

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

---

Representing:

DIVISION OF BOND FINANCE

FINANCIAL SERVICES COMMISSION, OFFICE OF  
FINANCIAL REGULATION

FINANCIAL SERVICES COMMISSION, OFFICE OF  
INSURANCE REGULATION

DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES

BOARD OF TRUSTEES, INTERNAL IMPROVEMENT TRUST FUND

STATE BOARD OF ADMINISTRATION

The above agencies came to be heard before  
THE FLORIDA CABINET, Honorable Governor Crist  
presiding, in the Cabinet Meeting Room, LL-03, The  
Capitol, Tallahassee, Florida, on Wednesday, September  
19, 2007, commencing at 9:00 a.m.

Reported by:  
JO LANGSTON  
Registered Professional Reporter  
Notary Public

ACCURATE STENOGRAPHY REPORTERS, INC.  
2894 REMINGTON GREEN LANE  
TALLAHASSEE, FLORIDA 32308  
(850) 878-2221

APPEARANCES:

Representing the Florida Cabinet:

091907transcript.txt  
CHARLIE CRIST  
Governor

CHARLES H. BRONSON  
Commissioner of Agriculture

BILL McCOLLUM  
Attorney General

ALEX SINK  
Chief Financial Officer

\* \* \*

3

	INDEX		
	DIVISION OF BOND FINANCE (Presented by BEN WATKINS)		
	ITEM	ACTION	PAGE
1			
2			
3			
4	1	Approved	5
	2	Approved	5
5	3	Approved	6
	4	Approved	6
6	5	Approved	7
	6	Approved	7
7	7	Approved	7
	8	Approved	8
8	9	Approved	9
	10	Approved	9
		Page 2	

9			
10	FINANCIAL SERVICES COMMISSION, OFFICE OF		
	FINANCIAL REGULATION		
11	(Presented by DON SAXON)		
	ITEM	ACTION	PAGE
12			
	1	Approved	17
13	2	Approved	17
	3	Withdrawn	18
14	4	Approved	18
15			
16	FINANCIAL SERVICES COMMISSION, OFFICE OF		
	INSURANCE REGULATION		
17	(Presented by STEVEN PARTON)		
	ITEM	ACTION	PAGE
18			
	1	Approved	20
19	2	Approved	20
	3	Approved	21
20	4	Approved	24
	5	Approved	25
21	6	Withdrawn	33
	7	Approved	31
22	8	Approved	33
	9	Approved	34
23	10	Approved	34
	11	Approved	35
24	12	(For Information)	35
25			

ACCURATE STENOGRAPHY REPORTERS, INC.

4

1	CONTINUED INDEX		
2	DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES		
	(Presented by DAVID WESTBERRY)		
3	ITEM	ACTION	PAGE
4	1	Approved	85
5			
6			
7	BOARD OF TRUSTEES, INTERNAL IMPROVEMENT TRUST FUND		
	(Presented by MICHAEL SOLE)		
8	ITEM	ACTION	PAGE
9	1	Approved	94
	2	Approved	96
10	3	Approved	97
	4	Approved	101
11			
12	STATE BOARD OF ADMINISTRATION		
	Page 3		

(Presented by COLEMAN STIPANOVICH)

13	ITEM	ACTION	PAGE
14	1	Approved	102
	2	Approved	102
15	3	Approved	103
	4	Approved	103
16	5	Approved	104
	6	Approved	115
17			
18			
19	CERTIFICATE OF REPORTER		116
20			
21			
22			
23			
24			
25			

ACCURATE STENOGRAPHY REPORTERS, INC.

5

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

2 \* \* \*

3 (Agenda items commenced at 9:30 a.m.)

4 GOVERNOR CRIST: And now we will hear on Bond  
5 Finance from Ben Watkins. Good morning, Ben. How are  
6 you?

7 MR. WATKINS: Very good, Governor, Cabinet  
8 members. Item Number 1 is approval of the minutes of  
9 the June 12 meeting.

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

11 COMMISSIONER BRONSON: Motion on Item 1.

12 CFO SINK: Second.

13 GOVERNOR CRIST: Moved and seconded. Show them  
14 approved without objection.

15 MR. WATKINS: Item Number 2 is a two-part

16 resolution. The first authorizes the issuance of up to  
17 1,317,000 in Public Education Capital Outlay Bonds.  
18 And that is for the current year appropriation for  
19 PECO. And the second part of that resolution  
20 authorizes the competitive sale of up to \$200 million,  
21 which is the first installment implementing that  
22 authorization.

23 COMMISSIONER BRONSON: Motion on Item 2.

24 CFO SINK: Second.

25 GOVERNOR CRIST: Moved and seconded. Show it

ACCURATE STENOTYPE REPORTERS, INC.

6

1 approved without objection.

2 MR. WATKINS: Item Number 3 is a resolution  
3 amending the bond resolution relating to the University  
4 of Central Florida housing system. The resolution  
5 simply changes the debt service coverage ratio  
6 necessary for issuing additional bonds from 1.3 times  
7 to 1.2 times.

8 ATTORNEY GENERAL McCOLLUM: I move Item 3.

9 COMMISSIONER BRONSON: Second.

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

12 MR. WATKINS: Item Number 4 is a resolution  
13 amending a bond resolution for the University of  
14 Florida parking system, and the resolution amends a  
15 prior bond resolution to incorporate standard  
16 conditions relating to bond insurance.

17 ATTORNEY GENERAL McCOLLUM: Move Item 4.

18 CFO SINK: Second.

19 GOVERNOR CRIST: Moved and seconded. Show it

20 approved without objection.

21 MR. WATKINS: Item Number 5 is a report of award  
22 on the competitive sale of \$256 million in Turnpike  
23 Revenue Bonds. The bonds were awarded to the low  
24 bidder at a true interest cost of approximately 4.72  
25 percent, and this was to fund various improvements,

ACCURATE STENOGRAPHY REPORTERS, INC.

7

1 lane widenings and interchanges across the turnpike  
2 system.

3 COMMISSIONER BRONSON: Motion on Item 5.

4 CFO SINK: Second.

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

7 MR. WATKINS: Item Number 6 is a report of award  
8 on the competitive sale of \$13,230,000 of Florida State  
9 University Parking Facility Revenue Bonds. This was to  
10 finance a new parking garage for Florida State  
11 University, and the bonds were awarded to the low  
12 bidder at a true interest cost of 4.52 percent.

13 COMMISSIONER BRONSON: Motion on Item 6.

14 CFO SINK: Second.

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

17 MR. WATKINS: Item Number 7 is a report of award  
18 on the competitive sale of 200 million in Lottery  
19 Revenue Bonds. The bonds were awarded to the low  
20 bidder at a true interest cost of 4.44 percent. And  
21 this bond issue related to continued implementation of  
22 the funding for class size reduction.

23  
24  
25

CFO SINK: Move it.  
ATTORNEY GENERAL McCOLLUM: Second.  
GOVERNOR CRIST: Moved and seconded. Show it

ACCURATE STENOGRAPHY REPORTERS, INC.

8

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

approved without objection.  
MR. WATKINS: Item 8 is a report of award on the negotiated sale of 61,275,000 of State Infrastructure Bank Revenue Bonds for the Department of Transportation. This was to fund loans to various local governments to accelerate transportation projects throughout the state. And the bonds were awarded to the underwriting syndicate at a true interest cost of approximately 4.3 percent.  
ATTORNEY GENERAL McCOLLUM: Move Item 8.  
CFO SINK: Second.  
GOVERNOR CRIST: Moved and seconded. Show it  
approved without objection.  
MR. WATKINS: Item Number 9 is a report of award on the competitive sale of \$38,780,000 of Housing Facility Revenue Refunding Bonds for the University of Central Florida. This was to implement a refinancing to lower interest rates on the debt that was currently outstanding for the University of Central Florida, and it resulted in debt service savings on a gross basis of approximately three and a half million dollars or on a present value basis of about \$2.2 million.  
GOVERNOR CRIST: Is there a motion on Item 9?  
CFO SINK: Move it.  
ATTORNEY GENERAL McCOLLUM: Second.

1 GOVERNOR CRIST: Moved and seconded. Show it  
2 approved without objection.

3 MR. WATKINS: And, lastly, Item Number 10 is a  
4 report of award on the competitive sale of \$216,300,000  
5 in Public Education Capital Outlay Bonds. The bonds  
6 were awarded to the low bidder at a true interest cost  
7 of approximately 4.61 percent. And this is the last  
8 installment or the last piece of the 2005, 2006  
9 appropriation for PECO.

10 ATTORNEY GENERAL McCOLLUM: I move Item 10.

11 CFO SINK: Second.

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

14 CFO SINK: Governor.

15 GOVERNOR CRIST: CFO Sink.

16 CFO SINK: I just wanted to make a comment that I  
17 just returned from the annual meeting of the  
18 Association of State Treasurers. And, Ben, I met a  
19 couple of representatives from Fitch, which is one of  
20 the big rating agencies, and in particular the analyst  
21 that covers Florida, and just wanted to share with  
22 everyone how complimentary he was of our Division of  
23 Bond Finance and of Ben.

24 And I asked him if he was getting the information  
25 he needed and if he thought we were still in good

1 shape, and he was highly complimentary, said that



2 Florida was one of the best states they have to work  
3 with. And, of course, the fact that we have such a  
4 high bond rating doesn't hurt.

5 GOVERNOR CRIST: That's great news.

6 COMMISSIONER BRONSON: Governor, also I have a  
7 question of Ben.

8 GOVERNOR CRIST: Commissioner.

9 COMMISSIONER BRONSON: This is pretty much in part  
10 based on a couple of issues we're looking at as the  
11 Cabinet as well as someone who is responsible for a lot  
12 of state buildings, many of which are in dire need of  
13 repair, and other facilities that are very important to  
14 the safety and welfare of the people of the state of  
15 Florida.

16 When we bond or when the Legislature is looking at  
17 these issues as to whether they can afford to repair --  
18 and some of these buildings we've had on the list for  
19 quite some time and we get a little bit done as we go  
20 along.

21 But are we using the same bonding issues, whether  
22 it's land acquisition, building repair, infrastructure  
23 needs for the State, are we using basically the same  
24 avenues of bondable tax, recurring tax issues to pay  
25 for all of this?

ACCURATE STENOGRAPHY REPORTERS, INC.

11

1 And the reason why I bring this up, of course, we  
2 all know we're in a downturn right now and there's not  
3 near as much money coming in, I think about 37, 38  
4 percent less on some of those funds that we've been  
5 using.

6           So I'm trying to get a good gauge of where we are  
7           in this process. And, of course, I was turned down on  
8           a couple of issues this year because we just didn't  
9           have enough money, and if you don't have money, you  
10          don't have money.

11          GOVERNOR CRIST: It surely wasn't because they  
12          weren't good projects.

13          COMMISSIONER BRONSON: No, no. But it shows that  
14          we're all feeling the pinch, whether it's government  
15          buildings that we have employees in that need some  
16          major repairs, a necropsy lab that is very important to  
17          us to find out if we have transmissible human diseases  
18          in animals in this state. And we could lose our  
19          accreditation if we don't get some of these things  
20          done, simply because the facilities are so old and worn  
21          out.

22          So I'm wanting to get a good feel here, before we  
23          discuss other issues at the Cabinet level next time,  
24          about whether we ought to be spending money if we're  
25          not sure that this is going to rebound in a pretty

ACCURATE STENOGRAPHY REPORTERS, INC.

12

1          orderly manner so that we know how much money is  
2          actually coming in and available to us under the  
3          bonding process. So could you fill me in, Ben, on  
4          that?

5          MR. WATKINS: Sure. Two parts to the question  
6          that I heard. One is what revenues are used for what  
7          purposes. And the answer is, that depends. And I  
8          don't mean to be evasive. But different financing

9 programs are for different things and they're secured  
10 by different revenue streams. And so it depends on  
11 which program we're talking about.

12 Public Education Capital Outlay, for example, is  
13 gross receipts taxes, or Right-Of-Way Bonds are monies  
14 out of the State Transportation Trust Fund from gas  
15 taxes. The environmental program is paid from  
16 documentary stamp taxes. And so different programs  
17 that are for different purposes are secured by  
18 different revenue streams.

19 And then secondly was where are we in this  
20 changing economic climate relative to the amount of  
21 debt that we have outstanding. And the mechanism that  
22 is in place for evaluating that is through the debt  
23 affordability study. And by looking at the benchmark  
24 debt ratio, which incorporates two things, our annual  
25 recurring requirements to pay for the debt that we

ACCURATE STENOGRAPHY REPORTERS, INC.

13

1 currently have outstanding and then the second part of  
2 that is, well, what revenues do we have available to  
3 pay, and it's the combination of those things that give  
4 us the result that we measure ourselves against the  
5 benchmark debt ratio.

6 And we will be reshooting those estimates based on  
7 the revised August revenue estimating conference notes  
8 and sharing those with legislative appropriations staff  
9 so they can see where we are with respect to our debt  
10 service position.

11 COMMISSIONER BRONSON: If I could, Governor.

12 GOVERNOR CRIST: Sure.

13           COMMISSIONER BRONSON: Without putting you too  
14 much on the spot, Ben, because I know there are a lot  
15 of issues out there, but do you have off the top of  
16 your head how many different things we pay for out of  
17 documentary stamps?

18           Are there certain buildings, are there certain  
19 other infrastructure that's paid for out of documentary  
20 stamps above and beyond what we use for environmental,  
21 mosquito control and all kinds of other issues that may  
22 be used for those revenues?

23           MR. WATKINS: Right. There are -- in the statute  
24 there are a litany of different programs that are  
25 funded with documentary stamp tax, one of which is

ACCURATE STENOTYPE REPORTERS, INC.

14

1           paying debt service on the environmental program bonds.  
2           But more importantly to your point, excess revenues,  
3           after paying debt service on the environmental program  
4           bonds and after the funding of the program set forth in  
5           the statute, flows through to general revenue.

6           COMMISSIONER BRONSON: So those monies would be,  
7           if the Legislature so deemed, they would pay for  
8           projects, repairs of buildings and so forth would come  
9           out of that general revenue fund, which is pretty  
10          dependent on many sources of revenue to come in, not  
11          just doc stamps but I would assume other sources as  
12          well.

13          MR. WATKINS: Right.

14          COMMISSIONER BRONSON: And would draw off of that.

15          MR. WATKINS: Right. That's absolutely correct.

16 And for general revenue there are lots of competing  
17 demands. So, I mean, basically it's competing demands  
18 for limited resources, and that is the dynamic at play  
19 with respect to general revenue every year.

20 CFO SINK: Governor?

21 GOVERNOR CRIST: Yes.

22 CFO SINK: Could I just add, Commissioner Bronson  
23 brought up something that I've been concerned about,  
24 too, because -- since I'm new. Some day I'm going to  
25 not be able to say I'm new anymore.

ACCURATE STENOGRAPHY REPORTERS, INC.

15

1 GOVERNOR CRIST: You go right on.

2 CFO SINK: I have been going around, traveling  
3 around the state and visiting all of the -- we have a  
4 number -- in our department we have a number of field  
5 office locations. And there are some of these  
6 buildings, I hate to pick on them, but particularly  
7 Miami is in not very good repair. And, General  
8 McCollum, you probably have some people in the same  
9 location.

10 And I believe we do need to keep on our radar  
11 screen, we're almost about to have some work  
12 environments there that are counterproductive to having  
13 our hard-working state employees maximize their service  
14 to the citizens.

15 I know we're in tough financial times, of course.  
16 But as you were describing the situation, the people  
17 who have dedicated funding sources are pretty darn  
18 lucky. The rest of us who rely on GR to make  
19 improvements like this are not too lucky right now.

20 GOVERNOR CRIST: Thank you. Appreciate it.  
21 MR. WATKINS: Thank you.

22  
23  
24  
25

ACCURATE STENOGRAPHY REPORTERS, INC.

16

1 GOVERNOR CRIST: Office of Financial Regulation.  
2 Don Saxon. How are you, Don?

3 MR. SAXON: I'm very good, Governor, members of  
4 the Cabinet. If I could just start, Governor, by  
5 mentioning as a follow-up to the CFO's resolution on  
6 financial literacy that that is a very important thing,  
7 I believe, to our citizens. And we are trying to do as  
8 much as we can in that area.

9 And, in fact, next Saturday we're going to be  
10 kicking off what we call the Investor Education at Your  
11 Library. We're going to be going around to 15  
12 libraries in the state of Florida, teaching them on the  
13 basics of savings and investing and, more importantly  
14 perhaps, how they can protect themselves against  
15 investment fraud.

16 The other thing we're doing is we're beginning  
17 today our Lunch and Learn, if you will. We're inviting  
18 our employees to come to our office, bring their brown  
19 bag, and we're going to teach them on the basics as  
20 well of investing and saving and how they can protect  
21 themselves against investment fraud.

22 And depending on the success of that, we want to

23 carry that over to other agencies within the State, to  
24 make sure that they're getting the information they  
25 need, because more and more people are becoming more

ACCURATE STENOGRAPHY REPORTERS, INC.

17

1 responsible and accountable for their own investments  
2 and how they can realize their financial dreams as they  
3 enter into retirement.

4 GOVERNOR CRIST: Thank you very much, Don.

5 MR. SAXON: We have four items today. The first  
6 is the approval of the minutes of the July 31st, 2007  
7 meeting.

8 CFO SINK: Move it.

9 ATTORNEY GENERAL McCOLLUM: Second.

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

12 MR. SAXON: Item Number 2, the Office is  
13 requesting approval to publish a Notice of Proposed  
14 Rulemaking for Rule Chapter 69V-40, Florida  
15 Administrative Code, regarding mortgage brokering  
16 application procedures. Subsequent to our August 28th  
17 Cabinet meeting, we discovered a technical error, and  
18 so we are now republishing that rule.

19 COMMISSIONER BRONSON: Motion on Item 2.

20 CFO SINK: Second.

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

23 MR. SAXON: Item Number 3, we're asking that that  
24 be withdrawn from consideration.

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

1           COMMISSIONER BRONSON: Motion on Item 3.

2           ATTORNEY GENERAL McCOLLUM: Second.

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

5           MR. SAXON: And Item Number 4, the Office is  
6 requesting approval to publish a Notice of Proposed  
7 Rulemaking for Rule Chapter 69W-600, Florida  
8 Administrative Code, relating to securities regulation.  
9 These rules reduce the fingerprint processing fees.  
10 Inasmuch as the Department of Justice has reduced their  
11 fees, we're carrying that on to those people as well.  
12 And we're also making changes to conform the statute to  
13 changes made as part of the 2007 legislative session.

14          ATTORNEY GENERAL McCOLLUM: I move Item 4.

15          COMMISSIONER BRONSON: Second.

16          GOVERNOR CRIST: Moved and seconded. Show it  
17 approved without objection. Thank you very much, Don.

18          MR. SAXON: Thank you, Governor.  
19  
20  
21  
22  
23  
24  
25

1           GOVERNOR CRIST: Office of Insurance Regulation.



2 You're not Kevin McCarty. Good morning.

3 MR. PARTON: Good morning, Governor and members of  
4 the Commission. No, sir, I'm not Kevin McCarty. My  
5 name is Steve Parton. I'm the general counsel for the  
6 Office of Insurance Regulation. He extends his  
7 apology. He's been unavoidably and unexpectedly  
8 delayed.

9 And with your permission, I will be presenting the  
10 rules that are being proposed for adoption and/or  
11 publication. Deputy Commissioner Belinda Miller, who  
12 is in charge of our property and casualty section of  
13 the office, will be providing you an update, if you  
14 will, on the presumed factor and the various filings  
15 that have been made.

16 She will also be introducing you to Mr. Bob  
17 Hunter, who assisted us in coming up with the presumed  
18 factor. As you may recall, CFO Sink had asked if he  
19 could come and perhaps answer some additional questions  
20 and provide information. And he will be doing that for  
21 you this morning.

22 We have a rather lengthy agenda, but I think it  
23 will be worthwhile ultimately.

24 GOVERNOR CRIST: Let's get started.

25 MR. PARTON: Item 1 is adoption of the minutes for

ACCURATE STENOGRAPHY REPORTERS, INC.

20

1 the Financial Services Commission for July 31st of this  
2 year.

3 ATTORNEY GENERAL McCOLLUM: So moved.

4 CFO SINK: Second.

5 GOVERNOR CRIST: Moved and seconded. Show the

6 minutes approved.

7 MR. PARTON: Item 2 is approval for final adoption  
8 of amendments to Rule 690-142.200, Florida  
9 Administrative Code. That is referred to as the  
10 Military Sales Rule. The federal government actually  
11 imposed an obligation on the part of all the states to  
12 come up with regulation of military sales for  
13 protection of our military personnel in the various  
14 states.

15 This rule addresses those issues. We have worked  
16 with CFO Sink's office as well because they have a  
17 counterpart in government agencies, and we move or ask  
18 you to approve this for final adoption.

19 COMMISSIONER BRONSON: Motion on Item 2.

20 CFO SINK: Second.

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

23 MR. PARTON: Item 3 is again approval for final  
24 adoption of amendments to Rule 690-203.202. This is  
25 standards for discount medical plans. As you may be

ACCURATE STENOGRAPHY REPORTERS, INC.

21

1 aware, the Legislature passed a regulation or  
2 legislation some years ago basically indicating that  
3 discount medical plans under \$30 we don't approve the  
4 price to, but on the other hand, if it exceeds \$30,  
5 then you were empowered with the authority to adopt  
6 rules for the regulation of those rates.

7 What this rule does is actually set out the  
8 standards by which we will judge those proposed rates.

9 It also clarifies that if, in fact, a discount card or  
10 program is packaged with, for instance, an HMO and  
11 there's no additional charges for those services, that  
12 in fact it's not governed by this rule.

13 GOVERNOR CRIST: Is there a motion?

14 ATTORNEY GENERAL McCOLLUM: Move Item 3.

15 CFO SINK: Second.

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

18 MR. PARTON: Item 4 is approval for final adoption  
19 of amendments to Rule 690-125.003. This is known as  
20 the Unfair Discrimination Because of Travel Plans.  
21 What this rule does is regulate, if you will, the  
22 ability of insurers to use as a basis for either denial  
23 of coverage or the increase of the premiums the fact  
24 that you're going to be engaging in foreign travel.

25 There was an incident involving one of our

ACCURATE STENOGRAPHY REPORTERS, INC.

22

1 legislators here in the state of Florida where a  
2 particular insurer had denied her ability, if you will,  
3 to purchase life insurance merely because of the fact  
4 that she was traveling to Israel. And this regulates  
5 that sort of conduct.

6 It also provides for an out, if you will, for the  
7 insurers to come to the office if, in fact, there is  
8 some emergency situation that might otherwise justify a  
9 variance from this particular rule and an exception to  
10 this rule.

11 COMMISSIONER BRONSON: Can I ask --

12 GOVERNOR CRIST: Yeah, of course, Commissioner.

13           COMMISSIONER BRONSON: I'd like to ask this  
14 question. You know, for people who want to make sure  
15 they're covered, insurance for families are covered on  
16 these trips, I certainly believe in that. But I also  
17 believe that if the State Department and other people  
18 are telling potential travelers it's bad in this  
19 situation, we do not recommend that you travel, it  
20 could be very dangerous, we all know that insurance is  
21 based on risk and --

22           GOVERNOR CRIST: Usually.

23           COMMISSIONER BRONSON: Well, usually. But when  
24 you're going where bullets and bombs are going off,  
25 there's a good chance that the risk is very high there.

ACCURATE STENOTYPE REPORTERS, INC.

23

1           And are we -- is it being weighed evenly as to if  
2 you're willing to take the risk, you're going to have  
3 to pay the higher premium for insurance to get there  
4 and get back?

5           I just want to make sure we're not dinging either  
6 side of this, that it's a very fair, equitable --

7           MR. PARTON: Commissioner, we do actually  
8 understand your concern. That's why we built into the  
9 rule the ability of an insurance company to come to us  
10 based upon such facts as if the State Department says  
11 that a particular area should be avoided in terms of  
12 travel, that they could come and ask for an exception.

13           We didn't build it into the rule itself, that is,  
14 make exceptions within the rule, because we think each  
15 case ought to be governed by itself, number one; number

16 two, because those situations may be of either shorter  
17 or longer duration.

18 For instance, if a company came to us today and  
19 said, hey, we want to have an exception with regards to  
20 travel to Iraq, I assure you we would sit there and  
21 grant that, that particular exception.

22 So the answer is yes, what we are trying to do is  
23 meet the concerns that you've just set out, number one;  
24 and, number two, also to allow insurance companies who  
25 can demonstrate otherwise actuarially that irrespective

ACCURATE STENOGRAPHY REPORTERS, INC.

24

1 of an emergency situation that may be declared, that  
2 there's an actuarial basis, for traveling to a  
3 particular area, to then justify either the denial of  
4 coverage or an increased rate in this matter.

5 So the intent is to do exactly what you're talking  
6 about, to provide, number one, a basis for regulation  
7 of this matter, and then, number two, to allow for  
8 exceptions as appropriate. And certainly I think some  
9 of the concerns you have are those types of exceptions.

10 It's best, in our opinion at least, not to codify  
11 it in a rule because once you start making an  
12 exception, then how far do you go? Why not justify  
13 those on an individual case? And that's what we're  
14 trying to do.

15 GOVERNOR CRIST: Thank you, Commissioner. Thank  
16 you. Is there a motion on Item 4?

17 CFO SINK: Move it.

18 COMMISSIONER BRONSON: Second.

19 GOVERNOR CRIST: Moved and seconded. Show it

20 approved without objection.

21 MR. PARTON: Item 5 --

22 GOVERNOR CRIST: Did you have a question, General?

23 I'm sorry.

24 ATTORNEY GENERAL McCOLLUM: No, I don't.

25 GOVERNOR CRIST: No? Okay. Item 5.

ACCURATE STENOGRAPHY REPORTERS, INC.

25

1 MR. PARTON: Item 5 is approval for final adoption  
2 of amendments to Rule 690-167.015, entitled Uniform  
3 Home Grading Scale. You may recall that Chapter 207,  
4 Section 40 of the Laws of Florida provided you the  
5 authority to adopt a Uniform Home Grading Scale to  
6 grade the ability of homes to withstand high winds and  
7 severe tropical storms.

8 And that's what this rule does. Again, it's so  
9 that -- it's as I believe Commissioner McCarty said in  
10 the past, you can go to a store and you can look at the  
11 energy rating, if you will, of a refrigerator or a  
12 washer, but we don't have a scale, if you will, with  
13 regards to homes. And this is an attempt to do that.

14 And, again, it's to encourage people to, frankly,  
15 buy homes that are much more able to withstand  
16 hurricanes, which ultimately we hope will also help us  
17 in insurance rates as well.

18 ATTORNEY GENERAL McCOLLUM: I move Item 5.

19 COMMISSIONER BRONSON: Second.

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

22 MR. PARTON: Item 6 is approval --

23  
24  
25

CFO SINK: Governor.  
GOVERNOR CRIST: Yes, CFO.  
CFO SINK: Steve, how do you think this is going

ACCURATE STENOTYPE REPORTERS, INC.

26

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

to be used? What happens now?  
MR. PARTON: Okay, how this is going to be used.  
Well, how we're hoping it will be used is by home  
builders and insurers in providing information that  
individuals would want as to how their houses are built  
and whether or not they're fit to endure, if you will,  
certain storms.  
It sort of, in our opinion, should be going along  
with, if you have a much more well-built home that  
meets a grading scale, then of course your insurance is  
also going to come down. As you're well aware, there  
are a number of expenses when anybody buys a home these  
days, not to mention the closing costs that are  
associated with it, but insurance as well that would  
have to be put up.  
So, you know, it is hopeful that it will  
ultimately require -- not require -- hopefully --  
GOVERNOR CRIST: Encourage?  
MR. PARTON: Encourage, thank you, the building,  
if you will, of better hurricane resistant homes, that  
it will also encourage, if you will, modification of  
the existing stock that is out there, such that it can  
withstand storms.  
CFO SINK: But there's no teeth in this. I mean,  
it's totally just --

1 MR. PARTON: That is correct.

2 CFO SINK: -- voluntary. If a builder wants to  
3 say, "I'm building this house and it's rated at an  
4 85 --"

5 MR. PARTON: You're correct.

6 CFO SINK: -- see if your insurance is going to  
7 pay any attention to that.

8 MR. PARTON: That may be true. We don't have the  
9 authority to direct builders and regulate how they're  
10 building homes. That's an issue, if you will, for  
11 legislation or other bodies.

12 This is strictly an informational device for the  
13 consumer, when they're going out and buying a home, to  
14 weigh, if you will, the scale versus the home versus  
15 the cost versus the insurance.

16 CFO SINK: But how would -- who is going to tell  
17 the consumer what the house is -- how the house is  
18 rated?

19 MR. PARTON: Well, hopefully it's going to be just  
20 like what we have now with regards to refrigerators.  
21 It's going to be posted, if you will, with regards to  
22 that, or they can get an inspector to go in and make  
23 that determination with regards to that.

24 CFO SINK: But somebody would have to hire an  
25 inspector to go and rate a house.

1 MR. PARTON: Yes, ma'am.





6 based on, yes, sir, Commissioner.

7 CFO SINK: Right. There are minimum building  
8 codes, but this is something that --

9 MR. PARTON: This would be in addition to that.  
10 For instance, a minimum building code may not  
11 necessarily get the highest rating. You may have  
12 houses that are built to a much higher standard, and  
13 thus they would get a much higher rating on this. We  
14 kind of use it --

15 CFO SINK: Well, one -- excuse me. One of the  
16 things that this -- sorry. I have to ask permission.  
17 Governor, may I speak?

18 GOVERNOR CRIST: Permission granted.

19 CFO SINK: This could potentially also be helpful.  
20 I know you've heard these stories about these houses in  
21 Miami that are built out of coral rock and they've been  
22 there since 1920 and the people can't get them insured.  
23 But yet if you went and rated them, they would rate out  
24 higher than a lot of new construction.

25 I know we have some legislators in the audience.

ACCURATE STENOGRAPHY REPORTERS, INC.

30

1 Maybe they'll take this up as an opportunity to see  
2 whether or not we can get more homes rated, because  
3 unfortunately it appears that there's not -- this is  
4 great, but no teeth.

5 MR. PARTON: Right. I realize that.

6 GOVERNOR CRIST: One step at a time.

7 MR. PARTON: Yes, sir.

8 CFO SINK: Right.

9 GOVERNOR CRIST: Well, you bring up a good -- I  
10 want to acknowledge Senator Deutch. I thank you for  
11 being here. And I also want to thank him for his  
12 leadership on the divestment issue, which I think we  
13 will be discussing shortly. But are there any other  
14 members of the Legislature with us this morning? Oh,  
15 good to see you, thank you, Representative Hays from  
16 Umatilla. Thank you. Go ahead, Steve.

17 MR. PARTON: I think we did vote on this; did we  
18 not?

19 GOVERNOR CRIST: Do we have a motion?

20 MR. PARTON: I think you did but --

21 ATTORNEY GENERAL McCOLLUM: I moved it, but I'll  
22 move it again if you'd like.

23 CFO SINK: And I'll second it again.

24 GOVERNOR CRIST: Moved and seconded and adopted  
25 without objection, apparently. Thank you. Appreciate

ACCURATE STENOGRAPHY REPORTERS, INC.

31

1 it.

2 MR. PARTON: Item 7 is, again, approval for final  
3 adoption of amendments to Rule 690-157.301, .302, .303,  
4 .304. This rule governs rate increases with regards to  
5 long-term care insurance policies. As you may recall,  
6 a very good piece of consumer friendly legislation  
7 occurred earlier that basically prevents, if you will,  
8 the high increases of cost to long-term care policies  
9 that occur when you have what is known as a closed  
10 block of business.

11 That is, you have a policy form which is no longer  
12 being sold. As that policy ages and that group that is

13 in that policy ages, the costs associated with  
14 maintaining those policies get higher and higher and  
15 rates become higher and higher to them. Basically this  
16 rule creates a level playing field, if you will, so  
17 that we don't have those large increases, and  
18 implements that statute. It's a very good consumer  
19 protection rule, and I urge you to approve it for final  
20 adoption.

21 COMMISSIONER BRONSON: Motion on Item 7.

22 ATTORNEY GENERAL McCOLLUM: Second.

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

25 CFO SINK: Governor, excuse me.

ACCURATE STENOGRAPHY REPORTERS, INC.

32

1 GOVERNOR CRIST: CFO.

2 CFO SINK: The staff says that we skipped 6, and I  
3 think we have to --

4 MR. PARTON: You know, ma'am, your staff is  
5 exactly correct, and I apologize.

6 CFO SINK: They're on the ball back there.

7 MR. PARTON: I'm glad someone is.

8 GOVERNOR CRIST: Back to 6.

9 MR. PARTON: If we go back to 6, Governor.

10 GOVERNOR CRIST: We just approved 7.

11 MR. PARTON: Approval for final adoption for  
12 amendments to Rule 690-137.013. This is a rule that  
13 governs the collection, if you will, of information  
14 with regards to assessments that have to be paid to the  
15 catastrophe assessment -- to the Cat Fund. In essence,

16 it allows us, if you will, to collect the data we need  
17 to make sure that the appropriate assessments are being  
18 paid back to the Cat Fund with regards to the pay-outs  
19 that the Cat Fund actually makes.

20 GOVERNOR CRIST: Is there a motion on Item 6?

21 ATTORNEY GENERAL McCOLLUM: Is this to approve?  
22 You're withdrawing this one.

23 MR. PARTON: My apologies. Why? My apologies.  
24 We need to withdraw that rule. We are going to go back  
25 to rulemaking and actually adopt two different rules

ACCURATE STENOGRAPHY REPORTERS, INC.

33

1 governing two different situations. And my apologies.  
2 That may be why I skipped it, by the way.

3 GOVERNOR CRIST: It probably is, Steve.

4 ATTORNEY GENERAL McCOLLUM: If we need a motion to  
5 approve the withdrawal, I move it.

6 MR. PARTON: Yes, you do.

7 CFO SINK: Second.

8 GOVERNOR CRIST: Moved and seconded and withdrawn.  
9 Item Number 8.

10 MR. PARTON: Item 8 is approval to publish Rule  
11 690-143.041 and .042. This is a rule that governs, if  
12 you will, custody agreements, that is, for certain  
13 assets and where they have to be, either here in this  
14 state or elsewhere. Again, this is for publication.  
15 We'll be setting up a rule hearing with regards to the  
16 that. It's in response to some changes in legislation  
17 that occurred in this past legislative session.

18 GOVERNOR CRIST: Is there a motion on Item 8?

19 CFO SINK: Move it.

20 GOVERNOR CRIST: Is there a second?

21 ATTORNEY GENERAL McCOLLUM: Second.

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

24 MR. PARTON: Item 9 is for approval to publish the  
25 repeal of Rule 690-186.017, which governs, if you will,

ACCURATE STENOGRAPHY REPORTERS, INC.

34

1 the rates to be charged for something known as  
2 certificates of mortgage release. This was a statute  
3 that had been previously passed by the Legislature that  
4 obligated us to come up with an actuarial rate. And in  
5 point of fact, there really isn't an actuarial rate  
6 that would apply to this.

7 Moreover, the insurance companies indicated there  
8 really wasn't a need to make a charge. This statute  
9 was repealed, that required you to do that. And we're  
10 now asking to repeal the rule in response to that.  
11 Again, though, we have to publish it first.

12 ATTORNEY GENERAL McCOLLUM: I'll move Item 9.

13 CFO SINK: Second.

14 GOVERNOR CRIST: Moved and seconded. Show it  
15 approved without objection.

16 MR. PARTON: Item 10 is approval to publish Rule  
17 690-137.001, which is the annual quarterly reporting  
18 requirements that are required by the National  
19 Association of Insurance Commissioners. What we are  
20 doing is publishing a rule to adopt the 2007 National  
21 Association of Insurance Commissioners Financial  
22 Condition Handbook.

23 COMMISSIONER BRONSON: Motion on Item 10.  
24 CFO SINK: Second.  
25 GOVERNOR CRIST: Moved and seconded. Show it

ACCURATE STENOGRAPHY REPORTERS, INC.

35

1 approved without objection.  
2 MR. PARTON: Item 11 is approval to publish Rule  
3 690-138.001, the NAIC Financial Condition Examiners  
4 Handbook. The rule adopts, if you will, the -- or  
5 proposes to publish and adopt the 2007 NAIC Financial  
6 Condition Examiners Handbook as permitted by Section  
7 624.316.  
8 COMMISSIONER BRONSON: Motion on Item 11.  
9 ATTORNEY GENERAL McCOLLUM: Second.  
10 GOVERNOR CRIST: Moved and seconded. Show it  
11 approved without objection.  
12 MR. PARTON: Our last item, as I had indicated in  
13 my opening remarks, is going to be an update, if you  
14 will, on the presumed factor. Many of you may not have  
15 yet met the deputy commissioner over Property and  
16 Casualty. I would ask if Deputy Commissioner Belinda  
17 Miller would come.  
18 This is Deputy Commissioner Belinda Miller. She's  
19 well qualified in the position. She used to be my  
20 deputy general counsel. The Commissioner, in his  
21 wisdom -- and it was good wisdom, but it hurt me --  
22 took her from me and appointed her as the deputy  
23 commissioner. And she is well qualified, having  
24 previously also headed up the rehab and liquidation  
25 division of the old Department of Insurance.

1 GOVERNOR CRIST: Good morning, Belinda. How are  
2 you?

3 MS. MILLER: Good morning. Thank you, Governor  
4 and Cabinet. I just wanted to take a few minutes to go  
5 through the progress of our presumed factor project.  
6 As you know, in January of 2007, the Legislature passed  
7 House Bill 1A.

8 And among other provisions, this bill required  
9 insurance companies to make presumed factor insurance  
10 filings to reduce their rates as a result of the  
11 expansion of the Florida Catastrophe Fund. In February  
12 of this year we issued an order, and in March we issued  
13 a presumed factor report, with the assistance of Bob  
14 Hunter, who is a nationally recognized consumer  
15 advocate.

16 In our report we established a methodology for  
17 companies to use to come up with a presumed factor.  
18 And in the order, we established a time frame by which  
19 they were required to make filings for a presumed  
20 factor. We had two rounds of filings. The  
21 companies --

22 GOVERNOR CRIST: Can I ask you a question first?  
23 I'm sorry.

24 MS. MILLER: Yes, Governor.

25 GOVERNOR CRIST: Did you say that the law requires

1 them to reduce rates?



2 MS. MILLER: Yes, Governor. The law requires them  
3 to pass along the savings to their policyholders that  
4 should have been made as a result of the catastrophe  
5 fund providing much less expensive reinsurance coverage  
6 than is available in the private market. And so these  
7 calculations are made between the difference that they  
8 would have to pay the private reinsurers and the amount  
9 that they're going to be able to receive their  
10 reinsurance for from the Florida Catastrophe Fund,  
11 given the new \$12 billion expanded layer.

12 GOVERNOR CRIST: So that is the law in Florida  
13 today.

14 MS. MILLER: That is the law, that they must pass  
15 along those savings to policyholders, yes, sir.

16 GOVERNOR CRIST: Thank you, ma'am. Can you cite  
17 me to a section of the law?

18 MS. MILLER: It's in House Bill 1A. I believe  
19 it's in Section 3. I don't have that handy, but I  
20 certainly can --

21 GOVERNOR CRIST: That's fine. Thank you, ma'am.

22 MS. MILLER: So we issued the presumed factor  
23 order, and that required companies to do two things;  
24 one, to make a presumed factor filing in March that  
25 would be effective for policies renewing on or after

ACCURATE STENOGRAPHY REPORTERS, INC.

38

1 June the 1st. And the second is to come back then  
2 before September the 30th and make a true-up filing.

3 So the companies made their filings in March and  
4 reduced rates. The average of those filings was a  
5 request for a 12 percent reduction. Those are, of

6 course, still in the process of approval and  
7 disapproval and litigation, and those won't be settled  
8 for a while.

9 But they were required to be implemented. If they  
10 weren't just adopting our factor, they had to use a use  
11 and file filing so that those savings could be passed  
12 along to policyholders as quickly as possible, by June  
13 1st. So that was done in the spring. Now we are in  
14 the process of receiving --

15 CFO SINK: Excuse me, Governor. Can I just --

16 GOVERNOR CRIST: Sure, CFO, of course.

17 CFO SINK: Because I know we're going to have a  
18 string of things that's happened since March, and  
19 before we get too far down the pike. So the 12 -- the  
20 companies had to decide whether or not they were  
21 going -- they were either going to just take the  
22 presumed factor, as outlined in our -- as we demanded,  
23 or they could have the option of another number.

24 MS. MILLER: Yes, CFO Sink, you're absolutely  
25 right. When we issued our order, we allowed the

ACCURATE STENOGRAPHY REPORTERS, INC.

39

1 companies to file their presumed factor filing one of  
2 two ways. They could just take our factor and make  
3 what we were calling a short form filing.

4 CFO SINK: All right.

5 MS. MILLER: And many of them did that. Or they  
6 could come up with their -- the application of those  
7 factors to their own book of business and make a longer  
8 form filing, which had more detail. And many of the

9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

companies did that.  
But either one of those filings had to be presumed factor filings. They had to be passing along the cost savings to consumers, and they had to be rate reductions.  
CFO SINK: Right. And these were all the ones that were done before June the 1st.  
MS. MILLER: That's correct.  
CFO SINK: And then go back and say -- what did you say about the 12 percent?  
MS. MILLER: The average of those filings -- and that's not really that meaningful because the average includes all the companies' different circumstances. And some of them came in with 20 percent reductions and did what we expected them to do. Others did not. But the average was a reduction of 12 percent for those springtime filings.

ACCURATE STENOGRAPHY REPORTERS, INC.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12

CFO SINK: Okay.  
MS. MILLER: The companies have different circumstances. Some of them buy their reinsurance at different times, and certainly they have different rating plans to start with. So across the board it's really difficult for insurance rating.  
CFO SINK: So we were -- even before June the 1st, we were already well -- we were seeing results that were well below this 23.9 percent that we had anticipated.  
MS. MILLER: Well, we saw some results below that. In other cases the companies adopted that just straight

13 out. And I think that Bob Hunter will describe more  
14 for you some of the circumstances of those two sets of  
15 companies. But there definitely are two sets.

16 We began receiving the true-up filings really in  
17 July, but those are not due for all companies until  
18 September 30th.

19 GOVERNOR CRIST: Belinda, could I interrupt you  
20 there for a second?

21 MS. MILLER: Yes, Governor.

22 GOVERNOR CRIST: Can you explain to us and the  
23 audience what true-up means, please.

24 MS. MILLER: The ordinary meaning of true-up would  
25 just be to make a small adjustment, and that's really

ACCURATE STENOTYPE REPORTERS, INC.

41

1 what we would like to see here, make a small adjustment  
2 to true up this filing, to true up the rate to make  
3 sure that it accounts for the reductions not only based  
4 on the new Cat Fund cost as compared to last year's  
5 reinsurance program, but further reductions that could  
6 be attained as a result of lower reinsurance costs in  
7 the private market, which the companies are seeing some  
8 lower reinsurance costs in the private market.

9 GOVERNOR CRIST: So it's sort of like file your  
10 rate truthfully --

11 MS. MILLER: Yes, Governor.

12 GOVERNOR CRIST: -- based upon the cheaper cost to  
13 the company, because of the cheaper cost of  
14 reinsurance, both in the public and the private market.  
15 And as you have illustrated to us, the law then

16 requires, the law requires that those companies pass on  
17 those savings to the people. Is that correct?

18 MS. MILLER: That is correct.

19 GOVERNOR CRIST: Thank you.

20 MS. MILLER: We've received so far 93 true-up  
21 filings. Now, we're expecting about as many true-up  
22 filings as we had presumed factor filings. So we'll  
23 get another couple hundred true-up filings before the  
24 end of September. So in the next two weeks --

25 CFO SINK: So 93 out of 200 --

ACCURATE STENOGRAPHY REPORTERS, INC.

42

1 MS. MILLER: 300.

2 CFO SINK: 93 out of 300 have been received.

3 MS. MILLER: Yes, that's correct, roughly.

4 CFO SINK: Governor, could I be allowed to ask  
5 some questions?

6 GOVERNOR CRIST: Of course, please, of course,  
7 CFO. I'm sorry. CFO. You have some more questions?

8 CFO SINK: No. I asked for permission after the  
9 fact.

10 GOVERNOR CRIST: Afterwards? Post? I have a  
11 question. Did you say 93 had filed those true-ups out  
12 of about 300 companies?

13 MS. MILLER: Yes, Governor. And they're not due  
14 until September the 30th for most companies so --

15 GOVERNOR CRIST: My mother's birthday. What a  
16 great day.

17 MS. MILLER: Well, I hope she has a happy  
18 birthday. We'll be receiving a lot more of those  
19 filings in the next two weeks. Those filings have

20 ranged dramatically. We have filings from a negative  
21 18 percent on a true-up filing, and we also have some  
22 filings on the true-up filing that purport to increase  
23 rates dramatically, which is not what we were looking  
24 for.

25 GOVERNOR CRIST: I have a question.

ACCURATE STENO TYPE REPORTERS, INC.

43

1 COMMISSIONER BRONSON: Governor, can I ask --

2 GOVERNOR CRIST: Yeah, you can, of course, if you  
3 don't mind. Those companies that file for a rate  
4 increase, how does that relate to the law? I'm  
5 confused.

6 MS. MILLER: The true-up filing is a full-blown  
7 rate filing, so it includes all components of their  
8 rate. But the true-up filing, like the presumed factor  
9 filing, has to be filed with the certification of the  
10 actuary and with the officers of the company that says  
11 that we have passed along the savings reasonably  
12 attainable to policyholders as a result of House Bill  
13 1A. So they are swearing in those filings that they're  
14 passing along the savings.

15 But in our review, in some cases, we're not seeing  
16 that. And all of these filings are subject to --

17 GOVERNOR CRIST: I've been reading about it, too.

18 MS. MILLER: Yes.

19 GOVERNOR CRIST: So have our people. Have you  
20 subpoenaed any of their records? Belinda?

21 MS. MILLER: Yes.

22 GOVERNOR CRIST: Have you subpoenaed any of their

23 records?

24 MS. MILLER: Yes, sir, we have.

25 GOVERNOR CRIST: Do you have any idea when you

ACCURATE STENO TYPE REPORTERS, INC.

44

1 might get a response to your subpoenas?

2 MS. MILLER: We have already begun receiving  
3 responses to our subpoenas. We have held at least four  
4 hearings on rate filings made by the companies. We  
5 will hold more hearings as a result of the subpoenas,  
6 which are not just about the rate filings, but we're  
7 asking a lot of other questions in those subpoenas,  
8 too.

9 And we want the companies to explain why their  
10 rates are not being reduced in accordance with this  
11 legislation. And we've got a number of other issues  
12 involved in that investigation as well.

13 GOVERNOR CRIST: Thank you. I'm sorry,  
14 Commissioner.

15 COMMISSIONER BRONSON: Thank you, Governor. Well,  
16 I'm trying to -- I'm not in the insurance business, but  
17 I do understand --

18 GOVERNOR CRIST: Yeah, you are.

19 CFO SINK: You buy it.

20 COMMISSIONER BRONSON: Yeah, I pay a lot of  
21 insurance. You know, I want to get an idea of how all  
22 this is working, too, and especially if there's a  
23 disparity in those who are asking for increases. Is  
24 that because their exposure to the hurricanes, let's  
25 say, those two years was so great that their

1 reinsurance cost them a lot more money than they  
2 anticipated and, therefore, there was no savings, or is  
3 it that they're hanging on to their -- whatever their  
4 percentage is and they're not showing that savings to  
5 the individuals?

6 I'm trying to figure out if some companies didn't  
7 get hit that hard in the hurricanes and were able to  
8 get reinsurance cheaper or at least didn't have the  
9 exposure compared to those who were heavily exposed and  
10 had a harder time getting it and therefore it cost them  
11 more. I don't know how that system works, so I'm  
12 trying to figure this out.

13 MS. MILLER: Actually, the companies use models to  
14 predict what their exposures are for hurricane risk.  
15 And we're seeing some differences in the output of the  
16 models. We're seeing some differences, even within a  
17 company, between what they are expecting to have to  
18 reinsure up to to cover a 100-year storm, for example,  
19 this year and last year.

20 So we're seeing some differences in these rate  
21 filings that are not really explainable by loss cost  
22 for a particular company. And that's part of the  
23 reason that we're going to have some -- probably some  
24 litigation on some of these filings, and some of them  
25 will be disapproved.

1 So it's all across the board. In some cases



2 companies have a reason why their rates can't go down  
3 as much, but in most cases what we're seeing is  
4 everything from companies buying more reinsurance to,  
5 you know, many other ways that they're avoiding  
6 dropping their rates. I would like to --

7 COMMISSIONER BRONSON: But sooner or later  
8 somebody is going to have to turn their cards over,  
9 right?

10 GOVERNOR CRIST: Excuse me, excuse me.  
11 Commissioner, you're recognized. I know it's an  
12 exciting topic.

13 COMMISSIONER BRONSON: No matter which game the  
14 individuals may be playing, whether you're a buyer, a  
15 receiver or you're being punted to here on the  
16 insurance market, all the cards have to be turned over  
17 sooner or later.

18 MS. MILLER: That's absolutely right. And we're  
19 requiring the companies to file their entire  
20 reinsurance programs, all the contracts, so that we can  
21 see exactly what they're paying and what they're  
22 getting. And our actuaries are picking through those  
23 in great detail.

24 COMMISSIONER BRONSON: So if games are being  
25 played, Governor, we'll find out.

ACCURATE STENOGRAPHY REPORTERS, INC.

47

1 GOVERNOR CRIST: You're damn right we will.  
2 General. I'm sorry.

3 ATTORNEY GENERAL McCOLLUM: I've had a couple of  
4 the insurance companies sitting in my office saying,  
5 "We simply have to buy a whole lot more reinsurance

6 than we're going to be able to get from the Cat Fund  
7 and it's costing us a whole lot more money because if  
8 we didn't do that, we wouldn't be acting responsibly to  
9 our shareholders. We have to protect our company, and  
10 it's irresponsible for us not to."

11 Is that sort of what you're looking into, to see  
12 if this is true or not true? Is that what the modeling  
13 thing is all about for them? Is that what you're  
14 trying to tell us, in terms of the differences between  
15 how company A may look at it and company B looks at it?

16 MS. MILLER: Absolutely. General, my background  
17 is in the receivership arena. I don't want to see  
18 companies charge a rate that results in their  
19 insolvency or their inability to pay claims in the  
20 event of a storm. Nobody wants that. We absolutely  
21 don't want them to be reckless. We don't want them to  
22 reinsure at such a low level that they can't pay their  
23 claims.

24 But what we're seeing is that what was okay last  
25 year to pay their claims is not enough this year, and

ACCURATE STENOGRAPHY REPORTERS, INC.

48

1 the exposures haven't changed that much. So if the  
2 companies are telling you that, one good question to  
3 ask them is what did they reinsure to -- at what point  
4 did they reinsure to last year or the year before, and  
5 is there a reason, have they changed their exposures,  
6 have they written a whole lot more business, for  
7 example, that would be a good reason that they would  
8 have to buy more reinsurance.

9 My guess is that some of the companies that are  
10 telling you that wouldn't have a real good answer to  
11 those questions.

12 ATTORNEY GENERAL McCOLLUM: Well, now, if you rule  
13 at some point to deny them this filing, you said you  
14 can get into litigation. Can you explain to us what  
15 the steps are -- I'm not familiar with those -- after  
16 they've filed all this with you and then would you --  
17 do you have a hearing with them? What's the formal  
18 procedure? Do they go to court, or how do we get into  
19 litigation?

20 MS. MILLER: Okay. Well, the normal process is  
21 for the company to make its filing. Our actuaries  
22 review it. If the filing gives us a model and it  
23 results in a rate increase of more than 15 percent, by  
24 law we're required to have a hearing.

25 We can have a hearing even if that's not the case.

ACCURATE STENOGRAPHY REPORTERS, INC.

49

1 And we've had a mix. We've had hearings in some cases  
2 where maybe they used a model, didn't use a model, it's  
3 over 15. But if it's over 15 and they do use a model,  
4 we have to have a hearing.

5 And that's just a public hearing. That's for  
6 people to come and give input and for the company to  
7 explain. And those hearings have been published by the  
8 Florida Channel, so everybody can watch them. And it's  
9 amazing how many people really do.

10 GOVERNOR CRIST: I'm watching them.

11 MS. MILLER: Yes, sir. But those hearings occur  
12 before we make the decision. And then if we decide

13 that the filing should be disapproved, we issue a  
14 notice to the company, and it's a notice of intent to  
15 disapprove the filing.

16 And that tells them why we think their filing  
17 should be disapproved. The company receives that  
18 notice. They have 21 days to ask for a hearing at the  
19 Division of Administrative Hearings. So they can ask  
20 for that hearing and have an administrative law judge  
21 rule on any issues of fact that are contained in their  
22 filing that we have issued an intent to deny.

23 The hearing officer would then hold a hearing at  
24 the Division of Administrative Hearings. They would  
25 issue an order, a recommended order, and they would

ACCURATE STENOGRAPHY REPORTERS, INC.

50

1 make findings of fact in their recommended order, and  
2 then the office would issue a final order. If the  
3 company is not satisfied with that, they can go to the  
4 First District Court of Appeal.

5 There are some variations on that process. But  
6 that's generally the process for rate filings.

7 ATTORNEY GENERAL McCOLLUM: And that's going to  
8 take quite a while.

9 MS. MILLER: That will take a long time.

10 ATTORNEY GENERAL McCOLLUM: Could be a year or  
11 more?

12 MS. MILLER: It could be a year or more. The  
13 true-up filings are file and use, so they can't  
14 implement that rate until it is approved.

15 ATTORNEY GENERAL McCOLLUM: So while all this

16 litigation goes on, if there is any, the consumer is  
17 going to be paying the old rate, not their new  
18 proposal; is that correct?

19 MS. MILLER: That's correct.

20 ATTORNEY GENERAL McCOLLUM: Thank you.

21 CFO SINK: Belinda, what are some of the reasons  
22 that are being given for these increases?

23 GOVERNOR CRIST: It probably depends on who you  
24 ask.

25 MS. MILLER: Yeah.

ACCURATE STENO TYPE REPORTERS, INC.

51

1 CFO SINK: Well, I was just curious. What do you  
2 think the reasons are?

3 MS. MILLER: The reasons vary. Some of the  
4 companies say that they established their reinsurance  
5 programs before House Bill 1A was enacted and that they  
6 are unable to renegotiate that.

7 Now, sometimes I would believe that and sometimes  
8 I wouldn't. I mean, if the reinsurer is an affiliate,  
9 I find that difficult to believe. But it may be that  
10 in some cases a company really is locked into their  
11 reinsurance contract.

12 That still should result in a rate reduction,  
13 however, because the law in House Bill 1A is that if  
14 they're paying for more expensive reinsurance when the  
15 Cat Fund is available, they cannot pass along that  
16 higher cost to policyholders. They have to make their  
17 filing as if they bought the Cat Fund and use that  
18 rate, so --

19 CFO SINK: But, for example, if some -- I know a  
Page 45

20 lot of companies buy their reinsurance and if they made  
21 their arrangements last January, we didn't have our Cat  
22 Fund program in place until the Governor signed the  
23 bill in June, so --

24 GOVERNOR CRIST: I had signed one before that.

25 CFO SINK: Could that be -- I mean, would you view

ACCURATE STENOGRAPHY REPORTERS, INC.

52

1 that as being a legitimate reason, that they had  
2 already entered into contracts with Bermuda or Lloyd's  
3 or whatever earlier in the year?

4 MS. MILLER: If it is true that they can't change  
5 that. But really they -- they can and they still  
6 should result -- there still should be some savings to  
7 the policyholders just on the presumed factor piece.

8 And that was in House Bill 1A, which was passed in  
9 January. So they knew that, and they knew the Cat Fund  
10 pricing, which of course this body establishes in May,  
11 and they had some opportunities to use that Cat Fund  
12 coverage.

13 CFO SINK: Okay.

14 MS. MILLER: But there are circumstances for all  
15 the companies. There are some other things, and I  
16 wanted to leave some of it for Bob Hunter to talk to  
17 you about. Some of the companies are simply increasing  
18 their profit and contingency factor in the filing.

19 GOVERNOR CRIST: Their what factor?

20 MS. MILLER: Their profit and contingency factor,  
21 which means that the --

22 GOVERNOR CRIST: No kidding.

23 MS. MILLER: -- rate stays up even though there's  
24 no change. But at this point, with your permission,  
25 I'd like to introduce Bob Hunter. Mr. Hunter is a

ACCURATE STENOGRAPHY REPORTERS, INC.

53

1 consulting actuary with over 45 years of experience in  
2 the insurance industry, in private and public sectors.

3 He began his career in the late 1950s as an  
4 actuary and underwriter and has served with distinction  
5 in many insurance-related capacities, including as the  
6 federal insurance administrator and as the insurance  
7 commissioner for the State of Texas. He now represents  
8 consumers and heads up a national organization,  
9 Consumer Federation of America.

10 And Mr. Hunter helped us develop the presumed  
11 factors. He helped us do the report. And he is here  
12 at your request, Chief Financial Officer Sink, to  
13 explain some of the issues that have arisen since the  
14 presumed factor report has been implemented. With  
15 that, Mr. Bob Hunter.

16 CFO SINK: Just before -- thank you for -- go  
17 ahead and step up. I just wanted to just review with  
18 the other members of the Cabinet that, you know, it  
19 seems to me that Florida -- we stuck our neck out for  
20 \$28 billion by increasing our Cat Fund from 16 to 28  
21 billion. And it was based on an indication that --  
22 from Mr. Hunter's work and I believe the Legislature  
23 engaged -- did they engage Paragon, Belinda? Do you  
24 remember? There were two different consultants who  
25 were looking at what the impact of this expansion of

1 the Cat Fund might be.

2 MS. MILLER: That's an important point, is that  
3 the Legislature was looking at numbers when they worked  
4 on this presumed factor idea in the legislation and on  
5 the expansion of the Cat Fund.

6 The numbers they were looking at came from the  
7 administrator of the Cat Fund, who is very, very highly  
8 regarded as an expert in the insurance industry.

9 GOVERNOR CRIST: Who is that, Belinda, please?

10 MS. MILLER: That was Paragon. And their numbers  
11 are not very different from ours. In fact, their rate  
12 online that they use is about the same.

13 MR. HUNTER: Identical.

14 MS. MILLER: Identical.

15 CFO SINK: So we have -- which was a great thing.  
16 We had two different, very well respected consultants  
17 come up with around -- let's just call it around the 20  
18 percent range. So we're all thinking, you know, biting  
19 off \$28 billion is a lot to chew, but we needed relief,  
20 as you were preaching, Governor.

21 GOVERNOR CRIST: Yes, ma'am, continue to preach.

22 CFO SINK: And rightfully so. And here we are in  
23 an environment where our expectations are not coming to  
24 fruition. So being the --

25 GOVERNOR CRIST: Perhaps in violation of the law.

1 CFO SINK: Perhaps. Being the little analyzer



2 that I am, either there was something flawed with  
3 Mr. Hunter and Paragon's initial analysis --

4 GOVERNOR CRIST: Or.

5 CFO SINK: -- or the insurance companies are  
6 not -- are not passing on the savings that we  
7 anticipated.

8 GOVERNOR CRIST: And that are required by law.

9 CFO SINK: And I think it's imperative for all --  
10 I know we all -- I mean, I assume we all agree that we  
11 ought to figure out, go back and figure out what went  
12 wrong so we can learn from -- decide what we're going  
13 to do today. I mean, not today.

14 GOVERNOR CRIST: What went wrong and who did  
15 wrong.

16 CFO SINK: But decide what we're going to do about  
17 it and not fall into the same trap in the future, and  
18 not put us on the hook for \$28 billion.

19 GOVERNOR CRIST: That's right. Well, I think  
20 that's what Belinda and her team are doing, and that's  
21 why this is incredibly important.

22 MS. MILLER: And what we're finding is a great  
23 distinction between some --

24 GOVERNOR CRIST: And I can't wait to see the  
25 answers to your subpoenas.

ACCURATE STENOGRAPHY REPORTERS, INC.

56

1 MS. MILLER: Yes, sir.

2 GOVERNOR CRIST: If you would be kind enough to  
3 share them with the Governor's Office.

4 MS. MILLER: We certainly will, at the earliest  
5 moment we can.

6 CFO SINK: Anyway, I just wanted to lay the  
7 predicate for really being so grateful that you're  
8 here, to kind of go back and tell us whether or not  
9 there -- there could have very well legitimately been  
10 something wrong with what your thought process was.

11 GOVERNOR CRIST: Or something else going on.  
12 Thank you, CFO. Thank you very much for being here,  
13 Mr. Hunter. We appreciate it.

14 MR. HUNTER: Thank you, Governor, members of the  
15 Cabinet. I'm used to being questioned by General  
16 McCollum.

17 GOVERNOR CRIST: In Congress. He's very skilled  
18 at it.

19 MR. HUNTER: And I hear the others, and they're  
20 all very skilled at it, I see. Yeah, I -- just a  
21 moment of just comments. I'd like to congratulate  
22 Florida on the new law. I think it was brilliantly  
23 conceived, because for the first time a state in the  
24 country has said we're going to try to find an answer  
25 that actually directly benefits consumers rather than

ACCURATE STENOGRAPHY REPORTERS, INC.

57

1 rely on maybe a trickle-down theory that maybe  
2 something will work out.

3 GOVERNOR CRIST: Could you say that again?

4 MR. HUNTER: Yeah, it's brilliant.

5 GOVERNOR CRIST: Well, that part, but the other  
6 part.

7 MR. HUNTER: I think the competitive Citizens was  
8 a great idea, and I think it will be successful.

9 Workers' comp has used that in certain states, and  
10 so-called competitive state funds have worked very  
11 well. And I think that's a wonderful idea. And the  
12 Cat Fund reinsurance is a good idea. Even the private  
13 insurers have analyzed it over the long pull, says it  
14 will make money, a little money for the State, pretty  
15 close to the average, over the long pull. Obviously  
16 anything can happen in one year. But it will save a  
17 lot of money for the consumers in the process.

18 So it was a well conceived concept, and it does  
19 lead the nation. You also led the nation,  
20 unfortunately, with Hurricane Andrew, where you did do  
21 what the companies basically asked, three major things.  
22 You let them raise rates very sharply by using models.  
23 You let them cut coverage considerably, introducing  
24 hurricane deductibles, et cetera, caps on replacement  
25 cost and other limits. And you also gave them a place

ACCURATE STENOGRAPHY REPORTERS, INC.

58

1 where they could put their higher risks that they  
2 didn't want to write, Citizens, or in other states it  
3 has other names.

4 But all around the nation, from Maine all the way  
5 around to Texas, those things have been introduced.  
6 And the insurers basically promised -- I was in Texas  
7 as a commissioner when these things were being  
8 introduced. They basically promised, well, once we  
9 have these things in place, no matter what happens with  
10 hurricanes, it will be a stable situation. And that  
11 promise has been broken, clearly, not just in Florida  
12 but all around the country.

13           And so I do think you've done the right thing, and  
14 I hope other states will look seriously at that, and I  
15 don't think the insurance companies want them to. I  
16 also think you should be very proud of your Office of  
17 Insurance Regulation -- I just wanted to make a comment  
18 before I get into the substance -- that they certainly  
19 are in the top two states for consumer protection.

20           So I think the people of Florida can be pretty  
21 confident that their Office of Insurance Regulation is  
22 taking care of them. And they're going to have to take  
23 care of them in this case. I think there's going to  
24 be -- require a lot of very technical research and  
25 digging into places where there hasn't been digging

ACCURATE STENOTYPE REPORTERS, INC.

59

1           before, so it's going to take some time.

2           And our projected savings, I did do the study, as  
3 the Chief Financial Officer asked that I discuss, and  
4 there was a 24 percent expected presumed factor. I've  
5 gone very carefully over it, as I got your letter,  
6 again. And I'm very confident that if I did it today,  
7 I'd do exactly the same number. That 24 percent, I  
8 think, is the right number.

9           GOVERNOR CRIST: If I might, Mr. Hunter, you mean  
10 a 24 percent average reduction in a homeowner's  
11 insurance premium?

12           MR. HUNTER: Yes, yes.

13           GOVERNOR CRIST: Just to be clear.

14           CFO SINK: Let me interrupt here, Governor.

15           GOVERNOR CRIST: CFO.

16 CFO SINK: I went back and reviewed this, because  
17 we have to be very careful here. Isn't it 24 percent  
18 of the hurricane portion of their premium?

19 MR. HUNTER: No.

20 CFO SINK: It's 24 percent of their total premium?

21 MR. HUNTER: Yes.

22 CFO SINK: Because in your own summary you said  
23 that it was 24 percent of the hurricane portion and  
24 that the hurricane portion is usually -- it ranges, but  
25 it can be -- it's an average of 50 percent of the total

ACCURATE STENOTYPE REPORTERS, INC.

60

1 premium. So that gets you to 12 and a half percent.

2 MR. HUNTER: No. It's 24 percent of the whole  
3 premium.

4 CFO SINK: Of the total premium.

5 MR. HUNTER: Yes. And they've come in, the  
6 insurers, with about 12 percent, in the initial wave  
7 of -- it's still not complete, but the initial wave of  
8 filings subject to approval process.

9 CFO SINK: So to back up, if my understanding was  
10 incorrect, if you're saying -- is it fair to say that  
11 of a homeowner's total premium, that in Florida an  
12 average 50 percent of that is windstorm? I know it  
13 varies.

14 MR. HUNTER: Yes, that's roughly accurate. And,  
15 obviously, it's hugely different depending on where you  
16 live.

17 CFO SINK: So if you're saying 24 percent of the  
18 total premium, then we are saying, as a result of our  
19 program, they should have gotten a 50 percent reduction

20 on the hurricane portion of their premiums.

21 MR. HUNTER: Forty-eight or something like that,  
22 but roughly, yeah.

23 CFO SINK: Yeah, I'm rounding it up.

24 MR. HUNTER: Right.

25 CFO SINK: Okay. Thank you for that

ACCURATE STENOGRAPHY REPORTERS, INC.

61

1 clarification. That's pretty substantial.

2 MR. HUNTER: The reason I feel that the answer  
3 would come out the same is there really are two key  
4 numbers that are being used in the calculation of the  
5 savings. One is what is the Cat Fund going to charge  
6 for this new layer of coverage, which is a given  
7 because the Cat Fund supplies that number to us. So  
8 that's not a number that could be in error.

9 The other, which was a significant amount of work  
10 and we did it on a sample of companies, 12 companies,  
11 so obviously there can be some variance around it just  
12 because of that. So I would say 20 to 28 would be  
13 probably a pretty good estimate of where it might fall  
14 around the 24.

15 But the other number is what were the private  
16 reinsurers charging for the reinsurance that is being  
17 replaced now. And that's pretty complicated work  
18 because you have to dig into the reinsurance contracts  
19 of the sample companies. We had an expert, Paul  
20 Walther, who did that for us. He's a well respected  
21 person. You do the best you can because you have to  
22 allocate to Florida what percentage. Sometimes it's

23 just a number, you know, a million dollars for your  
24 reinsurance for the whole country. Well, how much of  
25 that belongs to Florida? Those kinds of calculations

ACCURATE STENOGRAPHY REPORTERS, INC.

62

1 had to be made.

2 But we had very excellent peer review with the  
3 effort, and I believe that the number we came out with  
4 was a good number, in the range of possible numbers.  
5 And it turns out that the Paragon number was identical  
6 to our number.

7 So had Paragon done the calculation, I believe  
8 they would have come up with the same number as well,  
9 the same 24 percent. And so I feel very confident that  
10 if I started the process today and was ordered to do it  
11 again, I'd come out with the same number.

12 So I don't think that is -- wouldn't change much.  
13 Now, I've learned a few things, obviously, from the  
14 rate filings that have come in and so on. And there  
15 are some legitimate reasons why some companies might  
16 come in below.

17 For example, some insurers bought less reinsurance  
18 than the \$12 billion that was available. They only  
19 bought 4 billion before. So when they replace it,  
20 they're not -- it won't get the full impact. So that's  
21 a very legitimate reason why a company wouldn't have a  
22 24 percent savings, because they don't buy as much, so  
23 there may be only 12 or 10 or whatever. It would be  
24 savings but it wouldn't be as significant.

25 Another example would be a company hadn't changed

1 its rate to reflect its new reinsurance plan because  
2 its rate was caught up in arbitration. So that --  
3 obviously, we were comparing to the current reinsurance  
4 plan, what the savings would be from the Florida Cat  
5 Fund, but we weren't going back to look at old  
6 reinsurance plans that were underlying old rates that  
7 were still in effect.

8 So those are two examples of legitimate reasons  
9 why insurance companies wouldn't have as big a  
10 reduction. But there --

11 CFO SINK: Just to clarify, that means that --

12 GOVERNOR CRIST: CFO.

13 CFO SINK: Thank you, Governor. If a company had  
14 received an approval for a rate increase in 2006 from  
15 the OIR but had not implemented it yet, then that could  
16 be one of the factors causing their --

17 MR. HUNTER: Yeah, or is it caught up in this  
18 process.

19 CFO SINK: Because it is a lagged-out process.

20 MR. HUNTER: And so the actual rate that they were  
21 charging was two years ago's rate, based on two years  
22 ago's reinsurance plan, whereas we were studying the  
23 current reinsurance plan.

24 CFO SINK: Thank you.

25 MR. HUNTER: There are several reasons that are

1 not so clear-cut as being legitimate. You've heard a



2 little bit about that. Companies use the savings that  
3 they achieved to buy additional reinsurance, above what  
4 they had in place before, and they didn't pass the  
5 savings on to consumers, even though, as Belinda said,  
6 we interpret the law to say they have to. So that  
7 obviously would be a serious problem.

8 For example, they might go from a one-in-100-year  
9 storm that they've used for several years for  
10 protection to a one-in-250-year storm, and they've  
11 bought all this additional reinsurance and said, well,  
12 no savings. That, we think, is not legitimate under  
13 the law, as we understand it. I'm not a lawyer. I'm  
14 just an actuary. But it seems wrong to me. I've run  
15 insurance departments, so it seems -- if it came to me  
16 as Texas commissioner, I'd find a real problem with  
17 that.

18 Companies have raised their profit factors. They  
19 were taking five percent of the profit that would  
20 generate a rate of return of 15. And then suddenly  
21 they get 15 percent of profit that would generate a  
22 rate of return of 30, something like that. Obviously,  
23 that is just avoiding the savings, and we think that  
24 that is inappropriate.

25 They've allocated a huge percentage of their

1 reinsurance programs to Florida. There was a hearing  
2 yesterday where a company said, half of our capacity of  
3 reinsurance is in Florida. They have 10,000 houses in  
4 Florida, a very small percentage of their market, and  
5 yet they're saying we have to charge a lot of money

6 because they have this program and we have to allocate  
7 half of it to Florida and very little elsewhere.

8 So these at least raise serious questions. And  
9 that requires the digging in. Some have used  
10 affiliated insurers to reinsure, raising several kinds  
11 of questions, arm's length negotiations, et cetera.

12 GOVERNOR CRIST: What do you mean? Can you  
13 elaborate on that point, please?

14 MR. HUNTER: There are several companies who have  
15 in their family of companies reinsurers who are selling  
16 them the reinsurance. And the question is, is that a  
17 real arm's length negotiation. At least in one case,  
18 the insurer says, well, we can't change our reinsurance  
19 contract, our reinsurer refuses to deal and give us any  
20 savings --

21 GOVERNOR CRIST: And it's them.

22 MR. HUNTER: -- and it's them.

23 GOVERNOR CRIST: Odd, isn't it?

24 MR. HUNTER: Yeah.

25 GOVERNOR CRIST: Yeah.

ACCURATE STENOGRAPHY REPORTERS, INC.

66

1 MR. HUNTER: And then there are requirements of  
2 the rating organizations like A.M. Best, that the  
3 insurers are saying, oh, they're making us buy more  
4 reinsurance. And it's odd that there seems to be a  
5 sudden group of companies with the same order.

6 GOVERNOR CRIST: I'm sorry. Forgive me.

7 MR. HUNTER: A.M. Best is a rating organization  
8 that basically rates an insurance company as A is a

9 good insurance company, B is less good and so on. And  
10 they have certain rules. And they've changed some of  
11 these rules seemingly lately. And that raises some  
12 questions as to whether there was pressure on them or  
13 on modelers, and we're just not sure how to dig in and  
14 find these things out.

15 GOVERNOR CRIST: What do you mean they changed the  
16 rules, if you might?

17 MR. HUNTER: Well, you know, changing the rules to  
18 require --

19 GOVERNOR CRIST: How to rate the companies, you  
20 mean?

21 MR. HUNTER: Yeah, changing the rules so that they  
22 would down-rate them if they didn't buy more  
23 reinsurance. And part of what is being subpoenaed is  
24 communications both ways from those companies, to try  
25 to find out what --

ACCURATE STENOGRAPHY REPORTERS, INC.

67

1 GOVERNOR CRIST: You mean among the companies,  
2 too?

3 MR. HUNTER: Well, we don't know about among the  
4 companies. We're looking at some of these places where  
5 companies might get together, like rating  
6 organizations, modelers, other statistical type  
7 organizations, et cetera. And that remains to be seen,  
8 what we find.

9 COMMISSIONER BRONSON: Can I ask a question on  
10 that?

11 GOVERNOR CRIST: I think the CFO first, and then  
12 you may, Commissioner.

13 CFO SINK: I was just going to say, one of the  
14 things I believe that's been seen is that these rating  
15 agencies -- and A.M. Best is the rating agency that's  
16 quoted the most. Either they or through the  
17 encouragement of the global -- the private global  
18 reinsurance market, who was not very happy about losing  
19 two and a half billion dollars of premium out of  
20 Florida, started spreading the word around that the  
21 Florida Cat Fund reinsurance was not as good as global  
22 reinsurance.

23 And so, therefore, some of these companies have  
24 been using the reasoning that it's the rating agencies  
25 that are not giving them -- they're dinging them, in

ACCURATE STENOGRAPHY REPORTERS, INC.

68

1 effect, for buying insurance from our Cat Fund, under  
2 the premise that our Cat Fund is not strong. It's AA  
3 rated, but is not strong and --

4 GOVERNOR CRIST: How do the rating companies get  
5 paid? How do they make money?

6 CFO SINK: Ask Mr. Hunter. He should know. I  
7 don't know.

8 MR. HUNTER: Yeah. Mostly they sell products,  
9 copies of the ratings to the companies, who then  
10 distribute them to the public.

11 GOVERNOR CRIST: So they get paid by the insurance  
12 companies to rate the insurance companies?

13 MR. HUNTER: They're certainly their biggest  
14 clients, yeah.

15 GOVERNOR CRIST: That's not very independent, is

16 it, Senator?

17 MR. HUNTER: Well, it raises -- there are  
18 questions, serious questions also about the reinsurers  
19 and how they reacted. And I think the subpoenas are  
20 going to be very interesting to look at, as to what  
21 kind of communications occurred back and forth between  
22 these various entities.

23 GOVERNOR CRIST: Commissioner. I'm sorry.

24 COMMISSIONER BRONSON: Yes. I'm sorry, Governor,  
25 but, you know -- and this kind of does bring to light

ACCURATE STENOGRAPHY REPORTERS, INC.

69

1 how the process works because for those of us who are  
2 into other things, we're not as in tune on insurance  
3 issues.

4 GOVERNOR CRIST: We're starting to --

5 COMMISSIONER BRONSON: There again, we're all  
6 paying, so we get a lot more in tune than we used to.  
7 But I'm also of the opinion that truly, even though  
8 there are people who eat a free lunch, there is no such  
9 thing as a free lunch. Somebody paid for that lunch so  
10 that person could eat it free, but somebody is paying.

11 And whether it's even our own insurance program  
12 that we had to go to because a lot of people in the  
13 state of Florida couldn't get insurance anywhere else,  
14 and we had to do this out of necessity, that is being  
15 backed in good faith by the taxpayers of this state.

16 CFO SINK: That's right.

17 COMMISSIONER BRONSON: And we're kind of taking up  
18 what some of the companies are trying to do with  
19 private industry to reinsure and so forth, but at least

20 those people who can't get insurance are backed by the  
21 good faith of the State, which means every taxpayer,  
22 including those who bought private insurance or can  
23 afford or have private insurance, are paying a little  
24 piece into those funds at the state level as well.

25 So we're kind of all in this ball game whether we

ACCURATE STENOGRAPHY REPORTERS, INC.

70

1 want to or not, one way or another. The question is,  
2 as the Governor said, what is the real story between  
3 the haves and the have nots, those who say we're going  
4 to have to pass this on, there's just no other way to  
5 do it, and whether their ratings drop to the point -- I  
6 would assume, if I go borrow money, if my credit rating  
7 isn't so good, I'm going to pay pretty high fees and be  
8 watched like a hawk until I get that paid off so that  
9 my credit rating goes back up.

10 And the same thing is going to happen whether it's  
11 a private business, insurance, or whether it's the  
12 State of Florida's credit rating that could be in  
13 jeopardy because we've taken on more than we should.  
14 So that's also a potential problem as well.

15 And I'll be glad to see what all the subpoenas and  
16 once everybody lays their cards over so that we know  
17 what the game is, then we'll know for sure what we've  
18 got. And until then, I'm not sure we're ever going to  
19 know what we have, until we get the whole thing settled  
20 through this process.

21 But I'm glad you told us that because I'm looking  
22 at what we're doing at the state level, Governor, the

23 same way I'm looking at private insurance companies.  
24 It's going to be hell to pay no matter what happens in  
25 a major disaster. The State is going to pay so much.

ACCURATE STENOGRAPHY REPORTERS, INC.

71

1 Private insurance companies are going to pay so much.

2 We have to in good faith -- are we the ones that  
3 are going to be able to pay off because we're in good  
4 faith, the taxpayers are going to foot the bill, or  
5 private industry, are they going to be able to pay off  
6 because they took enough reinsurance to protect all  
7 their investments.

8 And if their cost of reinsurance is going up  
9 because their rating has dropped because they may be  
10 overextending themselves --

11 GOVERNOR CRIST: Or because the rating company  
12 they paid gave them the rate that they asked for.

13 COMMISSIONER BRONSON: That may be the case, but  
14 that can be ferreted out one way or another --

15 GOVERNOR CRIST: That's why we have subpoenaed --

16 COMMISSIONER BRONSON: -- by factual data. And  
17 that's what I want to see, is all the factual data.  
18 And then maybe we can finally come up here, between the  
19 Legislature and this Cabinet, and figure out where we  
20 really need to be on this issue. Right now we're all  
21 shooting in the dark.

22 GOVERNOR CRIST: Well, Mr. Hunter is helping us a  
23 lot.

24 MR. HUNTER: I do want to point out something.  
25 The things that you did back after Andrew, raising the

1 rates quite a bit or cutting the coverage, obviously it  
2 meant a lot more cost to people and less protection,  
3 and giving them Citizens, and the rest of the country  
4 doing the same thing, has really worked because when  
5 Hurricane Andrew hit, the insurance companies suffered  
6 losses, serious losses nationally, in their bottom  
7 lines.

8 When Hurricane Katrina hit, which was more than  
9 twice as big in terms of private losses, they set a  
10 record profit, and they had set a record profit the  
11 year before with your four hurricanes here in Florida,  
12 and they have of course last year, with no hurricanes,  
13 they went off the charts, so that -- and profits are  
14 fine.

15 But, you know, when they get to a point where  
16 they -- the profits for the last three years are more  
17 than \$500 for every man, woman and child in America, so  
18 they're in very strong financial shape. The idea that  
19 they're suddenly going to see their rating drop, you  
20 know, it just would be very surprising, because they're  
21 basically rolling in income these days.

22 And so -- and one of the things I did notice when  
23 I went through the rate filings yesterday is the  
24 smaller companies and the Florida-based companies are  
25 basically passing through the savings. It's the large

1 national companies that are fighting this.



2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

GOVERNOR CRIST: Why?

MR. HUNTER: Well, I can only tell you what it feels like, because I don't have any internal information.

GOVERNOR CRIST: Well, you've been doing this a long time.

MR. HUNTER: But it feels like what happened after Proposition 103 in California. When the people of California passed Proposition 103, which demanded a rollback of rates unless the company could show it would make rates be inadequate, the industry went into a very attack mode. And part of the reason was they didn't want the rest of the country to adopt a Proposition 103 type system. So they went through two years of turmoil.

The attorney general of California finally said, after subpoenas, that there was a group boycott, in fact, and that there -- he didn't bring action because it was short and it was over. But he was very concerned about it, and he issued reports on it.

So it has that feel to it, but I can't tell you if that's what's going on here in Florida. But I think that's why the subpoenas are important and the research into those things.

ACCURATE STENOGRAPHY REPORTERS, INC.

74

1  
2  
3  
4  
5

GOVERNOR CRIST: Was it ever determined to be collusion?

MR. HUNTER: You have to look at the attorney general's opinion. He didn't --

GOVERNOR CRIST: What year was that; do you

6 recall, Mr. Hunter?

7 MR. HUNTER: 1988 was the passage of the  
8 Proposition 103. 1989 they brought lawsuits and did a  
9 bunch of other things, which were fine. The lawsuits  
10 were fine, but some of the other apparently internal  
11 communications the attorney general felt were  
12 inappropriate.

13 I don't think the large national companies want  
14 Georgia and Texas and other states to adopt the Florida  
15 approach, and certainly the reinsurers don't.

16 CFO SINK: You're right about that.

17 GOVERNOR CRIST: General.

18 ATTORNEY GENERAL McCOLLUM: Can I ask you a couple  
19 of quick questions, Mr. Hunter? I don't know if I'm  
20 interrupting your stream, but everybody else is  
21 asking --

22 MR. HUNTER: No, no. I'm getting near the end  
23 here.

24 ATTORNEY GENERAL McCOLLUM: Well, if you'd let me  
25 do that, I'm curious. I've had one set of insurers

ACCURATE STENOGRAPHY REPORTERS, INC.

75

1 intimate that the reason why they are doing this in  
2 part might be because they think, as do some of the  
3 editorial writers around the country, that none of the  
4 rest of the country should be subsidizing Florida and  
5 that they're losing in Florida and they believe they  
6 should be making a profit in Florida. They should be  
7 making a profit in every state. They should have no  
8 losses here. It's a question of who pays.

9                   And that's kind of a political question in its own  
10 way, but I gather some of the boards of directors, many  
11 of whom, of course, members come from other states,  
12 aren't happy with this. Is this -- that's something  
13 you don't know about either, I assume, but I'm hearing  
14 that might be a factor in this.

15                   MR. HUNTER: I don't see any cross-subsidy from  
16 other states involved in this process here. The rate  
17 filings that are coming in are based upon Florida data,  
18 and I think they're standing on their own. I don't  
19 think that is a concern. It shouldn't be.

20                   And, you know, if the government, the national  
21 government wanted to subsidize Florida, that would be  
22 one thing. But I don't think rate payors should  
23 cross-subsidize. I don't think you should pay for  
24 earthquakes and so on.

25                   ATTORNEY GENERAL McCOLLUM: Well, I think they're

ACCURATE STENOGRAPHY REPORTERS, INC.

76

1                   Looking at the bigger picture, not just this rate  
2 filing. They're looking at whether they're sustaining  
3 losses generally on windstorm in Florida. In fact, a  
4 couple of them have proposed to me -- I suspect they  
5 have to the Governor, and I know -- I've heard they  
6 proposed it to our former Governor, that Florida take  
7 over all the windstorm losses, that they'd write the  
8 rest of the homeowners' policies. We do away with  
9 Citizens. We do away with the Cat Fund, and Florida  
10 insure homeowners and businesses from ground one and go  
11 out and buy our own reinsurance.

12                   So there are certainly people in -- somewhere

13 higher up in these companies that look at this a little  
14 differently than maybe just looking at this particular  
15 rate issue we have right now. That's what I'm asking  
16 you, if you --

17 MR. HUNTER: There is a proposal in Congress, HR  
18 3355, if I remember the number, to have a pool of the  
19 coastal states. That, I think, is a sound idea, have a  
20 pool and then maybe with some federal on top of that,  
21 and also some way of encouraging cat funds, because  
22 ultimately the solution is in the financial markets.

23 The kind of hurricanes that hit are tiny compared  
24 to the resources of, say, the New York Stock Exchange  
25 or something like that. And I think ultimately the way

ACCURATE STENOGRAPHY REPORTERS, INC.

77

1 to do it in a fair way privately is going to be found  
2 in the cat markets. There was a great article in the  
3 New York Times Magazine a couple of weeks ago on that.  
4 I encourage you to look at it.

5 ATTORNEY GENERAL McCOLLUM: One last question I  
6 have in a broader sense, and you may not know the  
7 answer to this. In your research, have you been able  
8 to determine what kind of profit margins these  
9 reinsurance companies are making? Are we talking about  
10 15, 20 percent, 25 percent? I get the idea that this  
11 is becoming somewhat like venture capital for some,  
12 especially the recent entries into the reinsurance  
13 market for windstorm. Do you see what -- do you know  
14 what their profit margins are?

15 MR. HUNTER: Yeah, generally. It's a very

16 cyclical business, as you may know. And obviously it  
17 depends a lot on if there are hurricanes or earthquakes  
18 or not. But after ever major hurricane, there's a rush  
19 to Bermuda with money, because they figure right after  
20 that is when they're going to make their killing, and  
21 they do.

22 I was talking to some leaders at the time the bill  
23 was passing here, HR 1A was passing, and they said, "We  
24 were too greedy." I mean, talking to the reinsurance  
25 leaders. They said very plainly, "We were too greedy.

ACCURATE STENOGRAPHY REPORTERS, INC.

78

1 We were charging five, ten times what the fair rate  
2 was. We were too greedy, and we probably deserve what  
3 we're getting."

4 GOVERNOR CRIST: Who said that, Mr. Hunter?

5 MR. HUNTER: Some leading executives. It was in  
6 private conversation. I might talk to you privately  
7 about it if you're interested.

8 GOVERNOR CRIST: Believe me, I'm ecstatic you're  
9 here and it's nice to meet you.

10 CFO SINK: Governor, I told them the same thing.  
11 They're bemoaning the fact that Florida is stepping in.  
12 I said, "You did it to yourself. You got greedy in  
13 '06. You charged us enormous rates that we couldn't  
14 afford. What did you expect us to do?"

15 GOVERNOR CRIST: It appears to continue.

16 ATTORNEY GENERAL McCOLLUM: But I just have the  
17 impression that they're making very high rates of  
18 return, more than -- I mean, my normal investment  
19 return, I mean, I'd be excited if I had eight or nine

20 or ten percent. But I have a feeling they're making 20  
21 percent or more, some of these.

22 But I've not been able to get them to tell me,  
23 when I ask them. I have no idea what their rate of  
24 return is.

25 MR. HUNTER: They're a little different,

ACCURATE STENOGRAPHY REPORTERS, INC.

79

1 obviously. If you're reinsuring catastrophes and you  
2 don't have -- if you have a year without catastrophes,  
3 you better make quite a bit of money. So it's okay if  
4 they make quite a bit of money in a year or two.

5 The question is what do they make over the longer  
6 pull. And obviously the financial markets think it's a  
7 good idea because immediately after Andrew, immediately  
8 after Katrina, money pours into these --

9 ATTORNEY GENERAL McCOLLUM: Well, they're telling  
10 you, Mr. Hunter, that they do not want to see us have a  
11 federal backstop, the cat pools, any of this.

12 MR. HUNTER: No, they don't.

13 ATTORNEY GENERAL McCOLLUM: And that they would --  
14 that we'd see a bunch of their investors leave the  
15 marketplace because they wouldn't be getting these high  
16 rates of return, whatever they are, anymore. That  
17 seems to me to be a pretty good reason to have a  
18 national backstop.

19 GOVERNOR CRIST: Thank you, General.

20 MR. HUNTER: I just have one other thing I wanted  
21 to say, and that is that I think it's going to require  
22 diligence and real hard work and follow-through by the

23 Department. I think they're geared to do it. They're  
24 in the midst of doing it, and they'll need political  
25 kind of encouragement. And I do think that --

ACCURATE STENOGRAPHY REPORTERS, INC.

80

1 GOVERNOR CRIST: They have it.

2 MR. HUNTER: -- they're doing a great job. And,  
3 General, I would like to suggest one thing maybe. The  
4 State of California did impose the state anti-trust laws  
5 on insurance after Proposition 103 passed, because the  
6 same exemption that is in the McCarran Act carries  
7 forward in most states, including Florida. I think you  
8 need to maybe just at least look at that.

9 GOVERNOR CRIST: Can I ask you something,  
10 Mr. Hunter, if I could?

11 MR. HUNTER: Sure.

12 GOVERNOR CRIST: You had mentioned the profit of  
13 the companies at \$500 for every man, woman and child in  
14 America?

15 MR. HUNTER: 525, to be precise.

16 GOVERNOR CRIST: Aren't there -- what is the  
17 number of our population, 300 million now, something  
18 like that?

19 MR. HUNTER: Yes. 150 billion over the last three  
20 years.

21 GOVERNOR CRIST: Right. That's the number we came  
22 up with, \$150 billion. Over what period of time?

23 MR. HUNTER: Three years.

24 GOVERNOR CRIST: Yeah, they're doing pretty well.

25 MR. HUNTER: That's why I think they can afford

1 even hurri canes.

2 GOVERNOR CRIST: Say agai n.

3 MR. HUNTER: I said that's why I think they can  
4 afford even hurri canes.

5 GOVERNOR CRIST: Yeah, no ki ddi ng. I agree wi th  
6 you, si r.

7 CFO SINK: Governor, can I ask Mr. Hunter just  
8 to --

9 GOVERNOR CRIST: That's why we keep prayi ng,  
10 Commi ssi oner. Go ahead, CFO. I'm sorry.

11 CFO SINK: Since we have you here and we may not  
12 see you again in the near future, if you were in our  
13 shoes, what wou ld you be doi ng? How wou ld you  
14 recommend that we -- what do you think we ought to do  
15 goi ng forward?

16 MR. HUNTER: The immedi ate thi ng is fol lowi ng  
17 through.

18 CFO SINK: Today, forward.

19 MR. HUNTER: I think the immedi ate thi ng is  
20 fol lowi ng through. You need to -- I think the  
21 Legi slature and you need to conti nue to moni tor the  
22 si tuati on. I think, from talki ng to some of these  
23 rei nsurance fol ks, they may want to come in wi th more  
24 reasonable ideas and prices. Whether they'd l ock them  
25 in for some ti me for you or not, I don't know.

1 But at least I wou ld be open to talki ng and



2 thinking about those things with them and trying to  
3 return it to the private sector as much as possible,  
4 but not at prices, obviously, like what they were  
5 charging. They were truly unfair.

6 I do think you need to be open to those things. I  
7 think you need to continue to push for every penny of  
8 savings that is due to consumers from HR 1A.

9 GOVERNOR CRIST: 1A, it's A-1. Thank you,  
10 Mr. Hunter --

11 MR. HUNTER: Thank you.

12 GOVERNOR CRIST: -- very much. Mr. Hunter, do you  
13 have a business card I could have, please?

14 MR. HUNTER: You know what? I don't.

15 CFO SINK: Kevin knows how to get him.

16 MR. HUNTER: But I would be -- I'll have Belinda  
17 and the people there get you all the information.

18 GOVERNOR CRIST: Thank you, sir. Thank you,  
19 Belinda, very much. Steve, are we done with --

20 CFO SINK: Thank you, Governor. That's a big  
21 help.

22 GOVERNOR CRIST: Yeah, thank you. That was great.  
23 That was great. I've also been handed a news advisory  
24 from January 2nd, 1991. You might be interested in  
25 this, Mr. Hunter. Los Angeles, California. The

ACCURATE STENOGRAPHY REPORTERS, INC.

83

1 November 1988 simultaneous withdrawal of scores of  
2 insurance companies from California following the  
3 passage of Proposition 103 was the result of collusion  
4 among insurance companies, according to a report issued  
5 today by Attorney General John Van De Camp. Kind of

6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

interesting.  
Okay. So we're moving on. Steve, are we all  
done? I guess so.

ACCURATE STENOGRAPHY REPORTERS, INC.

84

1  
2  
3  
4  
5  
6  
7  
8

GOVERNOR CRIST: Highway Safety and Motor  
Vehicles.  
MR. WESTBERRY: Good morning, Governor, Cabinet  
members.  
GOVERNOR CRIST: How are you? We've got some  
license plates today.  
MR. WESTBERRY: We do. We do. It is my privilege  
to kind of pinch hit for our executive director this

9 morning, who is unable to be with us. But we do have  
10 one item of information for you, as we bring you three  
11 of the newest specialty license plates that were passed  
12 by our Legislature this past spring.

13 GOVERNOR CRIST: Yes, sir.

14 MR. WESTBERRY: We have the Corrections  
15 Foundation, the NASCAR plate and the Support Our Troops  
16 plate. These are three of the five plates that were  
17 approved by the Legislature this spring, and each of  
18 these plates have met all of the necessary statutory  
19 requirements that are necessary for us to go ahead and  
20 put them into production.

21 So, Governor, with the Cabinet's acceptance of  
22 these, we'll go ahead and introduce a few guests that  
23 we have with us today.

24 GOVERNOR CRIST: Sure. Why don't we take care of  
25 the motion. Is there a motion to approve these plates?

ACCURATE STENOGRAPHY REPORTERS, INC.

85

1 COMMISSIONER BRONSON: Motion on Item 1.

2 GOVERNOR CRIST: Is there a second?

3 CFO SINK: Second.

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

6 MR. WESTBERRY: Great. Thank you, sir. First and  
7 foremost I think it would be incumbent upon me to  
8 recognize Representative Alan Hays, who is with us  
9 today, the sponsor of the House version of the bill  
10 that was passed that includes all of these plates in  
11 here. And we do want to thank him for the work that he  
12 has done in bringing all these to fruition.

13 GOVERNOR CRIST: Thank you, Representative, very  
14 much. Appreciate you being here, sir.

15 MR. WESTBERRY: First with us today we have, on  
16 behalf of the Corrections Foundation, the president of  
17 that foundation, Mr. Louie Wainwright.

18 GOVERNOR CRIST: Secretary, how are you this  
19 morning?

20 MR. WAINWRIGHT: Fine, sir.

21 GOVERNOR CRIST: Good to see you again, Louie.

22 MR. WAINWRIGHT: Governor, members of the Cabinet,  
23 I'm honored to stand before you this morning as  
24 president of the Corrections Foundation. As you know,  
25 the Corrections Department has 27,000 employees. And

ACCURATE STENOTYPE REPORTERS, INC.

86

1 the Corrections Foundation was established in 1996,  
2 under the organization, under the administration of  
3 Secretary Harry Singletary, and we celebrated our tenth  
4 year just a few months ago.

5 We are organized, the foundation was established  
6 in 1996 as a nonprofit, direct support organization of  
7 the Department of Corrections, pursuant to Chapter  
8 944.804 Florida Statutes. And we are governed by a  
9 board of 11 members at this time, appointed by the  
10 secretary, and the secretary also appoints the  
11 president of the foundation.

12 The board is very diligent. We have sole support  
13 from the board. One of the board members is here,  
14 Mr. Woody. The secretary is here, who gives us strong  
15 support. The deputy secretary is here, who also gives

16 us strong support. And we have had excellent  
17 cooperation and support from the Department of Highway  
18 Safety.

19 And we are pleased that we have been able to  
20 assist DC employees in their cases of disaster, house  
21 burnings, deaths, injury on duty and so forth. And the  
22 Attorney General mentioned the hazardous duty of the  
23 Highway Patrol and the sheriffs' offices and the police  
24 departments.

25 I remind you that the corrections staff,

ACCURATE STENOGRAPHY REPORTERS, INC.

87

1 particularly those at the institutions, are dealing  
2 with felons 24 hours a day. And they also perform  
3 great assistance during emergencies, hurricanes. They  
4 sometimes have to move inmates from one institution to  
5 another.

6 In addition to that, they go into the community  
7 and help rebuild and clean up the communities, and they  
8 never get credit for it. The Highway Patrol, police,  
9 sheriffs and medical techs and so forth get the credit,  
10 but they forget about the Highway Patrol (sic).

11 And we are very pleased that we have had the tag  
12 established by the Legislature. And we think that it  
13 will be helpful in our fund-raising efforts of the  
14 foundation for the coming years.

15 Since the foundation has been organized, we've  
16 spent \$2 million for 1,900 DC employees and staff  
17 members who have been -- had disasters in the family,  
18 house burnings, killed on duty or otherwise. And we  
19 greatly appreciate your support. We hope you will

20 approve the tag.

21 And we think it will serve a two-fold purpose.  
22 Number one, it will help us fund the program. And,  
23 number two, hopefully it will help the press and the  
24 Legislature and others recognize the corrections  
25 personnel when they're recognizing other parts of the

ACCURATE STENOGRAPHY REPORTERS, INC.

88

1 criminal justice system, and I hope that it will  
2 accomplish that.

3 GOVERNOR CRIST: I'm sure it will. Thank you,  
4 Secretary.

5 MR. WESTBERRY: Thank you, Mr. Wainwright,  
6 appreciate that. Governor, with your permission also,  
7 next from the folks from NASCAR, we have their  
8 president, Mr. Mike Helton.

9 GOVERNOR CRIST: Good to see you, Mike. Love that  
10 plate.

11 CFO SINK: Yeah, it's great.

12 MR. HELTON: Thank you. We do, too. Governor and  
13 the Cabinet, I want to take this opportunity on behalf  
14 of the France family, all of NASCAR, as well as the  
15 NASCAR Foundation, for your approval of this plate, and  
16 also, Representative Hays, for your action and all the  
17 folks that helped bring this together.

18 This plate gives NASCAR fans who are residents of  
19 Florida the opportunity to show their enthusiasm for a  
20 sport that was founded here in Florida in 1948 by the  
21 France family and still operates its home office in  
22 Daytona Beach, Florida today. So thank you very much

23 for your support and approval of this tag.

24 GOVERNOR CRIST: Well, thank you for yours. And  
25 if I might, you know, the sport that you're involved in

ACCURATE STENOTYPE REPORTERS, INC.

89

1 is one of the most, if not the most popular sport in  
2 our country. And, you know, you're building tracks all  
3 over the place, and your success has been  
4 extraordinary.

5 And we are very proud of the fact that you're  
6 based here in the sunshine state and that you have  
7 several great races that you continue to house here in  
8 Florida, both at Daytona and Homestead. I'm a fan. I  
9 was first introduced to NASCAR by a good buddy of mine  
10 named Scott Brantley, who played at the University of  
11 Florida, was a great linebacker there, and then he  
12 played for the Buccaneers, my home team, in Tampa Bay  
13 for a long time, and still does radio sports.

14 And he called me one July 4th a long time ago and  
15 asked what I was doing and I said, "Hanging out." And  
16 he said, well, we're doing a show, radio show over at  
17 the then Firecracker 400. He said, "Why don't you come  
18 along and see what you think of it." And I've been  
19 addicted ever since, and it's great, and we appreciate  
20 what you do. And we really appreciate the France  
21 family.

22 COMMISSIONER BRONSON: Governor, maybe we can get  
23 the president to tell us if -- I don't even know if the  
24 press conference has been held yet, but what number is  
25 Junior going to be running and who is the sponsor.

1 MR. HELTON: Since Dallas is on Central Time, I  
2 may have to wait just a second.

3 GOVERNOR CRIST: We won't preempt it then. Thank  
4 you very much for being here.

5 MR. HELTON: Thank you.

6 GOVERNOR CRIST: Thank you, sir. Please give our  
7 good wishes to our friends in Daytona.

8 MR. WESTBERRY: Thank you, Mike, appreciate it.  
9 Governor, last and certainly not least, from the  
10 Support Our Troops organization, their president,  
11 Mr. Martin Boire.

12 GOVERNOR CRIST: Good morning.

13 MR. BOIRE: Good morning, Governor, members of the  
14 Cabinet and the press. It is actually quite simple.  
15 When we ask our neighbors to leave their families at  
16 home to go off and look out for our families, we take  
17 upon ourselves the moral obligation to look out for  
18 their families with the same dedication and sincerity  
19 that they're off looking out for ours.

20 This plate is part, a simple part of the answer to  
21 that moral obligation. It does two things. It allows  
22 people to stick up for those who stick up for them, and  
23 it aggregates patriotic private money that can then be  
24 used to look out for the families of those who are  
25 looking out for ours.

1 This plate is simply our gift from our families to



2 their families. Now in every project --

3 GOVERNOR CRIST: That's a beautiful plate, by the  
4 way.

5 MR. BOIRE: Thank you. Of all those involved, it  
6 always comes down to the fact and hinges on the actions  
7 of a single individual. And here that individual is  
8 Representative Alan Hays. If you'd stand, please, sir.

9 GOVERNOR CRIST: Thank you, Representative.

10 MR. BOIRE: He met every challenge, fought every  
11 battle. Without his true grit, this resource would not  
12 be. And all honor and glory for its existence is due  
13 him. Your reporters that are here today became such  
14 because you, like I, believe in the power of the pen to  
15 spread the word about right and to inform the public  
16 about good things.

17 And please let me suggest that this is one of  
18 those moments where if you take this upon yourself to  
19 significantly inform the public about this great new  
20 resource for our neighbors, the troops are simply our  
21 neighbors who have left their homes, great good can  
22 come of it.

23 And my assistant has some CDs with textual matter  
24 and high res jpegs of this that could be used for media  
25 purposes. And she can be found in the small gray

ACCURATE STENOGRAPHY REPORTERS, INC.

92

1 sweatshirt seated in the middle there. If you raise  
2 your hand, she will diligently hunt you out.

3 And if at some point we could get a picture with  
4 the plate, I would be grateful. Thank you.

5 GOVERNOR CRIST: Sure, would be happy to. In

6 fact, that was the last of the three? Would you like  
7 to get a picture with the Cabinet?

8 MR. WESTBERRY: Certainly.

9 GOVERNOR CRIST: Why don't we -- if you have a few  
10 words to say, we'll wait for the CFO to get back.

11 MR. WESTBERRY: Great. Thank you. And, again, I  
12 appreciate the work of the representative and really  
13 all the groups that are represented here today, I think  
14 that they have done a great job of working with the  
15 Department and putting their resources together to make  
16 this a reality.

17 We know there are a lot of folks who are greatly  
18 anticipating these. We hope to see these in the  
19 offices, available to the public. There are a number  
20 of different mechanisms that they can use to acquire  
21 these, including some new things that the Department  
22 has done with gift certificate programs for specialty  
23 plates. So I think it's going to be exciting to see  
24 the marketing efforts proceed from here.

25 And with your permission, we'll go ahead and start

ACCURATE STENOGRAPHY REPORTERS, INC.

93

1 getting ready for some photo ops.

2 GOVERNOR CRIST: Sure. Why don't we start getting  
3 ready for that.

4 MR. WESTBERRY: Thank you, Governor, appreciate  
5 it.

6 GOVERNOR CRIST: We'll take a couple of minutes.  
7 (Photographs taken)

8

9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

ACCURATE STENOGRAPHY REPORTERS, INC.

94

1 GOVERNOR CRIST: Board of Trustees, Secretary Mike  
2 Sole.  
3 MR. SOLE: Good morning, Governor, Cabinet  
4 members. I've got four items. Item Number 1 is a  
5 request to sell a parcel, 160 acres of nonconservation  
6 state-owned lands to the South Florida Water Management  
7 District. The District will manage the parcel under  
8 the Comprehensive Everglades Restoration Plan, and as a  
9 result, a recommendation that this is a determination  
10 that the sale is a greater public benefit.  
11 GOVERNOR CRIST: Is there a motion?  
12 ATTORNEY GENERAL McCOLLUM: I move Item 1.

13 COMMISSIONER BRONSON: Second.

14 GOVERNOR CRIST: Moved and seconded. Show it  
15 approved without objection.

16 MR. SOLE: Thank you. Item Number 2 pertains to  
17 property owned by the Board of Trustees and managed by  
18 Department of Management Services in the Capital Circle  
19 Office Complex here in Tallahassee. This item requests  
20 modification of a deed restriction and a reverter and  
21 two special warranty deeds between the St. Joe Company  
22 and the Board of Trustees.

23 We've got a request for an extension of a reverter  
24 condition. In addition we want to extend the term of  
25 the lease for this parcel or, excuse me, property to 99

ACCURATE STENOGRAPHY REPORTERS, INC.

95

1 years, to allow us to address a reasonable assurance  
2 provision that the lands will be held in conservation  
3 and as such a determination that it will be in the  
4 public interest.

5 And finally on this item, we request delegation to  
6 the Department to address any further modifications to  
7 the reverter that may occur in case the reverter  
8 condition comes up on us quicker than expected.

9 GOVERNOR CRIST: I just have one question, if I  
10 might, Secretary.

11 MR. SOLE: Absolutely.

12 GOVERNOR CRIST: It mentions Centro -- El Centro  
13 Español de Ybor Building?

14 MR. SOLE: Si. (Yes.)

15 GOVERNOR CRIST: Can you tell me about that, por

16 favor? (Can you tell me about that, please?)

17 MR. SOLE: Si, un poco solamente. (Yes, but only  
18 a little.)

19 GOVERNOR CRIST: ¿Se habla Español? (Do you speak  
20 Spanish?)

21 MR. SOLE: Un poco solamente. (Only a little.)

22 GOVERNOR CRIST: ¿Un poquito? (A little?) Yo  
23 estudio Español dos años en la escuela. (I studied  
24 Spanish in school for two years.)

25 MR. SOLE: Está muy bien. (That's good.)

ACCURATE STENOGRAPHY REPORTERS, INC.

96

1 GOVERNOR CRIST: And that's about all I've got.  
2 My predecessor was much more fluent than I.

3 MR. SOLE: The reference to the Ybor City facility  
4 is just referencing that it is rare that we provide  
5 these 99-year term leases. And the basis is, in most  
6 cases, when we're dealing with capital improvements,  
7 the life of capital improvements are considered about  
8 50 years.

9 In this case there's a special reason. It goes  
10 beyond the buildings that we're issuing this -- or  
11 recommending issuance of a 99-year lease. We're  
12 recommending it in this case, it is also because of the  
13 conservation provisions that are part of this lease.

14 In Ybor I think it was a historical structure,  
15 which as a result we expect that historical structure  
16 to be much longer than 50 years.

17 GOVERNOR CRIST: Thank you. Appreciate that  
18 clarification.

19 MR. SOLE: Yes, sir.  
Page 85

20 GOVERNOR CRIST: Any other questions on Item 2?  
21 Is there a motion?

22 CFO SINK: Move it.

23 ATTORNEY GENERAL McCOLLUM: Second.

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

ACCURATE STENOGRAPHY REPORTERS, INC.

97

1 MR. SOLE: Thank you. Item Number 3 is an option  
2 agreement to acquire 7.88 acres within the Florida Keys  
3 Ecosystem Florida Forever Project. We also request  
4 authority to waive a survey requirement. The purchase  
5 price is a little over \$1.6 million and pertains to 48  
6 total lots.

7 ATTORNEY GENERAL McCOLLUM: I move it.

8 CFO SINK: Second.

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

11 MR. SOLE: Thank you. Item Number 4 is  
12 consideration of an option agreement to acquire 668  
13 acres, which is 50, a little over 50 linear miles  
14 within the East Coast Central Regional Rail Trail  
15 Project in Brevard and Volusia Counties. This  
16 acquisition is from the Florida East Coast Railroad,  
17 with a purchase price of 16 million.

18 And the one thing I want to convey about this  
19 acquisition, Governor and Cabinet, is this is the  
20 longest single contiguous trail acquired in the state's  
21 history and has been a gem of a project within our  
22 Greenways and Trails program to pursue.

23 I've got two speakers in support of this item.  
24 They come from Volusia County, Council Member Patricia  
25 Northey and also the chair of the Greenways and Trails

ACCURATE STENOGRAPHY REPORTERS, INC.

98

1 Council, Ken Bryan, who also is from the  
2 Rails-to-Trails Conservancy. They're here in support.

3 COMMISSIONER BRONSON: Motion on Item 4.

4 ATTORNEY GENERAL McCOLLUM: Second.

5 GOVERNOR CRIST: Moved and seconded. Would you  
6 like to speak on it?

7 MS. NORTHEY: Just to say thank you. Volusia  
8 County is thrilled to be here and to support this  
9 acquisition.

10 GOVERNOR CRIST: Thank you.

11 CFO SINK: Governor, I was in Orlando this  
12 morning, and this is making the headlines. This is  
13 huge news in that part of the state.

14 GOVERNOR CRIST: It says we're poised to do it.

15 CFO SINK: Yeah.

16 GOVERNOR CRIST: We better unpoise.

17 MR. SOLE: I think you just did, luckily.

18 GOVERNOR CRIST: We want the Orlando Sentinel to  
19 be accurate. And the other gentleman.

20 CFO SINK: I couldn't be more excited about --  
21 this is -- I think it's one of the most exciting things  
22 that the State has ever done, just to leave this kind  
23 of legacy, and the tourism and the recreation, and it's  
24 just all about quality of life. And I wish my kids  
25 were little again. I'd take them bike riding.

1 GOVERNOR CRIST: Wonderful. It's the right thing  
2 to do.

3 CFO SINK: Fantastic.

4 GOVERNOR CRIST: Yes, sir.

5 MR. BRYAN: I couldn't say it any better.

6 ATTORNEY GENERAL McCOLLUM: May I make one  
7 comment, Governor?

8 GOVERNOR CRIST: Please.

9 ATTORNEY GENERAL McCOLLUM: I'd just like to say,  
10 of course, I'm a member of the Florida Trails  
11 Association, and I think this is a terrific thing. But  
12 I've got -- and I'm all for it and I've seconded it and  
13 everything else. But I've got one question for Mike.

14 MR. SOLE: Yes, sir.

15 ATTORNEY GENERAL McCOLLUM: I understand there is  
16 some potential remaining residual litigation issue over  
17 this trail. There are a couple of issues related to  
18 parcels or portions of it. But I know the City and the  
19 County has been working to work around those.

20 But my understanding in my Cabinet briefing was  
21 that there were three hurdles. Two of them are pretty  
22 well crossed, but the goat herder still has an issue  
23 here, something like that. Is that correct?

24 MR. SOLE: That is correct. We still have parcels  
25 where there are some uses that -- we have carved out

1 most of those issues that are, as you point out,



2 inconsistent. And as we move to closing, we expect to  
3 be able to resolve all those issues.

4 ATTORNEY GENERAL McCOLLUM: So you do expect that  
5 to get put away.

6 MR. SOLE: Yes, sir.

7 ATTORNEY GENERAL McCOLLUM: So we would be able to  
8 fully utilize this trail.

9 MR. SOLE: Absolutely.

10 ATTORNEY GENERAL McCOLLUM: I can go hiking this  
11 trail. I can go up north of my house a little ways, I  
12 can do that in a few years.

13 MR. SOLE: Yes, sir.

14 ATTORNEY GENERAL McCOLLUM: Thank you.

15 CFO SINK: Governor.

16 GOVERNOR CRIST: CFO.

17 CFO SINK: Just one last issue is that having made  
18 the decision on our part, when is the -- I know there's  
19 money left to be raised. And is there -- are we full  
20 force ahead in Volusia and Brevard to -- I see lots of  
21 heads shaking -- to raise the -- you know where the  
22 rest of the money is coming from.

23 GOVERNOR CRIST: Heads nodding, I think.

24 MR. SOLE: CFO, I think the easy answer is this is  
25 truly going to be a partnership effort with Volusia

ACCURATE STENOGRAPHY REPORTERS, INC.

101

1 County, as well as Brevard County. Volusia County has  
2 already funds to begin the improvement of that  
3 acquisition. And without question, as a partnership  
4 with our local government sponsors, I feel that this  
5 project will move forward rapidly.

6 CFO SINK: Let us know so we -- that would be  
7 another one on our list of Cabinet field trips --  
8 MR. SOLE: Yes, ma'am.  
9 CFO SINK: -- that we can be taking.  
10 GOVERNOR CRIST: That's a good idea. Great.  
11 Thank you. It's moved and seconded. I think it was  
12 approved without objection.  
13 MR. SOLE: Thank you, Governor, Cabinet.  
14 GOVERNOR CRIST: Thank you, Secretary. Appreciate  
15 you.  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

ACCURATE STENOGRAPHY REPORTERS, INC.

102

1 GOVERNOR CRIST: SBA. Coleman Stipanovich.  
2 Morning, Coleman.  
3 MR. STIPANOVICH: Good morning, Governor.  
4 GOVERNOR CRIST: Item 1.  
5 MR. STIPANOVICH: Item 1, Governor, is request for  
6 approval of the minutes of the August 28th, 2007  
7 meeting.  
8 CFO SINK: I move it.

9 GOVERNOR CRIST: Is there a second?  
10 ATTORNEY GENERAL McCOLLUM: Second.  
11 GOVERNOR CRIST: Moved and seconded. Show it  
12 approved without objection. Item 2.

13 MR. STIPANOVICH: Item 2 is request for approval  
14 of fiscal sufficiency of amount not exceeding 200  
15 million State of Florida, State Board of Education  
16 Public Education Capital Outlay Bonds.

17 CFO SINK: Move it.

18 ATTORNEY GENERAL McCOLLUM: Second.

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

21 MR. STIPANOVICH: Item Number 3, this agenda item  
22 pertains to Rule 19-15.001 for the Insurance Capital  
23 Build-Up Incentive Program. We're requesting approval  
24 to file notice and file for adoption if no hearing is  
25 requested.

ACCURATE STENOGRAPHY REPORTERS, INC.

103

1 ATTORNEY GENERAL McCOLLUM: I move Item 3.

2 CFO SINK: Second.

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

5 MR. STIPANOVICH: Item Number 4 is request for the  
6 appointment of David Walker as consumer representative  
7 to the Investment -- to the Advisory Council of the  
8 Florida Hurricane Catastrophe Fund. This is a  
9 recommendation by CFO Sink.

10 The way this has worked over many, many years is  
11 that this full board is required to approve these  
12 appointments, but the trustees get three appointments

13 each. That's been the precedent that's set. So they  
14 have a recommendation, of which they bring to the full  
15 board. And this is CFO Sink's recommendation for full  
16 board approval.

17 ATTORNEY GENERAL McCOLLUM: Well, I recommend  
18 that, too. I'll join and make the motion to approve  
19 it.

20 CFO SINK: Second.

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

23 MR. STIPANOVICH: Agenda Item Number 5 is request  
24 for approval of the reappointment of Beth McCague and  
25 the appointment of Robert Konrad to the Investment

ACCURATE STENOGRAPHY REPORTERS, INC.

104

1 Advisory Council to the State Board of Administration.  
2 These two appointments were recommended by Governor  
3 Crist to the full board.

4 And, again, the same thing applies. It's  
5 statutorily required for the full board to approve, and  
6 the recommendation, the Governor gets two, the CFO gets  
7 two and the Attorney General gets two.

8 ATTORNEY GENERAL McCOLLUM: I move Item 5.

9 CFO SINK: Second.

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

12 MR. STIPANOVICH: Governor, members, before I get  
13 started on this agenda item, Senator Deutch has been --  
14 on this agenda item, has been patiently waiting. I  
15 told him, I said the Cabinet -- sometimes the Cabinet

16 aides' meetings last longer than the trustees' meetings  
17 or the Cabinet meetings. In this case, I apologize for  
18 not letting you know I was last on the agenda. So,  
19 Governor --

20 GOVERNOR CRIST: I would recommend you not do that  
21 again. If there's a senator who has an agenda item, I  
22 would put it first. I got you back, Senator. Good  
23 morning. Good to have you here.

24 CFO SINK: Maybe it was good for the senator to  
25 sit through an entire Cabinet meeting.

ACCURATE STENOGRAPHY REPORTERS, INC.

105

1 SENATOR DEUTCH: If I knew that all of the  
2 meetings were this interesting, I would certainly come  
3 on a more regular basis.

4 CFO SINK: They are.

5 GOVERNOR CRIST: They're not all as interesting as  
6 today was, Senator, I can assure you.

7 SENATOR DEUTCH: Governor, General McCollum, CFO  
8 Sink, I'm thrilled to be here today. I have a  
9 new-found appreciation for the expression "last but not  
10 least."

11 What you're going to have the opportunity to do  
12 here in approving this report is of paramount  
13 importance, not just here in Florida but more -- I  
14 think even more broadly for the leadership role that  
15 Florida has played and will continue to play on this  
16 important issue.

17 By approving this report today, you will be  
18 identifying 43 -- there are 43 companies that have  
19 chosen to do business in and with the government of

20 Sudan, even as the government is actively engaged in  
21 genocide, more than 400,000 dead and two and a half  
22 million people homeless.

23 The report identifies 27 companies who are  
24 investing in the government in Iran and doing business  
25 to help the government of Iran, even as it strives to

ACCURATE STENOGRAPHY REPORTERS, INC.

106

1 develop nuclear weapons and do harm to our troops.

2 We will be telling every one of these companies  
3 that from this day forward, we won't invest another  
4 dollar of Florida's public dollars in those companies.  
5 We will also, as a result of this report and the  
6 actions of the SBA, be sending a letter to those 21  
7 companies that we currently hold shares in, to the tune  
8 of approximately \$1.3 billion, and instructing them  
9 that should they choose to continue to do business in  
10 the Sudan and Iran, that we will no longer be engaged  
11 in investing actively with them.

12 This is an important message to those companies.  
13 More importantly, by setting forth this list today, we  
14 make it easier for the other states in this country and  
15 for the local governments and pension funds to help  
16 identify these companies, put the pressure on them so  
17 that ultimately there's greater pressure on the  
18 government of Sudan and the government of Iran to stop  
19 the actions that we look to influence.

20 It's actually an honor for me to be here just  
21 after the folks from the Support Our Troops Foundation.  
22 What we're doing here today, just as our men and women

23 in Florida seek to defend our country, what we're doing  
24 here today, what you're about to do, is really exactly  
25 that. And this is a step that's going to be taken to

ACCURATE STENOGRAPHY REPORTERS, INC.

107

1 help defend our country, make us safer and hopefully to  
2 help to end genocide in the Sudan.

3 I appreciate very much the leadership that the  
4 three of you have all shown on this issue. And I'd  
5 really like to commend Mr. Stipanovich for the good  
6 work that the SBA has done in putting together a  
7 thoughtful research report identifying the companies  
8 and, again, serving as a model for the other states in  
9 this country. And I'm just thrilled to be here today  
10 as you move forward.

11 GOVERNOR CRIST: Well, I want to thank you,  
12 Senator, for your leadership. This divestment measure  
13 is one of the most important things that we will do in  
14 this Cabinet. And I want to thank my fellow Cabinet  
15 members and SBA members for their leadership as well.  
16 To make this kind of not only a statement but to take  
17 action as we are as a state against the kind of  
18 activities that are occurring by the state of Iran and  
19 in the Sudan I think is a model for our country, for  
20 other states.

21 And I think it's awfully important that we take  
22 this action that you have led in this regard. And I  
23 also wanted to commend, even in his absence,  
24 Congressman Wexler. We talked about this issue at  
25 length when we took the trade mission to Israel

1 recently, as you're aware. And I want to thank you for  
2 all that you've done in this important area.

3 ATTORNEY GENERAL McCOLLUM: If I might, Senator  
4 Deutch, I really want to thank you personally for  
5 sponsoring this. You know I was involved with the  
6 terrorism issue in Congress for a long time, and I  
7 don't think there's any other state that has included  
8 Iran in a measure of this nature. A couple have done  
9 Sudan.

10 But we have these two terrorist states, and with  
11 Iran trying to build its nuclear power and facility  
12 there and the threat that it poses to us and to Israel  
13 and to a lot of our friends and to the security of the  
14 world, this is a message that's long overdue.

15 And I think it's also well within the scope of  
16 fiduciary duties that I and the other members of this  
17 board exercise to restrain our investments in companies  
18 that would do business with companies in countries that  
19 are likely to get into a lot of trouble and could get  
20 those investments in a lot of trouble, too.

21 So thank you for doing this. I think it's a great  
22 report. Thank you for sponsoring it.

23 SENATOR DEUTCH: Thank you.

24 GOVERNOR CRIST: Thank you. Is there a motion?

25 ATTORNEY GENERAL McCOLLUM: I would move it. I

1 would move Item 6.



2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

CFO SINK: Second.

GOVERNOR CRIST: Coleman wants to describe it a little bit, I think. Mr. Stipanovich.

MR. STIPANOVICH: Senator Deutch did such a great job, I almost don't have to do this.

GOVERNOR CRIST: He really did.

MR. STIPANOVICH: There are some minor -- I think we need to get on -- it might be helpful to get on the record, if that's okay with the members, on some of this.

GOVERNOR CRIST: Of course.

MR. STIPANOVICH: Again, this is a request for approval of this SBA quarterly report that's required by this Protecting Florida's Investments Act that was signed by you, Governor, on June 8th. So that's what you're approving and that's what you'll be doing on an ongoing basis, is approving a quarterly report that will be brought to you that will contain certain information having to do with the list.

The act requires that the SBA assemble a list of scrutinized companies that are prohibited from doing business operations in Sudan and Iran. And the two lists combined represent what is called the prohibited investments.

ACCURATE STENOGRAPHY REPORTERS, INC.

110

1  
2  
3  
4  
5

The scrutinized companies lists have been assembled and are included in this SBA quarterly report on the act, which I'm presenting to you today for your approval. The report is submitted and presented to you pursuant to Section 215.473 of the Florida Statutes.

6           Once a quarterly report is approved by you, the  
7           SBA and its investment managers will immediately be  
8           prohibited from investing in the scrutinized companies  
9           and will be required to divest of such prohibited  
10          investments no later than September 19th of 2008.

11          In addition to the report, I have provided you  
12          with a memo that outlines in plain English, hopefully,  
13          the primary requirements of the act and describes the  
14          methodology used to develop the scrutinized companies  
15          list for Sudan and Iran. If you look on page one of  
16          the report, you'll see the methodology and the primary  
17          requirements.

18          The primary sources used in developing these lists  
19          are on page three of the report. And there were  
20          actually two categories of lists that were developed;  
21          one statutorily required, which is the scrutinized  
22          list, as well as the continued examination list.

23          In this process, in working with four external  
24          providers that have expertise in this field, we looked  
25          at at least 150 or more companies that in some way or

ACCURATE STENOGRAPHY REPORTERS, INC.

111

1          another had a link to these two countries and whittled  
2          it down from there, based on the requirements in the  
3          statute as to what would make the list.

4          So if you take a look at, again, page three,  
5          you'll see the primary sources that we worked with.  
6          And in addition, there were some secondary sources that  
7          are listed on page -- pages three and four. So what we  
8          did, there were also many additional resources that we

9 used in addition to these four primary resources.

10 The continued examination list are companies that  
11 did not make the list, the scrutinized list. And we  
12 are continuing to evaluate and research those  
13 companies. And this is an ongoing process from quarter  
14 to quarter in terms of what companies will show up on  
15 the list or come off the list based on complying with  
16 the statute.

17 In table one on page five and six of the report,  
18 there are 43 scrutinized companies that have been  
19 identified with prohibited business operations in  
20 Sudan. In table three on page eight of the report  
21 there are 27 companies that have been identified with  
22 prohibited business operations in Iran.

23 The two separate scrutinized companies lists total  
24 70 scrutinized companies, which combined make up the  
25 list of prohibited companies. However, 13 of those

ACCURATE STENOGRAPHY REPORTERS, INC.

112

1 companies, 13 of the 70 scrutinized companies are  
2 simultaneously held on both lists, the Sudan and the  
3 Iran list, which leaves 57 prohibited companies on the  
4 two lists combined.

5 In table five on page 13 and 14 of the report, the  
6 57 companies that the SBA is prohibited from investing  
7 in are listed alphabetically.

8 In conclusion, the SBA owns 21 of these 57  
9 companies that are on the list of prohibited  
10 investments. The value of these 21 securities is  
11 approximately \$1.27 billion as of August 31st of this  
12 year, which is slightly less than one percent of the

13 value of the total fund. Today's value of the total  
14 fund is about \$137 billion.

15 As fiduciaries, the investment staff have and will  
16 continue to work diligently and faithfully to implement  
17 this important legislation on your behalf. Moving  
18 forward in the months of December, March, June and  
19 September, I will submit and present the SBA's report  
20 on the Protecting Florida's Investments Act, which is  
21 required under the law, as well as additional  
22 information.

23 If you look at page 11 and then 14 through 16, you  
24 will see other reports that are going to be required,  
25 which in these subsequent quarterly reports will have

ACCURATE STENOGRAPHY REPORTERS, INC.

113

1 that information that's not available today. This is  
2 the first initial report.

3 Also, if you look on page ten, you'll see some key  
4 dates for significant activities, a timeline in the  
5 implementation of this legislation. Also, if you look  
6 on page seven of the memo that I provided to you, and  
7 the memo and the statute and the report is in your  
8 backup material under attachment seven, you'll see what  
9 we created as a process map or it's called the  
10 scrutinized companies identification flow chart. That  
11 pretty much outlines exactly what the process is as we  
12 determine which companies to place on these lists.

13 Governor, that concludes my presentation of this  
14 agenda item.

15 GOVERNOR CRIST: Well, I want to thank you again,

16 Coleman, and I know we're going to vote on this and I'm  
17 sure pass it. But when -- talking about Israel, when I  
18 was there, I met with Prime Minister Olmert, and he  
19 thanked us, Senator, for what Florida is doing and how  
20 you're leading in this regard.

21 And I think it's also appropriate that the SBA is  
22 about to take this action during the High Holy Days, so  
23 a sweet New Year to you and your family.

24 ATTORNEY GENERAL McCOLLUM: If I could ask one  
25 question, Governor.

ACCURATE STENOGRAPHY REPORTERS, INC.

114

1 GOVERNOR CRIST: Please, of course.

2 ATTORNEY GENERAL McCOLLUM: The continued  
3 examination list, is that just where you're still  
4 focused? I know these are companies you reviewed, they  
5 didn't meet the standard for scrutinized, Coleman.  
6 What is the status now of them? Are they getting  
7 special scrutiny at the moment? That word "scrutiny" I  
8 didn't mean to use officially but --

9 MR. STIPANOVICH: Right. Good question, General.  
10 The continued examination list is, what happens on the  
11 scrutinized list, the primary sources -- and this is  
12 sort of rules based -- is that if there's unanimity in  
13 terms of identifying these companies and the State  
14 Board of Administration in its discretion agrees with  
15 these four providers, without exception, that's the  
16 scrutinized list.

17 What happened on the continued examination list is  
18 one of these providers of information and research and  
19 in our research outside of that and looking at all the

20 secondary resources that I mentioned to you in the  
21 report that we're using across the country and talking  
22 to other funds and so on, these companies were  
23 identified by at least one.

24 And so there's incomplete information for us to  
25 literally enforce the statute as to whether or not to

ACCURATE STENOGRAPHY REPORTERS, INC.

115

1 place them on there. We want to be obviously very due  
2 diligent in who we do place on that list. So they're  
3 under scrutiny.

4 ATTORNEY GENERAL McCOLLUM: So in other words,  
5 they're more likely than some company we don't have a  
6 name of right now to appear in the future in one of  
7 your quarterly reports, saying, hey, we found more  
8 information, and we either rule them in or rule them  
9 out. They may come off this continued examination list  
10 or they may go on the scrutinized list. But they're  
11 the ones you're still reviewing, basically. Is that  
12 what you're saying?

13 MR. STIPANOVICH: That is correct.

14 ATTORNEY GENERAL McCOLLUM: That's the only  
15 question I had, Governor. I think we've moved it.

16 GOVERNOR CRIST: I think we had a motion and a  
17 second?

18 ATTORNEY GENERAL McCOLLUM: We did.

19 CFO SINK: Second.

20 GOVERNOR CRIST: Without objection show it  
21 approved. Thank you, Coleman. Thank you, Senator. We  
22 are adjourned.

23 091907transcript.txt  
(Whereupon, the proceeding was concluded at 11:40  
24 a.m.)  
25

ACCURATE STENO TYPE REPORTERS, INC.

116

1

2

CERTIFICATE OF REPORTER

3

4 STATE OF FLORIDA )

5 COUNTY OF LEON )

6

7 I, Jo Langston, Registered Professional Reporter,  
8 do hereby certify that the foregoing pages 5 through 115,  
9 both inclusive, comprise a true and correct transcript of  
10 the proceeding; that said proceeding was taken by me  
11 stenographically and transcribed by me as it now appears;  
12 that I am not a relative or employee or attorney or counsel  
13 of the parties, or a relative or employee of such attorney  
14 or counsel, nor am I interested in this proceeding or its  
15 outcome.

16 IN WITNESS WHEREOF, I have hereunto set my hand  
17 this 9th day of September, 2007.

18

19

20

21

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

22

23

24

25

091907transcript.txt  
ACCURATE STENOTYPE REPORTERS, INC.