

THE CABINET

STATE OF FLORIDA

---

Representing:

BOARD OF TRUSTEES, INTERNAL IMPROVEMENT TRUST FUND

FINANCIAL SERVICES COMMISSION, OFFICE OF  
FINANCIAL REGULATION

FINANCIAL SERVICES COMMISSION, OFFICE OF  
INSURANCE REGULATION

AGENCY FOR ENTERPRISE INFORMATION TECHNOLOGY

DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES

ADMINISTRATION COMMISSION

FLORIDA LAND AND WATER ADJUDICATORY COMMISSION

STATE BOARD OF ADMINISTRATION

FLORIDA HURRICANE CATASTROPHE FUND  
FINANCE CORPORATION BOARD

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, July 31,  
2007, commencing at 9:00 a.m.

Reported by:

JO LANGSTON

Registered Professional Reporter

Notary Public

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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

\* \* \*

## 1 INDEX

## 2 BOARD OF TRUSTEES, INTERNAL IMPROVEMENT TRUST FUND (Presented by MICHAEL SOLE)

3 ITEM	ACTION	PAGE
4 1	Approved	5
2	Approved	7
5 3	Approved	7
4	Approved	8
6 5	Approved	13
6	Approved	14
7 7	Approved	14
8	Withdrawn	14

8

## 9 FINANCIAL SERVICES COMMISSION, OFFICE OF FINANCIAL REGULATION

## 10 (Presented by DON SAXON)

ITEM	ACTION	PAGE
11 1	Approved	23
2	Approved	23
12 3	Approved	24
4	Approved	24
13 5	Approved	25

## 14 FINANCIAL SERVICES COMMISSION, OFFICE OF INSURANCE REGULATION

## 15 (Presented by KEVIN McCARTY)

ITEM	ACTION	PAGE
16 1	Approved	52
2	Withdrawn	52
17 3	Approved	53
4	Approved	53
18 5	Approved	54
6	Approved	54

## 19 AGENCY FOR ENTERPRISE INFORMATION TECHNOLOGY

## 20 (Presented by LORI NOLEN)

ITEM	ACTION	PAGE
21 1	Approved	65
2	Approved	68

22

## 23 DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES (Presented by ELECTRA BUSTLE)

24 ITEM	ACTION	PAGE
1	Approved	70
25 2	Approved	70

1	CONTINUED INDEX	
2	ADMINISTRATION COMMISSION (Presented by GLADYS PEREZ)	
3	ITEM	PAGE
4	1	77
	2	77
5		
6	FLORIDA LAND AND WATER ADJUDICATORY COMMISSION (Presented by GLADYS PEREZ)	
7	ITEM	PAGE
8	1	79
	2	87
9	3	87
	4	88
10		
11	STATE BOARD OF ADMINISTRATION (Presented by COLEMAN STIPANOVICH)	
12	ITEM	PAGE
13	1	89
	2	89
14	3	91
	4	91
15	5	96
16		
17	FLORIDA HURRICANE CATASTROPHE FUND FINANCE CORPORATION BOARD	
18	(Presented by BEN WATKINS)	
19	ITEM	PAGE
20	1	97
	2	100
21		
22	CERTIFICATE OF REPORTER	102
23		
24		
25		

1           P R O C E E D I N G S

2                   \* \* \*

3           (Agenda items commenced at 9:10 a.m.)

4           GOVERNOR CRIST: Now to the agenda, Board of  
5 Trustees of the Internal Improvement Trust Fund.  
6 Secretary Mike Sole. Good morning, Mike.

7           MR. SOLE: Good morning, Governor, Cabinet. Item  
8 Number 1 is submittal of the minutes for the May 12th  
9 and June 12th, 2007, Cabinet meetings.

10          GOVERNOR CRIST: Is there a motion to approve the  
11 minutes?

12          COMMISSIONER BRONSON: So moved.

13          ATTORNEY GENERAL McCOLLUM: Second.

14          GOVERNOR CRIST: Moved and seconded. Without  
15 objection the minutes are approved.

16          MR. SOLE: Thank you. Item Number 2 relates to  
17 the Department of Environmental Protection's annual  
18 performance measures. Governor, Cabinet members, as  
19 you recall, during the April Cabinet meeting, there was  
20 a discussion about presenting our performance measures  
21 to the Cabinet. And we have developed these measures  
22 to report on the agency's performance related to our  
23 land management activities and our proprietary  
24 oversight rules on behalf of the Board of Trustees.

25          These measures include performance measures

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1 associated with compliance, and that includes  
2 compliance with conservation easements, compliance with  
3 leases, both public and private leases, as well as some  
4 land management activities, such as exotic -- invasive  
5 exotic control activities and prescribed burning.

6 We even included some statistics on our visitation  
7 at some of our parks. And it's worth noting that our  
8 Florida state parks actually had a record year this  
9 year with its visitation, including its revenue  
10 generated.

11 GOVERNOR CRIST: How many people visited,  
12 Secretary; do you know?

13 MR. SOLE: We had, for the parks, over 19.5  
14 million visitors to our parks last year.

15 GOVERNOR CRIST: Great year.

16 MR. SOLE: Generated some \$42 million in direct  
17 revenue to the State of Florida.

18 GOVERNOR CRIST: Thank you, sir.

19 MR. SOLE: Any questions on the measures that we  
20 have provided?

21 GOVERNOR CRIST: CFO Sink.

22 CFO SINK: No. I just want to compliment you for  
23 putting this together. And as usual, I have about a  
24 hundred questions and I'll see you later.

25 MR. SOLE: Yes, ma'am. I'd be honored.

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1 GOVERNOR CRIST: Is there a motion to accept DEP's  
2 performance measures?

3 COMMISSIONER BRONSON: Motion to accept.

4 GOVERNOR CRIST: Is there a second?

5 ATTORNEY GENERAL McCOLLUM: Second.

6 GOVERNOR CRIST: Moved and seconded. Show it  
7 accepted without objection. Item 3.

8 MR. SOLE: Thank you. Item 3 is consideration of  
9 three sale and purchase agreements to acquire 27 lots  
10 totaling some 2.98 acres within the Florida Keys  
11 Florida Forever Project in Monroe County.

12 We're also requesting the authority to waive the  
13 survey requirements associated with a couple of those  
14 lots themselves. Total purchase price is \$1.012  
15 million.

16 GOVERNOR CRIST: Any questions? Is there a motion  
17 to approve Item 3?

18 ATTORNEY GENERAL McCOLLUM: I move to approve Item  
19 3.

20 CFO SINK: Second.

21 GOVERNOR CRIST: Moved and seconded. Without  
22 objection Item 3 is approved.

23 MR. SOLE: Thank you. Item Number 4 is similarly  
24 in the Keys. This is consideration of two option  
25 agreements to acquire 12 lots totaling some 6.42 acres

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1 within the Florida Keys Florida Forever Project. The  
2 authority to waive the survey requirement on eight of  
3 those parcels is also requested, and the total purchase  
4 price is \$997,900.

5 COMMISSIONER BRONSON: Motion on Item 4.

6 ATTORNEY GENERAL McCOLLUM: Second.

7 GOVERNOR CRIST: Moved and seconded.

8 CFO SINK: Governor, I do have a question.

9 GOVERNOR CRIST: CFO Sink.

10 CFO SINK: But I would approve it.

11 GOVERNOR CRIST: Then without objection Item 4 is  
12 approved.

13 CFO SINK: But I do have a question.

14 MR. SOLE: Yes, ma'am.

15 CFO SINK: It's just, for example, one of these  
16 parcels is a mere half an acre. So would you just draw  
17 a picture for us of what the -- I mean, why are we  
18 buying half-acre lots that look like they don't  
19 necessarily have a connection with anything? And  
20 hopefully they do.

21 MR. SOLE: Yes, ma'am. They do have a connection.  
22 If I could have the image in the backup put on the  
23 board. What these parcels do is they're part of  
24 acquisitions within certain sectors of Monroe County,  
25 unincorporated, that are relatively undeveloped. And

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1 what we're trying to do is keep that undeveloped nature  
2 of these parcels to not only maintain and preserve the  
3 obvious specific intrinsic value of the Keys flora and  
4 fauna but also as a measure to help deal with some  
5 density issues in the area.

6 So these parcels, while small and individual  
7 because they were platted some many decades ago and  
8 often acquired many decades ago, most of them have been  
9 undeveloped, and we're trying to keep that undeveloped  
10 nature in some portions of Monroe County as part of  
11 that Florida Forever Project.

12 CFO SINK: How do we manage these small, many,  
13 many small parcels that we're acquiring?

14 MR. SOLE: Each one has a different -- well, not  
15 each one. They have several different managers. In  
16 some cases we're actually letting Monroe County manage  
17 some of the parcels. In others the Fish and Wildlife  
18 Conservation Commission is managing some of the parcels  
19 in association with their Florida Keys Wildlife Area.  
20 So we look to the best manager based upon the location  
21 of these parcels.

22 CFO SINK: Okay. Thank you.

23 GOVERNOR CRIST: Thank you, CFO. Item 5.

24 MR. SOLE: Item 5, this is a Murphy Act sale that  
25 the Department is proposing and requests consideration

1 of an acceptance of a bid offer from Hardwick & Sons,  
2 LLC, for \$257,000 for the sale of a 3.5-acre parcel of  
3 Murphy Act lands in St. Johns County.

4 GOVERNOR CRIST: Secretary, can you tell us what  
5 Murphy Act is?

6 MR. SOLE: Yes, sir. In 1937 the Florida  
7 Legislature passed a law that dealt with basically tax  
8 fees in arrears, in which it identified if by 1939  
9 those taxes were not paid to the State in that case,  
10 the title to the lands that those taxes were assessed  
11 actually reverted automatically to the State of  
12 Florida.

13 And a lot of lands have been identified. Many of  
14 them were actually quite small and did not have  
15 significant value as a conservation land. Those lands  
16 that are less than ten acres or less than approximately  
17 \$250,000 in value, the State of Florida is pursuing to  
18 sell those lands, and the funds actually come to the  
19 Internal Improvement Trust Fund.

20 GOVERNOR CRIST: Great. So it's not Murphy's law  
21 at work. It's Murphy's Act.

22 MR. SOLE: Yes, sir.

23 CFO SINK: It could be.

24 GOVERNOR CRIST: It could be, but the secretary  
25 called it an act.

1 CFO SINK: Governor.

2 GOVERNOR CRIST: CFO.

3 CFO SINK: Mike, I know you've been working hard  
4 at trying to figure out how to dispose of these many,  
5 many parcels. I just want to compliment your group for  
6 that. It just occurred to me, have you thought about  
7 going kind of county by county and packaging them all  
8 up and thinking about doing an auction or something  
9 along that order, kind of put some of the good parcels  
10 in with the bad?

11 Governor, our department, of course, does the risk  
12 management for the State. And I saw a picture  
13 yesterday of one of these Murphy Act lands where we  
14 have a squatter living on there, and it's a public  
15 nuisance and we have potential liability issues. So  
16 I'm quite anxious to see the State get rid of these  
17 properties.

18 MR. SOLE: CFO, we are being aggressive in  
19 actually disposing -- I'll use that term -- some of  
20 these Murphy Act lands that do not have an intrinsic  
21 value to the State of Florida. We do package them up  
22 on occasion, where it actually makes sense to move  
23 forward in a package. In this case it did not.

24 Admittedly, a lot of the Murphy Act effort is  
25 based upon inquiry, meaning as in this case, a land

1 buyer was inquiring as to the potential for sale. And  
2 we just will continue to step up our ability to move  
3 those properties.

4 One of the things that keeps us from just  
5 packaging them all up and getting them on the block is  
6 the actual cost associated with doing the title work  
7 and the survey work associated with each of these  
8 lands.

9 So we want to make sure that for those parcels  
10 that we have, that the investment in getting that  
11 property ready for sale is going to pay off, so we just  
12 don't package them all up at once. I hope that helps.

13 CFO SINK: Well, that's why you need to put some  
14 of the more attractive parcels --

15 MR. SOLE: Yes, ma'am.

16 CFO SINK: -- in with some of the less attractive  
17 parcels, because at the end of the day you will end up  
18 with all the less attractive parcels, a lot of  
19 squatters and a lot of nuisance --

20 MR. SOLE: Yes, ma'am.

21 CFO SINK: -- and a lot of potential liability.

22 Thank you.

23 GOVERNOR CRIST: General McCollum.

24 ATTORNEY GENERAL MCCOLLUM: If I might, Governor.  
25 Just following up, Mike. Though I notice on this

1 particular parcel it is contiguous to both these  
2 buyers, or potential buyers, and we probably would not  
3 have gotten the kind of value we got if this had been  
4 in a package deal for this particular parcel.

5 So I think what CFO Sink is saying is we've got  
6 some parcels that won't work very well. But you  
7 certainly don't want to package one of these parcels  
8 you can get a better value for up with those others, if  
9 that would destroy this parcel's value.

10 MR. SOLE: And, General, I agree with you. It was  
11 very fortunate, the location of this parcel and the  
12 demand that it generated from the adjacent property  
13 owners. And it helped on the value, without question.

14 GOVERNOR CRIST: Any other questions? Is there a  
15 motion?

16 COMMISSIONER BRONSON: Motion on Item 5.

17 GOVERNOR CRIST: Is there a second?

18 ATTORNEY GENERAL McCOLLUM: Second.

19 GOVERNOR CRIST: Moved and seconded. Without  
20 objection Item 5 is approved.

21 MR. SOLE: Thank you. Item Number 6 is the City  
22 of West Palm Beach, and it is consideration of an  
23 application for a 25-year extended term sovereignty  
24 submerged lands lease for a 23-and-a-half-acre parcel.  
25 This term also includes 25 -- excuse me -- three

1 automatic 25-year renewals.

2 CFO SINK: Move approval.

3 GOVERNOR CRIST: Is there a second?

4 ATTORNEY GENERAL McCOLLUM: Second.

5 GOVERNOR CRIST: Moved and seconded. Without  
6 objection Item 6 is approved.

7 MR. SOLE: Thank you. Item Number 7 is a  
8 companion to Item 6, and it's also a City of West Palm  
9 Beach lease proposal. This is consideration of an  
10 application for a ten-year sovereignty submerged lands  
11 lease containing 114,000 square feet for a 33-slip  
12 public day docking facility that will be open to the  
13 public.

14 COMMISSIONER BRONSON: Motion on Item 7.

15 CFO SINK: Second.

16 GOVERNOR CRIST: Moved and seconded. Without  
17 objection Item 7 is approved.

18 MR. SOLE: Thank you. The last item is Item  
19 Number 8, and the applicant has requested that this  
20 item be withdrawn.

21 GOVERNOR CRIST: Show it withdrawn. Thank you,  
22 Secretary.

23 MR. SOLE: Governor, Cabinet, thank you very much.

24

25

1 GOVERNOR CRIST: Office of Financial Regulation.  
2 Don Saxon.

3 CFO SINK: Governor, while they're getting  
4 organized here, it occurred to me that we've asked all  
5 of our state agencies to reduce their budgets or be  
6 prepared to reduce their budgets for this year by four  
7 percent, which I know all the agencies have been  
8 working hard on.

9 And generally it's kind of assumed that you'll  
10 leave jobs open and not do some -- cut travel budget.  
11 I think it still is going to be a challenge just to cut  
12 that four percent. But the second assignment was to  
13 come up with a budget plan of a ten percent cut, which  
14 your office has ordered, for the '08-'09 year.

15 And we have these 12 Cabinet agencies for which  
16 the four of us are responsible for. And when you start  
17 asking people to cut their budgets by ten percent,  
18 you're getting into strategy issues, policy  
19 considerations. It's not just a little bit of a  
20 supplies expense or leaving some job open here and  
21 there.

22 And I believe that when we get involved in these  
23 policy and strategy issues, that the four of us ought  
24 to be engaged in and ought to approve what our Cabinet  
25 agencies are proposing to cut. Ten percent is going to

1 be a significant, big amount. So I recognize that they  
2 have -- we all have a deadline coming up here quickly.  
3 But maybe, Commissioner Bronson, you and Governor Crist  
4 ought to give the rest of us some kind of guidance as  
5 to how -- what would be the best way.

6 I could certainly meet with these people  
7 individually and draw my own conclusions about whether  
8 they're cutting in the right places, but they may be  
9 cutting places that the four of us wouldn't agree with.  
10 So what would be the best way for us to be more engaged  
11 in this process?

12 GOVERNOR CRIST: Well, I'll go first,  
13 Commissioner. We can be as engaged as we want to be.  
14 You're right. We have, in the administration, asked  
15 for all of our agency heads to come up with a plan by  
16 August the 8th, which is just over a week away, for  
17 these reductions and to pursue that exercise in a very  
18 serious fashion. But I think it's also important for  
19 the agencies of the Cabinet to do exactly the same  
20 thing.

21 And I think, you know, as you suggest, for us  
22 to -- during our regular meetings we can have questions  
23 that would regard each of those agencies and how  
24 they're going about it. I talked to our agency heads  
25 in the administrative branch and asked them that,



1 instead of just doing what is somewhat typical  
2 sometimes when these scenarios are necessary, which is  
3 to set a percentage and just cut across the board,  
4 which I don't support, I think it's important that we  
5 have our agency heads, whether they're in the  
6 administration or they're Cabinet agency heads, look  
7 into each and every one of those agencies where there  
8 may be greater efficiencies that can be produced, and  
9 you're right, going above and beyond, so that the  
10 normal that might be available at a four percent rate  
11 but more challenging, obviously, at a ten percent rate.

12 So that's sort of the charge that we have given in  
13 the administration. And I think it's probably, whether  
14 my fellow colleagues here on the Cabinet think so, a  
15 prudent charge to give to the heads of the Cabinet  
16 agencies as well.

17 Commissioner, I don't know if you have some  
18 additional thoughts.

19 COMMISSIONER BRONSON: Well, much like my  
20 colleagues here who are very adept at running their  
21 offices, we look at ours as a core mission first, what  
22 is our down-to-earth core mission of what we should be  
23 doing, what's been given to us legislatively and  
24 otherwise that may not be our true core mission but are  
25 added on to that mission, and where do we go from the

1 core mission out, where do we cut.

2 Of course, for us, travel, unless you're  
3 absolutely needed at a meeting that has some policy  
4 indicative, we can always give up some travel for those  
5 types of things if we're not -- if that's not our core  
6 mission to be there.

7 But as we all have also learned, the Legislature  
8 has been very diligent in cutting back on our agencies  
9 the past few years as well, and we're down to, in some  
10 areas -- and we're talking about Cabinet agencies as  
11 well, where they're regulatory, and you have to do  
12 certain inspections and you have to do things to  
13 protect the public and those types of things.

14 So if we start with the core mission and work out,  
15 we probably can find most of that. We may need some  
16 help to look at some of those issues amongst us and  
17 make those decisions as to where we want to go as a  
18 Cabinet.

19 But I think we need to give every agency a chance  
20 to give us their basic list of where they think they  
21 can cut and then go from there. And like you said, the  
22 old way was -- and I remember when I was in the  
23 Legislature, if you asked for cuts, they gave you all  
24 the stuff they knew you weren't going to accept right  
25 off the bat. So then everybody --

1 GOVERNOR CRIST: Washington Monuments we called  
2 it.

3 COMMISSIONER BRONSON: So everybody was back to  
4 square one. But I think everybody is taking it a lot  
5 more seriously now. I know we are, and we're trying to  
6 do that. So I'm willing to work with the Cabinet, my  
7 Cabinet and the Governor, to make those right  
8 decisions, and hopefully they'll make the right  
9 decisions right off the bat and we won't have to argue  
10 over too many issues. Let's hope that's the way it  
11 goes.

12 GOVERNOR CRIST: General.

13 ATTORNEY GENERAL McCOLLUM: I would suggest,  
14 Governor, that a ten percent cut is going to require  
15 some layoffs in these agencies, maybe not all of them,  
16 but just the nature of the job. And in that process I  
17 think CFO Sink is right because I would think, if it's  
18 a core mission that Commissioner Bronson is talking  
19 about, that's one thing, but there are going to be  
20 discretionary decisions then, I'm sure, about which  
21 portions of the job they do away with, not just a job  
22 but maybe a whole division section and function,  
23 whatever.

24 And I think the main thing is for us to keep  
25 monitoring what those might be. And we may or may not

1 agree, as she says, with the decision to eliminate a  
2 particular area of focus as opposed to another area.  
3 And I think that, rather than micromanaging, is what  
4 we're talking about. At least that's my impression of  
5 what she's referring to. And I'd be interested in  
6 asking each one as they come through, if they've done  
7 that exercise, what is the way they did it.

8 COMMISSIONER BRONSON: I've got to tell you,  
9 though, one of the complications here is, if you go  
10 back -- and I take very seriously what's been put in  
11 the law. And, of course, the Attorney General is our  
12 chief lawyer, if you will. And when the Legislature  
13 puts issues in, and especially as the State, as they  
14 make some of these laws that are on the books, to go in  
15 and make cuts above and beyond where you think you can  
16 go and still get the job done, now you're getting into  
17 some real, real sticky situations as to whether you're  
18 going to perform your functions as is mandated by law.

19 And so those are the issues that I think get real  
20 sticky for us and for the Cabinet agencies, are they  
21 doing the functions as mandated by law. And some of  
22 those are put in in little areas. We always find out,  
23 every time a law is written, somebody has got one  
24 little phrase.

25 I think federally they're looking at the same

1 thing right now. I just caught one or we were just  
2 made aware of one that's in the federal bill, on the  
3 farm bill, that may change how we look at some things,  
4 just by one little phrase in that big multipage farm  
5 bill.

6 So we want to go through all of those before we  
7 make our decision. I would assume that the Cabinet  
8 agencies are going to want to do the same thing, so  
9 that we don't get trapped and accused of not doing our  
10 jobs. And that's one of the big fears.

11 CFO SINK: Well, Governor, I think that's why --  
12 that's such a good point because if I were -- and we've  
13 got one up here. We may use you as a guinea pig here  
14 in a minute, Don.

15 GOVERNOR CRIST: It might be unfair to do it to  
16 him today.

17 CFO SINK: But if I were a Cabinet agency head, I  
18 would certainly operate, as good staff people always  
19 do, coming up with what the options are. But there  
20 would be some that I would want to go to my bosses and  
21 say, okay, we have a choice here, we're either going to  
22 cut here or cut there or cut this other place.

23 GOVERNOR CRIST: What do you think?

24 CFO SINK: We're the policymakers. What do you  
25 think and where do you want us to go? So maybe this is

1 an assignment that our Cabinet aides can kind of  
2 undertake here in the next 30 days, as to how best to  
3 communicate those messages, because I don't think it's  
4 fair to leave our Cabinet agency heads out there just  
5 making these decisions or having to make a ten percent  
6 decision, which is a big one, without our input, from a  
7 policy standpoint. I see them whispering in the  
8 background.

9 GOVERNOR CRIST: I think you formed a good  
10 consensus, CFO. And I think, if I'm hearing right,  
11 first I would want to make the point that the ten  
12 percent is an exercise. I think that, you know, we all  
13 hope -- you know I'm an optimist, and we all hope that  
14 that amount is not necessary. But if it is, these  
15 things are serious. We've seen some of the reductions  
16 and how we have to deal with them in a prudent way.

17 And I think the consensus that I'm starting to  
18 hear from my fellow Cabinet members is it would be  
19 prudent to have the agency heads of the Cabinet  
20 agencies to go through the exercise, just as the agency  
21 heads are within the administrative -- our  
22 administration, and then have an opportunity to work  
23 with our aides through that process, over the next 30  
24 days I think is a great suggestion, and then have an  
25 opportunity to present that to each of the Cabinet

1 officers for review, with some choices as to which way  
2 to go. I think that's very smart.

3 CFO SINK: Thank you, Governor.

4 GOVERNOR CRIST: Okay. I think we just did that  
5 then. Don Saxon. Thank you, CFO, very much. Morning,  
6 Don.

7 MR. SAXON: Morning, Governor, members of the  
8 Cabinet. I have five action items today, the first  
9 being approval of the minutes of the May 15, 2007  
10 meeting.

11 COMMISSIONER BRONSON: Motion on the minutes.

12 CFO SINK: Second.

13 GOVERNOR CRIST: Moved and seconded. The minutes  
14 are adopted without objection.

15 MR. SAXON: Item 2, approval of the minutes of the  
16 June 12, 2007 meeting.

17 CFO SINK: Move it.

18 COMMISSIONER BRONSON: Second.

19 GOVERNOR CRIST: Moved and seconded. Adopted  
20 without objection.

21 MR. SAXON: Item 3, we're asking -- the Office is  
22 requesting approval to publish a notice of proposed  
23 rulemaking for Rule Chapter 69V-160, Florida  
24 Administrative Code. This is relating to the licensing  
25 and regulation of consumer finance companies. The

1 rules were implemented to reflect statutory changes  
2 made during the 2006 session.

3 GOVERNOR CRIST: Is there a motion on Item 3?

4 COMMISSIONER BRONSON: Motion on Item 3.

5 CFO SINK: Second.

6 GOVERNOR CRIST: Moved and seconded. Show Item 3  
7 approved without objection.

8 MR. SAXON: Item 4, the Office is requesting  
9 approval to publish a notice of proposed rulemaking for  
10 Rule Chapters 60V-50, 60, 70, 80 on 85, Florida  
11 Administrative Code. These rules relate to the  
12 licensing and regulation of retail installment sellers,  
13 motor vehicle retail installment sellers, sales finance  
14 companies, and home improvement companies.

15 These rules reflect changes made, statutory  
16 changes made in 2006.

17 ATTORNEY GENERAL McCOLLUM: I move Item 4.

18 COMMISSIONER BRONSON: Second.

19 GOVERNOR CRIST: Moved and seconded. Show Item 4  
20 approved without objection.

21 MR. SAXON: And our last item is the Office is  
22 requesting approval of its proposed performance  
23 contract for fiscal year 2007-2008.

24 COMMISSIONER BRONSON: Motion on Item 5.

25 GOVERNOR CRIST: Is there a second?



1       ATTORNEY GENERAL McCOLLUM: Second.  
2       GOVERNOR CRIST: Moved and seconded. Show Item 5  
3 approved without objection. Thank you, Don.  
4       MR. SAXON: Thank you.  
5       CFO SINK: Governor.  
6       GOVERNOR CRIST: CFO.  
7       CFO SINK: Sorry, but we're -- we haven't been  
8 here in six weeks, and Don doesn't -- Don.  
9       GOVERNOR CRIST: Don.  
10       CFO SINK: He doesn't get to come -- he doesn't  
11 come to every Cabinet meeting. I think it's important  
12 for us to get some kind of update on the state of  
13 financial health of the banking industry here in  
14 Florida with the increased publicity about the housing  
15 situation, the subprime lending situation and also the  
16 increases in the foreclosures and the deterioration in  
17 the loss ratios in the banking industry, please.  
18       MR. SAXON: Yes. Well, it's certainly a concern  
19 for us, Madam CFO. And the good news for us, if  
20 there's good news, is that our banks, for the most  
21 part, are all capitalized. And as a result of that, we  
22 have some comfort. However, we are going to probably  
23 see some losses of earnings as a result of  
24 nonperforming loans in the community.  
25       We are monitoring it very closely. We did send

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1 out 6,000 letters to all of our institutions that are  
2 in the lending business. In fact, we sent those out,  
3 as you know, under you-all's signature, requesting some  
4 diligence on the part of the institutions to be  
5 flexible and to work with consumers who may be facing  
6 delinquencies and defaults.

7 We also put together a Web site that would provide  
8 some assistance for those who may be facing  
9 foreclosure. That site went up about 30 days ago, and  
10 so far we've had 2,600 hits on that system. So  
11 hopefully -- we're putting information out to people to  
12 help them deal with the situation.

13 At the same time, as I said, our bankers are well  
14 knowledgeable bankers. They're already starting to  
15 take some precautions in the situation, and hopefully  
16 things will change a little bit and we'll be okay.

17 But right now I would say that our institutions  
18 are in pretty good condition as far as capitalization  
19 and as far as their asset base. And we're just going  
20 to have to be very diligent in the way we go about  
21 doing our examinations, to make sure that we monitor  
22 our institutions, and if we have any situations where  
23 we may have some concerns, that we stay on top of those  
24 and deal with them as best we can to make sure that  
25 there's no exposure to our depositors.

1       ATTORNEY GENERAL McCOLLUM: If I might ask a  
2 question. Do we have a set of rules that you have out  
3 there or guidance for subprime lending right now? Is  
4 that something that you've applied to our banks, or is  
5 there a long-standing policy, or is there any at all?

6       MR. SAXON: Well, for the most part, subprime  
7 lending is not something you routinely see with our  
8 institutions. It's more done through corresponding  
9 lenders and mortgage lenders, if you will. We did  
10 anticipate some concerns in this market going into the  
11 last session, and we passed a predatory lending bill.

12       As part of that bill, it now requires additional  
13 disclosures on the part of borrowers as to exactly what  
14 it is they're getting into when they sign that  
15 document. Most important to what we did there is  
16 there's now a requirement that three days prior to any  
17 closing, if there's going to be any material changes to  
18 those loans, the borrower has to be notified three days  
19 in advance so that they can make any necessary  
20 adjustments or changes as to whether or not they want  
21 to go forward with that loan.

22       One of the biggest problems we see with the  
23 predatory lending side of this market is a lot of  
24 people walked into the closing, the truck is sitting  
25 outside with the furniture and everything ready to move

1 in, and now they're faced with additional fees of  
2 \$10,000. They find their rate is going to be higher  
3 than what they anticipated. They find out the  
4 adjustable rate is something that in five years they  
5 may not be able to satisfy because they don't  
6 anticipate that their payments are going to go up  
7 sufficiently enough to qualify or to pay those  
8 additional fees once the adjustable mortgage resets.

9 So we're doing as much as we can to put borrowers  
10 at ease as much as having plain English information for  
11 them so they understand what an APR is and they  
12 understand what the rates are, they understand what it  
13 exactly is they're going to be paying now and hopefully  
14 what they're going to be paying five years from now, if  
15 they have an adjustable rate where that ARM is going to  
16 be resetting.

17 ATTORNEY GENERAL McCOLLUM: But as far as the  
18 institutions are concerned, Don, most of those we don't  
19 regulate that do subprime lending in our state. Is  
20 that what you're telling us?

21 MR. SAXON: Well, we regulate institutions, but  
22 they by and large don't get too involved in subprime  
23 lending. They're more involved in prime lending.

24 ATTORNEY GENERAL McCOLLUM: Thank you.

25 GOVERNOR CRIST: Thank you. Any other questions?

1 COMMISSIONER BRONSON: Well, Governor --

2 GOVERNOR CRIST: Commissioner.

3 COMMISSIONER BRONSON: -- I've talked to a number  
4 of people about this. And as we all know, we've had a  
5 major slowdown here in the state. That's why we're  
6 having to do a four percent, maybe, slash, ten percent  
7 budget cut issue.

8 And when there is uncertainty out there, there is  
9 usually confusion to the point that everything  
10 bottle-necks and just stops. And I think that's what  
11 we're seeing right now. And then we're also seeing  
12 whether we have over-adjusted on the values of property  
13 in the state of Florida to the point of maybe we were  
14 wheeling and dealing at a level higher than what the  
15 average really is. And that's beginning to adjust  
16 itself.

17 But it's apparent to me that with the uncertainty  
18 of insurance, with the uncertainty of property taxes  
19 and what that does to a homeowner or a potential  
20 homeowner, I'm hearing more people today renting for  
21 the simple reason they don't want to have to get caught  
22 with all those extra expenses.

23 And it's throwing a little bit of a twist to the  
24 home-owning and property-owning situation in the state  
25 of Florida. And I'm not sure we're going to see

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1 anything break until the issue of insurance and  
2 property taxes is settled so people know what they're  
3 really dealing with, because right now everybody is  
4 dealing with an open-ended book, and it's caused a lot  
5 of disruption.

6 I notice that the doc stamps, which we use to buy  
7 state lands with, which we use for general revenue for  
8 certain issues in the state, all of that has been  
9 totally put back because there's not the trading in  
10 properties and values like we had. So it's affecting  
11 all the state agencies that rely on the doc stamps that  
12 are part of the Legislature's move on budgeting, which  
13 the Governor has to approve.

14 So to me it looks like we're in a catch-22 right  
15 now. We can't get the whole truck moving because we're  
16 broke down in different places and nobody has got it  
17 fixed yet. So I'm very concerned about where we are  
18 and how long this is going to last because I've  
19 mentioned to a number of people, if the insurance  
20 situation doesn't get some finality to it, then how are  
21 the lending institutions, when they're loaning money to  
22 buy houses and so forth, how are they going to be  
23 protected? And if the insurance doesn't pay off  
24 because there's not enough money, then that means all  
25 of those loans are in jeopardy as well, and then you're

1 going to have more foreclosures and more people going  
2 bankrupt. And so we've got a real situation on our  
3 hands.

4 Two issues being solved would help us a lot,  
5 insurance a property taxes. If we knew for sure what  
6 each one of those was, I think we'd be going forward  
7 instead of being stalemated right now.

8 GOVERNOR CRIST: That's a nice segue into our next  
9 speaker, Kevin McCarty. Thank you, Don.

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1 GOVERNOR CRIST: Kevin, I wanted to take the  
2 opportunity, before you get to your agenda items, to  
3 just address some of the concerns that the Commissioner  
4 talked about, if you don't mind.

5 Can you give us sort of a status report on the  
6 rate reductions in the property insurance market?

7 MR. McCARTY: Certainly, Governor, I'll be happy  
8 to do that, and also would be able to respond to CFO  
9 Sink's letter of July 19th, expressing some of the same  
10 concerns about the anticipated savings.

11 As you know, when the Legislature met in special  
12 session, there was a formidable task of dealing with  
13 back-to-back-year rate increases. In December there  
14 were 90 pending rate increases for 30 to 40 percent  
15 rate increases. This is after consumers have already  
16 had increases from the previous year.

17 To give a little perspective, reinsurance costs  
18 have gone up from -- in 2003 about eight and a half  
19 percent of the premium dollar was for catastrophic  
20 reinsurance. By 2006 that number had gone up to 44 and  
21 a half percent. So it was pretty clear to the  
22 Legislature that they needed to do something to expand  
23 the Florida Cat Fund in order to provide relatively  
24 inexpensive reinsurance.

25 But in exchange for that, the anticipation was



1 that those savings for the inexpensive reinsurance  
2 would be passed on to the policyholders. During part  
3 of their deliberations, they engaged the services of  
4 Paragon Solutions, which as many of you know is the  
5 administrator for the Florida Cat Fund and is  
6 affiliated with Benfield, which is a large  
7 international reinsurance broker. So they had  
8 resources available to them.

9 The anticipated savings presented to the  
10 Legislature was 23 to 26 percent, which is very similar  
11 to the analysis that we came up with, our own  
12 independent analysis where we engaged the services of  
13 Bob Hunter, who is a well known consumer advocate and  
14 former insurance commissioner of the state of Texas, as  
15 well as Paul Walther, who has got 25-plus years  
16 experience in the reinsurance arena. So the  
17 anticipated factors, presumed factors was at about the  
18 same range as it has been presented to the Florida  
19 Legislature, 24, 26 percent.

20 As you know, we had 335 filings come in as of  
21 March 1st, which is an historic event. This is the  
22 first time since I've been in the insurance business,  
23 since Hurricane Andrew, where we had 335 present rate  
24 reductions.

25 Unfortunately, those rate reductions are in about

1 the 12 and a half, 13 percent range, and we anticipated  
2 certainly a higher reduction. We are happy to note  
3 that the Legislature did roll back the rates for 25  
4 percent of the citizens of Florida in Citizens Property  
5 Insurance, which a very significant part of our  
6 population has received rate reductions through the  
7 rate reductions and the rate freeze imposed by the  
8 Legislature.

9 We are somewhat disturbed by the recent spate of  
10 filings that have come in that have pretty much wiped  
11 out any anticipated savings. And Deputy Commissioner  
12 Belinda Miller had a conversation with Bob Hunter as to  
13 what possibly may be the motivation behind some of  
14 these filings.

15 And I don't want to, you know, cast it with a  
16 broad brush because there are certain companies that  
17 have been very responsible in their filings. And I'd  
18 like to mention a couple of those. Southern Oak had a  
19 minus 31 percent, which is higher than their presumed  
20 factor. Coral Insurance, minus 33 percent. Sunshine  
21 State, minus 23 percent. And they not only did the  
22 presumed factor but in their true-up filings, they  
23 actually reduced their savings even more, which is what  
24 we expected to happen in the true-up filings.

25 We were frustrated particularly with Cincinnati

1 Insurance Company, Auto Owners Insurance Company, who  
2 had made rate filings with high double digit increases.  
3 And Bob Hunter's explanation is a little bit cynical  
4 about the industry, and there is some concern that  
5 there's an attempt to frustrate the legislative intent  
6 of House Bill 1A.

7 First of all, Florida has been a leader in  
8 national catastrophe development of public policy,  
9 whether it's development of building codes, building  
10 code enforcement. When we established Citizens  
11 Insurance Company, Louisiana established a Citizens  
12 Insurance. When we did a surplus buildup program,  
13 Louisiana did a surplus program.

14 There are many people in the industry that want to  
15 see House Bill 1A fail, and I'm afraid it's --

16 GOVERNOR CRIST: Do you think they're working in  
17 concert?

18 MR. McCARTY: I think it's pretty early to tell  
19 that.

20 GOVERNOR CRIST: Do you think they're colluding?

21 MR. McCARTY: I think certainly the three  
22 companies that I mentioned are operating in good faith.  
23 I think it's early to tell whether or not the companies  
24 are acting in concert. I think there's no question,  
25 from some of the public statements from some of the

1 trade associations, that they're mad as heck about the  
2 House Bill 1A, and they would like to see it fail. And  
3 certainly, if we don't realize the kind of rate relief  
4 that was anticipated by the Legislature, it could doom  
5 that bill.

6 I've got to tell you, we will use the considerable  
7 resources of our office to fully investigate the  
8 motives behind each of these rate filings. If the  
9 purpose of the rate filing is to increase profits on  
10 the back of Florida policyholders, we will not approve  
11 those rate filings.

12 As you know, we disapproved Florida Farm Bureau.  
13 We had a public hearing in July. And some of the  
14 things that we're seeing is increased profits, and some  
15 companies are using the policy savings anticipated by  
16 the cheaper reinsurance to buy more reinsurance. And  
17 also we see some fairly significant increases being  
18 driven by the models. And we think there's some  
19 association with these. And we fully intend to  
20 investigate these and hopefully bring some answers to  
21 you.

22 GOVERNOR CRIST: Well, speaking for myself, I want  
23 to tell you how much I appreciate your office and how  
24 your office has comported itself and looked out for the  
25 best wishes of the consumer. And as it relates to the

1 Florida Farm and their almost 30 percent rate increase,  
2 thank you for rejecting it.

3 I would encourage you to make sure that these  
4 companies adhere to the letter of the good reform that  
5 the Legislature brought about in January, make sure  
6 that they're adhering to it. And I would encourage you  
7 to investigate. You have the authority to do so. And  
8 at least from my perspective, that would certainly be  
9 appreciated by this governor and the people of this  
10 state, because I know they're as frustrated as I am.

11 And I think it's worth noting the companies that  
12 you mentioned that are putting in for rates of a less  
13 expensive nature, that are adhering to the intent of  
14 what our great Legislature did last January, and they  
15 need to be lauded.

16 You said it very well. You don't want to paint  
17 the whole industry with a broad brush. But it's  
18 apparent to me that some of the actors are not acting  
19 in the best interest of consumers. And that's very  
20 disconcerting to me.

21 And, again, I would encourage people to shop. I  
22 will share anecdotally a story with my colleagues and  
23 those with us today, that two weekends ago I was at  
24 home in St. Petersburg. And a lady came up to me, and  
25 she said, "Governor, my insurance company just raised

1 my rates. What am I supposed to do?"

2 And I gave her some -- well, it wasn't  
3 unsolicited, but I gave her some advice. I said, fire  
4 them. Fire them. You know, go to the new Web site  
5 that the Commissioner has developed,  
6 shopandcomparerates.com, get a better idea of how a  
7 consumer can be an activist and have the opportunity to  
8 not only stimulate competition but ensure that it  
9 occurs, and you don't have to stick with these  
10 companies.

11 And I'm concerned that, you know, maybe some  
12 consumers, when they get a bill from their insurance  
13 company, they're so afraid that they're not going to be  
14 covered, especially at this time of year, that they  
15 just go ahead and send in the check for the higher  
16 amount.

17 And, again, I would encourage them, when that  
18 occurs, to go to the Web site that you have developed.  
19 It's not perfect, but it's the first thing I've ever  
20 seen where people can get that kind of analysis very  
21 quickly and at least give them a sense of what options  
22 may be available to them to have an opportunity to get  
23 a better rate from a company who is interested in their  
24 business.

25 And so I want to thank you again, Commissioner,

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1 for your hard work. And I know it's a tough job, but  
2 you're doing a great job.

3 MR. McCARTY: Thank you, Governor. I would like  
4 to mention a couple of other things the Legislature did  
5 and I think -- and to calm the public about these  
6 filings of rate increases that we're seeing of 30, 40  
7 percent. And, remember, companies can't implement  
8 filings like they could in 2006 and rates of 40, 50,  
9 60, 70 percent and then wait for the Office to  
10 disapprove them.

11 We now -- those rates have to be approved, and we  
12 will be vigilant in vetting these rates to ensure that  
13 they are not excessive. And so with the elimination of  
14 use and file, with the elimination of a  
15 company-friendly arbitration panel, I think we are  
16 better situated today to protect the public from  
17 excessive rates.

18 GOVERNOR CRIST: Well, and your point, too, that  
19 25 percent are insured by Citizens Property. My  
20 parents are a very happy Citizens Property customer,  
21 and they're pleased that their rates are going down.  
22 Twenty-five percent of the market, their rates are  
23 going down. And, again, that's under your good  
24 leadership. General.

25 ATTORNEY GENERAL McCOLLUM: I just wanted to ask

1 you a question, Kevin, about the reinsurance issue.  
2 Farm Bureau brought up the fact that they -- and you  
3 raised it again today -- had taken a considerable  
4 amount of their potential return that they could have  
5 used to reduce rates and bought reinsurance. I gather  
6 that was significant in your view.

7 What is the proper level of reinsurance for a  
8 company? I understand they increased theirs  
9 significantly. But we all discussed that with, you  
10 know, our funds, and with Citizens and the Cat Fund  
11 recently that was a big internal debate here.

12 But what is the proper level of reinsurance, in  
13 your judgment? And how do you measure that when you  
14 look at these rate increases?

15 MR. McCARTY: Well, in the insurance industry we  
16 have -- look across the insurance industry, you'll have  
17 small companies, medium size companies and large  
18 companies. Some are mutual companies. Some are  
19 reciprocals. So it really depends. It's not a  
20 one-size-fits-all. Smaller capitalized companies rely  
21 more heavily on reinsurance and have to purchase more  
22 reinsurance in order for them to have the wherewithal  
23 to pay those claims.

24 Companies that have larger capital and surplus may  
25 wish to put more of that capital and surplus at risk,



1 to take the money instead of using it to purchase  
2 reinsurance.

3 So really that's a difficult question to answer.

4 We try to make sure that companies have a combination,  
5 whether it's reinsurance, capital and surplus or other  
6 alternative risk mechanisms that are out there today.

7 There are other debt instruments, et cetera, that  
8 companies use. USAA is a good example. They use a  
9 variety of alternative risk mechanisms.

10 But we want to make sure that companies insure at  
11 least to a one in 100 storm, one in 100-year event.

12 That's what our solvency guidelines are for Florida.

13 Some companies insure to a higher level than that.

14 But what we don't want to see with regard to the  
15 change from 2006 and '7 is a company that bought to  
16 100, one in 100-year event or one in 120-year event,  
17 then turns around and buys to a one in 500-year event  
18 so they don't have to lower their rates.

19 Now, they're protecting the solvency of the  
20 company, to be sure. They're protecting their  
21 stockholders, but they're not necessarily protecting --

22 ATTORNEY GENERAL McCOLLUM: Is that what Farm  
23 Bureau did, in your opinion?

24 MR. McCARTY: I would really rather not get into  
25 the details. Farm Bureau has exercised their option to

1 go through an administrative process. As the final  
2 hearing officer, my attorneys have advised me not to go  
3 into the details of a particular finding.

4 ATTORNEY GENERAL McCOLLUM: I understand.

5 MR. McCARTY: But I'd like to say in general that  
6 we would like -- we are going to look at this to strike  
7 the balance. You can form an insurance company that  
8 never goes insolvent, but you couldn't afford the  
9 premiums.

10 Companies are in the risk-assuming business. We  
11 want to strike a balance between a prudent fiscally  
12 conservative company so that they have the wherewithal  
13 to pay claims, but at the same time we want to make  
14 sure that they pass on, by law -- one of the other  
15 changes in House Bill 1A is that a company has to  
16 certify that the cost savings from 1A is being passed  
17 on to the policyholders. So we have to strike that  
18 balance.

19 CFO SINK: Governor.

20 GOVERNOR CRIST: CFO, please.

21 CFO SINK: Kevin, size up for us and for the  
22 audience what a one in 100-year event is, what size  
23 storm that is.

24 MR. McCARTY: That depends on what computer model  
25 you use, and that's another issue that concerns us.

1 CFO SINK: What would the range be then?

2 MR. McCARTY: I don't have that.

3 CFO SINK: What computer model are you going to be  
4 using when you determine whether or not they're covered  
5 for a one in 100-year event?

6 MR. McCARTY: That, again, depends on the company.  
7 You know, State Farm and Allstate are better situated  
8 in terms of their capital and surplus. The take-out  
9 companies, we often require them to do --

10 CFO SINK: But are we talking about a 50-billion  
11 storm, a 60-billion-dollar storm?

12 MR. McCARTY: 60-billion storm, 60 billion.

13 CFO SINK: We talk about one in 100, one in 50 and  
14 people don't --

15 MR. McCARTY: One of the concerns is that's an  
16 everyday moving target. And that's one of our  
17 frustrations in the office when we're looking that  
18 this. Recently the House commissioned a study to look  
19 at the different models and where those models -- these  
20 are all approved models by the Florida Modeling  
21 Commission, yet one estimate is 300 percent of the  
22 lowest one.

23 So there's a huge variation in these models. So  
24 it's an ongoing process. It's a moving target. And  
25 that's part of our frustration.

1 CFO SINK: Do you want to --

2 COMMISSIONER BRONSON: Well, my frustration in all  
3 of this is -- and I talked to -- I happen to be a Farm  
4 Bureau member, so I deal with Farm Bureau with my  
5 insurance and so forth. But what the general public  
6 cares about is they're going to put up X amount of  
7 money for coverage on whatever they've got, car, home,  
8 farm, buildings, whatever.

9 When it's done, they want to make sure that they  
10 can repair that building, that home, or get their car  
11 replaced if it's damaged in a storm. And what we're  
12 talking about are the nuances, business nuances here.  
13 But to the general public, when I pay my money and I  
14 lose my farm, my house, my car, is it going to get paid  
15 for or not?

16 And if the answer is it's going to get 60 percent  
17 paid for instead of the hundred percent coverage you  
18 think you're buying, as far as they're concerned, they  
19 didn't get paid.

20 And so I think we need to be honest about dealing  
21 on these issues and where the public really is and  
22 where we're going so that the public is very well aware  
23 that this rate and everything that we have decided is  
24 really a 70 percent or a 60 percent or a 90 percent  
25 payoff potential.

1 I mean, consider we went through four hurricanes a  
2 year for two straight years, I would assume, since I  
3 can't find anybody old enough to know that that's ever  
4 happened before, that that's at least a one in  
5 100-year, maybe one in 200-year.

6 But the point is the billions of dollars that were  
7 lost and the people who are still complaining today  
8 because they didn't get their roof completed for  
9 whatever reason, and they thought they were supposed  
10 to, that's what the public cares about.

11 And if I'm going to pay that every month or once a  
12 year or twice a year for my payment, I want my place  
13 taken care of when it's torn up. And that's what they  
14 want.

15 So whatever comes out of all this, let's just be  
16 honest with everybody and tell them what the real  
17 numbers are and how much the coverage is going to be  
18 and whether their company can really cover it or not.  
19 And based on their assets and whether they have to sell  
20 their assets to make those payments good or whatever  
21 has got to be done, let's just be honest with everybody  
22 and not play games where nobody really knows what that  
23 coverage is.

24 GOVERNOR CRIST: He's not playing games.

25 CFO SINK: And also what the assessments will be

1 at the end if we have shortfalls.

2 GOVERNOR CRIST: The Commissioner, in my humble  
3 opinion, is doing a great job of not playing games.  
4 And what he has the challenge to ferret out is whether  
5 or not the insurance companies are playing games with  
6 the people of our state and whether or not they're  
7 playing games with the Legislature of the State of  
8 Florida, who said you've got to pass on these savings  
9 because we've taken on more of the risk, and if you're  
10 not passing it on, are you adhering to the letter of  
11 the law.

12 And that's the game we have to figure out, and  
13 it's not a funny game. And, Commissioner, I would  
14 encourage you, as I said earlier, to keep going.

15 MR. McCARTY: Thank you.

16 CFO SINK: Well, Governor, along those lines, let  
17 me ask a question about the Cat Fund because the  
18 Legislature and the Governor, and I was in the back  
19 room, agreed to increase our exposure to \$28 billion  
20 from what would have been \$16 billion. So we're on the  
21 hook for \$12 billion more.

22 GOVERNOR CRIST: Which I think goes to the  
23 Commissioner's point. We want to make sure that those  
24 consumers can rebuild.

25 CFO SINK: Well, that's the back end. That's

1 right. That's the back end. But we've sold our Cat  
2 Fund at two and a half cents on the dollar, more or  
3 less, when the market is out there at ten cents on the  
4 dollar.

5 So we did pass significant savings on to enable  
6 these people to buy reinsurance from us. We're on the  
7 hook for that \$28 billion.

8 GOVERNOR CRIST: Yeah. But the point is they're  
9 not passing those savings on that we gave them to the  
10 people that you and I work for.

11 CFO SINK: So I would offer up that I think the  
12 Legislature ought to consider removing the 28 billion  
13 and let's go back to where we were before if it's not  
14 going to make any difference.

15 GOVERNOR CRIST: Well, the thought has crossed my  
16 mind, too, I've got to tell you.

17 CFO SINK: Get the people of Florida off the hook  
18 for the extra \$12 billion that they'll be making up for  
19 in assessments.

20 GOVERNOR CRIST: That's a good thought, CFO. You  
21 know, what the Legislature gave they can taketh away.  
22 And they've given these companies an opportunity to  
23 pass savings on to the people of our state. And the  
24 Legislature, I think, was very courageous in what they  
25 did. But if the companies don't honor it, we're in a

1 different place. And that may be one option that we  
2 would consider.

3 Another is, as I've expressed earlier with the  
4 Commissioner, is let's make sure or find out if these  
5 companies are adhering to the letter of the law. It's  
6 the law and there are consequences to not adhering to  
7 the law. So there are a couple of good options we have  
8 for the people and fight for them.

9 CFO SINK: I just have one more thing to say about  
10 the shop and compare. I think it's a wonderful idea to  
11 post the rates. But I did go in there and look at  
12 Hillsborough County last week. And I noticed that Farm  
13 Bureau was listed as the cheapest at \$960, and the  
14 other companies, including Citizens, are charging about  
15 \$2,500 a year for the supposedly -- and if the  
16 information is correct, how do you look at whether or  
17 not -- it's one thing to say Farm Bureau can't increase  
18 their rates by 30 percent, but even if they increase  
19 their rates by 30 percent, it would still be half as  
20 much as what Citizens is charging.

21 So I'd just like a little explanation of how -- do  
22 you look at the percentage, or do you look at what the  
23 market rate, the competitive market rate for that  
24 particular county is?

25 And secondly, Kevin, I have had a number of



1 complaints from agents that the information on the Web  
2 site is not accurate and not correct. And, of course,  
3 USAA has said they're not writing at all, so why are  
4 they even listed on there?

5 MR. McCARTY: Well, we took them off for that  
6 reason.

7 CFO SINK: Okay. Well, that's good. And that  
8 they feel that maybe the OIR is not being responsive to  
9 getting the actual correct rating information on there.

10 MR. McCARTY: I understand that concern, CFO. We  
11 are -- we have checked and rechecked the numbers. The  
12 numbers are the numbers that the insurance companies  
13 put in their filings. So if the information is  
14 incorrect, I'd like to know that so that we can  
15 identify those companies and make sure that they  
16 correct that information.

17 We do go through a process to vet the accuracy of  
18 that information. And, you know, I felt comfortable  
19 that that process was in place. If there are  
20 individual cases where that is not the case, we would  
21 certainly correct it.

22 If some companies are complaining because their  
23 presumed factor number that has not been approved, they  
24 chose to not use the promulgated presumed factor -- I  
25 just want to -- which I want to remind folks that just

1 because they filed for 12 percent doesn't mean we're  
2 going to approve it.

3 Yesterday we issued a notice to State Farm. We do  
4 not believe that their presumed factor is correct and  
5 that they are passing on enough savings to the  
6 policyholders. We did that with other companies. We  
7 have 44 filings left. Those will be completed in the  
8 next two and a half weeks. And so we're going to  
9 continue to make sure that the rate savings are being  
10 passed on to the policyholders.

11 With regard to the information, Madam CFO, we will  
12 verify that. And if you have individuals, if you'd  
13 like to direct them to me, we'd be happy to help in  
14 that regard.

15 Again, this is just a comparative tool. We're  
16 going to be refining this over time and hopefully give  
17 more examples, a 300,000 structure, hopefully give some  
18 more examples and maybe over time be able to break down  
19 to more territories.

20 With regard to your questions about the particular  
21 company, again, I don't want to be in a position where  
22 I jeopardize myself as the final hearing officer with  
23 regard to any rate filing because I think it's  
24 important that the insurance commissioner is the final  
25 hearing officer with regard to the rate filings.

1 But just in general, when you're asking about --  
2 you look at a number of factors. The rate filing and  
3 rate review process is very complicated. You look at  
4 the makeup of their book of business, the cost of their  
5 reinsurance, the cost of their expenses.

6 And a very important part is that some companies  
7 write higher risks. Some companies write only in the  
8 central part of Florida, which you won't see that. So  
9 if you're averaging on a coastal county and they don't  
10 write in a coastal area, their rates are going to  
11 appear to be lower.

12 Remember, Citizens writes the overwhelming  
13 majority of the high coastal risk areas. So when you  
14 average their rates in, it's going to appear to be  
15 larger on an aggregate county level. Thank you,  
16 Governor.

17 GOVERNOR CRIST: Thank you, Commissioner.

18 CFO SINK: Governor, I just do want to recognize  
19 that your insurance consumer advocate is in the  
20 audience, General Milligan, and he's following these  
21 proceedings very carefully.

22 GOVERNOR CRIST: General, where are you?

23 MR. MILLIGAN: Hiding in the back.

24 GOVERNOR CRIST: God bless you. Good to see you.  
25 I want to tell you that I saw you on television, I

1 guess, this morning with Victoria, and I was very  
2 impressed by your comments. And I agree with you. It  
3 may be time to get on offense. Thank you.

4 Commissioner, Item 1.

5 MR. McCARTY: Item 1 is adoption of the minutes  
6 from May 15th and June 12th.

7 GOVERNOR CRIST: Is there motion on the minutes?

8 ATTORNEY GENERAL McCOLLUM: I move the minutes.

9 COMMISSIONER BRONSON: Second.

10 GOVERNOR CRIST: Moved and seconded. Show them  
11 adopted without objection.

12 MR. McCARTY: Agenda Item Number 2, on a rating  
13 rule, we're asking that to be withdrawn from  
14 consideration. There's a technical flaw in the rule,  
15 and we need to correct that.

16 GOVERNOR CRIST: Show it withdrawn. Wait. Did  
17 you say --

18 CFO SINK: Withdrawn.

19 GOVERNOR CRIST: Yeah. Item 3.

20 MR. McCARTY: Is adoption of amendments to rule of  
21 the filing procedures of property and casualty  
22 insurance rates, rules, underwriting guidelines,  
23 690-170, Part 1.

24 This rule was adopted January 31st of 2006. It  
25 was challenged by the Florida Insurance Council. This

1 rule now has the changes in accordance with the  
2 direction of the Division of Administrative Hearings.

3 COMMISSIONER BRONSON: Motion on Item 3.

4 ATTORNEY GENERAL McCOLLUM: Second.

5 GOVERNOR CRIST: Moved and seconded. Show Item 3  
6 approved without objection.

7 MR. McCARTY: Item Number 4 is asking the  
8 Financial Services Commission to approve for  
9 publication amendment to Rule 69O-171.002, reporting  
10 requirements to the Financial Services Commission.  
11 This will incorporate the office's new updated  
12 electronic filing system for collecting information on  
13 premium, loss reserves, commissions and other related  
14 data from the insurance companies.

15 GOVERNOR CRIST: Any questions on Item 4? Is  
16 there a motion?

17 ATTORNEY GENERAL McCOLLUM: I move Item 4.

18 CFO SINK: Second.

19 GOVERNOR CRIST: Item 4 moved and seconded. Show  
20 it adopted without objection.

21 MR. McCARTY: Agenda Item Number 5 is approval for  
22 publication of amendment to Rule 69O-204.010 on  
23 viatical settlements. The proposed rule for  
24 publication implements Florida Statutes by adopting a  
25 comprehensive set of rules and forms for the admission

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1 of viatical settlement providers.  
2 COMMISSIONER BRONSON: Motion on Item 5.  
3 ATTORNEY GENERAL McCOLLUM: Second.  
4 GOVERNOR CRIST: Item 5 moved and seconded. Show  
5 it approved without objection.  
6 MR. McCARTY: Item Number 6 is the annual  
7 performance contract for the Office of Insurance  
8 Regulation for 2007-2008.  
9 GOVERNOR CRIST: Is there a motion on Item 6?  
10 ATTORNEY GENERAL McCOLLUM: I move Item 6.  
11 COMMISSIONER BRONSON: Second.  
12 GOVERNOR CRIST: Moved and seconded. Show it  
13 approved without objection. Thank you, Kevin.  
14 CFO SINK: Could I --  
15 GOVERNOR CRIST: CFO.  
16 CFO SINK: Let me just ask one question. Kevin,  
17 when you were describing, as you did very well here,  
18 the different functions of the OIR, under your  
19 specialty product review, I didn't see a specific  
20 mention for title insurance. Was that just an  
21 oversight, I hope? Because title insurance, as we've  
22 talked about, is a big hot issue.  
23 MR. McCARTY: Yes. Title insurance is in there.  
24 It's just not segregated out. There are hundreds of  
25 different specialty products, from warranties to

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1 viatical providers, so we just put them all into the  
2 specialty group.

3 CFO SINK: Well, I do think it's important to --  
4 you mentioned viatical settlements and donor annuities  
5 and some of the other specialty products. I think,  
6 because that's such a big product, we ought to  
7 especially mention that title insurance is included in  
8 the work that you do.

9 MR. McCARTY: Yes, ma'am. And we will be happy to  
10 give an update on the status of the title industry at  
11 some future meeting. Incidentally, I know you  
12 requested some input from Bob Hunter. He is unable to  
13 be here. It's his wife's 70th birthday and he has  
14 family plans. But he would be happy to come and  
15 testify at a future Cabinet meeting if you'd like him  
16 to do so.

17 CFO SINK: Yeah. I think it's a good idea.

18 MR. McCARTY: Thank you very much.

19 GOVERNOR CRIST: Good. Commissioner, thank you  
20 very much.

21 MR. McCARTY: Thank you, Governor.

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1 GOVERNOR CRIST: Agency for Enterprise Information  
2 Technology. Lori, good morning.

3 MS. NOLEN: Good morning.

4 GOVERNOR CRIST: How are you?

5 MS. NOLEN: Fine, thank you. I have copies of the  
6 bill and of the presentation if any of you wanted to  
7 have that. Item Number 1 on the agenda is to report on  
8 the legislation that creates the Agency for Enterprise  
9 Information Technology.

10 What I wanted to do was update you with how this  
11 agency has been established. Essentially, action in  
12 this last legislative session, Senate Bill 1974,  
13 created the Agency for Enterprise Information  
14 Technology. This new agency will report to the  
15 Governor and Cabinet, and it will be led by an  
16 executive director and our new state CIO.

17 It will be housed in the Executive Office of the  
18 Governor for administrative purposes only. So we'll be  
19 doing things like human resources and procurement and  
20 assist in those areas, but all of the remaining action  
21 taken as an action of this body.

22 The purpose is to provide enterprise information  
23 technology planning and policy. And I'll go over some  
24 of the more specific duties and responsibilities in  
25 just a few minutes. The body will take action by three



1 affirmative votes, with the Governor being one of those  
2 affirmative votes.

3 The bill comes with staff, provided in the bill,  
4 rather. There were 15 FTEs that are provided. Ten of  
5 those will be assigned to the Agency for Enterprise  
6 Information Technology. That's the director and then  
7 nine staff that would work for that director, and then  
8 five staff that are already in existence that have been  
9 transferred from our Office of Information Security  
10 housed under DMS to now be housed under the Agency for  
11 Enterprise Technology.

12 The budget for both of those entities is listed in  
13 the presentation of 1.1 for AEIT and 581,000 for the  
14 Office of Information Security. The majority of all of  
15 that is in the salary for the people that are there in  
16 those offices carrying out the work.

17 The bill established duties and responsibilities  
18 of the agency. There are numerous, but I've tried to  
19 collect them into just a few bullets that give you the  
20 overall view of what this agency is doing. Primarily  
21 it is a policy recommendation and strategy entity that  
22 will help implement strategies for implementing IT  
23 services that are enterprise in nature.

24 And enterprise services are those things that we  
25 commonly think of like e-mail, data center, networking,

1 the services that we all share across agencies.

2 The entity has been asked to define the enterprise  
3 architectural standards for the State, to provide  
4 enterprise information security, to monitor the  
5 delivery and management of Enterprise Information  
6 Technology services and to develop an enterprise state  
7 strategic plan.

8 One of the areas that we already have established  
9 and again mentioned that there were employees already  
10 working in that area because they'd been transferred  
11 from our Office of Information Security at the  
12 Department of Management Services into the new  
13 enterprise entity is the Office of Information  
14 Security. I wanted to introduce Mike Russo, who is the  
15 chief information security officer, and let him explain  
16 a little bit about what that office does.

17 GOVERNOR CRIST: Good morning, Mike.

18 MR. RUSSO: Good morning. As Lori indicated, this  
19 bill transfers the state security office into the  
20 Agency for Enterprise Information Technology. My  
21 office, the Office of Information Security, its primary  
22 role is to assist state agencies in identifying and  
23 mitigating threats to all data and information  
24 technology resources.

25 In order to do this, we concentrate on six major

1 areas. The first area is policy, policy, procedures  
2 and rules. We work with the agencies, all state  
3 agencies and have since 2002 in creating policies,  
4 security policies based on best practices.

5 We also work -- have worked recently with the  
6 Governor's Office and eight security officers in  
7 actually updating and recrafting 11 of the most common  
8 security policies so that they can implement them  
9 within their organizations.

10 One of the most important policies is a mobile  
11 device policy. Securing information on mobile devices  
12 is critical, and so we did address that in those  
13 policies.

14 The next area is risk assessments or risk  
15 management. Knowing and understanding risk and  
16 including the risk in business decisions is critical.  
17 We had worked with the state agencies on that. By law,  
18 by statute each agency is required to complete a  
19 comprehensive risk assessment every three years. And  
20 we have done that with the state agencies on two  
21 occasions.

22 In 2002 we worked with the domestic security group  
23 and the Legislature to obtain funding for an assessment  
24 in 2002 on the networks. We did it again in 2005. And  
25 at that time that was a comprehensive risk assessment.

1 And that is, again, to secure critical systems.

2 In addition, we work with the agencies on best  
3 practices by providing them with guidance in between  
4 years so that they can secure their IT infrastructure.

5 The next area we worked on with the agencies is  
6 training. We helped train the information security  
7 managers within all the agencies. By statute, each  
8 agency has an information security manager, and we work  
9 with all 37 of them in all branches of government. We  
10 help train them by providing training on risk  
11 assessments, risk management, policy development. And  
12 we help train these managers to guard against  
13 intrusions within their network.

14 This year we'll be concentrating on a training  
15 session for those security managers. We'll be looking  
16 at incident response, which is critical within the  
17 organizations. And we'll be training them on how to  
18 guard against leakage of confidential information  
19 within the organization.

20 Training is provided, again, through domestic  
21 security funding, which we have been able to provide  
22 through the Law Enforcement Terrorism Prevention  
23 Committee within Domestic Security here in Florida. We  
24 also meet with the security officers on a monthly basis  
25 to provide them with training on best practices and the

1 need to deal with new and emerging technologies.

2 The next area is domestic security coordination  
3 and outreach. This is one of the cornerstones of our  
4 office. I sit on the Domestic Security Law Enforcement  
5 Terrorism Committee and have been able to provide some  
6 funding resources to the agencies. We also get support  
7 nationally from the Department of Homeland Security for  
8 some initiatives.

9 This year the Department of Homeland Security has  
10 asked Florida to participate in a secure portal, which  
11 we have launched to the agencies, to allow them to  
12 communicate in times of emergency and also to allow  
13 them an opportunity to communicate with each other on  
14 security issues.

15 We are also in the process of outreach to cities,  
16 counties and municipalities to provide them with the  
17 same information that we develop within the state. In  
18 addition to that we provide cities, counties,  
19 municipalities and state agencies with cyber alerts to  
20 help them secure their infrastructure.

21 The last two areas that I wanted to discuss  
22 briefly are incident response and survivability. And  
23 what I mean by that is in incident response, we're  
24 dealing with computer security response teams within  
25 the agencies and the training we provide. And in

1 dealing with survivability, we're talking about  
2 disaster recovery. My office has helped set the  
3 standards for disaster recovery for each agency and has  
4 helped work them through that process.

5 In order to be successful in all of these areas,  
6 it's important that we build partnerships. Next slide,  
7 please. In Florida we have a cyber security initiative  
8 that consists of three major initiatives or  
9 partnerships. The first one is my office, the Office  
10 of Information Security, which assists agencies, again,  
11 in securing state information, technology  
12 infrastructure.

13 We work very closely with the Florida Department  
14 of Law Enforcement. They have a computer crime center.  
15 They train investigators on cyber crime and they  
16 investigate cyber crime. We share opportunities with  
17 them in the area of training.

18 We also have the Florida Infrastructure Protection  
19 Center, which is a partnership between my office and  
20 FDLE, to deal with criminal incident response, and also  
21 a Secure Florida initiative, which pushes information  
22 out to citizens and small businesses within Florida.

23 We also work very closely with the CIO council  
24 within the state. We sit on the CIO council security  
25 committee to help them work through issues in

1 technology, and also work very closely with the  
2 technology review work group in the Office of Policy  
3 and Budget.

4 That's a little bit about the organization itself  
5 and some of the partnerships that we have set up over  
6 the past few years.

7 MS. NOLEN: Mike and I would be happy to answer  
8 any questions that you have about the office or the  
9 duties and responsibilities. But that's the conclusion  
10 of the first agenda item.

11 CFO SINK: Governor.

12 GOVERNOR CRIST: CFO.

13 CFO SINK: I do have some comments to make really  
14 to my three partners up here. One is that this -- it's  
15 easy for these agency heads to come and give these  
16 proforma presentations to us. But this is going to be  
17 one of the most important things that we as a cabinet  
18 do, and here is the reason why.

19 As you all know, we have undergone five years of  
20 Project Aspire, \$85 million, five years, two years over  
21 the budget, and we had to put a halt to it because the  
22 consultant that we hired said that there was a high  
23 probability that the project was not going to succeed.  
24 And the reason -- Gartner Company, which is the largest  
25 global and most respected IT consulting firm in the

1 country, in the world. And the reason is because of a  
2 lack of governance and oversight.

3 And so when we get ready to install these big huge  
4 IT projects that affect all of our agencies, because  
5 the four of us represent all of state government, we as  
6 Cabinet members have got to be very, very carefully  
7 engaged.

8 We can't just say go off and build an accounting  
9 system and have the IT people go off and do it, because  
10 this is what happens. If you think about building a  
11 house, which I know you just finished doing,  
12 Commissioner, we're the owners of the house. We're the  
13 people who have got to say, yes, this is what we want  
14 at the end of the day, this is the kind of house we  
15 want to move into.

16 Would you ever dream of telling your contractor,  
17 go off and build me this house and call me when it's  
18 done? Of course you wouldn't. That's just a recipe  
19 for disaster. And that's a little bit about how this  
20 Aspire Project went wrong, is that there was not  
21 sufficient executive level governance or oversight.

22 So I think this -- the Legislature did a great  
23 thing by making this enterprise technology office a  
24 function of the Cabinet. But that means that we  
25 ourselves, the four of us, are going to have to very



1 carefully review and give oversight and be sure that  
2 the activities that they're engaged in and the money  
3 they're spending, that they're spending the money in  
4 the way that we all would want it to be spent.

5 So I -- we have a number of IT projects that we  
6 need to talk about going down the road, not the least  
7 of which is we desperately need a new accounting system  
8 in our state. And that's been called to my attention  
9 in the whole budget-cutting process. They can't give  
10 me the numbers that I need to really do a good job to  
11 be able to decide where to cut my budget.

12 And I just want to encourage my fellow Cabinet  
13 members that we're definitely going to need to pay a  
14 lot of attention and give a lot of oversight to the  
15 activities of this organization. Thank you.

16 GOVERNOR CRIST: Excellent. Thank you, CFO. Any  
17 other comments? Is there a motion on Item 1?

18 CFO SINK: I move it.

19 GOVERNOR CRIST: Second?

20 ATTORNEY GENERAL McCOLLUM: Second.

21 GOVERNOR CRIST: Moved and seconded. Show it  
22 approved without objection. Item 2.

23 MS. NOLEN: Item 2 is to report on the search for  
24 the executive director. I wanted to let you know that  
25 we have established a position description for that

1 person and we have advertised nationally. It has just  
2 started. I think it's been advertised for about a week  
3 now. We've got it in seven different sites, seven Web  
4 sites, two newspapers and a national magazine. So we  
5 checked just before the Cabinet meeting, and we've  
6 received 40 applicants already on that position.

7 The applications will be received by a target  
8 date, hopefully, of August 30th, after that which time  
9 the Cabinet needs to -- the Cabinet aides will be  
10 reviewing applicants and will make a recommendation to  
11 the Cabinet. I'm not sure about the timing on the last  
12 part because it will depend on how we set up interviews  
13 and how long that process takes. But we hope to have  
14 that candidate to you in the September, October time  
15 frame.

16 The nominee must be confirmed by the Senate. And  
17 so once we've had that selection, it will need to go  
18 through that process as well.

19 ATTORNEY GENERAL McCOLLUM: If I might, Governor.

20 GOVERNOR CRIST: General.

21 ATTORNEY GENERAL McCOLLUM: Are there certain  
22 qualifications you're looking for when you've  
23 advertised? What type of description do we have for  
24 the person that you've advertised for?

25 MS. NOLEN: I'll be happy to give you the actual

1 position description. I think that that will be a lot  
2 better than I can do here on the spur of the moment.  
3 But we certainly are looking for someone who has proven  
4 experience in doing the kinds of things that we need  
5 done here in Florida, particularly with the policy  
6 setting and the executive sponsorship of large IT  
7 projects.

8 We're looking for someone with leadership skills,  
9 and we're looking for someone with managerial skills as  
10 well. We need a very unique blend of person in that we  
11 need someone technically competent, operationally  
12 competent, but also managerially competent.

13 The role is very unique in that it's going to have  
14 to understand the nuts and bolts of technology, at the  
15 same time interact at the Cabinet level and with the  
16 Legislature.

17 ATTORNEY GENERAL McCOLLUM: And you hope to have  
18 this person in place when?

19 MS. NOLEN: We would like to try to have the  
20 person in place October, if that's possible. That  
21 gives us August to receive applications, September to  
22 interview and go through that process, and early  
23 October we would be presenting that person to you.

24 ATTORNEY GENERAL McCOLLUM: I move Item 2,  
25 Governor.

1 GOVERNOR CRIST: Yes, sir. Is there a second?

2 COMMISSIONER BRONSON: Second.

3 GOVERNOR CRIST: Moved and seconded. Show it  
4 approved without objection. Thank you very much.

5 CFO SINK: Just a couple of --

6 GOVERNOR CRIST: CFO, please.

7 CFO SINK: Governor, sorry. One thing is we may  
8 not have to -- we won't have to address this today.

9 Hopefully we won't have to address it at all. But we  
10 just did a national search for an insurance fraud  
11 department head and never did get the type of or  
12 caliber of candidate. And we actually had to end up  
13 going out and recruiting someone.

14 So I just think we ought to all be on notice that  
15 given the fact that you've done all this advertising,  
16 sometimes we may actually have to go out and encourage  
17 and recruit the person. I'm sure you're aware of that,  
18 particularly at the salary levels that we're talking  
19 about.

20 MS. NOLEN: Right.

21 CFO SINK: And, secondly, would you just answer  
22 for me, Lori, who is going to be monitoring the  
23 expenditure of the monies within the budget for the  
24 Information Security? We're under budget cut  
25 guidelines right now. How is the budgeting going to be

1 handled?

2 MS. NOLEN: I would anticipate that any type of  
3 expenditures that would need to be made in the meantime  
4 would be presented to the Cabinet aides in a memorandum  
5 requesting that type of expenditure. And then the  
6 aides would have to meet and decide whether or not  
7 they'd like to move forward or that you would like to  
8 have them move forward with an expenditure.

9 CFO SINK: Okay. Thank you.

10 GOVERNOR CRIST: Thank you very much.

11 MS. NOLEN: Thank you.

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1 GOVERNOR CRIST: Highway Safety and Motor  
2 Vehicles. Electra Bustle. Good morning.

3 MS. BUSTLE: Good morning. I have two items on  
4 the agenda this morning. The first one is approval of  
5 the June 12th, 2007 minutes.

6 GOVERNOR CRIST: Is there a motion on the minutes?

7 COMMISSIONER BRONSON: Motion on the minutes.

8 ATTORNEY GENERAL McCOLLUM: Second.

9 GOVERNOR CRIST: Moved and seconded. Show it  
10 adopted without objection.

11 MS. BUSTLE: The second item is the 2007-2008  
12 performance contract. There are 64 performance  
13 measures. They are consistent with prior years and  
14 reflective of the standards established this past year  
15 by the Legislature during the long-range program  
16 planning. So there's been no change to those at this  
17 point. We're reviewing them for future changes.

18 ATTORNEY GENERAL McCOLLUM: Governor, I would move  
19 Item 2. And I'd comment that this is an excellent  
20 performance report, I think, and I've looked at it, and  
21 I commend you for it.

22 MS. BUSTLE: Thank you.

23 COMMISSIONER BRONSON: Second.

24 GOVERNOR CRIST: Moved and seconded. Without  
25 objection show it approved.

1 CFO SINK: Governor.

2 GOVERNOR CRIST: CFO.

3 CFO SINK: Because we don't get to hear from  
4 Commissioner Bustle very much. You have the '07-'08  
5 standards. You didn't show the past standards because  
6 you weren't there, so I'm presuming that next year  
7 you'll show us the standards against the actuals of  
8 what you accomplished, along with your '08-'09  
9 standards; is that correct?

10 MS. BUSTLE: CFO, actually I think I will be here  
11 in September with the close-out of last year's to show  
12 the actual end-of-the-year standards and compare the  
13 two. So I believe it's in September.

14 CFO SINK: Good. And would you give us an update  
15 on how your agency is getting prepared for a world  
16 without PIP in Florida, because I know that your agency  
17 will be impacted.

18 MS. BUSTLE: Thank you very much. One of the  
19 things, obviously, during the legislative session, we  
20 let the legislative members know the impact to our  
21 agency. And they, during the budget session, put an  
22 extra 25 million in a contingency fund to keep us  
23 whole.

24 As part of that we are required to create a plan  
25 to go before the legislative budget commission for any

1 dollars that we want to expend. One of the things that  
2 I provided was an outline of -- of course, just as an  
3 explanation, we actually collect about \$29 million for  
4 those that have to reinstate if they let their  
5 insurance lapse, our agency does. And that is about  
6 200,000 people annually that for various reasons  
7 there's a lapse.

8 And so when the issue was coming up, we raised  
9 that concern. One of the things we talked about is if  
10 we had the \$29 million cut, we would be closing offices  
11 and things to that effect. And I think the Legislature  
12 at that point put the 25 million in as a contingency.

13 So we're still in the process right now. We are  
14 putting together a plan to go before the legislative  
15 budget commission, should we need to do that, to get  
16 dollars from the 25 million in contingency.

17 CFO SINK: And have you projected out or thought  
18 about the impact upon the way our highway patrolmen  
19 will be spending their time in a post-PIP environment?

20 MS. BUSTLE: We have. One of the things that is a  
21 concern for us from a law enforcement perspective is  
22 that, with no fault, when an officer goes to a scene of  
23 a crash, he or she will have to determine fault, which  
24 then is going to take some additional time.

25 Right now you can have drivers' exchanges and



1 things to that effect without any law enforcement  
2 intervention. And so we expect that that is going to  
3 change the way we do business, as well as additional  
4 court time or litigation, as they're litigating the  
5 claims for those that are driving without insurance and  
6 end up in a motor vehicle accident.

7 So we are looking at that, and what we're trying  
8 to do is predict how that's going to impact our budget  
9 in addition, obviously, to some of the other dollars  
10 coming in.

11 CFO SINK: And just one last question. Just  
12 review with us for our information the percentage of  
13 uninsured motorists that we have here in Florida  
14 compared with the national averages.

15 MS. BUSTLE: We are currently at 6 percent. We  
16 range anywhere from 4.5 percent to 6 percent during the  
17 year, uninsured motorists, compared to the national  
18 average is 14 percent. And I think that is -- we have  
19 a financial responsibility section that has much of it  
20 automated, so they have immediate access to folks that  
21 have allowed their insurance to lapse, and we  
22 immediately react to that. And I think that's what  
23 keeps us at such a low level.

24 CFO SINK: Governor, I just ask the question  
25 because I think it's really important in the post-PIP

1 environment that we keep a close eye on the fact that  
2 we have relatively little, compared to the other  
3 states, of uninsured motorists.

4 I remember my early days in Florida where if you  
5 got in an accident, there was a 40 percent chance, you  
6 felt like, that you were going to be hit by somebody  
7 who didn't have any insurance and you were up the  
8 creek. So I just think it's really important from a  
9 policy standpoint for us to pay attention to these  
10 numbers.

11 GOVERNOR CRIST: Absolutely.

12 COMMISSIONER BRONSON: And, Governor, if I might,  
13 having worked some traffic down in Dade County in the  
14 days before we had PIP, there's going to be substantial  
15 amounts of time, court included, because there will be  
16 challenges, when law enforcement, highway patrol, local  
17 law enforcement assesses who was at fault.

18 There will be a lot of attorneys making a lot of  
19 money because they're going to go to court, they're  
20 going to spend a lot of time in court. It's going to  
21 change a lot of that on-duty off-duty time that's going  
22 to be taken up by law enforcement that has to go to  
23 court and be a witness and to testify.

24 So there's going to be some changes, and they're  
25 not all going to be very positive, by changing this

1 issue. And law enforcement, of course, are usually the  
2 people --

3 GOVERNOR CRIST: Sounds like you're advocating for  
4 the continuation. Am I misreading you?

5 COMMISSIONER BRONSON: I'm a little concerned  
6 about where this is going to go because right now there  
7 is a certain amount of protection to the public out  
8 there that the person that hits you that has no  
9 insurance or let their insurance lapse, even though it  
10 wasn't your fault in the wreck, your insurance company  
11 is going to pick up the bill on that because there is  
12 no insurance from the other person. And, therefore, it  
13 becomes a big legal issue.

14 GOVERNOR CRIST: So this promise of auto insurance  
15 rate reductions you don't believe?

16 COMMISSIONER BRONSON: I'm very concerned.

17 GOVERNOR CRIST: To put a fine point on it.

18 COMMISSIONER BRONSON: I've seen it from the law  
19 enforcement --

20 GOVERNOR CRIST: I'm skeptical, too. That's why  
21 I'm encouraging.

22 COMMISSIONER BRONSON: And I am very skeptical  
23 because now those people who were not at fault are  
24 going to end up paying for those who were at fault with  
25 no insurance, and that means their insurance is going

1 to go up drastically. There is no free lunch.  
2 Somebody is paying for it, and it's going to be the  
3 people who are paying for their insurance are going to  
4 pay the price for it.

5 GOVERNOR CRIST: Well, let me give you a glimmer  
6 of hope. I had a very good conversation as it relates  
7 to this issue yesterday with Representative Bogdanoff.  
8 And she informs me that she feels they're very close to  
9 an agreement on PIP. So time will tell.

10 COMMISSIONER BRONSON: Good.

11 MS. BUSTLE: Thank you very much.

12 GOVERNOR CRIST: Thank you, Electra.

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- 1 GOVERNOR CRIST: Administration Commission.  
2 Gladys Perez.  
3 MS. PEREZ: Good morning. Here I am.  
4 GOVERNOR CRIST: Hi, Gladys.  
5 MS. PEREZ: Hi.  
6 GOVERNOR CRIST: You have the floor.  
7 MS. PEREZ: Thank you, Governor. Two items on our  
8 agenda. First is the recommended approval of the  
9 minutes of the April 3rd, 2007 meeting.  
10 GOVERNOR CRIST: Is there a motion on the minutes?  
11 COMMISSIONER BRONSON: Motion on the minutes.  
12 ATTORNEY GENERAL McCOLLUM: Second.  
13 GOVERNOR CRIST: Moved and seconded. Show it  
14 approved without objection.  
15 MS. PEREZ: Second item is recommended approval of  
16 proposed rule revisions and proposed new rules to  
17 Chapter 28 and authorize the secretary to initiate  
18 rulemaking.  
19 ATTORNEY GENERAL McCOLLUM: I move Item 2.  
20 CFO SINK: Second.  
21 GOVERNOR CRIST: Moved and seconded. Show it  
22 approved without objection. Thank you very much,  
23 Gladys.  
24 MS. PEREZ: I'm FLAWAC, too.  
25 GOVERNOR CRIST: Do you have another one? You're

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1 FLAWAC, too?

2 MS. PEREZ: Yes.

3 GOVERNOR CRIST: You're multitasking, aren't you?

4 MS. PEREZ: I am.

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1 GOVERNOR CRIST: Florida Land and Water  
2 Adjudicatory Commission. Gladys Perez. There you are.  
3 COMMISSIONER BRONSON: Say that three times fast.  
4 GOVERNOR CRIST: Yeah. I don't think I will.  
5 MS. PEREZ: Trying to save time here. Four items.  
6 First is recommended approval of the minutes of the  
7 February 27, 2000 (sic) meeting.  
8 GOVERNOR CRIST: Is there a motion on the minutes?  
9 CFO SINK: Move it.  
10 COMMISSIONER BRONSON: Second.  
11 GOVERNOR CRIST: Moved and seconded. Show them  
12 approved without objection.  
13 MS. PEREZ: The second item, the issue before the  
14 Commission at this time is a motion to dismiss and the  
15 transmittal of the proceedings to the Division of  
16 Administrative Hearings for a hearing. Once the  
17 hearing concludes, the case is going to return, be  
18 returned to us for us to rule on the merits. We have  
19 two speakers today on this. The first is Mr. Geoffrey  
20 Kirk, representing Hernando County.  
21 MR. KIRK: Good morning, Governor and Cabinet  
22 members. Jeff Kirk on behalf of Hernando County.  
23 Hernando County is --  
24 CFO SINK: Excuse me. Tell me what you mean by on  
25 behalf of Hernando County. What is your position?

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1 MR. KIRK: I'm an assistant county attorney and I  
2 represent Hernando County.

3 CFO SINK: Okay. Thank you.

4 MR. KIRK: Hernando County is respectfully  
5 requesting a clarification of the order of referral to  
6 the Division of Administrative Hearings. The current  
7 order that you have before you does not make reference  
8 as to whether the proceeding -- the forthcoming  
9 proceeding would be de novo, which means a full-blown  
10 hearing before an administrative law judge, witnesses,  
11 experts and a very time-consuming and expensive  
12 process, or on the record.

13 And by way of very brief background, this matter  
14 involves a development of regional impact that started  
15 back in 1987, Seven Hills DRI. And this DRI had a life  
16 center component, which was for people who could buy a  
17 house and when they could no longer take care of  
18 themselves, they could move to this life center.

19 The project is almost at build-out, and the  
20 developer has come to Hernando County and requested to  
21 change this to multifamily, have the ability to have  
22 multifamily apartments.

23 We had a hearing before the Board of County  
24 Commissioners. And it had two components. It had a  
25 zoning component, a local rezoning hearing, and it also



1 had a component to modify the development of regional  
2 impact order.

3 With the consent and concurrence of the developer,  
4 we combined and had a unified hearing, basically a  
5 local zoning hearing. The developer had an opportunity  
6 to present his case. He had an opportunity to  
7 cross-examine witnesses, although he did not. He had  
8 an opportunity to have rebuttal.

9 We had a complete hearing. We have a transcript  
10 in the matter. And during the hearing the developer  
11 basically said, "Okay, I have somebody that wants to  
12 build this multifamily apartment, but I also have  
13 somebody in the background that wants to build an ALF.  
14 So you, commissioners, I'd rather have the apartments,  
15 but I could go either way."

16 So after a lengthy hearing, the Board of County  
17 Commissioners voted five to zero to deny the request to  
18 change the DRI and deny the rezoning. The developer  
19 has now come and filed an appeal before you all. And  
20 we believe, based upon the record and the inherent  
21 nature that this was really a zoning hearing with a DRI  
22 component, that now to move this matter forward into a  
23 de novo setting, where the County, Hernando County  
24 would then have to spend taxpayers' money to get staff,  
25 to get witnesses, to get experts and to have a hearing,

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1 when we believe the record in this matter should be on  
2 the record.

3 And the statute that governs, 380.07(6),  
4 encourages appeals on the record. And we just believe  
5 that in this instance, to allow the developer to drag  
6 the County through a very long and expensive and  
7 time-consuming hearing process, based upon his own  
8 representations, and also additionally this is --  
9 zoning hearings are traditionally reviewed on  
10 certiorari before a circuit judge.

11 If the developer, because of 380, the way 380 is  
12 written, is able to have pending jurisdiction in FLAWAC  
13 on a zoning issue, then we believe it should also be by  
14 certiorari, even though it's before an administrative  
15 law judge and ultimately this Commission.

16 Hernando County would respectfully request that  
17 the order transmitting to DOAH have the provision  
18 indicating that the hearing would be on the record.  
19 And, unfortunately, because there's some ambiguity in  
20 the rules and the statute is not clear, that  
21 historically this Commission transmits to DOAH, it's in  
22 the DOAH pipeline, and an administrative law judge  
23 would then proceed to go through a formal  
24 administrative hearing. Then we'd come back before you  
25 all several months from now.

1 But by then Hernando County, a local government,  
2 will have already spent the money to conduct a hearing,  
3 to have the witnesses, to have the -- and we humbly  
4 request that we have a clarification order. Thank you.

5 GOVERNOR CRIST: CFO?

6 CFO SINK: No questions.

7 GOVERNOR CRIST: Thank you.

8 MS. PEREZ: Our next speaker is Mr. Chris Bentley,  
9 representing the petitioners.

10 MR. BENTLEY: Governor, members of the Cabinet. I  
11 am Chris Bentley, here on behalf of Seven Hills and the  
12 other petitioners here. The County misapprehends the  
13 law, pure and simple. When the County tells you that  
14 it should not be a de novo hearing and that the law is  
15 unclear, indeed the First District Court of Appeal and  
16 the Florida Supreme Court many, many years ago noted  
17 that the statute wasn't as clear as it could be, and so  
18 they clarified it.

19 In a case referred to as Transgulf in 1983, the  
20 First District Court of Appeal specifically said that  
21 what the language in the statute means is that you get  
22 a de novo hearing.

23 I'm particularly aware of that because I was the  
24 chief judge. I was the director of the Division of  
25 Administrative Hearings at the time, and one of my

1 now-called administrative law judges wrote the  
2 Transgulf order that the First District Court of Appeal  
3 affirmed.

4 The Florida Supreme Court in 1993, in *Young v.*  
5 *Department of Community Affairs*, then also commented  
6 that the court in Transgulf, the First DCA in Transgulf  
7 had been correct.

8 With regard to the notion that this should be on  
9 certiorari, that simply is not the law. The statute  
10 says that's not the law. The First District Court of  
11 Appeal has said that's not the law, and the Florida  
12 Supreme Court has said that's not the law.

13 For example, the First District Court of Appeal in  
14 Transgulf said, "We do not agree with appellees that  
15 de novo proceedings pursuant to 120.57 will make a  
16 mockery of the local hearing and decision-making  
17 process." The courts considered all of those issues,  
18 and it has long been decided.

19 The issue that -- with regard to what  
20 Mr. Friedland had to say at the hearing, Mr. Friedland  
21 had to say, in essence -- when he appeared before the  
22 County Commission, the milieu was that the staff of the  
23 County Commission had recommended approval of the NOPC  
24 and approval of the rezoning.

25 The Regional Planning Council had recommended

1 approval. And all Mr. Friedland said was, "Hey, I  
2 already have the right to build this type of facility  
3 with the zoning and the DRI as it exists now, the  
4 development order. I also want the right to do this.  
5 And if I don't get the right to do this, then I'll do  
6 that."

7 He wasn't suggesting somehow that the County got  
8 to choose. The County had an application before it for  
9 a NOPC and rezoning and had to make the decision.

10 I don't want to take your time. I'd be happy to  
11 answer questions. Obviously we support the staff  
12 recommendation that this matter be sent to the Division  
13 of Administrative Hearings. Thank you.

14 GOVERNOR CRIST: Thank you, sir.

15 MS. PEREZ: Any questions?

16 ATTORNEY GENERAL McCOLLUM: I have one question.

17 GOVERNOR CRIST: General.

18 ATTORNEY GENERAL McCOLLUM: Your recommendation is  
19 to go to the administrative hearing, which would have a  
20 de novo hearing if they went there, or could have one.  
21 Is that correct?

22 MS. PEREZ: The order doesn't specify. This is  
23 what happens when you get three lawyers reading the  
24 same cases. I don't read the case law as limiting as  
25 each of the two presenters. I agree the statute is not

1 clear. However, you have to read the case law with the  
2 statute.

3 The case law, I think, does allow for a  
4 theoretical possibility in some circumstances of a  
5 de novo hearing. It depends on what type of hearing  
6 occurred below, what due process guarantees were  
7 afforded to the developer; I mean, was there  
8 cross-examination.

9 I think that this is an issue that the ALJ needs  
10 to review, needs to hear argument of counsel and see  
11 what exactly happened below and then make a  
12 determination as to the type of evidence that was  
13 presented and the type of evidence that needs to be  
14 presented in order for us to reach the merits.

15 So I think the recommendation is everything goes  
16 to DOAH. Let the parties argue it there. Let the ALJ  
17 determine what type of hearing he's going to -- he or  
18 she will hear.

19 ATTORNEY GENERAL McCOLLUM: I move Item 2,  
20 Governor.

21 GOVERNOR CRIST: Great. Reflecting what she  
22 just --

23 ATTORNEY GENERAL McCOLLUM: Reflecting what she  
24 just said and what's in the actual record before us,  
25 yes, sir.

1 COMMISSIONER BRONSON: The motion is to send it on  
2 to DOAH and let DOAH make the determination?

3 ATTORNEY GENERAL McCOLLUM: That's right, exactly.

4 COMMISSIONER BRONSON: I'll second that.

5 GOVERNOR CRIST: Moved and seconded. Show it  
6 approved without objection. Thank you very much.  
7 Thank you, General.

8 CFO SINK: Glad we have a bunch of lawyers up  
9 here.

10 MS. PEREZ: Always problematic. Okay. Number  
11 3 --

12 GOVERNOR CRIST: Not always, not always. Go easy.

13 MS. PEREZ: Recommended approval of the amended  
14 draft final order denying the transfer of development  
15 rights from 12 marina slips to uplands of the Banana  
16 Bay Motel.

17 GOVERNOR CRIST: Is there a motion on Item 3?

18 CFO SINK: I'll move it.

19 GOVERNOR CRIST: Moved. Is there a second?

20 ATTORNEY GENERAL McCOLLUM: Second.

21 GOVERNOR CRIST: Moved and seconded. Show it  
22 approved without objection.

23 MS. PEREZ: Item 4, recommended approval of the  
24 proposed rule to establish Twin Creeks Community  
25 Development District in St. Johns County.

1 GOVERNOR CRIST: Any questions?

2 ATTORNEY GENERAL McCOLLUM: I move Item 4.

3 GOVERNOR CRIST: There's a motion. Is there a  
4 second?

5 CFO SINK: Second.

6 GOVERNOR CRIST: Moved and seconded. Show it  
7 approved without objection.

8 MS. PEREZ: Thank you.

9 GOVERNOR CRIST: Thank you, Gladys.

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1 GOVERNOR CRIST: State Board of Administration.  
2 Coleman Stipanovich. Morning, Coleman.

3 MR. STIPANOVICH: Good morning, Governor. Good  
4 morning, members. The first item on the agenda is  
5 request approval of the minutes for the June 12, 2007,  
6 and July 17th, 2007 meetings.

7 GOVERNOR CRIST: Is there a motion on the minutes?

8 CFO SINK: I move it.

9 GOVERNOR CRIST: Is there a second? General, is  
10 there a second?

11 ATTORNEY GENERAL McCOLLUM: Second. I'm sorry.

12 GOVERNOR CRIST: Moved and seconded. Without  
13 objection the minutes are approved. There's just the  
14 three of us.

15 ATTORNEY GENERAL McCOLLUM: I know. I was reading  
16 a note from my staff. I apologize.

17 GOVERNOR CRIST: Item 2, Coleman.

18 MR. STIPANOVICH: Item 2 is request for approval  
19 of fiscal determination for the issuance of an amount  
20 not exceeding 17,690,000 tax-exempt Florida Housing  
21 Finance Corporation Multifamily Mortgage Revenue Bonds.

22 ATTORNEY GENERAL McCOLLUM: I move Item 2.

23 CFO SINK: Second.

24 GOVERNOR CRIST: Moved and seconded. Show it  
25 approved without objection.

1 MR. STIPANOVICH: Item Number 3 is request for  
2 authority to file notice for a rule hearing to be held  
3 on September 4th. On July 10th there was a workshop  
4 that was -- that was going to be held but was not  
5 because there was no level of interest to have the  
6 workshop. This is not a controversial item.

7 Following the rule hearing, the September 4th rule  
8 hearing, a notice will be requested at the October 2nd  
9 Cabinet meeting for you to give us permission to file  
10 for adoption.

11 The 11 rules, if you look at Attachment 3, there's  
12 a good summary in there of these rules. Rules  
13 19-11.002 through 007 and Rule 19-13.002 provide simply  
14 clarifying administrative language, cleanup kind of  
15 language, technical in nature only. And the eighth  
16 rule is Rule 19-12.007, simply updates the procedures  
17 for accepting rollovers into the DC plan from former  
18 Florida Retirement System members.

19 And the last three rules, for the total of 11, are  
20 new rules. Rule 19-11.009 deals with reemployment  
21 after retirement. Rule 19-11.010 outlines the defined  
22 contribution plan privacy policy and use of Social  
23 Security numbers. And the final new rule, 19-11.008,  
24 outlines the forfeiture of benefits in provisions under  
25 Chapter 121 of Florida Statutes.

1 GOVERNOR CRIST: Any questions?

2 ATTORNEY GENERAL McCOLLUM: I move Item 3.

3 CFO SINK: Second.

4 GOVERNOR CRIST: Moved and seconded. Show it --

5 CFO SINK: Now I was the one asleep at the switch.

6 GOVERNOR CRIST: Show it approved without

7 objection.

8 MR. STIPANOVICH: Members, Item Number 4 is the

9 Insurance Capital Build-Up Incentive Program final

10 report. I'm glad to report that the legislation, the

11 good legislation that was passed, the intent of the

12 legislation has been fulfilled to the fullest.

13 The 250 million that was appropriated for the

14 program, there was a one percent allocation for

15 expenses, which totaled 2.5 million that are held back

16 for administrative expenses. We have spent about

17 \$33,000 of that two and a half million. But this is a

18 20-year program, and there will be an ongoing

19 operation.

20 So we will also take a look at that and see if

21 there's something there -- your office brought this up,

22 CFO Sink, in terms of whether there's something there

23 that we might be able to return.

24 And we'll do that. I haven't had an opportunity

25 to talk to Dr. Nicholson and his staff and see what

1 kind of ramifications that might have in terms of  
2 future kind of unforeseen possibilities, whether it's  
3 litigation or whatever, and how much might we need to  
4 retain. But we'll revisit that and see what we can  
5 free up of that.

6 CFO SINK: We're counting pennies. So every --

7 MR. STIPANOVICH: I understand. The Governor has  
8 made that clear. There will be something -- there's  
9 something that came up in the Auditor General's audit  
10 that's now going on in the Cat Fund, was that we have  
11 had staff in the Cat Fund and others in the board that  
12 served on this review committee for putting out these  
13 \$250 million in loans, some of them -- a  
14 representative, for example, from my fixed income  
15 department that's a credit analyst. Those people need  
16 to have their time prorated.

17 So we've got to kind of go back and figure out how  
18 much time they spent on this initiative. And so we  
19 will end up having to charge and refund the trust fund  
20 for their time. So I would expect this 33,000 on that  
21 alone will go up significantly. But we'll see what's  
22 left beyond that.

23 The remaining 247.5 million, after you back out  
24 the 2.5 million, has been loaned out to 13 companies.  
25 There will be no money returned through appropriations.

1 That's a good thing, not a bad thing, in that the  
2 program was tremendously successful.

3 Again, in terms of new capital, there was new  
4 capital of 296 million that was contributed to 13  
5 insurers. The total amount of new capital, including  
6 state and private money, totals \$543.5 million, which  
7 will enable, we're anticipating based on the agreements  
8 we've got, the insurers to write approximately  
9 1,713,135 new policies. And that was the intent of the  
10 legislation.

11 CFO SINK: Governor.

12 GOVERNOR CRIST: Yes.

13 CFO SINK: I just want to make a comment that  
14 this, in my opinion, is a fantastic way for our  
15 Legislature to spend our citizens' money. We put up  
16 \$250 million, more or less, and we got these other  
17 insurance companies. And by the way, these are  
18 home-grown insurance companies, for the most part.

19 So I think this is -- this is our safety valve.  
20 Let's get people who -- I believe you can make money  
21 writing insurance in Florida at reasonable rates.

22 GOVERNOR CRIST: There's no question. You're  
23 right.

24 CFO SINK: And we have a number of investors here  
25 within our state who believe the same thing. And by

1 giving them this incentive, look at the results.  
2 They've been able to take on a million seven policies.  
3 So the scale would be -- Citizens has got about a  
4 million four policies right now.

5 So we've created, in effect, a private sector  
6 industry that's home-grown that is supported by state  
7 tax dollars. But, to me, I would encourage the  
8 Legislature to look at continuing to -- I know we're  
9 going to be in a tight budget year, but to continue to  
10 be looking for ways to give incentives for local  
11 home-grown companies to take care of our own Florida  
12 citizens.

13 GOVERNOR CRIST: I think you make a very good  
14 point, CFO. There is a real market opportunity for  
15 enterprising entrepreneurs in the insurance industry  
16 who are not too greedy that would like to make some  
17 money with reasonable rates, because there's a niche  
18 there that needs to be filled. And I commend you for  
19 pointing it out and highlighting it. General. I'm  
20 sorry.

21 ATTORNEY GENERAL McCOLLUM: I have no comment  
22 except I approve it. I think it's a good program. I  
23 agree that CFO Sink is right on.

24 GOVERNOR CRIST: Thank you, General. Thank you,  
25 Coleman.

1 MR. STIPANOVICH: I'd like to mention also that  
2 two of those 13 companies, by the way, are insurers  
3 writing only manufactured homes. And I know y'all have  
4 a real interest in that as well. And I'd like to  
5 commend Dr. Nicholson and his staff for doing an  
6 outstanding job, the team. That was a new mandate for  
7 us. And we were in the lending business, as CFO Sink  
8 can appreciate, so we were on a learning curve.

9 And I want to thank the Office of Insurance  
10 Regulation, in particular Claude Mueller. We worked  
11 very closely with them during this process and it was  
12 very helpful.

13 GOVERNOR CRIST: Thank you, Coleman.

14 MR. STIPANOVICH: The last agenda item for the  
15 State Board of Administration is a request to adopt a  
16 resolution to expand the Florida Hurricane Catastrophe  
17 Fund Liquidity Program. This resolution authorizes the  
18 Cat Fund Finance Corporation to implement a pre-event  
19 financing to expand the Cat Fund's liquidity program.

20 Governor, members, you will be acting on this  
21 resolution following the adjournment of the SBA  
22 meeting, and that concludes my agenda.

23 GOVERNOR CRIST: Thank you. Is there a motion to  
24 approve Item 5?

25 ATTORNEY GENERAL McCOLLUM: I so move.

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1 GOVERNOR CRIST: And a second?

2 CFO SINK: Second.

3 GOVERNOR CRIST: Moved and seconded. Show it  
4 approved without objection. Coleman, thank you very  
5 much. I appreciate you.

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1 GOVERNOR CRIST: Florida Hurricane Catastrophe  
2 Fund Finance Corporation Board. Ben Watkins. Hello,  
3 Ben.

4 MR. WATKINS: Good morning, Governor, Board  
5 members.

6 ATTORNEY GENERAL McCOLLUM: Morning.

7 GOVERNOR CRIST: I will now convene the meeting of  
8 the Florida Hurricane Catastrophe Fund Finance  
9 Corporation Board. This board is composed of the  
10 members of the State Board of Administration and also  
11 Ben Watkins and Jack Nicholson. All members are  
12 present. Ben, are you ready to proceed?

13 MR. WATKINS: Yes, sir. Thank you very much.  
14 Item 1 is approval of the minutes of the June 15, 2006  
15 meeting.

16 GOVERNOR CRIST: Is there a motion?

17 CFO SINK: I move it, since I wasn't here.

18 GOVERNOR CRIST: Is there a second?

19 ATTORNEY GENERAL McCOLLUM: I'll second it.

20 CFO SINK: Since you weren't here either.

21 ATTORNEY GENERAL McCOLLUM: I wasn't here either,  
22 but move approval.

23 GOVERNOR CRIST: Moved and seconded. Show it  
24 approved without objection.

25 MR. WATKINS: And Item Number 2 is a resolution

1 authorizing the issuance of up to \$7 billion in  
2 floating rate notes in order to expand the Florida  
3 Hurricane Catastrophe Fund's Liquidity Program.

4 By way of background, we had a special meeting on  
5 July 17th, where we received a mandate to pursue  
6 expanding the liquidity program for the Florida  
7 Hurricane Catastrophe Fund. And we have proceeded with  
8 all due haste to engage in the activities necessary to  
9 make that happen.

10 We have developed a schedule, which has a targeted  
11 closing date of September 1st. We are currently  
12 undertaking drafting the legal documents, some of which  
13 are before you today, in connection with this  
14 resolution and authorization. We will be presenting  
15 information to the rating agencies. We will be  
16 drafting the preliminary offering memorandum to offer  
17 the securities.

18 We will be preparing information to educate the  
19 investor base about the creditworthiness of the Florida  
20 Hurricane Catastrophe Fund, and working on the  
21 transaction structure, the appropriate maturities and  
22 the interest rates that the debt will bear.

23 So in connection with that, we also have included  
24 in the resolution a recommendation for an underwriting  
25 team to sell the floating rate notes. And that

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1 underwriting team and the recommendation was an open  
2 and competitive process which involved distributing an  
3 invitation to negotiate to interested firms,  
4 establishing an evaluation committee that graded the  
5 responses to the proposals based on the qualifications  
6 and the experience of the firms submitting responses,  
7 aggregating those scores and providing a ranking of the  
8 firms that responded to the proposal.

9 And what you have in front of you today included  
10 in the resolution is authorizing the execution and  
11 authorizing the issuance of the floating rate notes and  
12 approving the recommended underwriting team for the  
13 transaction, including the top nine ranked firms, based  
14 on the recommendation of our financial advisor, which  
15 the evaluation team reviewed and concurred in  
16 unanimously.

17 So that is the resolution, to authorize the  
18 issuance of up to \$7 billion in floating rate notes.

19 GOVERNOR CRIST: Thank you, Ben. Any questions?

20 CFO SINK: Governor.

21 GOVERNOR CRIST: CFO.

22 CFO SINK: Ben, how will the allocations be made  
23 among the nine participants?

24 MR. WATKINS: We plan -- there are two separate  
25 groups. There's the senior managing underwriters,

1 which are the top four firms. And then there are  
2 co-managers, which are the five firms. And the  
3 specific splits have not been determined yet, but we  
4 plan on managing the syndicate as a joint syndicate so  
5 that the top four firms are jointly managing the  
6 transaction.

7 CFO SINK: And so who will make the allocations?  
8 Who is "we"?

9 MR. WATKINS: The financial advisor and staff of  
10 the Florida Hurricane Catastrophe Fund Finance  
11 Corporation, at the appropriate time, when we're  
12 engaging in executing the transaction.

13 So it's premature for that determination at this  
14 time. But we will be happy to follow back up with you  
15 if you would like and provide you information on that.

16 CFO SINK: Well, after --

17 MR. WATKINS: At the appropriate time.

18 CFO SINK: Okay. Thank you.

19 MR. WATKINS: Yes, ma'am.

20 CFO SINK: And I'll make a motion to approve it.

21 GOVERNOR CRIST: Show it moved. Is there a  
22 second?

23 ATTORNEY GENERAL McCOLLUM: Second.

24 GOVERNOR CRIST: Moved and seconded. Show it  
25 approved without objection. Ben, thank you very much.

1 MR. WATKINS: Thank you very much.  
2 GOVERNOR CRIST: Thank you, and we are adjourned.  
3 (Whereupon, the proceeding was adjourned at 10:53  
4 a.m.)  
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CERTIFICATE OF REPORTER

STATE OF FLORIDA )  
COUNTY OF LEON )

I, Jo Langston, Registered Professional Reporter,  
do hereby certify that the foregoing pages 5 through 101,  
both inclusive, comprise a true and correct transcript of  
the proceeding; that said proceeding was taken by me  
stenographically and transcribed by me as it now appears;  
that I am not a relative or employee or attorney or counsel  
of the parties, or a relative or employee of such attorney  
or counsel, nor am I interested in this proceeding or its  
outcome.

IN WITNESS WHEREOF, I have hereunto set my hand  
this 15th day of August, 2007.

\_\_\_\_\_  
JO LANGSTON  
Registered Professional Reporter