
9 and that the public is going to be disappointed in
10 the amount of rate reduction that they see, no
11 matter what.

12 But it seems to me that we have an obligation
13 to carry out at this point as best we can the
14 intent of the Legislature and this law. And I
15 believe that Commissioner McCarty has given us a
16 strong recommendation that in order for him to do
17 his job, in order to conform the rules of the game
18 to what the law is going to be and not have a rush
19 to the exit and to make it as fair as possible,
20 although somebody is going to get hurt in the

21 business world no matter what, that we need to
22 adopt the rule that he has come forward and
23 recommended today through us.

24 And I therefore could not support CFO Sink's
25 motion to drop part of it today. I believe we need

1 to adopt all of it. And if in fact she does not
2 receive a second to her motion, I would move that
3 we would adopt the rule as proposed.

4 GOVERNOR CRIST: Let's refer to the first
5 motion first. Procedurally, that's correct. Is
6 there a second to CFO Sink's motion?

7 Okay. There is none.

8 ATTORNEY GENERAL McCOLLUM: I would then move
9 that we adopt the rule as proposed, approve it.

10 GOVERNOR CRIST: Is there a second to General
11 McCollum's motion?

12 COMMISSIONER BRONSON: Governor, I'm going to
13 second that motion only because of my interest.

14 And since nobody got up to say there won't be any
15 cancellation of people's policies, that has me very
16 concerned.

17 But I'm also still concerned, and I want you
18 to understand, backbone aside -- I don't think
19 there's anything wrong with my backbone, but I will
20 tell you I try to make the right decisions for the

21 right reasons, and I know there's a lot of scared
22 individual policyholders out there, especially the
23 elderly that are scared to death. And I think in
24 the interest of protecting them, I'm going to go
25 ahead and second this motion.

1 But I still have reservations as to whether
2 some of the companies are going to stay here and
3 actually compete. And that part of my fear hasn't
4 gone away from this, but in the interest of the
5 people who are fearful of losing their insurance,
6 I'm going to second that motion.

7 GOVERNOR CRIST: Any comments? All in favor
8 say aye.

9 (Simultaneous affirmative responses.)

10 GOVERNOR CRIST: Opposed? Thank you. That
11 was unanimous.

12 MR. McCARTY: Governor, just another matter.
13 Our office is going to be working very closely with
14 the executive director of the SBA, the Florida
15 Hurricane Catastrophe Fund. It will be necessary
16 for us to achieve our statutory requirement of
17 meeting the presumed factor. We're going to have
18 to get information in advance, so we will be
19 working with them to get the cost of the
20 reinsurance in advance, and I appreciate their

21 cooperation. Thank you.

22 GOVERNOR CRIST: Thank you, Kevin, very much.

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1 GOVERNOR CRIST: Department of Revenue,
2 Secretary Jim Zingale.

3 DR. ZINGALE: Good morning. Item 1,
4 requesting approval for the minutes of December
5 19th.

6 GOVERNOR CRIST: Motion on the minutes?

7 DR. ZINGALE: Item Number 2 --

8 COMMISSIONER BRONSON: Motion on the minutes.

9 GOVERNOR CRIST: Thank you. Second?

10 ATTORNEY GENERAL McCOLLUM: Second.

11 GOVERNOR CRIST: Motion and a second. Show it
12 approved. Item Number 2.

13 DR. ZINGALE: Item Number 2 is a small little
14 rule change. The purpose of the rule change is to
15 provide guidance and information to the public
16 concerning final child support enforcement orders.
17 The rule provides for two classes of child support
18 enforcement orders. Those that are of precedential
19 value will be put in a classification system, and
20 those that are not will continue to be numbered.

21 GOVERNOR CRIST: Is there a motion to approve

22 Item 2?

23 COMMISSIONER BRONSON: Motion on Item 2.

24 GOVERNOR CRIST: Is there a second?

25 ATTORNEY GENERAL McCOLLUM: Second.

1 GOVERNOR CRIST: Motion and a second. Show it

2 adopted without objection.

3 DR. ZINGALE: Thank you very much.

4 GOVERNOR CRIST: Thank you, Jim. Appreciate

5 you being here.

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1 GOVERNOR CRIST: Highway Safety and Motor
2 Vehicles.

3 MR. DICKENSON: Good morning, Governor.

4 GOVERNOR CRIST: Good morning, Fred.

5 MR. DICKENSON: Item 1 is the minutes for the
6 Cabinet meeting of October 3rd, '06.

7 GOVERNOR CRIST: Motion on the minutes?

8 ATTORNEY GENERAL McCOLLUM: Move that they be
9 approved.

10 COMMISSIONER BRONSON: Second.

11 GOVERNOR CRIST: Moved and seconded. Without
12 objection, show it approved.

13 MR. DICKENSON: Item 2 is our quarterly report
14 submission for the end of the quarter, September
15 '06.

16 GOVERNOR CRIST: Is there a motion to approve?

17 COMMISSIONER BRONSON: Motion on Item 2.

18 GOVERNOR CRIST: Is there a second?

19 ATTORNEY GENERAL McCOLLUM: Second.

20 GOVERNOR CRIST: Show it approved without

21 objection. Item Number 3.

22 MR. DICKENSON: Item 3 is the appointment of

23 some more doctors for our Medical Advisory Board.

24 We have five doctors there. All are in good

25 standing with their respective associations.

1 ATTORNEY GENERAL McCOLLUM: I move approval.

2 COMMISSIONER BRONSON: Second.

3 GOVERNOR CRIST: Moved and seconded. Show it
4 approved without objection.

5 MR. DICKENSON: I would like to say these are
6 folks that give us their time for nothing, and
7 there are over 100,000 cases that come to them from
8 time to time, and --

9 GOVERNOR CRIST: You keep them working hard.

10 MR. DICKENSON: We do appreciate them.

11 GOVERNOR CRIST: Yes, sir. Item 4.

12 MR. DICKENSON: Item 4 is a rule on
13 administrative suspension review hearings. These
14 are the hearings that are held for all of the
15 people that are charged with DUI. And over time,
16 the courts and the Legislature have spoken to
17 refining this process, and what we're doing
18 basically is keeping the administrative side
19 somewhat separate from the criminal side and trying
20 to refine the issues that come up before the

21 administrative hearing officers.

22 GOVERNOR CRIST: Is there a motion on Item 4?

23 COMMISSIONER BRONSON: Motion on Item 4.

24 ATTORNEY GENERAL McCOLLUM: Second.

25 GOVERNOR CRIST: Moved and seconded. Any

1 objection? Show it approved. Item 5.

2 MR. DICKENSON: Item 5 is the ignition
3 interlock rule, Governor. This is in response to
4 some legislation that passed two sessions ago. And
5 what we're doing is giving a medical exemption, if
6 you will, to those who have shown a medical
7 inability to blow into the machine. They still
8 have to serve their time, but they would not have
9 to get the ignition interlock device put on their
10 car. And they have to be certified with a doctor
11 and through the Medical Advisory Board also.

12 GOVERNOR CRIST: Any questions on Item 5? Is
13 there a motion?

14 COMMISSIONER BRONSON: Motion on Item 5.

15 ATTORNEY GENERAL McCOLLUM: Second.

16 GOVERNOR CRIST: Moved and seconded. Show it
17 approved without objection.

18 MR. DICKENSON: Thank you, Governor.

19 GOVERNOR CRIST: Thank you, Fred.

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1 GOVERNOR CRIST: Florida Land and Water

2 Adjudicatory Commission agenda, Gladys Perez. Good
3 morning, Gladys.

4 MS. PEREZ: Good morning, Governor.

5 GOVERNOR CRIST: How are you?

6 MS. PEREZ: Item 1, recommend approval of the
7 minutes of the December 15th, 2006 meeting.

8 COMMISSIONER BRONSON: Motion on Item 1.

9 GOVERNOR CRIST: Motion. Is there a second?

10 ATTORNEY GENERAL McCOLLUM: Second.

11 GOVERNOR CRIST: Moved and seconded. Show it
12 approved without objection. Item 2.

13 MS. PEREZ: Item 2, recommend approval of a
14 petition to establish the Six Mile Creek Community
15 Development District in St. Johns County and
16 authorize filing for final rule adoption.

17 COMMISSIONER BRONSON: Motion on Item 2.

18 CFO SINK: Second.

19 GOVERNOR CRIST: Moved and seconded. Any
20 objections? Show it approved without objection.

21 MS. PEREZ: Thank you.

22 GOVERNOR CRIST: Thank you, Gladys.

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1 GOVERNOR CRIST: Board of Trustees of the
2 Internal Improvement Trust Fund, South Florida
3 Water Management District, Mr. Sole.

4 MR. SOLE: Good morning, Governor.

5 GOVERNOR CRIST: Good morning.

6 MR. SOLE: Good morning. Item 1 is submittal
7 of the minutes for the February 14th, 2006 Cabinet.

8 ATTORNEY GENERAL McCOLLUM: I move adoption.

9 COMMISSIONER BRONSON: Second.

10 GOVERNOR CRIST: Moved and seconded. Show it
11 approved without objection.

12 MR. SOLE: Thank you. Item Number 2 is
13 Vanderbilt Partners II, Ltd. We're asking for this
14 item to be withdrawn at this time at the request of
15 the applicant.

16 COMMISSIONER BRONSON: Is there a motion to
17 withdraw?

18 ATTORNEY GENERAL McCOLLUM: Move to withdraw.

19 CFO SINK: Second.

20 GOVERNOR CRIST: Moved and seconded. Show it

21 withdrawn without objection. Thank you, Mike.

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1 MR. SOLE: I'm next on the agenda, Governor.

2 GOVERNOR CRIST: You're still here?

3 MR. SOLE: Yes, sir.

4 GOVERNOR CRIST: Roll right into Board of
5 Trustees. Excuse me, Secretary.

6 MR. SOLE: Item Number 1 is submittal of the
7 minutes of the October 3rd, October 17th, and
8 October 31st, 2006 Cabinet meetings.

9 COMMISSIONER BRONSON: Motion on Item 1.

10 ATTORNEY GENERAL McCOLLUM: Second.

11 GOVERNOR CRIST: Moved and seconded. Show it
12 approved without objection.

13 MR. SOLE: Thank you. Item Number 2 is Hagen
14 Holding Company, LLC, Terra Ceia Florida Forever
15 project. This project requests consideration of an
16 option agreement to acquire 35.9 acres within the
17 Terra Ceia Florida Forever project from the Nature
18 Conservancy. This is in Manatee County, and the
19 purchase price is 2,706,650, which is approximately
20 89 percent of the approved value.

21 GOVERNOR CRIST: General?

22 ATTORNEY GENERAL McCOLLUM: A question. I

23 understand from the notes of my staff that the

24 value of this, the price is about \$75,000 an acre.

25 Is that correct?

1 MR. SOLE: I think that's the estimated price
2 per acre, yes.

3 ATTORNEY GENERAL McCOLLUM: And this is in an
4 area which I presume would justify that? That's a
5 pretty high price per acre, it seems to me, but I
6 would like you to explain how that's arrived at.

7 MR. SOLE: I understand. This area is an
8 area that is -- I'll use the term "ripe for
9 development." It's an area in the southern Tampa
10 Bay reef which is continually growing. One of the
11 key factors for this property that's of great
12 interest to the Department -- I'm going to move
13 just to show you the value from an environmental
14 point of view.

15 GOVERNOR CRIST: Sure.

16 MR. SOLE: And, General, I'll try to hit your
17 economic point of view. This property actually
18 runs along the Frog Creek area, which is largely an
19 undeveloped creek run within the reach. One of the
20 reasons why this is a key property or a key parcel,

21 values in the area clearly have gone up over the
22 years. This property was I think originally
23 acquired approximately in 19 -- or acquired in 1991
24 for 244,000. There has been a significant increase
25 in value since that time.

1 ATTORNEY GENERAL McCOLLUM: That's a very
2 valuable area, I gather from what you've been able
3 to assess, and you've had all the proper
4 assessments and bids and suggestions that are made
5 in the normal course of affairs like this to arrive
6 at the 75,000 an acre?

7 MR. SOLE: General, that's a good question.
8 We've had two appraisals done on this property to
9 ensure that the value is accurate. And the
10 appraisals were actually quite close to each other
11 to establish what I would consider an appropriate
12 value for this property.

13 ATTORNEY GENERAL McCOLLUM: Well, I think the
14 property does seem from our study to be important
15 to acquire. It is expensive, but I would move the
16 approval of this, Governor.

17 CFO SINK: Governor, could I have a --

18 GOVERNOR CRIST: CFO.

19 CFO SINK: Mike, I'm sorry. I didn't ask you
20 this the other day. We're taking the option from

21 TNC?

22 MR. SOLE: Yes, ma'am.

23 CFO SINK: Are we approving the acquisition,
24 or will the actual acquisition come back before the
25 Board?

1 MR. SOLE: This will be a one-time
2 acquisition. With your approval, we will go ahead
3 and move forward taking that option and go ahead
4 and close based upon your recommendation.

5 CFO SINK: All right. So we're approving
6 taking the option and going ahead with the
7 acquisition?

8 MR. SOLE: And moving forward, yes, ma'am.

9 CFO SINK: Thank you.

10 COMMISSIONER BRONSON: Second.

11 GOVERNOR CRIST: Second by the Commissioner.
12 Any objection? Show it adopted.

13 MR. SOLE: Thank you, Governor. Item Number 3
14 is Babcock, and we are asking to withdraw this item
15 at this time.

16 GOVERNOR CRIST: Okay. Is there a motion to
17 withdraw?

18 COMMISSIONER BRONSON: Motion.

19 CFO SINK: Second.

20 GOVERNOR CRIST: Moved and seconded. Show

21 that withdrawn without objection.

22 MR. SOLE: Thank you, Governor.

23 GOVERNOR CRIST: Thank you, Secretary.

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1 GOVERNOR CRIST: State Board of
2 Administration, Mr. Stipanovich. Good morning,
3 Coleman.

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

6 GOVERNOR CRIST: Is there a motion on the
7 minutes from the last meeting?

8 ATTORNEY GENERAL McCOLLUM: I move the
9 minutes.

10 GOVERNOR CRIST: Is there a second?

11 CFO SINK: Second.

12 GOVERNOR CRIST: Moved and seconded. Show it
13 adopted without objection.

14 CFO SINK: I keep forgetting there are only
15 three of us here.

16 GOVERNOR CRIST: Commissioner, we'll see you,
17 buddy.

18 MR. STIPANOVICH: Thank you, Governor.

19 GOVERNOR CRIST: Item 2.

20 MR. STIPANOVICH: Item 2 is a request for

21 approval of fiscal sufficiency of an amount not
22 exceeding 150 million State of Florida, Department
23 of Environmental Protection Florida Forever revenue
24 bonds.

25 GOVERNOR CRIST: Is there a motion on 2?

1 CFO SINK: Move it.

2 ATTORNEY GENERAL McCOLLUM: Second it.

3 GOVERNOR CRIST: Moved and seconded. Show it
4 adopted without objection.

5 MR. STIPANOVICH: Yes, sir. The third item is
6 a request for approval of fiscal determination by
7 the State Board of Administration of Florida of an
8 amount not exceeding 9,995,000 tax-exempt Florida
9 Housing Finance Corporation multifamily mortgage
10 revenue bonds.

11 ATTORNEY GENERAL McCOLLUM: I move it.

12 CFO SINK: Second.

13 GOVERNOR CRIST: Moved and seconded on Item 3.
14 Show it adopted without objection. And we're --

15 MR. STIPANOVICH: Thank you.

16 CFO SINK: Governor.

17 GOVERNOR CRIST: Yes.

18 CFO SINK: I had asked Coleman if he would
19 just share with us the conversations that he has
20 had over the course of the last week with the

21 bonding agencies. And I guess we got an e-mail
22 from you early this morning that Fitch had decided
23 to downgrade our bonds by a notch, and I think the
24 Board would be interested in hearing about your
25 conversations.

1 MR. STIPANOVICH: Governor and members, what
2 we did with the passing of the legislation and the
3 Governor signing the bill, very soon after we did
4 four things. We set up conference calls with the
5 rating services, Standard & Poor's, Fitch, and
6 Moody's.

7 Secondly, we set up a conference call with the
8 investment banking senior manager group who was
9 involved in our debt transactions.

10 The third thing we did was set up a conference
11 call with the investor group, the people that buy
12 the Cat Fund debt.

13 And the fourth and final thing that we did
14 simultaneously was post a lot of information on our
15 website. We have on our website for the public and
16 these stakeholders and anybody that's interested
17 House Bill 1A. We have a summary of the committee
18 report. We also did a summary of the impact on the
19 Florida Hurricane Catastrophe Fund coverage. It's
20 posted as well, the 2007 Cat Fund capacity

21 unofficial estimates that you can look and see the
22 various charts illustrating the reinsurance levels
23 of coverage, and then the Cat Fund credit reports
24 as they come in.

25 The call with the rating agencies went very

1 well. We spent an hour on the phone with each one
2 of them. We answered all their questions. They're
3 always welcome to circle back to us and ask us more
4 questions. We felt that it went pretty well.

5 Obviously, there were concerns. There was a slight
6 downgrade to AA- from AA. It's on the \$1.3 billion
7 permanent financing piece, the tax-exempt piece.
8 There was no downgrade on the short end of the
9 pre-event, taxable, extendable, floating rate
10 notes. So that's the good news.

11 The first downgrade was by Standard & Poor's.

12 The second came yesterday with Fitch, and we expect
13 to hear something from Moody's today or tomorrow.

14 The call with the investment banking group,
15 again, as I said, went very well. There didn't
16 seem to be any major concerns or questions
17 unanswered.

18 The investors group was a good turnout. We
19 had over 50 investment firms on the call, almost
20 100 participants on the call, several good

21 questions, available for follow-up calls. And
22 everyone gave us feedback that they thought these
23 were good calls. They got their questions
24 answered, and that's really all they wanted.

25 GOVERNOR CRIST: Thank you.

1 CFO SINK: I do want to add that my chief of
2 staff and I, General and Governor, were able to sit
3 in on the conference call with the bankers. And
4 Coleman and Ben and Jack Nicholson and John Forney,
5 who is our financial advisor, really did an
6 outstanding job of laying out our risk in a pretty
7 simple and understandable way for the bankers, and
8 it was -- you did a very good job, Coleman.

9 MR. STIPANOVICH: Thank you. Thank you,
10 ma'am.

11 GOVERNOR CRIST: Thank you, Coleman.

12 MR. STIPANOVICH: Thank you, Governor.

13 GOVERNOR CRIST: We appreciate your good work.

14 MR. STIPANOVICH: Yes, sir.

15 GOVERNOR CRIST: Thank you, CFO.

16 Thank you very much. We rise.

17 (Proceedings concluded at 10:46 a.m.)

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1 CERTIFICATE OF REPORTER

2
3 STATE OF FLORIDA:

4 COUNTY OF LEON:

5 I, MARY ALLEN NEEL, Registered Professional
6 Reporter, do hereby certify that the foregoing
7 proceedings were taken before me at the time and place
8 therein designated; that my shorthand notes were
9 thereafter translated under my supervision; and the
10 foregoing pages numbered 1 through 70 are a true and
11 correct record of the aforesaid proceedings.

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

16 DATED THIS 14th day of February, 2006.

17
18
19 _____
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20 Tallahassee, Florida 32308

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