

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 EMERGENCY MANAGEMENT

ENTERPRISE FLORIDA

OFFICE OF FINANCIAL REGULATION

OFFICE OF INSURANCE REGULATION

CITIZENS PROPERTY INSURANCE

PAROLE COMMISSION

DEPARTMENT OF REVENUE

BOARD OF TRUSTEES, INTERNAL IMPROVEMENT TRUST FUND

DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES

DIVISION OF BOND FINANCE

The above agencies came to be heard before
THE FLORIDA CABINET, Honorable Governor Scott
presiding, in the Cabinet Meeting Room, LL-03,
The Capitol, Tallahassee, Florida, on Tuesday, June
26, 2012, commencing at 9:08 a.m.

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P R O C E E D I N G S

(Agenda items commenced at 9:08 a.m.)

1
2
3 GOVERNOR SCOTT: Members, we're going to
4 have -- we're going to be a little out of
5 order. We're going to have -- given the impact
6 of Tropical Storm Debby is having on our state,
7 I would like to ask Bryan Koon the Executive
8 Director of the Division of Emergency
9 Management to give us an update of the storm
10 and our preparedness.

11 EXECUTIVE DIRECTOR KOON: Thank you,
12 Governor, Members of the Cabinet, appreciate
13 that. We were going to cover this morning
14 hurricane preparedness but instead we'll
15 actually discuss the impacts of Tropical Storm
16 Debby and I'll be happy to answer any questions
17 you have at the end.

18 Real quickly though this season was
19 forecast and still forecast to be a normal
20 season, however, we are off to an exceptionally
21 fast start. This is the fastest season on
22 record to have reached the fourth named storm
23 of the season. Typically that doesn't happen
24 until the July or August time frame. So we are
25 well ahead of schedule this year on named

1 storms.

2 This is the second one to impact Florida
3 after Tropical Storm Beryl in May. That
4 doesn't necessarily mean that we're going to
5 have an exceptionally busy season, however, it
6 doesn't necessarily mean that we're not. So
7 we're going to keep a close eye on that going
8 forward.

9 As you guys note here, Tropical Storm
10 Alberto and Beryl both formed in May, Tropical
11 Storm Chris became Hurricane Chris last week.
12 That one went out to sea, had no impact, and
13 then Debby formed the other day.

14 Here's the current location of Debby, just
15 offshore. The storm was a difficult storm for
16 the National Hurricane Center to forecast. It
17 was a large disorganized storm. The computer
18 models were in severe disagreement on this.

19 On Saturday the models had it going to the
20 west and moving towards Texas and Louisiana,
21 and then they shifted it north, and now they
22 ultimately decided that the storm is going to
23 go east. They've been in agreement now for the
24 last day so it appears that's actually going to
25 be the final track of this storm. But it was a

1 challenge for the National Hurricane Center to
2 determine what it was actually going to do.

3 We activated the emergency operation
4 center on Sunday to a level 2. Yesterday we
5 took the emergency operation center to a level
6 1, and the Governor signed a state of emergency
7 which allows us to utilize all of the state
8 resources necessary to deal with this storm.

9 Here's the current track of the storm.
10 This is actually an improvement over what you
11 have seen. The storm has moved very slowly
12 which has led to the large amounts of rainfall
13 that we have seen over the last few days;
14 however, it is now beginning to show signs that
15 it is going to speed up over the next few days,
16 which means it's going to be offshore.

17 And once we arrive on Friday -- that is
18 good news. That will reduce the total amount
19 of rainfall that's going to fall over north
20 Florida, and northeast Florida. It's going to
21 make landfall sometime on Wednesday. We do not
22 anticipate it strengthening any so it should
23 make landfall as about a 40- to 45-mile-an-hour
24 storm.

25 The winds of this storm however are not

1 the real issue. It's the amount of rain that
2 is falling out there. We haven't seen large
3 amounts of impact from wind. We've seen
4 however high storm surges, high tides, lots of
5 rainfall that's leading to localized urban
6 flooding, street flooding, and now starting to
7 lead into -- into river flooding.

8 The track is going to take it northeast.
9 Northeast it will refreshen. Once it makes
10 landfall again, though, the difference between
11 a 40-mile-an-hour storm and a 35-mile-an-hour
12 depression is fairly negligible in this
13 situation.

14 It is anticipated that it will
15 restrengthen once it gets back out into the
16 Atlantic on Friday, but there are no models
17 that show it curving back towards Florida. So
18 we can say once it's gone on Friday, we won't
19 have to deal with it any more.

20 This is the extent of -- here is the
21 current wind field. Again, it is a large
22 storm. We got currently tropical storm force
23 winds everywhere from Destin down to
24 Englewood. So it is a large storm impacting
25 everywhere.

1 These are the rainfall rates that we have
2 seen in the last 24 hours. That area in white
3 gives the highest amount of rainfall. The
4 scale actually stops at 20 inches, but in the
5 area of white there it is just shy of 21
6 inches. The majority of that's in Wakulla
7 County, and the majority of that fell
8 yesterday. So Wakulla County is extremely wet
9 right now.

10 One of the issues that we're dealing with
11 today is the Sopchoppy River. The Sopchoppy
12 River is due to crest today at about 34 feet.
13 That's three feet over its historical high. So
14 those residents who had thought they had lived
15 through the worst that the Sopchoppy River
16 could deliver them were unexpectedly getting
17 wet last night and into today. So there will
18 be some rescue missions going on in Sopchoppy,
19 they've been going on overnight and continue on
20 today. The good news is that it will also
21 recede fairly quickly.

22 But as you see here, this is the past 24
23 hours, this is the last four days. We will see
24 greater rainfall rates here the next few days
25 but, as it continues through the state into

1 north -- north of Gainesville. As you can see
2 here, St. Augustine has already got about six
3 inches of rain, but it looks like it could get
4 more as well. So parts of the state have seen
5 20-plus inches, of rain and we'll still have
6 areas that are going to go well over a foot as
7 we deal through this storm through Thursday.

8 These are the flood stages that we're
9 dealing with currently. Like I said some of
10 the floods -- the smaller rivers rise fairly
11 quickly, they recede fairly quickly. The
12 Sopchoppy River, the St. Marks River, the Santa
13 Fe River, north fork of the Black Creek, all of
14 the northern part of the state are currently at
15 flood stage or approaching flood stage very
16 quickly. We also got the Withlacoochee,
17 Manatee, and a whole bunch in central Florida.
18 River flooding is going to be an issue for us
19 for the next week or two, particularly as all
20 of those things drain into the larger rivers.
21 So we will be dealing with river flooding for
22 the next few weeks.

23 And this is the scene in 1964 with
24 Hurricane Dora in Live Oak. A similar scene
25 today. They have urban flooding in Live Oak

1 intersection of 129 and 90, there is an active
2 mission going on there now with getting people
3 out of their homes and businesses as they woke
4 up this morning and discovered they were very
5 wet there in Live Oak.

6 This is what the state is currently
7 working on. We got regional coordinators. Our
8 regional coordinators are normally serving all
9 parts of the state. We're focusing in this
10 morning on the northern part of state assisting
11 those more rural counties that have smaller
12 staffs. We got folks in Wakulla County,
13 Suwannee County, Columbia County, which is also
14 dealing with some flooding issues. Columbia
15 County -- I-10 going through Columbia County
16 has some flooding issues this morning so I-10
17 is closed. We're working with DOT on that one
18 to determine how long that's going to be closed
19 and anything we can do to accelerate the
20 reopening of I-10 through that area.

21 Power outages. We're actually looking
22 pretty good right now. There's only, as of the
23 last report, 29,000 customers without power
24 which is actually not much above what a daily
25 average is across the state just on any given

1 day. And so power outages will continue to
2 fluctuate for the next couple of days, but
3 again based on the winds we don't anticipate it
4 being a huge problem.

5 The only thing that can change that is as
6 the ground becomes saturated, that wind gusts
7 could cause trees to come down causing both
8 property damage and power outages. We should
9 be -- we could see some power outages out
10 there. The power companies have been working
11 very well together, even bringing out-of-state
12 resources in. So as we -- as the power goes
13 down, they're getting it back up as quickly as
14 possible. So we don't anticipate that being a
15 major issue.

16 And here's a little work on Wakulla
17 County, Suwannee County, we have a shelter up
18 for those folks, and Columbia County.
19 Sheltering across the state, we do have a
20 number of shelters either open or on standby,
21 however, population at those shelters at this
22 point is still fairly small, under 50 as of
23 last report. Most folks are staying with
24 family or friends due to this situation in
25 their local area.

1 This is just a quick idea of where we are,
2 these are -- the yellow counties here and red
3 counties are either partially or fully
4 activated at this point, so you can have kind
5 of an idea, and I anticipate that you'll see
6 more counties throughout the day here.

7 Suwannee County is dealing with some stuff,
8 Clay County has the north fork of the Black
9 Creek, and as that storm moves eastward over
10 the next couple of days, you'll probably see
11 some of these other counties activate to deal
12 with that situation as well.

13 These are some of the evacuation
14 statuses. And again this will be updated as we
15 go throughout the day as some of those
16 locations along the rivers perhaps people will
17 have to leave their homes.

18 These are the sheltering status. Those
19 locations that have shelters open will probably
20 start to close, some of those on the western
21 panhandle as the storm moves away and people
22 are able to return to their homes, and this may
23 shift eastward again over the next couple of
24 days. And these are the local states of
25 emergency that have been declared in those

1 counties.

2 Next steps for us, we're going to maintain
3 level 1 in state emergency operation center
4 through the departure of the storm, plan and as
5 we continue to assist the counties in the
6 efforts that they have. Once we get past the
7 actual response piece of it, then we'll begin
8 looking at recovery piece working with the
9 counties on the preliminary damage assessments,
10 going out there and tallying up, seeing exactly
11 where we are and where we need to go from
12 here.

13 So with that I'll be happy to take any
14 questions you have about Tropical Storm Debby
15 or the hurricane season in general.

16 GOVERNOR SCOTT: And we've had one
17 fatality in Highlands County.

18 EXECUTIVE DIRECTOR KOON: Yes, sir. On
19 Sunday the storm spawned a tremendous amount of
20 tornadoes throughout the state, and there were
21 tornado warnings in place, and tornadoes on the
22 ground all the way from Collier County
23 northward. There was one fatality in Highlands
24 County, a woman who was found dead in her home
25 after impact from a tornado, yes, sir.

1 GOVERNOR SCOTT: Her three-year-old
2 daughter is fine and is in stable condition in
3 a hospital in Tampa.

4 EXECUTIVE DIRECTOR KOON: Yes, sir.

5 GOVERNOR SCOTT: So -- and I guess the
6 message is everybody needs to continue to watch
7 out for flooding, don't drive into it, turn
8 around, be careful of downed power lines, call
9 the utility, don't touch anything --

10 EXECUTIVE DIRECTOR KOON: Yes, sir.

11 GOVERNOR SCOTT: -- assume they're alive,
12 be careful on the beaches and so -- but all
13 this should be out of here by Friday, Saturday
14 evening.

15 EXECUTIVE DIRECTOR KOON: We'll have sunny
16 skies for the weekend, however, we'll still
17 have tremendously wet ground, yes, sir.

18 GOVERNOR SCOTT: Any questions?

19 ATTORNEY GENERAL BONDI: Just I observed
20 two very large trees on the highway in
21 Jefferson County yesterday, but the Jefferson
22 County Sheriff's Office, I'd like to commend
23 them, I mean, they were on the scene in minutes
24 and had the trees out of the way and diverted
25 traffic. But is that what you do? Do you work

1 with the local sheriff's offices to -- when
2 trees fall?

3 EXECUTIVE DIRECTOR KOON: Yes, ma'am. And
4 in fact most of those things are handled at the
5 local level. We do have tremendous partners
6 all around the state, the local emergency
7 managers, local fire, the local sheriffs, local
8 police all do a fantastic job on this. And
9 really our job at the state is to assist them
10 when we exceed their capacity in situations
11 like we're seeing today in Wakulla and
12 Suwannee, and Columbia County.

13 ATTORNEY GENERAL BONDI: The smaller
14 counties.

15 EXECUTIVE DIRECTOR KOON: But, yes, sir,
16 they do terrific jobs at the local, yes,
17 ma'am.

18 ATTORNEY GENERAL BONDI: They do. Thank
19 you.

20 GOVERNOR SCOTT: Thank you.

21 EXECUTIVE DIRECTOR KOON: Thank you,
22 Governor.

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1
2 GOVERNOR SCOTT: As we all know, the
3 economic health of our state is a primary
4 concern for every family in the state. I would
5 like to recognize Florida's Secretary of
6 Commerce, Gray Swoope, to provide us with an
7 update on our economic development activity.
8 Good morning, Gray.

9 SECRETARY SWOOPE: Good morning, Governor.

10 GOVERNOR SCOTT: And Gray, if you haven't
11 met Gray, few people haven't met Gray in the
12 state. He came to us a year ago April, is that
13 right, Gray?

14 SECRETARY SWOOPE: March, yeah.

15 GOVERNOR SCOTT: Yeah, March. And he's
16 put a lot of miles on his car, and flown a lot
17 of flights around the country and around the
18 state, and he's met pretty much everybody who
19 does any economic development in the state I
20 think has already met Gray.

21 SECRETARY SWOOPE: Well, thank you,
22 Governor, it's indeed a pleasure to be here
23 with the Cabinet to talk about economic
24 development. I don't know if we've had an
25 opportunity as a team to talk about that.

1 But before starting the presentation I do
2 want to also acknowledge Larry and his fine
3 work at the sports foundation. Great family.
4 I had a chance to spend some time with Amber
5 and Charissa recently, and I know a job like
6 Larry's had, you can't do it without family
7 support at home. So I celebrate the retirement
8 and great work that Larry has done for the
9 state and sports.

10 Also you mentioned FDLE's work. And part
11 of economic development is critical that you
12 have a good quality of life and part of that is
13 the safety of our families, our citizens, and
14 what a great honor for this morning recognizing
15 them, Governor.

16 I thought the first thing we would do this
17 morning was spend a little time, as I get
18 started here, let's talk about what's
19 different, what has changed in the year in
20 economic development from where we were this
21 time last year. And I think a couple of points
22 I want to make there.

23 First of all, it's our approach to
24 economic government. It's not a singular
25 approach, it's a team approach. It's everybody

1 working together talking about jobs and how we
2 as a Florida team can bring jobs to our
3 citizens, and help the economy to create those
4 jobs.

5 You know, in the past we've looked at --
6 as an outsider that's moved to the state and
7 looked at economic development of the state it
8 was a very disjointed approach, where there was
9 not a lot of communications amongst the
10 public/private partnerships, between the public
11 entities communicating in how we would approach
12 job creation. But I can tell you with the
13 leadership of Governor Scott and our team, all
14 these entities are communicating and talking
15 about how can we create jobs, how do we go
16 about setting the environment -- creating
17 environment conducive to job growth. I'm proud
18 of that.

19 So from a structural standpoint, we knew
20 that we had to do some things to also
21 facilitate that communication. The Department
22 of Economic Opportunity was implemented and
23 stood up on October 1 of last year. And so
24 we're really in the infancy -- infancy stages
25 of a new agency that has combined a lot of

1 functions, a lot of systems, and we have the
2 leadership there with Hunt Deutsch to bring the
3 systems together to bring one approach to
4 economic development in DEO and working with
5 our public/private partnerships that are out
6 there doing the hands-on leads -- lead
7 development everyday.

8 I do want to share with you one example of
9 team collaboration. And again these teams are
10 talking, whether we're -- you know, Secretary
11 Vinyard at -- you know, at DEP, or whether
12 we're at Department of Transportation, we're
13 all communicating on issues that are out there
14 that are maybe obstacles to, you know, to job
15 creation.

16 One example that -- we had a call from a
17 company in Clay County, that is a company
18 called VATCOM that has about 240 employees, and
19 they had an issue with their licensings of
20 their trucks to the point there was a glitch in
21 our pol -- in our policies and regulations that
22 they were going to move that operation to
23 Georgia.

24 And we got with EOG, we got with our
25 Budget Office, worked with the appropriate

1 departments and we were able to solve that
2 issue, as talking as a team, to save those jobs
3 that normally, when you had a communication
4 gap, they just get frustrated, give up, and
5 then just go across the state line where it
6 would have been easier for them to do their
7 licensing of those vehicles if we had not
8 corrected that. So that's just one example.

9 Another example of things that have
10 changed is innovative thinking. Looking at all
11 our resources, or look at all our tools to
12 compete. Another example of that is the
13 Embraer Research and Design Center that's going
14 to be built in Melbourne. You look at that
15 facility -- and I think is a great example of
16 entities working together.

17 First of all, Governor Scott in our
18 mission last October to Brazil, this is where
19 the company said we're thinking about doing
20 this R and D center, we're looking at other
21 countries, we're looking at doing it here,
22 we're looking at other states. This is a
23 highly competitive project.

24 And we were able to sit and look at what
25 they were doing there at the facility outside

1 of São Paulo, Brazil, and get a feel for what
2 they're doing with engineering. He said, you
3 know, this is something we want to have in
4 Florida, how do we approach this.

5 And so the team was Space Florida, looking
6 at our toolbox of incentives differently,
7 looking at innovation fund for a project like
8 this which typically had been used mainly in
9 life sciences sector, is how do we bring these
10 engineering jobs to the State of Florida.

11 And I'm proud that we were able to win
12 that project. You'll have 200 engineers,
13 average salary is \$70,000 a job. They're in
14 Melbourne because of the fine work of our
15 leadership reaching out to the company, being
16 aggressive, and looking at an innovative way of
17 using Space Florida, using existing programs in
18 a different manner to bring engineering jobs
19 for the students that are in our engineering
20 programs, also for the transition for those
21 along the Space Coast that are looking for
22 engineering opportunities.

23 So with that -- I kind of call that a game
24 changer. And having those types of facilities
25 that will see growth not only for Embraer, but

1 for other people that will be using these types
2 of engineers for design of aerospace products
3 there on the coast.

4 The other thing that we've done, and the
5 culture has changed, is -- and I just said
6 that, we're aggressive. We are -- I like using
7 the word "relentless." My boss is relentless
8 in his efforts everyday, picking up the phone,
9 calling companies, sending letters, and that --
10 and -- and -- and that trickles down to the
11 entire team.

12 Our entire team, pick up the phone, work
13 with the locals; if it's an expansion, an
14 opportunity for expansion, if it's a company
15 outside the state we think ought to be in the
16 state, we're aggressively picking up the phone
17 and telling them the Florida story. So I think
18 that has been a big change in the last year.

19 If you look at job growth -- and I kind
20 of -- I kind of -- I have to simplify it in my
21 mind how do you get your hands around the
22 700,000 jobs that we're going to create in
23 seven years. And so to leverage that, I look
24 at three areas that we have to really focus on
25 to get those 700,000 jobs.

1 The first sector of that is competitive
2 projects. Those are the type projects that you
3 typically will -- you might read about, you'll
4 hear about where a company is looking at
5 multiple locations. The Embraer project is a
6 great example of a competitive project that is
7 looking for where is the right location to put
8 our business. That's where the toolbox of
9 incentives will come into play, it's where you
10 see states will compete against states,
11 communities will compete against communities,
12 and countries will compete against our
13 locations.

14 The second area is facilitated growth.
15 Those are areas where you really look at where
16 the state has made a conscious decision in
17 investing in the area where there will be job
18 creation. And the last is the -- what we
19 consider organic growth is where we have a
20 natural market. But I'll kind of go through it
21 real quick and give you an idea of what we're
22 doing in those areas.

23 For example, in the competitive job growth
24 area, we are seeing increased activity in that
25 area. Again, being aggressive, being

1 relentless in our efforts, it's important if
2 you're selling the state to have a strong
3 pipeline of opportunities. And so we're out
4 there telling our story, people in this room
5 are out there that are telling the story of
6 Florida and they're generating leads for us to
7 follow up on.

8 And so if you look at that, where we are
9 to date, this year we've had, you know, 79
10 projects to date that represent about 8,000 new
11 jobs, and another 3500 retained jobs, and those
12 are in the competitive projects sector where
13 we're competing for those jobs. If you look at
14 that, the capital investment of those
15 announcements that we've had to date, that will
16 represent \$730 million to the state in the
17 CAPX, and if you look at the jobs that are over
18 55,000 is the average wage, is the grouping of
19 those jobs that we've seen so far.

20 The pipeline. Active projects today,
21 we're working 309 active projects at Enterprise
22 Florida. Again it's like sales, you have to
23 have opportunities to follow up, and what we
24 see of active projects that have real projects
25 that are competing for jobs today, there are

1 309 of those in our pipeline. Space Florida is
2 also working another 105 active projects as
3 well, and as part of our goal is to win as many
4 of those as we can in that competitive job
5 sector.

6 We tell our story through the aggressive
7 outreach. I mentioned some of the activities
8 of the Governor. Our team though last week we
9 were at the BIO 2012 conference in Boston, did
10 a presentation. We had about 90 companies
11 signed up to come here for the life sciences
12 story for the State of Florida. The week
13 before at a Forum of the Americas where our
14 team did a day-long meeting with companies from
15 Canada that are interested in doing business in
16 our state. So we're aggressively marketing the
17 state, telling our story, and that is paying
18 off.

19 Again some of the examples there: a
20 company called LimeTree that is going to locate
21 in Gainesville. Aggressively seeking out this
22 company after a faculty member there at the
23 University of Florida had an email, followed up
24 on the email and discovered that there was an
25 opportunity for this company to really look at

1 the State of Florida.

2 They will tell you that Florida was not
3 really on their mind. But as our team became
4 more engaged, the business leadership of this
5 state became more engaged telling them the
6 opportunities here, the Governor picking up the
7 phone and talking to the CFO, we were able get
8 them to come and give a real hard look at the
9 State of Florida. And we're very fortunate
10 we're going to get 400 jobs in Gainesville,
11 engineering jobs, software development jobs
12 because LimeTree chose the State of Florida.
13 And the list goes on and on for competitive
14 projects that we're doing great on.

15 As I mentioned, if you look at the -- at
16 the project activity, and if you look at where
17 we were this time last year, this is what we
18 call the announced projects in the competitive
19 sector. You can see that we had a 16-percent
20 increase this year alone for this time last
21 year.

22 If you look at the other measures there as
23 far as job growth in that sector, that's up
24 about 35 percent, the average wage in that
25 sector is up 8.2 percent, and the capital

1 investment is up about 64 percent over this
2 time where we were last year. In the
3 competitive job sector. So we see a great
4 trend there, and I think it's the result of our
5 aggressive activity and our team really getting
6 out there hustling for the Floridians, for jobs
7 for our people.

8 If you look at the sectors where the jobs
9 are coming from in the competitive sector -- I
10 always find this interesting because you kind
11 of want to know where the activity is and if
12 it's working, let's do more of it -- what we
13 call the strategic challenges sector -- and we
14 did this because manufacture can be in the life
15 sciences, it can be in IT, but we do a grouping
16 of manufacturing that's outside of our targeted
17 sectors. So if you look at strategic
18 challenges, that's made up of manufacturing,
19 corporate headquarters, and some emerging
20 technologies. That's 39 percent of our
21 projects to date. So a lot of activity going
22 on in that one particular sector. If you look
23 at the next ones, the IT sector is 16 percent
24 and the next one is life sciences which is 11
25 percent.

1 And what's interesting in the State of
2 Florida we are really beginning to be
3 recognized more and more as a destination for
4 the life sciences companies. We had one of the
5 venture capital funds just locate in the
6 innovation hub there in Gainesville as well.
7 Choosing Florida not only to do business here
8 but also from a venture capitalists standpoint
9 that they feel the market is ripe and the
10 opportunity for them to invest in the life
11 sciences and emerging companies. So we really
12 feel good about the growth going on in that
13 area.

14 If you look percentage wise the State of
15 Florida is the second fastest growing life
16 sciences state in the union. We're second
17 behind a state that I'm not going to mention by
18 name any more because I'm not going to give
19 them the billing. But that they had a grown
20 from like two to nine companies. So percentage
21 wise, they're a little higher than us, but we
22 have about 900 companies in that sector and
23 we're continuing to grow. So I'm very excited
24 about the activity that we have there.

25 The second bucket of jobs is facilitated

1 growth, and that's what I said, that's where we
2 make a conscious decision as the state to
3 invest in. The easiest one of those is
4 tourism. We know that we increased the budget
5 for tourism for this upcoming fiscal year, and
6 we'll be looking for a greater return on
7 tourism dollars expended with more visitors
8 which leads to job creation in that sector.

9 If you look at VISIT FLORIDA -- and,
10 Chris, it's his team's numbers are here to
11 date, they're up 2.4 percent than they were
12 this time last year. Last year we had 84.9
13 million visitors to the State of Florida, and
14 as I said, we're up 2.4 percent this year in
15 that sector.

16 Another facilitated growth sector that we
17 consciously make decisions to work in, and
18 that's in our international sector of trade.
19 With 14 deep-water ports, with the logistics
20 systems that we have, it's logical that we
21 continue to leverage that area and will
22 continue to do so. But the trade activity up
23 year over year from last year is up 16.2
24 percent, and if you -- that's a -- last year it
25 was \$64.8 billion of trade from the State of

1 Florida is origin of -- Florida as the origin
2 of the products exported.

3 We are the second largest state when it
4 comes to the number of companies that are
5 exporting. So we have about 55,000 companies
6 in our state that export. Most of those are
7 small- to medium-sized enterprises. Again our
8 team with Enterprise Florida do an excellent
9 job of working with SMEs focused on helping
10 them to export to emerging markets or existing
11 markets.

12 We are the largest user of the Department
13 of Commerce Gold Key Program which is an
14 assistance program of the Department of
15 Commerce to help small companies get into
16 markets, and the State of Florida is the
17 largest user of that program. So again we're
18 going to continue to leverage that.

19 We've mentioned sports. Sports would come
20 into this area. In particular things that
21 we're doing with spring training, and how to
22 continue to take what we have, leverage that,
23 grow that business. As you've heard from
24 Larry's presentation earlier, sports has a \$36
25 billion economic impact in the State of

1 Florida.

2 And there's more in those areas that we're
3 going to -- and his -- wants us to -- we'll
4 measure return on investment. We'll do that
5 for Grow Florida and we'll do that for
6 Institute for Commercialization, and the ones
7 that we consciously make decisions in the
8 facilitated growth.

9 The last area is one that this state has
10 really taken for granted I think a lot of times
11 is, you know, we have a market of 19 million
12 people. And with 19 million people you have an
13 opportunity for companies to say or businesses
14 to say, there's this market here, I have a
15 product that I can sell. But what we see today
16 is companies have a choice. There are other
17 markets beside the State of Florida. And if we
18 don't make it easy for them to start up their
19 business to do business in our state, they'll
20 go elsewhere.

21 If you look at net migration patterns of
22 business and you look at where we lose business
23 and where we gain business, this is a telltale
24 sign of what we're doing in organic growth to
25 make it easy to do business. I'm very proud

1 that our state, our unemployment right now is
2 the lowest it's been since December of 2008.
3 When Governor Scott came in office, it was at
4 12 percent. We're going the right direction,
5 we're making it easier for our businesses to
6 start. In this sector a lot of this rests with
7 locals, we're working with the local -- the
8 counties, the 67 counties on how to work on
9 their rules and regulations, how to give
10 companies an answer.

11 And so we meet with companies everyday.
12 They'll stop us and say, hey, look, I was
13 thinking about doing business here, and I'm
14 just having a real hard time getting through
15 these regulations, getting my permits, getting
16 this. And what we have to do is pick up the
17 phone, call locals and say, hey, we really need
18 you to focus on this.

19 And they're doing that, they're responding
20 well. I'm proud of the efforts we're doing
21 there. But it's like anything, we can -- we
22 have -- we can improve on that system, we can
23 get better on that system. And the more we do
24 that, the more jobs we'll have grow from
25 within. And so we'll continue to focus on that

1 as well.

2 The last thing I want to make -- or last
3 two points I want to make. The first one is,
4 we talked about this is a team sport, I gave
5 some examples of how our teams are working
6 together, but you as the Cabinet I want to
7 thank you for your work as a team. I've
8 mentioned the work of the Governor in his
9 efforts to -- as I said picking up the phone,
10 sending out letters, calling people, meeting
11 with people.

12 But you guys as well have been -- you guys
13 have been on this team as well. I know
14 Commissioner Putnam, you have met with
15 companies that have been interested in
16 agriculture products, you've met with one of
17 our companies that wanted to look at the wood
18 basket and get a good feel for is the wood
19 basket here that will support my company. CFO
20 Atwater, you've done an active outreach as well
21 with companies in the financial sector.

22 And General Bondi I know your office has
23 helped us as many times as well. Once we have
24 companies here, we want compliance. I know
25 your office has done a great job of doing that

1 as well, working with us and making sure our
2 companies are doing what they said they were
3 going to do; and if they're not, we're going to
4 do what's right for citizens of our state and
5 our fiduciary responsibilities.

6 So with that said we have the team side of
7 it, we got people out there aggressively going
8 after products, but the last point I want to
9 leave you with there is the compliance side.
10 And that compliance side is important. Because
11 as I just mentioned, the work of the attorney
12 general. Once we have a company here, they
13 signed a contract and they committed to it,
14 then we will hold them accountable. We will
15 look at market situations, we'll take those
16 into consideration, but we will hold them
17 accountable.

18 We also, once companies have made a
19 decision to locate here and they have announced
20 their project, then we will be transparent on
21 what public finance has gone into the project
22 and we'll share that. So the Department of
23 Economic Opportunity, which is our compliance
24 entity, support entity, so to speak, Hunt and
25 his team there are working hard on compliance

1 side. We will have online by the end of the
2 July our first online example of projects that
3 we work with, the database that will show the
4 companies and the incentives they've obtained.
5 That will be online by July the 31st.

6 And I've also asked DEO to go through and
7 look at each program project by project so that
8 we know from a project by project that there's
9 accountability there, that we're comfortable
10 with the numbers, that we understand every
11 piece of those projects and the compliance and
12 the fiduciary responsibilities that are there.

13 The first program that's completed is the
14 Quick Action Closing Fund, and I will tell you
15 that has been a very good exercise. We have
16 found that the program has actually worked and
17 is working better than what was projected.

18 And so -- what we want people to do and we
19 tried to get this out it was so complicated --
20 talking about incentives -- is that when we
21 actually in the state commit to a project
22 funding and it goes into a spreadsheet, that
23 does not necessarily mean the company is going
24 to locate in Florida. It means that we've made
25 our commitment, we've solidified it from a

1 compliance standpoint, but they still may
2 choose another state. If they choose another
3 state, good riddance, I hope they do well
4 there, but we want them to come to Florida.
5 But not everyone that we count is going to come
6 to Florida. So there's often confusion on
7 that.

8 But with that said, our program is working
9 well. We've used this chart to kind of show
10 how economic development projects work. They
11 start at a bigger piece, and as we work down
12 the process and we get the projects that
13 actually sign contracts that move forward with
14 their projects, as you can see from the life of
15 the Quick Action Closing Fund, we had a 116
16 total projects, those that have chose to move
17 forward were 78. And if you look at that, the
18 number of jobs that they were required to have
19 in the maintenance of those jobs, we're
20 basically 5.6 percent higher than what we
21 should be at that given -- at this given time.

22 So the programs are working, we're going
23 to continue to monitor those. And a lot of
24 good things happening in economic development,
25 we're on the right track, I appreciate the

1 support of the Cabinet and I appreciate the
2 support of this team. Thank you, Governor.

3 GOVERNOR SCOTT: Thanks, Gray. The way
4 the Quick Action Closing Fund actually works is
5 that if -- these are your dollars, these are
6 citizens of state's dollars, and if they don't
7 get their numbers they committed to us, then
8 they pay us back. So it's a very accountable
9 system, and it's -- so -- and it's working very
10 well.

11 Does anybody have any questions for Gray?
12 Commissioner.

13 COMMISSIONER PUTNAM: Thank you, Gray, for
14 that presentation and for all the good work
15 you're doing. I think it's outstanding. And I
16 appreciate you're using the whole team where
17 appropriate and where it makes sense and,
18 Governor, I appreciate you do that as well.

19 When we lose out to another state, I
20 assume you follow up with some kind of a survey
21 to find out what the deal breaker was. And
22 when we do that over time is there a common
23 theme about what the obstacle is that
24 consistently causes us to lose business across
25 sectors, across industries, across skill

1 levels, and wage levels, and everything else?

2 SECRETARY SWOOPE: Yeah. One of the
3 things, Commissioner Putnam, it's one of the
4 most difficult things, you can survey, but most
5 of the time you won't get the truth. Because
6 the companies are very reluctant to tell you,
7 through a survey mechanism, this is why. So,
8 you know, with the relationships that we're
9 building with a lot of these businesses, we can
10 tell you through conversations, we have a
11 pretty good gut feeling the reason why we lose
12 those projects. It varies.

13 But I will tell you that there's not a
14 trend that's emerged from that. I think when
15 we look at it, you know, we ask ourselves all
16 the time if we lose a project, why did we lose
17 it. What we found out is a lot of the times,
18 if it's a relocation, you know, it's very
19 expensive for a company just to pick up and
20 relocate, even though their reoccurring
21 expenses may be less here, it's that initial
22 front-end expense of doing that. That's -- in
23 that strategic projects sector, that's probably
24 the biggest obstacle when it comes to
25 headquarters is that's one of the biggest

1 obstacles.

2 GOVERNOR SCOTT: But -- Gray, I was
3 reading something -- but, commission, one of
4 the issues that we deal with -- and, Gray,
5 maybe you said this -- so we got -- you know,
6 we're were working hard with the state, all of
7 our offices work hard at these things, but
8 sometimes it's a local issue that -- but --

9 SECRETARY SWOOPE: Yeah.

10 GOVERNOR SCOTT: -- I think the positive
11 is that now the local issues we're dealing
12 with, people are being very -- are more
13 responsive, is that right?

14 SECRETARY SWOOPE: Yeah, they are. Look,
15 we have a great team around the state with
16 economic developers in all 67 counties that we
17 work with. And in most of those cases, you
18 know, it's a combination if we lose the
19 project, it may be something locally, it may be
20 something from a state perspective. So it's
21 hard to pinpoint one particular thing.

22 But in some of the issues that we've
23 seen -- as I talked about, even in the -- in
24 the what we consider our market-driven organic
25 growth approach where rules and regulations on

1 the local level become so burdensome that a new
2 business may not start up, it also applies to
3 the competitive projects side. So there has
4 been a lot of frustrations the state would have
5 that it's just easier to do business at another
6 location than in the state. And that's a
7 combination of both state and local.

8 And certainly with the legislative body
9 here, Governor, I think there's been about 1500
10 rules and regulations removed from the books
11 that are -- you know, that prevent businesses
12 from creating jobs, the same thing is happening
13 on a local level. And I could tell you -- and
14 you know this in your travels too around the
15 state, there are counties that are focused on
16 it, there are mayors that are focused on it,
17 how do we streamline that approach.

18 Because it's not a -- it's not a -- it's
19 not we're saying, look, we don't want any
20 regulations. Companies just want to take --
21 how do we get to I can get started. What's my
22 timeline, how do I get there. And what drives
23 them crazy is, oh, you didn't have anything in
24 the application, come back in a 30 days. Oh,
25 you come back in a 30 days, oh, you need to add

1 something else. By the way, in July we don't
2 meet because we're going on vacation. Those
3 things drive companies crazy.

4 And it's just -- and at some point they'll
5 say, look, you know what, I'm just going to go
6 where I already have a facility somewhere else
7 and expand there. And so we really listen
8 intently, and when there is an issue like that,
9 Governor will pick up the phone, I'll pick up
10 the phone, our team go talks to the locals and
11 we will work our way through that.

12 GOVERNOR SCOTT: You know, one of the
13 things that Gray brought up, I think LimeTree
14 is an example, that could potentially -- they
15 come in with only 400 jobs -- 400 jobs, that's
16 a lot -- but there's a potential of getting
17 3,000 jobs there. But that happened because a
18 professor at UF responded to an email, the
19 company was not even thinking about coming to
20 Florida. So everybody in the state can have an
21 impact, everybody's got a relationship, so
22 we'll all have -- everybody here, everybody in
23 this room could have an impact if we -- we talk
24 to people, talk about what a great place this
25 is to live, work, and play so...

1 And we're -- you know, we're now perceived
2 number two in the country to Texas, and I'll
3 let Governor Perry know times up, under *Chief*
4 *Executive Magazine*. And that's -- it has an
5 impact when people read that -- all the things
6 we're doing. So everybody that can do
7 something, every article that we get out that
8 talks about what a great place this is to live,
9 work, or play has an impact on more jobs.

10 And we -- we've had a lot of progress in
11 this great state, unemployment's dropped to an
12 over three-year low, but we have 800,000 people
13 out of work so we have a lot of work left to
14 do. But everybody's -- I -- everybody's
15 working hard. Thanks a lot. Anything else?

16 SECRETARY SWOOPE: Thank you.

17 GOVERNOR SCOTT: Thanks. Good job.

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1 GOVERNOR SCOTT: All right. Now, I would
2 like to recognize Deputy Commissioner Greg Hila
3 with the Office of Financial Regulation. Good
4 morning, Greg.

5 DEPUTY COMMISSIONER HILA: Good morning,
6 Governor Scott, good morning General Bondi, CFO
7 Atwater, and also Commissioner Putnam. I'm
8 Greg Hila, Deputy Commissioner of the Office of
9 Financial Regulation, and we have five items
10 for your consideration this morning. The first
11 one is the Office request the approved -- the
12 approval of the minutes for the April 24th,
13 2012 meeting.

14 GOVERNOR SCOTT: Is there a motion to
15 approve the minutes?

16 CFO ATWATER: Move.

17 GOVERNOR SCOTT: Second?

18 ATTORNEY GENERAL BONDI: Second.

19 GOVERNOR SCOTT: Moved and seconded. The
20 item is approved without objection.

21 DEPUTY COMMISSIONER HILA: Our second item
22 deals with rule amendments in the Financial
23 Institutions Division of our Agency. The
24 Office requests the approval of publishing
25 notices of proposed rules in the FAW to amend

1 seven regulating -- excuse me -- to amend seven
2 rules regulating financial institutions as a
3 result of the 2011 enhanced rule review. These
4 amendments are to make the rules consistent
5 with the statutes.

6 GOVERNOR SCOTT: Okay. Why don't we do
7 all -- we got four of them, just do all of them
8 and then we'll just do the voting at the same
9 time.

10 DEPUTY COMMISSIONER HILA: Okay. The
11 first one is a licensing and chartering of
12 financial institutions; the second is state
13 credit unions, banks, trust companies, savings
14 banks and associations, and international
15 banks.

16 GOVERNOR SCOTT: Okay. All right. Why
17 don't you go ahead and -- all right.

18 DEPUTY COMMISSIONER HILA: Would you like
19 me to review each?

20 GOVERNOR SCOTT: Go through all of them
21 and then we'll vote.

22 ATTORNEY GENERAL BONDI: Sure.

23 DEPUTY COMMISSIONER HILA: Okay. The
24 third item is the securities rule amendments.
25 The Office requests the approval to publish

1 notices of proposed rules in the FAW to amend
2 eight rules regulating securities as a result
3 of the 2011 enhanced rule review. These
4 amendments remove redundancies, reflect
5 technological changes, and make the rules
6 consistent with the statutes.

7 And those -- the third is for the Division
8 of Finance, and these amendments align the
9 rules to the statutes for consistency.

10 GOVERNOR SCOTT: Okay. Are there any
11 questions so far?

12 CFO ATWATER: There are some other
13 things.

14 GOVERNOR SCOTT: Okay.

15 DEPUTY COMMISSIONER HILA: Lastly, we're
16 proposing a new rule -- is this okay?

17 ATTORNEY GENERAL BONDI: We're going to do
18 all four.

19 GOVERNOR SCOTT: I messed it up, the whole
20 process so...

21 ATTORNEY GENERAL BONDI: We're going to do
22 all four.

23 GOVERNOR SCOTT: Yeah, we're going to do
24 all four and then we'll vote.

25 DEPUTY COMMISSIONER HILA: If you have

1 questions, I'll be happy --

2 GOVERNOR SCOTT: We don't have --

3 DEPUTY COMMISSIONER HILA: -- to go
4 through each and every item.

5 GOVERNOR SCOTT: -- questions.

6 DEPUTY COMMISSIONER HILA: Okay. The
7 fifth is a rule that we're proposing --

8 ATTORNEY GENERAL BONDI: Four.

9 DEPUTY COMMISSIONER HILA: -- and the
10 Office requests approval to publish a notice of
11 intent to adopt federal standards for the
12 following proposed rule relating to financial
13 institutions. The Commission is required to
14 adopt rules for a minimum due diligence for
15 certain financial institutions chartered in
16 Florida. The Office proposes to adopt the U.S.
17 Treasury Department rules as standards,
18 specifically the standards apply to those
19 institutions that maintain certain accounts
20 with foreign financial institutions to detect
21 whether those institutions facilitate the
22 development of weapons of mass destruction by
23 Iran or provide support for foreign terrorist
24 organizations.

25 GOVERNOR SCOTT: Any questions?

1 ATTORNEY GENERAL BONDI: Governor, it's
2 just to clarify for the record I think you
3 meant item 4, correct, since we're voting on
4 all these all together?

5 DEPUTY COMMISSIONER HILA: Well, we went
6 through the -- we went through the -- the four
7 were actually the minutes, and then the three
8 divisions --

9 ATTORNEY GENERAL BONDI: Oh, the minutes.
10 Okay.

11 DEPUTY COMMISSIONER HILA: -- and then the
12 fifth was the new rule --

13 ATTORNEY GENERAL BONDI: Okay.

14 DEPUTY COMMISSIONER HILA: -- involving
15 the weapons of mass destruction with the
16 banking situation.

17 GOVERNOR SCOTT: Does anybody have any
18 questions?

19 ATTORNEY GENERAL BONDI: No, Governor.

20 DEPUTY COMMISSIONER HILA: Okay.

21 GOVERNOR SCOTT: Is there a motion to move
22 for all these?

23 CFO ATWATER: So moved.

24 GOVERNOR SCOTT: Is there a second?

25 ATTORNEY GENERAL BONDI: Second to move

1 items 1, 2, 3, 4, and 5.

2 GOVERNOR SCOTT: Moved and seconded, the
3 item -- moved and seconded, the item is --
4 items are approved without objection. Thank
5 you.

6 DEPUTY COMMISSIONER HILA: Thank you.
7 Today is a special day, not only did I have the
8 honor to meet before you esteemed folks, but
9 it's also the day that my wife Claire and I
10 celebrate our 30th wedding anniversary.

11 GOVERNOR SCOTT: Oh, great.

12 ATTORNEY GENERAL BONDI: Congratulations.

13 (Applause.)

14 GOVERNOR SCOTT: Thank you, Greg.

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1 GOVERNOR SCOTT: Next I would like to
2 recognize Commissioner Kevin McCarty with the
3 Office of Insurance Regulation to provide us an
4 update on the status of the Florida property
5 insurance market. Good morning.

6 COMMISSIONER McCARTY: Good morning,
7 Governor, and Members of the Cabinet. It's a
8 great opportunity today, particularly with
9 Debby making her contribution to the Florida
10 tropical storm season. It's a timely
11 opportunity for me to present to the Financial
12 Services Commission and to the public at large
13 a broad discussion about the state of the
14 Florida homeowners' insurance market.

15 And I would like our presentation today to
16 focus on three areas. First of all I want to
17 talk about the composition of Florida insurance
18 markets which has really evolved over the
19 years, and it makes Florida unique in the
20 prospect that we really rely very heavily on
21 global reinsurance. So I would also like to
22 also talk about the status of the reinsurance
23 market and how that capital is tapped in and
24 used to pay for catastrophic claims.

25 And lastly I would like to talk about the

1 financial conditions of our Florida domestic
2 market. As many of you have know in these
3 presentations that I have made before there are
4 many headwinds that have been facing our
5 domestic market with going many years without
6 making a profit even though we went six years
7 without a hurricane.

8 Three messages I hope that we take away
9 from today's presentation based upon the
10 evidence presented is despite the challenges we
11 had in the past, and the fact that last year
12 was a record year for catastrophic losses in
13 the reinsurance industry -- as a matter of fact
14 it was the second worse reinsurance year in the
15 history of record keeping in the reinsurance
16 market -- that, first of all, that the
17 financial profitability of the insurance
18 companies has improved and has improved
19 markedly; number 2, international reinsurance
20 markets are reporting extraordinary capital, as
21 a matter of fact additional capital, and
22 actually new vehicles for attracting
23 nontraditional reinsurance capital, which is
24 evidence that even after the catastrophic year
25 as 2011 that capital markets will return to

1 reinsurance, which is again is critical to our
2 market; and lastly the Florida companies are
3 well positioned this year to face a major
4 catastrophic event.

5 First of all in discussion of our
6 marketplace, it's important to note that our
7 market has changed pretty dramatically over the
8 years. Since Hurricane Andrew, there's been a
9 very significant exodus of what we call
10 traditional multistate carriers from our
11 marketplace, and about nine months after
12 Hurricane Andrew about 20 percent of the
13 insurance companies exited the marketplace.

14 In House Bill 1980 the Florida Legislature
15 recognized that indigenous Florida companies
16 and entrepreneurs were going to be critical to
17 the backbone of resuscitating our marketplace
18 and provided \$250 million of capital to provide
19 incentives for money to come to Florida. It's
20 been a hugely successful project in that today
21 60 percent of the business in Florida is
22 indigenous Florida companies, that are Florida-
23 grown companies.

24 The other 16 percent is traditional mostly
25 out-of-state companies, some of those are also

1 regional companies, and lastly, of course,
2 about 24 percent of the marketplace is
3 represented by Citizens Property Insurance
4 which accounts for more policies than most of
5 us we would like to see.

6 Citizens has embarked on a very aggressive
7 program since December of this year with a
8 hundred plus filings to reduce their exposure
9 by reducing the attractiveness of their
10 policies, reducing coverage to cap at a million
11 dollars, reducing pool screens, reducing
12 liability coverage from 300 to 100,000, and
13 there's lot more they have planned, and I'm
14 sure my friend and colleague from Citizens,
15 Mr. Gilway, will explain that in more detail
16 following my presentation.

17 COMMISSIONER PUTNAM: While you're looking
18 for the next slide, what's the -- Citizens is
19 24 percent, what's the highest market share of
20 any private insurer?

21 COMMISSIONER McCARTY: I think that's
22 about 18 percent. I will get those -- I'll get
23 a breakdown of those companies for you. It's
24 Universal P&C is the next largest company.

25 GOVERNOR SCOTT: About 16.

1 COMMISSIONER McCARTY: 16.

2 GOVERNOR SCOTT: About 16.

3 COMMISSIONER McCARTY: Can I turn this
4 back. I'm having technical trouble. I went
5 one too far here. Let's say previous, that
6 should be self-evident. And there we go.

7 Okay. For the -- the next slide is to
8 give some indication of the overall surplus of
9 the domestic companies as it's grown over the
10 past four years. If you look at the capital
11 position of our domestic market in 2009, we
12 were at \$3.6 billion, \$3.8 billion, and then in
13 2012 that has increased to \$3.86 million [sic],
14 and that's an increase of 360 -- \$377 million.
15 The purpose of this slide represents that as
16 capital increases so does the ability to
17 increase your capacity to take on additional
18 risks and leverage that with additional
19 reinsurance.

20 GOVERNOR SCOTT: Commissioner, did the --
21 was part of the issue the fact that the
22 assessment risk that you could assess 100
23 percent of surplus in a short period of time,
24 didn't that restrict the amount of surplus
25 people wanted to have in the state?

1 COMMISSIONER McCARTY: Well, I think that
2 will certainly help going forward.

3 GOVERNOR SCOTT: And that was eliminated.

4 COMMISSIONER McCARTY: Yes, it was. There
5 are number of things that we're going to see --
6 I think that the very next slide, and then some
7 of the other actions that were taken. Clearly
8 what the legislature did in the sinkhole reform
9 in 408 was a harbinger for change in terms of
10 the vision that investors have. But this slide
11 I think evidences it even further.

12 Overall this slide is very positive. It
13 gives financial performance of the marketplace,
14 you know, that premium earns are up. But if
15 you look at the second to last, one is
16 underwriting gains and underwriting losses. If
17 you look at the slide for the first quarter
18 2011, it says \$9.5 million, and then you look
19 at first quarter 2012 is \$39 million. That's a
20 very significant increase. Those are the kinds
21 of signals that are very positive.

22 Because again, as I said before, let's
23 just go back a couple of years. If you look
24 at -- and I wish I put it on a slide. I didn't
25 think of that until this morning. But if I put

1 on 2009 first quarter, it would be a minus 65.3
2 million without a storm. And if you look at
3 2010 first quarter, it would have been a minus
4 82.3 without a storm.

5 And so to go to a positive nine, and then
6 to positive 39, it sends a very positive
7 message. And that is attributable I think to
8 improved underwriting, appropriate pricing, and
9 legislative changes that I think address some
10 very fundamental problems that are not only
11 dealing with sinkhole, but I think with some
12 systemic problems in our system.

13 The next slide here is to put for the
14 purposes of understanding how just -- that --
15 that -- the Florida domestic marketplace
16 works. Of course, one of keys to a successful
17 market like Florida is to be able to tap into
18 the reinsurance market. So in a typical
19 company -- and this could be \$20 million
20 company or a 60 million company -- will have
21 anywhere from 15 to 20 companies, primarily in
22 Bermuda and primarily in the UK, but not
23 exclusively, but those two financial centers
24 are really have been focused on the Florida
25 marketplace. So they may be supported by 15 or

1 20 companies.

2 Those companies may then turn around and
3 retrocess the -- about five or six of that of
4 that to other companies. What this achieves is
5 the globalization of risk. You know, the
6 fundamental concept of insurance is
7 diversification and diversification of risk,
8 underwriting and diversifying. The best way to
9 bring in more capital to Florida is to
10 counterbalance the risk in Florida with a
11 tsunami in Asia, an earthquake in California,
12 and through reinsurance and then reinsuring the
13 reinsurer, you're spreading that risk on a
14 global level, again providing more capital for
15 Florida.

16 And it's important to understand that many
17 people in the popular press only look at the
18 surplus of the company, and that's very, very
19 misleading. But if look at the \$3.8 billion in
20 surplus, that is supported by \$19 billion of
21 surplus from the capital markets vis-à-vis
22 reinsurance.

23 To help articulate this point, you know,
24 you hear a lot about the big, if the big one
25 that hits, if it would happen, well,

1 reinsurance is a critical component of not only
2 in our state but in many states in the
3 Southeastern United States and the gulf region,
4 according to an RAA report, reinsurers paid 59
5 billion of the \$98 billion in losses due to
6 Hurricanes Rita, Wilma, and Katrina in 2005.
7 Which equates to roughly 60 percent of overall
8 insured losses, which again highlights the
9 importance of diversification and global access
10 to capital markets.

11 Today a regulatory agency such as
12 ourselves and rating organizations such as A.M.
13 Best and Demotech have been more stringent in
14 the amount of risk companies are allowed to
15 retain. As a matter of fact, Demotech has
16 stated that optimally they would like their
17 insurers not to retain more than 15 percent
18 surplus in catastrophe risk.

19 This is an overall view of what an
20 individual company would look like. The first
21 level is the company retention level. The
22 second level is what you would purchase through
23 the reinsurance market. This is generally
24 speaking the most expensive part of
25 reinsurance, the piece above the company

1 retention, but below the attachment point to
2 the Cat Fund. And between the -- the companies
3 have the options of buying 45, 75, or 90. The
4 overwhelming majority of companies purchase the
5 90 percent so they purchase up along side the
6 Cat Fund, but in addition companies buy a layer
7 above that which is a much less expensive part
8 of equation.

9 All of these layers -- the point of this
10 is all of these layers are put there to protect
11 the integrity of the surplus of the company.
12 So the fact that you have a storm you don't
13 automatically subtract from that the surplus of
14 the company because only a portion of that is
15 utilized before you penetrate the layers of
16 reinsurance that had been provided.

17 The expansion of global capital is
18 probably the most -- I think is one of the most
19 interesting phenomena of this year. We thought
20 that after hurricane season 4 and 5, the
21 reinsurance market in Bermuda was devastated.
22 The markets were only able to recapitalize
23 through very, very aggressive pricing, in some
24 cases well over a hundred percent from years
25 before.

1 Similarly last year was a catastrophic
2 year which had earthquakes in Japan, floods in
3 Thailand, earthquakes in other areas, as well
4 as some of the worse tornadoes in the history
5 of United States, if you remember Joplin, you
6 remember Alabama, yet they were able to
7 capitalize even more this year than the capital
8 that they had in 2011.

9 When we did a survey in combination with
10 Towers Watson, we -- 12 of the Bermuda
11 reinsurers evidenced an increased interest in
12 providing more coverage to Florida companies.
13 Now, some of them are providing more coverage
14 to individual companies and some are writing
15 more companies in the general. In the London
16 market equally important as Bermuda we had as
17 many as eight companies looking to increase
18 their capacity while 18 said they would
19 maintain their current capacity.

20 I think one of the other very interesting
21 phenomena is because of some of the challenges
22 that many of the fund managers are
23 experiencing, the Florida marketplace actually
24 looks very attractive in terms of risk
25 diversification. Now, they don't want to take

1 a lot it, but when you counterbalance that with
2 other risks, and the return on capital that's
3 available, adding Florida exposure was very
4 advisable to fund managers to increase the
5 overall profitability of their fund. So we
6 have another \$2.5 billion this year in
7 additional nontraditional reinsurance available
8 for the Florida marketplace.

9 The Office has also worked very carefully
10 with our colleagues in the Bermuda Monetary
11 Authority. I think a lot of people are
12 concerned how strong are these companies, are
13 they going to be able to make good on their
14 claims. Well, in addition to the rating
15 organizations, these are all solidly rated
16 reinsurance companies, but we also have a
17 sharing arrangement, we have an agreement to
18 work with the Bermuda Monetary Authority, we
19 have bilateral conferences with the Bermuda, we
20 work with the National Association of Insurance
21 Supervisors as well as NAIC to work and to have
22 a better understanding through cooperation and
23 collaboration as to their internal models, as
24 to their estimates, and as to their appetite
25 for risk. And again as I tell you, there is

1 more and more pressure for reinsurance
2 companies to retain more capital and which is
3 why they're using more -- spreading their risk
4 through retroceding their product as well.

5 And the last couple of slides really I
6 just wanted to address the overview of our
7 market in particular. Our Office does a
8 comprehensive examination/investigation of the
9 reinsurance program and risk distribution of
10 our companies every year. They comprise of 95
11 percent of the overall insurance market of the
12 people doing business in Florida and is
13 comprised of three surveys of information.

14 The first is the preliminary data call.
15 And because of nature of the Florida
16 marketplace, that the Cat Fund starts in Jan --
17 in July. Our companies are in market in May
18 for their first attempt to negotiate through
19 their broker their first attempts at
20 reinsurance.

21 We have already received that data, that
22 is being followed up by the actual placements
23 which is called the slips. That's occurred
24 last week, we'll be receiving those, we
25 received some of those last week, we're in the

1 process analyzing those. And the last one is
2 essentially a reconciliation to ensure that the
3 reinsurance was purchased throughout the
4 hurricane season.

5 We have reviewed reinsurance programs
6 related to domestic market and found 96 percent
7 of reinsureds had bought at least one in
8 80-year events with some insurers have insured
9 up to 100 and -- one in 250-year events. This
10 is just based on the preliminary data. We
11 believe that after the analysis of the second
12 data call, that all of our companies will be
13 insured up to one in 80-year event.

14 I think this is important because I think
15 there's been some misunderstanding by some in
16 the press, I think that they're overly relying
17 on the surplus numbers and not full
18 appreciation on how diversified the risk
19 becomes through the utilization of global
20 capital that our companies are in a very good
21 position.

22 Depending on who you talk to Hurricane
23 Andrew was one in 33-year storm, a one in
24 50-year storm, but clearly our companies could
25 withstand a Hurricane Andrew. And when you

1 speak about Andrew, you know, we lost 10
2 companies and 20 percent of the market left so
3 we're well-positioned to handle a Hurricane
4 Andrew.

5 To say in conclusion I have to say that
6 the profitability of our companies have turned
7 around dramatically since the beginning of 2009
8 when companies were hemorrhaging from losses
9 particularly reopened Wilma claims as well as
10 from the sinkholes. We have turned the corner
11 in that regard, which I think are positive
12 messages to the investment community, not only
13 for start-up companies but for adding capital
14 to our existing companies.

15 The international reinsurance markets
16 are -- have record capacity since I've been
17 insurance commissioner. I've not seen as much
18 capital in Bermuda and in the UK as I see
19 today. And Florida insurers are well-
20 positioned to respond to the hurricane crisis.

21 I recently had the opportunity to meet
22 with CEOs from 10, 12 reinsurers in Bermuda as
23 well as seven or eight reinsurers in the United
24 Kingdom and they have all expressed how
25 critically important Florida is to them. They

1 really are committed to the Florida market.
2 It's very important for them for a number of
3 reasons, it serves obviously as a funding
4 source for them to diversify risk around the
5 globe. They have a lot of confidence in the
6 Florida marketplace today.

7 I also had an opportunity to meet with the
8 new entrepreneurs, the fund managers as they're
9 looking at some innovative new products that
10 are coming. And this is interesting because
11 this actually offers competition to the
12 reinsurance market. And if you're able to
13 bring more capital in and compete with
14 traditional reinsurance models, that puts
15 downward pressure on rates and hopefully that
16 eventually will bring more stability in our
17 marketplace.

18 And, you know, the message that they gave
19 to me is that they find Florida to be very
20 attractive, and the message that I gave to them
21 is we appreciate that and Florida is open for
22 business. Thank you very much and appreciate
23 the opportunity to update you.

24 ATTORNEY GENERAL BONDI: Thank you,
25 Commissioner. Gentlemen, do you have any

1 questions?

2 CFO ATWATER: Thank you, General.
3 Appreciate it. Commissioner, back on slide 3
4 when Commissioner Putnam noted the present
5 market shares in that pie. And I know you have
6 to qualify your answer to this question, but
7 given the changes from Senate Bill 408, given
8 the experiences over the last six or seven
9 years now with wind-related losses, so that's
10 both a question as to underlying policy changes
11 that may related to the matters such as
12 sinkholes and to the lack of events that have
13 occurred on the wind side. Do you see -- or
14 would you be anticipating over the next three
15 to four years the nondomestic insurer is
16 expressing an interest to return or to be more
17 aggressive in marketing in Florida? What would
18 be your forecast there?

19 COMMISSIONER McCARTY: Well, you know,
20 that's a very good question, CFO Atwater. I
21 think that everyone's business model is very,
22 very different, and I think that you got to
23 remember the nationals are buying reinsurance
24 on a national basis, some of them buy
25 reinsurance on a global basis. They do a lot

1 of their product development on a national
2 basis.

3 Florida's policy form, policy rules are
4 very, very different. They would -- they need
5 a different team of experts. Some are willing
6 to make that commitment to understand the
7 complexities of the Florida marketplace, some
8 are not.

9 I've spoken to a number of CEOs of varying
10 degrees, many of them large companies that had
11 a bigger presence in Florida in the past, and
12 some of them said, yeah, they would be
13 interested in doing it. But it's on the
14 margins and they probably will do that and
15 quite candidly they might put their toe in the
16 water so to speak to see what happens.

17 There is always concern, and this is the
18 concern that I got in Bermuda, and this is a
19 concern I got in London, is what will be the
20 political reaction in the State of Florida if
21 we have a big event. If we trap capital,
22 there's a moratorium, is there a freeze on
23 rates, you know, so... I think what they like
24 to see is with so much capital available, so
25 much capital making it more affordable and such

1 positive steps are taken, I think there's an
2 appetite for them to evaluate and maybe make
3 some inroads, but I don't think you're going to
4 see wholesale, heard mentality people coming
5 back to those numbers.

6 And a lot of that has to do is that the --
7 the Florida companies that are -- the much
8 maligned Florida companies, many of them have
9 become very, very successful, but they're
10 successful because they've assembled a team of
11 people from underwriting, claims paying, and
12 development of the forms that are Florida --
13 they've learned -- they cut their teeth in
14 Florida and they understand The Florida Bar,
15 the Florida public defenders, the different
16 environment that Florida is. And so they're
17 better -- they're better honed, they're better
18 sensitized to be able to negotiate difficult
19 challenges that Florida makes to the better
20 extent than a national company would, generally
21 speaking. Generally speaking.

22 CFO ATWATER: Governor, could I have
23 follow up? Commissioner, in looking at that
24 again pie chart with 24 percent of markets
25 being in Citizens, as we all share that I think

1 the same sentiment of creating an environment
2 where, in the not too distant future, that
3 market share is less. Who do you see absorbing
4 that -- then the question would be in the
5 initiatives to depopulate -- will that
6 absorption come from Florida domestics or would
7 we -- would we expect to see that market share
8 from the nondomestic that maybe seeing changes
9 in Florida look to be a more rational in the
10 significant losses that were taking place
11 during sinkhole fraud, clearly a tremendous
12 amount of sinkhole fraud that was taking place
13 in claims. Where do you see that absorption
14 taking place?

15 COMMISSIONER McCARTY: Well, you know, I
16 had some preconceived notations as to what I
17 thought that was, but I thought it would be
18 better positioned if I asked some of the
19 experts that would put up the money, which were
20 that some of the CEOs of some of the largest
21 companies, and their familiarity in terms of
22 their relationships in terms Florida are with
23 the Florida companies. I think what they would
24 like to see is to take the additional capacity
25 and help either in an indirect way, whether

1 it's to increase quota share, increase -- so
2 they would take companies -- and the management
3 teams that they have become familiar with,
4 comfortable with over the years.

5 Now, many of these companies support the
6 national companies as well. But in terms of
7 their -- when they come and make their pitch
8 for reinsurance, it's the folks who have been
9 on the grounds, paid claims through hurricane
10 seasons, understood the nuances of non-Cat
11 losses, they're concerned about the non-Cat
12 losses as much as the Cat losses because they
13 want your company to be around to buy
14 reinsurance from them in the future.

15 I think their -- I think the confidence
16 will be in potentially new Cat companies, but
17 that's kind of hard because you're untested and
18 so they're going to be a little tepid in how
19 much that comes in. But if you were to ask
20 them to take this additional capacity and at
21 the right price -- and that's really important,
22 because it's there and it's there in a very
23 significant quantity, but not at any price, at
24 the right price -- they would deploy it to some
25 of the people that they had the best

1 relationships with in the last seven to 10
2 years.

3 That doesn't mean to dismiss that they're
4 willing to come back in. I just don't think
5 they would come back in the large numbers to
6 counterbalance what would -- what would be
7 absorbed from the Florida domestic market.

8 CFO ATWATER: Commissioner, there has been
9 some comments that we've probably all had
10 access to read, a very recent regarding our
11 ability to respond to the -- to the filings of
12 forms following 408, and I appreciate that you
13 maybe expressed a concern as to the quality of
14 some of that. Is there anything that you would
15 wish to ask of us as far as necessary
16 resources, temporarily shifting of support in
17 resources? I know what your team does is
18 very -- has an extraordinary level of expertise
19 to do that, so it's not as if we can shift over
20 any individual to try to help. But is there
21 anything that you would -- you would need from
22 us? Just offer some commentary on that -- on
23 that -- on that feedback. Is there anything we
24 can do to be more supportive?

25 COMMISSIONER McCARTY: Sure. And this is

1 a problem that we've been cognizant of. When
2 we deregulated rates on -- commercial rates,
3 our policy forms increased 41 percent in a
4 one-year period, you know. So we've had a
5 huge -- and I'm not here to make excuses, I'm
6 here to explain how we tried to address this
7 issue.

8 On May 9th of last -- of this year we
9 issued an order, I think that was crediting my
10 legal team for their creativity which allowed
11 the companies to certify the accuracy of the
12 information. There are a number of companies
13 who feel as though they've made a few
14 relatively changes and there's no reason to
15 hold up those filings. We did a similar order
16 yesterday on -- of pending filings, as well as
17 future filings.

18 We redeployed resources from several other
19 areas of the Department to go in the forms
20 area; we established a training forum so that
21 we could oversee so we could expedite the
22 filings getting out the door; we did a filing
23 conference, which was really a business
24 development conference a week, a week and a
25 half ago to sit down in a room with the people

1 who do the filings and say here are things that
2 we don't understand that's in the filing that
3 we think would be better, and what can we do
4 better, is there something that we could do
5 better to help you help us. I think we're on
6 the right track, and I think that we will take
7 whatever resources that are necessary.

8 Some of these -- some of these forms are
9 very complex. When you finally have permission
10 from your IT Department to make a holistic
11 change of your form, you don't necessarily put
12 in your 10 408 forms, you probably put in 54
13 other changes that you wanted to make at that
14 time. So the complexity of the filings vary a
15 great deal.

16 There are some companies that benefit from
17 sitting down with one of our seasoned
18 analyst -- not all of them are seasoned, with
19 one of our seasoned analysts -- and share their
20 experiences so some of other the policy forms
21 have had very good luck with the way they've
22 defined water seepage, or the way they defined
23 a sublimit on another policy, and want the
24 benefit of some of the court cases that they
25 may not be aware of, that we are aware of so

1 that we can to help them prevent -- produce a
2 product that prevents them from litigation in
3 the future.

4 But not all companies want that service.
5 So we want to offer them a -- the blend. We
6 want to offer to be able to sit down and
7 provide that consultive service if they want
8 it, but on the other hand, if they want to fast
9 track it, certify it, just say this the one
10 part we're changing, we're going to provide
11 that opportunity as well.

12 CFO ATWATER: So you would let us know if
13 there is anything we can do to help.

14 COMMISSIONER McCARTY: Well, in an ideal
15 world, you know, we went to the legislature
16 when this problem was first identified, said
17 you can deregulate the rates. There were a
18 number of companies for a variety of reasons
19 that didn't want that done, there were some
20 consumers that didn't want that done. We could
21 use a little technology upgrades that would
22 help us. Forms are very, very complex, you
23 might have one form that affects 25 or 30
24 different filings, so if we could have some
25 tools, additional tools in our technology, that

1 would be great.

2 And to be very candid with you, these
3 workloads of some these people are 250, 300
4 form filings, they burn out on. So if I could
5 pay people some more money, I could probably
6 make them do more. You're not in the
7 legislature now, sir, I know if you were, you
8 would help me get those resources.

9 GOVERNOR SCOTT: All right. Anything
10 else?

11 CFO ATWATER: No.

12 GOVERNOR SCOTT: Thank you very much.

13 COMMISSIONER McCARTY: Thank you.

14 GOVERNOR SCOTT: Have a good day.

15 COMMISSIONER McCARTY: Appreciate it.

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1 GOVERNOR SCOTT: All right. Now, I would
2 like to recognize or welcome Barry Gilway.
3 Barry is the newly appointed President of
4 Citizens Property Insurance to provide us an
5 update on Citizens. Good morning.

6 MR. GILWAY: Thank you, Governor.
7 Governor Scott, CFO Atwater, Commissioner
8 Putnam, Attorney General Bondi, I would like to
9 start out by giving you a thank you. I've been
10 on staff for a few days, and I've met
11 individually with each of you or your staffs,
12 and there's just been significant commitment
13 and support in helping us resolve, you know,
14 the Citizens problem so I start out by thanking
15 you.

16 Before we start, the 26th day of the
17 hurricane season, we had report on Hurricane
18 [sic] Debby, so I thought I might at least
19 start by giving you an impact of the storm
20 relative to Citizens. So far as of 7:00 this
21 morning we've had in 1,351 claims, 1311 of
22 those personal lines, about 40 commercial, 84
23 percent of those claims to date are from Pasco,
24 Pinellas, Hillsborough, and Hernando counties.
25 The vast majority are tropical storm claims and

1 water -- water leakage claims, roof leaks.

2 While I recognize that there's a huge
3 difference -- by the way, recognize and rapidly
4 understanding the difference between operating
5 in the private marketplace and the public
6 marketplace, I still believe that the basic
7 principles that govern the private marketplace
8 apply to the public marketplace, the same
9 principles that drive the competitive market
10 apply in both instances.

11 There are some basic principles that I
12 bring forth that I think are important: (1)
13 Citizens as a government entity should not
14 compete with the private market, Citizens
15 should be the insurer of last resort, and we
16 should only take those policies that the
17 private marketplace simply can't absorb.

18 There are three ways to compete in the
19 private market. We compete on the basis of
20 product, you compete on the basis of price, and
21 you compete on the basis of service. Service
22 should be a given. Obviously we owe Citizens'
23 policyholders superior service, it's part of
24 our mission statement. But we should not be
25 competing on the basis of price and we should

1 not be competing on the basis of product.

2 The next issue or principle is
3 communication. When you're operating in the
4 private marketplace, the successful companies
5 are successful because of their effectiveness
6 in communicating, whether it's advertising or
7 otherwise. In our case we are not doing the
8 job we need to do relative to communication.

9 It's absolutely imperative that the public
10 at large understand the full cost of Citizens
11 coverage. In the private market aggressive
12 communication is used to positively
13 differentiate the company. We have a similar
14 objective but it is the exact opposite. In our
15 case we really need to make the public aware,
16 keenly aware, that Citizens' policyholders are
17 subject to an additional tax in the form of
18 deficit assessments potentially over many, many
19 years.

20 Like the private market Citizens should
21 look for opportunities to transfer risk, both
22 in the traditional reinsurance marketplace --
23 and Commissioner McCarty indicated -- in the
24 growing capital market risk transfer
25 marketplace. The reality is every single risk

1 that is transferred into the international
2 market is a dollar of risk that is taken off
3 the back of Floridians. So not only should
4 Citizens be noncompetitive for consumers that
5 are looking for coverage, but Citizens has to
6 be creative in developing strategies to
7 motivate the market to compete and take out the
8 policies from Citizens.

9 The goal isn't just to take out policies
10 with Citizens, the goal is to take those
11 policies and place them with a financially
12 stable insurer and obviously keep those
13 policies with a financial stable insurer.

14 Now, I'm standing before you today with
15 seven days on the job so please do not presume
16 that I'm going to stand here and offer a
17 comprehensive set of solutions relative to this
18 marketplace. My obligation to my board is to
19 do a comprehensive thorough assessment of all
20 the opportunities that might be made available
21 to us, and obviously considerable work has been
22 done already, assess those opportunities with
23 the strengths and weaknesses, and then, only
24 then make a recommendation to the Board. Many
25 of the comments that I'll be discussing with

1 you today frankly are observations. So coming
2 into a new company, what am I looking at and
3 frankly what can I decipher from some of the
4 information that's available to us.

5 This first slide demonstrates the
6 movements of policies both in and out of
7 Citizens. It's an interesting slide, somewhat
8 surprising to me but it's an interesting
9 slide. As you can see in red, this basically
10 is the coastal account.

11 Now, the coastal account has not changed
12 for well over a decade. If you take a look at
13 the numbers that coastal account had some
14 465,000 policies in force back in '96 before
15 the creation of Citizens, and today we're
16 looking at 457,000. So the coastal account has
17 been consistent. I'm not suggesting by the way
18 that's the lowest level in any way, shape, or
19 form that we can get the coastal account
20 ultimately.

21 Obviously the volatility relative to
22 Citizens, as you can see in green, is basically
23 in the PLA. What I found interesting in this
24 slide is that very clearly there are many
25 things that are clearly within Citizens'

1 control.

2 This would tell you, for example, that in
3 '08 and '09 depopulation alone was responsible
4 for reducing Citizens' policy count by 385,000
5 and now a hundred and forty-nine thousand
6 respectively. So there are things that can be
7 done to reduce the overall exposure and policy
8 count within Citizens.

9 The next slide takes a look at probable
10 maximum loss. As Commissioner McCarty
11 indicated, really the industry standard and a
12 standard used by most of the rating agencies is
13 not ultimate exposure, the industry standard
14 really is a hundred year loss. That's
15 basically a benchmark that the industry uses.

16 Said another way for Citizens there is a
17 one-percent chance in any year that our losses
18 will exceed \$21.5 billion. And as you can see,
19 the PML has remained relatively constant at
20 least over the years represented on this slide
21 from '07 through the first quarter of 2012.
22 I'll be commenting on this later, but almost \$2
23 billion in the first quarter of this year is --
24 as a result, a reduction of \$2 billion is as a
25 result of the actions that Citizens has taken

1 relative to the filings that Commissioner
2 McCarty responded to.

3 The thing -- the next point I would like
4 to make -- and I think this is probably the
5 most critical slide in the presentation. So
6 there's a number of different points I think
7 that jump off the page. The first is -- and I
8 don't think I've heard this discussed to the
9 extent I believe it needs to be.

10 The first is surplus to surplus, when it's
11 gone, it's gone. Which means after a
12 significant storm -- and, for example, let's
13 just say a 10-year PML. So a 10-year probable
14 maximum loss of Citizens is \$2.8 billion. A
15 25-year probable maximum loss is \$7.4 billion.

16 So what I'm really saying is that if we're
17 sitting here today with \$6 billion worth of
18 surplus, after one storm, one 10-year storm,
19 which we have a 10-percent chance of happening,
20 basically our surplus is 50-percent depleted
21 and our assessment load starts. The assessment
22 is triggered at a significantly lower level.

23 We have one 25-year storm, surplus is
24 gone. So take a look at the overall
25 profitability of the company, if you're not

1 contributing to surplus in that company, then
2 obviously assessments are triggered almost
3 automatically at the end of the year.

4 For any loss -- another indication here.
5 For any loss in excess of \$6 billion, we have
6 to rely on alternative mechanisms. Private
7 insurance -- and I'll be talking a little later
8 about reinsurance and what we are doing in that
9 regard -- both in the traditional market and
10 the Cat Bond market, coverage from the Cat Fund
11 and then borrowed money.

12 GOVERNOR SCOTT: There again you'll talk
13 about the Cat Fund and its ability to pay
14 later.

15 MR. GILWAY: Yes. The pre event -- one
16 significant point here, so -- because this
17 slide can get a little confusing -- and that is
18 the pre-event liquidity or the borrowed money
19 indicated on this chart is not risk
20 transferred, and any moneys used must be repaid
21 through reinsurance recoveries or assessments.
22 In other words, we're going to be reassessing
23 well below the \$19.5 billion level.

24 So we're going to discuss -- the next two
25 slides really discuss some of the solutions

1 that Citizens is currently working on and
2 Commissioner McCarty when he referred to the
3 100 plus filings that have been made in
4 addition of course to those under
5 consideration. So the first thing we're
6 attempting to do is create a product that is
7 noncompetitive in the marketplace.

8 At the December 6th presentation by
9 Chairman Lacasa he presented that entire list
10 of coverages, they're all designed to reduce
11 the competitive nature of the Citizens
12 product. If we can't compete or if we are
13 competing on the basis of price, it's clear
14 that we have to compete on the basis of product
15 or in our case compete on the basis of not
16 having a preferred product.

17 Now, I have not listed -- I did not intend
18 to go over all 160 items on his list, but I
19 have -- in the interest of time -- but I have
20 attached to this presentation a complete list
21 of every initiative underway and provided a
22 status report as to where we are relative to
23 those -- those items.

24 The next item -- and by the way, I think
25 this is an area where Citizens has made huge

1 progress, in fact, I would even suggest that
2 it's industry-leading progress. In 2011
3 Citizens transferred a total \$575 million in
4 exposure to the reinsurance markets. This year
5 we almost tripled risk transfer using a
6 combination of both traditional reinsurance and
7 an extremely innovative Catastrophe Bonds.

8 The Catastrophe Bond program launched by
9 Citizens -- I think this is key -- is the
10 largest single issuance, single issuance of Cat
11 Bonds in the industry today. In our meeting in
12 Miami on Wednesday evening all I can tell you
13 is there was huge respect shown for
14 Sharon Binnun as CFO and Chairman Lacasa
15 relative to the work effort necessary in
16 order -- the order to get these placed.

17 But very, very innovative, very strong,
18 and it's interesting in that it's really -- and
19 I believe Commissioner McCarty referred to
20 this, the interest is it's outside of Florida,
21 it's transferring the risk outside of Florida,
22 and it's transferring it to a completely
23 different set of investors. So this is an area
24 frankly where I think Citizens is ahead of the
25 game.

1 One of interesting aspects I should add
2 which is very unique, even for some of the
3 investors and underwriters we're talking to on
4 Wednesday, is that Sharon was able to basically
5 negotiate -- given the cost of money today --
6 she was able to negotiate a two-year program,
7 2012 and 2013. So depending upon that loss
8 activity this Cat Bond could also apply at
9 those rates to the 2013 marketplace.

10 Now, one of the areas that -- frankly, I
11 need to learn much more about, because I think
12 frankly it is one of the -- one of the areas
13 with the biggest opportunity. You saw an
14 earlier slide where we were able to move
15 385,000 policies out of the market in one
16 year. That's a pretty staggering number.

17 So depopulation, you know, in my mind is
18 an absolute key. Year to date we have 80,000
19 policies that have been removed from the
20 market, and we're on pace to almost double the
21 number of policies taken out last year.

22 Obviously that pales in comparison with the
23 385,000 I noted earlier, but we are actively
24 and aggressively taking a look at many
25 innovative solutions that were raised in

1 response to the recent depopulation summit.

2 Frankly, I'm not in a position at this
3 point to evaluate each of these. It's one of
4 first things on my agenda. I really need to
5 dig into these and determine if it's something
6 that we should be recommending the Board. But
7 I do believe it's a huge opportunity relative
8 to depopulation.

9 There are some numbers I need to get my
10 head around. The -- what is interesting is
11 that even though we go through the process of
12 depopulation, and we convince a carrier to
13 remove those policies, 30 percent of the
14 policies don't stick, so almost 30 percent of
15 policies do not stick as a result of either an
16 agency -- principally as a result of the agency
17 decline.

18 So the bottom line here is the Board has
19 challenged myself, have challenged the staff to
20 really look at this issue in detail. I need to
21 meet with many of the folks that Commissioner
22 McCarty has met with, I need to meet with the
23 carriers, I need to meet with the
24 independent -- representatives of the
25 independent agency system.

1 I will tell you that I'm a huge fan --
2 after 42 years in the business, I'm a huge fan
3 of the impact of the independent agency system
4 can have on our results and their ability
5 frankly to manage the removal of policies.
6 They can have a huge impact in my estimation.

7 I was asked to very briefly just spend a
8 minute going over so how does this -- how does
9 this work, how does depopulation work. It
10 starts out with authorized insurers' interest
11 in removing the policies. We go through a
12 process of providing them to their
13 specifications access to confidential claims
14 underwriting files to evaluate their book of
15 business, obviously subject to confidentiality
16 agreements. They receive approval by order
17 from the Office of Insurance Regulation of the
18 actual takeout plan.

19 We work with Citizens to select the
20 policies for removal and notify the
21 policyholders' agents. And then they receive
22 an acceptance of the takeout offer from
23 policyholders and agents, and then the
24 assumption, you know, occurs. So that's the
25 basic process that I was asked to review.

1 There are some fascinating numbers here.
2 Of the 80,000 policies my initial -- my initial
3 thinking is what we're doing is taking out the
4 policies from the most preferred counties.
5 That's not the case. The -- some of the things
6 we really got to get behind and understand a
7 little better is most of the depopulation is
8 occurring in Miami-Dade, Broward, Hillsborough,
9 Lee, and Pasco counties. So all it is at this
10 point is an observation. I don't know what's
11 occurring but it represents, in my opinion, an
12 area we need to look deeply into and it really
13 represents some significant opportunities in my
14 opinion.

15 I talked a little earlier about
16 communication and there is absolutely no
17 question that it is -- it's necessary for
18 Citizens' customers, or for that matter any
19 insurance customer, any Floridian, to make an
20 informed decision relative to the product that
21 they're buying. So it's essential that the
22 Citizens policyholders understand the
23 differences, they understand the differences in
24 coverage, they understand the differences in
25 assessment liability before choosing to

1 purchase that coverage with us. It seems
2 equally important for all Florida policyholders
3 to understand the assessment load that they are
4 subject to.

5 So we need to educate on assessment
6 potential. Now, this list is simply an initial
7 list. Has not been discussed with the Board,
8 needs to be far more comprehensive. But at
9 first blush, clearly we need to understand what
10 the level of knowledge is on the part of
11 Citizens and non-Citizens' policyholders
12 relative to this issue. So we do have a survey
13 that is being developed to survey Floridians to
14 see whether or not they know about the
15 assessment potential.

16 I think we need to work through the press,
17 we need to work with the editorial boards
18 throughout the state. We can hold townhall
19 meetings, we can create educational materials
20 for companies and for agents to work with, and
21 revised assessment acknowledgment form to
22 include an example. What we can't rely on, you
23 know, clearly is a signed assessment form at
24 the time of sale, and really believe that
25 assessment form is understood by the

1 policyholder before they make their choice. We
2 can't do that. It has to be a much more
3 extensive -- much more extensive communication
4 program.

5 Now, the slides that I've been referring
6 to all related to catastrophe, hurricane risk.
7 This slide is in my opinion at least as urgent
8 in that this is now, this is immediate, this is
9 happening today, and that's the issue of
10 sinkholes. And we are in the process of
11 developing a comprehensive sinkhole strategy.

12 I am going to share some numbers with you
13 that in my mind are staggering, because I have
14 yet to face the magnitude of these numbers
15 running any of the private insurers that I've
16 been responsible for in the past. Since '07
17 Citizens has collected \$206 million in sinkhole
18 premiums and we've paid \$1.2 billion in losses
19 and allocated loss adjustment expense.

20 While that number is astounding, it's the
21 impact that it's having on the current book of
22 business. When I take look at the PLA account,
23 and obviously we need to make money in order to
24 contribute to surplus to fund the
25 responsibilities going forward. What's

1 happening with sinkhole and the PLA account is
2 the loss ratio alone on PLA, it actually grew
3 from 53 percent to 74 percent. We collected
4 about \$50 million in premium, we paid out \$454
5 million in losses in one year. That's
6 staggering.

7 At 20 percent of entire PLA loss ratio
8 relates to sinkhole claims. Now, the activity
9 this year is down 25 percent relative to claim
10 count. It's dropped from a little over 2,000
11 to around 1600. So it's down roughly 25
12 percent in terms of the actual claims. It's
13 still averaging on a monthly basis, we're still
14 receiving about 350 claims per month. So, I
15 mean, it really is a staggering number.

16 And by the way, even though we received
17 fewer claims, the indemnity costs projected for
18 this year are going to be very, very close to
19 what we experienced in 2011. We're still on
20 that same pace. One disturbing number is,
21 without getting into too much detail which
22 frankly I don't remember them, is that the
23 increase in claims received from attorneys and
24 with attorney involvement has tripled over the
25 last year. Where we had 50 claims we now have

1 a hundred and fifty claims coming in through
2 that mechanism which obviously has a huge
3 impact on our litigation cost.

4 Excuse me. Let me get back here.

5 Obviously we need to develop a comprehensive
6 strategy for sinkholes. And although I need to
7 dig in, I need to find out the detail, I need
8 to understand it far more effectively myself, I
9 know we're working on coverage, we're working
10 on claims handling, we're working on fraud
11 prevention, we're looking at litigation, we're
12 looking at managed repair program, and we're
13 looking at legislation that would basically
14 improve those results. I would suggest this is
15 an immediate problem, it's critical, and it's
16 an area frankly that truly deserves, you know,
17 our immediate attention.

18 Now, we all understand, and I believe
19 everyone does, everyone I have talked to so far
20 says the same thing. I don't think there's any
21 lack of clarity around -- excuse me --
22 Citizens' direction or the direction we should
23 be heading. Everyone understands that the
24 concept is and our objective is to return
25 Citizens to the insurer of last resort, we

1 discussed the strategies and actions that are
2 in motion to further that objective, we focused
3 on the efforts to develop a less competitive
4 product from a coverage standpoint, and our
5 intention to fully educate Floridians on the
6 differences between Citizens and the voluntary
7 market and the need for creative depopulation
8 solutions.

9 I've only been here for seven days and I
10 do believe --

11 GOVERNOR SCOTT: It doesn't work in
12 politics to say that.

13 MR. GILWAY: Thank you, Governor. I do
14 believe that the changes that we're making and
15 the changes that we can make much of it is
16 within our control. We can make huge
17 progress.

18 But the analogy I've been using, you know,
19 within Citizens is more of a manufacturing
20 analogy. If a product costs \$50 to manufacture
21 and we're selling that product for \$30, you
22 don't make up the difference through volume.
23 The reality is that's what we're doing today at
24 Citizens. We are basically manufacturing an
25 insurance product for \$50 and we're selling

1 that product for \$30.

2 Now, what I felt is a little sensitivity
3 around the issue of rate during my initial
4 exposure to this position. But at some
5 point -- I'll change this analogy just a little
6 bit -- at some point we have to face the
7 1,000-pound alligator in the room, and that
8 1,000-pound alligator is rate. I don't have
9 the solutions, I truly do -- I'm beginning to
10 understand the balancing act that comes with
11 that. Balancing, you know, the need for rate
12 adequacy, the impact that rate adequacy will
13 ultimately have on assessments or assessment
14 liabilities, but I also listened today to a
15 report on economic development and clearly the
16 ultimate solution also has to consider the
17 impact that -- excuse me -- that our actions at
18 Citizens will have on the economic development
19 of the state.

20 So with that I look forward to working
21 with you -- each of you in working towards a
22 solution. I appreciate all the offers of
23 support that I received, I know that with the
24 leadership of the Cabinet and with that of the
25 Legislature and with a lot of hard work on the

1 part of Citizens' employees, we can make
2 meaningful -- meaningful progress in attracting
3 the private market back into the state. So
4 those are my comments. Questions?

5 GOVERNOR SCOTT: Should the -- one thing I
6 think you and I talked about when we sat down
7 was this idea that we need to make sure
8 policyholders understand the risk, and my
9 recollection from when Citizens came and
10 presented that last December is there was going
11 to be a survey. There was going to be a survey
12 done to see -- because my concern is that I
13 can't understand why people are buying this if
14 they understand how much risk they're taking.
15 Do you know where that -- where the process has
16 been? Because that's been six months or
17 something.

18 MR. GILWAY: All I can tell you is it's
19 one of the first things my staff presented to
20 me and I know that -- that it's in process,
21 it's under development. In fact, they have
22 asked me, you know, to frankly take a look at
23 the questions on the survey. I would like to
24 be involved in that personally, Governor,
25 because, you know, a survey is only as good as

1 the way you structure the questions.

2 GOVERNOR SCOTT: Right.

3 MR. GILWAY: And I really want to make
4 sure that we truly -- we truly are asking the
5 right questions, and that we get a
6 comprehensive answer. So at this point,
7 Governor, I would say that the survey is under
8 development and we'll expedite that as quickly
9 as we can.

10 GOVERNOR SCOTT: On -- when you look at
11 the exposure Citizens had, part of you're
12 relying on the Cat Fund, right, have you had
13 any time to focus on the risk of the Cat Fund,
14 its potential inability to borrow the money it
15 will pay out.

16 MR. GILWAY: I think it would be
17 inappropriate for me to, you know, really
18 comment on, you know, the financial viability
19 of the Cat Fund. I understand the issue,
20 because we're looking for -- in our case we're
21 looking to the Cat Fund fund under a \$22
22 billion PML for \$6.7 million in reinsurance
23 recoverable. So I understand the significance
24 of the issue, but I have not yet, Governor,
25 looked into it in detail.

1 GOVERNOR SCOTT: Any other questions?
2 Anybody?

3 CFO ATWATER: No.

4 GOVERNOR SCOTT: Thank you very much, and
5 we look forward to hearing about how you have
6 success depopulating Citizens and reducing the
7 risk for the citizens of our state.

8 MR. GILWAY: Thank you very much.

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1 GOVERNOR SCOTT: All right. The next item
2 of business is the consideration of the
3 appointment -- an appointment to the Parole
4 Commission. As you recall in April we
5 appointed a Parole Qualifications Committee to
6 provide us with recommendations to fill the
7 vacancy that will occur at the end of the
8 month. I would like to thank the committee
9 members for all their hard work as they
10 reviewed applicants for this important
11 position.

12 The Committee submitted three names to
13 each of our offices for consideration. Is
14 there a motion to appoint one of the candidates
15 to the Parole Commission?

16 COMMISSIONER PUTNAM: Thank you, Governor,
17 I want to thank first of all the Parole
18 Qualifications Committee for the hard work that
19 they put into the selection process and they
20 did forward three outstanding candidates for us
21 to consider. But I would nominate and move the
22 nomination of Melinda Coonrod.

23 GOVERNOR SCOTT: Okay. Is there a
24 second?

25 ATTORNEY GENERAL BONDI: I would second

1 that, Governor --

2 GOVERNOR SCOTT: Okay.

3 ATTORNEY GENERAL BONDI: -- strongly.

4 GOVERNOR SCOTT: Okay. Moved and
5 seconded. Any objections?

6 (No response.)

7 GOVERNOR SCOTT: The appointment is
8 approved without objection. Congratulations.

9 And also we need to select a chair and
10 vice-chair to serve a two-year term on the
11 Commission. Is there a motion for a chair and
12 vice-chair?

13 ATTORNEY GENERAL BONDI: Governor, at this
14 time I would move to reappoint Tena Pate as the
15 Chair of the Parole Commission, and I would
16 also move to appoint Bernard Cohen as Vice-
17 Chair of the Commission.

18 GOVERNOR SCOTT: Is there a second.

19 CFO ATWATER: Second.

20 GOVERNOR SCOTT: Moved and seconded. Any
21 objections?

22 (No response.)

23 GOVERNOR SCOTT: The appointment is
24 approved without objection. Congratulations to
25 all three of you.

1 ATTORNEY GENERAL BONDI: Thank you for
2 your service.

3 GOVERNOR SCOTT: Yeah, I just want to tell
4 you that we do -- we do clemency cases every 90
5 days, we do about a hundred cases. I know you
6 review a lot more cases than that, and you do
7 it -- everything I hear it's done very
8 professionally and with compassion for both the
9 individual that's asking for a review and also
10 for the victims, the victim or victims, so I
11 just want to thank everybody because it's not
12 an easy job.

13 ATTORNEY GENERAL BONDI: And, Governor,
14 I've seen them in action so many times on
15 parole hearings, and they put so much time and
16 work in each of those cases as well. Thank
17 you.

18 GOVERNOR SCOTT: Oh, yeah. Could we --
19 is -- Melinda and your family like to stand.

20 (Applause.)

21 GOVERNOR SCOTT: Melinda, would you
22 introduce your family.

23 ATTORNEY GENERAL BONDI: Oh, they're cute.

24 COMMISSIONER COONROD: Good morning.

25 GOVERNOR SCOTT: Good morning.

1 COMMISSIONER COONROD: I want to thank
2 you, Governor, Members of the Cabinet for this
3 opportunity. I'm truly honored to be selected
4 as a member of the Florida Parole Commission.
5 I have with me my husband Steve, my daughters
6 Christina, Kelly, and Amanda. Thank you.

7 GOVERNOR SCOTT: Thank you. And all of
8 you, your wife and mother has a great
9 reputation, and she's going to do a wonderful
10 job, and she's going to join a very good group
11 that really cares about our state. Thanks for
12 your service.

13 (Applause.)

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1 GOVERNOR SCOTT: All right. Members we
2 have another appointment for consideration. As
3 you know, Lisa Vickers will be joining the
4 Senate President's office next month -- can't
5 imagine why she would want to do that. The
6 President Designate Gaetz holds Lisa in the
7 same high esteem we do and we wish her well and
8 know that she will be an asset to his team.

9 Lisa was not able to be in attendance this
10 morning, I think she's already gone to the
11 other side, but I'm certain each of us has had
12 an opportunity to congratulate Lisa and express
13 our appreciation for her service to the state.
14 Lisa -- I think all of us would say the same
15 thing -- Lisa did a great job on behalf of the
16 state. And the Department of Revenue has been
17 very well run and is very well received both in
18 our state and around the country. So she's
19 done a great job. She'll be missed.

20 All right. Is there a motion to appoint
21 an interim director?

22 ATTORNEY GENERAL BONDI: Yes, Governor. I
23 would move at this time to appoint
24 Marshall Stranburg as Interim Executive
25 Director. He currently serves as the Deputy

1 Executive Director of Department of Revenue for
2 more than 20 years experience at that
3 Department. He's been legal adviser to the
4 Department for many years, he's known
5 nationally in matters of state taxation, and at
6 this time I would move him as interim
7 director.

8 GOVERNOR SCOTT: All right. Is there a
9 second?

10 COMMISSIONER PUTNAM: Second.

11 GOVERNOR SCOTT: Is there public comment
12 on the appointment of interim director? Yes,
13 ma'am. Good morning. Still morning. Good
14 morning.

15 MS. ANDERSON: Good morning. Thank you
16 for giving me a moment to speak. First of all,
17 Mr. Stranburg is --

18 GOVERNOR SCOTT: Can you introduce
19 yourself.

20 MS. ANDERSON: I'm sorry. My name is
21 Sheila Anderson. I live and work in Ocala,
22 Florida, which had five minutes of sunshine
23 yesterday --

24 GOVERNOR SCOTT: I know, not much. And
25 it's not going to have much tomorrow either.

1 MS. ANDERSON: There's hope, in any case,
2 that the storm will keep moving.

3 Mr. Stranburg's credentials and
4 qualifications as Interim Director are
5 surpassed by his qualifications and credentials
6 to be a permanent Executive Director of the
7 Department of Revenue, and I want to make that
8 point not only on my own behalf in some
9 communication with him, but also from other
10 people who have dealt with him have it said
11 that even when there is a disagreement with
12 whatever policy or positions which they have an
13 interest, his reasoning and positions have
14 always been based on the law and have always
15 been principled and he has always conducted
16 himself in an exemplary manner.

17 So I think you've made a wise decision.
18 And I hope that you will consider him for a
19 permanent job. The only question I have is
20 what opportunities there are to find somebody,
21 if one would exist, who would be even more
22 qualified. And that's not because he isn't at
23 least for the moment my first choice and
24 others' first choice, the question is on behalf
25 of all the people in the state in a public

1 process where any executive director from any
2 agency is -- is identified in a public process
3 and that there are previously published
4 criteria for the job.

5 Before Lisa was appointed as executive
6 director, the people who served in that
7 capacity were not professionally trained and
8 did not always represent the people of the
9 state in the way we would have liked.
10 Lisa Vickers has changed a great deal of the
11 agency. There's still a little bit of work
12 left to be done as you may know. So
13 Marshall Stranburg's appointment today is a
14 good step in continuing the progress that's
15 been made and hopefully he'll continue.

16 I brought with me today -- I'm not going
17 to take your time -- some documents that relate
18 to the Value Adjustment Board meeting in
19 Hillsborough County that was scheduled today at
20 9:00, and a workshop that was scheduled to
21 follow it. In response to the letter
22 Steve Keller wrote that was given to you a few
23 months ago, they didn't -- they never responded
24 to the letter.

25 There are a number of reasons why

1 taxpayers who appeal their assessments in
2 Hillsborough County might have reason to be
3 concerned about the lawfulness and integrity of
4 that process as a result of the lack of a
5 response to Steve's letter. So some of us
6 developed some questions to be asked about the
7 due process environment in that county. I
8 asked each of your offices if somebody was
9 going to attend the meeting and I never got a
10 response, although I have met with some Cabinet
11 aides who discussed what was going on there and
12 what was necessary.

13 One of the things that has occurred in the
14 Department of Revenue for which we should all
15 be grateful is that for the first time a
16 supreme court litigation the Department
17 presented an amicus brief on behalf of a
18 taxpayer. I don't think that's ever happened
19 before. And I think it's for the first time a
20 real good step in the right direction of
21 fairness and integrity and compliance with the
22 laws that govern taxation -- property
23 taxation.

24 And it would be a good idea to having
25 opened the door and set that precedent to

1 consider other circumstances where similar
2 attention to what the law is and exhibiting
3 complied by the local jurisdictions and having
4 the Department take a stand that's based on
5 compliance with the law and leave politics out
6 of it. And there are some examples in Miami
7 where some of that might be appropriate. So I
8 have put together some documents for you to
9 review that would address what's going on.

10 In Miami the property appraiser is suing
11 well over a hundred taxpayers over the Value
12 Adjustment Board decisions but never challenged
13 the decisions with DOR, never suggested the
14 special magistrates were being -- acting
15 improperly. So while they may have authority
16 to sue by statute, but the credibility of their
17 decisions leaves a lot to be desired.
18 Investigation of that environment by somebody
19 representing any of your offices, Inspector
20 General is one suggestion, would be a very good
21 idea.

22 Also to let you know in the draft training
23 materials that the Department of Revenue has
24 circulated for comments there is a new
25 inclusion, the canon of ethics of the supreme

1 court of the state. That is an absolutely
2 needed and very welcomed addition. The problem
3 is there's no enforcement mechanism. So on a
4 local level if somebody does not comply with
5 the law, there is no place to go to say, hey,
6 I'm not getting my lawful protection.

7 If you're a taxpayer, you're told to sue
8 the property appraiser over value, but that
9 does not address any instances of malfeasance.
10 And there's a definition of that in there that
11 I think is very appropriate you may want to
12 consider. So I have put a tag on each of the
13 documents.

14 I'm going to wind up by saying I shouldn't
15 be here, and I shouldn't know what's going on,
16 and I shouldn't be asking for improvements.
17 It's been -- the point has been made, the
18 question has been asked of me is who is
19 responsible for monitoring this important
20 process, and the answer is there isn't
21 anybody.

22 So you need to consider, and I've asked
23 this before, a means of setting a process for
24 anyone who thinks that they are not being
25 assessed lawfully and their due process rights,

1 their constitutional rights are not being
2 addressed properly needs to have a mechanism
3 for complaint, and then an enforcement
4 mechanism. That's missing. And that's the end
5 piece of the canon of ethics, which is terrific
6 and wonderful except it doesn't take us to a
7 finality what happens if you face this.

8 And you'll see in Hillsborough County
9 three magistrates appear to have conflicts of
10 interests one of whom I believe was a subject
11 of a recent Attorney General's Opinion which
12 was really great, but again what happens if
13 they don't do anything about it today.

14 GOVERNOR SCOTT: Okay. Well, first of
15 all, thank you very much for your comments
16 about Marshall.

17 MS. ANDERSON: Thank you.

18 GOVERNOR SCOTT: And each of us will look
19 at this material and -- and see what is the
20 appropriate action. But thank you very much
21 for coming and taking your time to do this.
22 We're very appreciative.

23 MS. ANDERSON: Thank you.

24 ATTORNEY GENERAL BONDI: Drive safely.

25 MS. ANDERSON: Thank you. By the way, may

1 I just add on a personal note that all the maps
2 and charts of flooding are great, but it would
3 be very helpful to know what roads have been
4 blocked around the state, and if that
5 information becomes available, if that were
6 published.

7 I came up by I-90 -- I-75 yesterday, and
8 cut over and 90 and it was clear the whole --
9 it wasn't -- it was raining, but I didn't
10 encounter flooding. And I went through Live
11 Oak, and that was passable. Going back, it's a
12 challenge to know which roads are going to be
13 safe and where there are going to be problems.
14 And I think that would help --

15 GOVERNOR SCOTT: Okay.

16 MS. ANDERSON: -- commercial traffic as
17 well.

18 GOVERNOR SCOTT: Thank you.

19 COMMISSIONER PUTNAM: I-10 is closed.

20 MS. ANDERSON: I'm sorry?

21 COMMISSIONER PUTNAM: I said, don't take
22 I-10 home.

23 MS. ANDERSON: Well, thank you. I didn't
24 take it over, and I didn't take 301.

25 GOVERNOR SCOTT: This is a full-service

1 cabinet.

2 (Laughter.)

3 COMMISSIONER PUTNAM: Mile marker 321.

4 MS. ANDERSON: Well, the question is, is
5 27A clear and that's so close to the coast
6 there. It could be flooding, and Suwannee
7 River is very low at that point so there's no
8 way to get back.

9 GOVERNOR SCOTT: I think if you call
10 the -- Julie, if you call the highway patrol --

11 MS. ANDERSON: Yeah.

12 GOVERNOR SCOTT: -- they will be able to
13 tell you, right?

14 EXECUTIVE DIRECTOR JONES: That's
15 correct --

16 MS. ANDERSON: I appreciate that. It's a
17 very good suggestion. It should be however
18 public service announcements on radios and
19 other places, it would help everybody to know
20 where it's safe.

21 GOVERNOR SCOTT: Okay. Thank you.

22 MS. ANDERSON: Thank you.

23 GOVERNOR SCOTT: Okay. All right.

24 Having -- Marshall Stranburg's Interim Director
25 appointment has been moved and seconded. The

1 appointment is approved without objection.

2 Marshall, are you here? Just stand up.

3 Congratulations. Thanks for your service.

4 (Applause.)

5 GOVERNOR SCOTT: Do you have any of your
6 family with you?

7 MR. STRANBURG: No, I do not.

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1 GOVERNOR SCOTT: All right. Now, I would
2 like to recognize the Secretary of the
3 Department of Environmental Protection,
4 Herschel Vinyard. Good morning.

5 SECRETARY VINYARD: Good morning,
6 Governor, Members of the Cabinet. We have four
7 items today. The first one is a request
8 approval of three sets of minutes. The first
9 one is the Board of Trustees, Department of
10 Agriculture and Consumer Services minutes from
11 April 19, 2011; the second is the Board of
12 Trustees minutes from the March 20 and April
13 24th, 2012 Cabinet meetings. We recommend
14 approval.

15 GOVERNOR SCOTT: Is there a motion to
16 approve these minutes?

17 CFO ATWATER: So moved.

18 GOVERNOR SCOTT: Is there a second?

19 ATTORNEY GENERAL BONDI: Second.

20 GOVERNOR SCOTT: Moved and seconded, the
21 item is approved without objection.

22 SECRETARY VINYARD: The second item, the
23 Flagstone, City of Miami. The Department
24 requests to withdraw item 2.

25 GOVERNOR SCOTT: All right. Is there a

1 motion -- okay. Is there a motion to
2 withdraw?

3 ATTORNEY GENERAL BONDI: Move to
4 withdraw.

5 GOVERNOR SCOTT: All right. Is there a
6 second?

7 CFO ATWATER: Second

8 GOVERNOR SCOTT: Moved and seconded. The
9 item is withdrawn without objection.

10 SECRETARY VINYARD: Item 3 is Sam's
11 Family's request for a modification of a
12 10-year sovereign submerged land lease in New
13 Smyrna Beach. This modification will increase
14 this marina size by 25,000 square feet.
15 They'll be no new slips, but they are widening
16 the slips and essentially rearranging the
17 mooring area there. The Department recommends
18 approval.

19 GOVERNOR SCOTT: Is there a motion to
20 approve?

21 COMMISSIONER PUTNAM: So moved.

22 GOVERNOR SCOTT: Is there a second?

23 ATTORNEY GENERAL BONDI: Second.

24 GOVERNOR SCOTT: Moved and seconded. The
25 item is approved without objection.

1 SECRETARY VINYARD: Our last item is a
2 conservation easement amendment. It's a
3 request for a modification for the Smith Family
4 Farms Conservation Easement. It was acquired
5 into the Department of Agriculture and Consumer
6 Services' Rural and Family Lands Protection
7 Program. Commissioner Putnam, this was where I
8 was supposed to introduce John Brown with your
9 office, but he lives on the Sopchoppy River and
10 wasn't able to join us today. I do have with
11 us Jim Mueller representing the Smith family if
12 you all have any questions.

13 GOVERNOR SCOTT: Is there a motion to
14 approve?

15 COMMISSIONER PUTNAM: So moved.

16 GOVERNOR SCOTT: Is there a second?

17 ATTORNEY GENERAL BONDI: Second.

18 GOVERNOR SCOTT: Moved and seconded. The
19 item is approved without objection. Thank you
20 very much, sir.

21 SECRETARY VINYARD: Thank you, Governor.
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1 GOVERNOR SCOTT: Next I'd like to
2 recognize Julie Jones with the Department of
3 Highway Safety and Motor Vehicles. Good
4 morning.

5 EXECUTIVE DIRECTOR JONES: Good morning,
6 Governor and Cabinet Members. As to the
7 question on road closures, we post all the
8 closures that we're made aware of through local
9 government on our Web site, on the emergency --
10 on Director Koon's Web site, but we've also
11 started posting on our Facebook. So we're
12 trying to push as many of those. And we do
13 news releases, but we don't do PSAs, because
14 it's such a changing situation, we just keep
15 those lists updated. But we'll try to figure
16 that out --

17 GOVERNOR SCOTT: Local radio has all that
18 information, right?

19 EXECUTIVE DIRECTOR JONES: Yes, they do.
20 Good morning. We have three --

21 GOVERNOR SCOTT: Julie, do you push it out
22 or do they find it? How do you do it?

23 EXECUTIVE DIRECTOR JONES: No, we push it
24 out.

25 GOVERNOR SCOTT: Yeah, okay. So you're

1 doing the right stuff.

2 EXECUTIVE DIRECTOR JONES: Today we have
3 three items for your consideration and
4 approval. The first item we respectfully
5 request your approval for the minutes for the
6 April 24th Cabinet meeting.

7 GOVERNOR SCOTT: Is there a motion for
8 approval?

9 ATTORNEY GENERAL BONDI: So moved.

10 GOVERNOR SCOTT: Is there a second?

11 CFO ATWATER: Second.

12 GOVERNOR SCOTT: Moved and seconded. The
13 item is approved without objection.

14 EXECUTIVE DIRECTOR JONES: Item number 2
15 we respectfully request your approval for final
16 adoption for the repeal of 66 rules for
17 administrative codes 15A, 15B, 15C, that are
18 duplicative or no longer necessary.

19 GOVERNOR SCOTT: Is there a motion to
20 approve?

21 ATTORNEY GENERAL BONDI: So moved.

22 GOVERNOR SCOTT: Is there a second?

23 COMMISSIONER PUTNAM: Second.

24 GOVERNOR SCOTT: Moved and seconded. The
25 item is approved without objection.

1 EXECUTIVE DIRECTOR JONES: Item number 3.
2 We respectfully request approval for the
3 Department's 2012-2013 annual performance
4 contract. This contract contains the same
5 performance standards and measures that are in
6 our current contract but most importantly it is
7 linked to our annual strategic plan that
8 focuses on our four primary goals for public
9 safety, reliable service delivery, leveraging
10 technology, and talent creation and
11 development. Our guiding principles require
12 this document be a current functional
13 representation of our work, be accurate, and
14 focus our performance measures to reflect
15 accountability.

16 This year we've identified opportunities
17 to strengthen and update our performance plan.
18 We're adding five new measures and standards to
19 reflect activities and/or new operational
20 priorities. Specifically one addition is
21 tracking of the percent of uninsured
22 motorists. So we will be reporting on that
23 quarterly for you with all the discussion on
24 PIP and how that's going this year.

25 And another is the effectiveness of data

1 and system security preventive measures. With
2 AEIT going away, the Department has taken on
3 the cyber security unit that was in AEIT and
4 put them to work on our systems. So we're
5 going to be reporting on that, and making any
6 of our information available to all agencies.

7 We've removed two standards because
8 they're no longer being provided by the
9 Department or are no longer considered a
10 performance indicator. We're not doing
11 temporary operating permits any more, and we've
12 shifted the emergency contact information
13 participation monitoring out of the performance
14 plan to a division level. And I can continue
15 to update any milestones there, but over half
16 our drivers now are participating and it's not
17 really a good indicator of our leveraging
18 technology now.

19 And lastly we modified 12 of our current
20 measures or standards. The majority of these
21 modifications we more clearly defined how we
22 measure our performance. We also raised the
23 bar on five of them. So we're going do more
24 commercial vehicle inspections, more timely
25 completion of law enforcement investigations,

1 more timely completion of field investigative
2 intelligence reports, more electronic titles,
3 and more leadership training.

4 Now, there's one area in leveraging
5 technology standards 31 and 32, we've not
6 modified them, but -- and we're still striving
7 for 99.9 percent uptime, but as we -- in our
8 data center. But as we shift our data center
9 operation from Highway Safety to the Northwood
10 Shared Resource Center, we're entering a period
11 of uncertainty.

12 Our Oracle and SQL Server customers
13 include law enforcement agencies, some of our
14 data users, and our tax collectors, and it's
15 very important that the Department provide data
16 to those various entities for transactional
17 services. They rely on us to have near a
18 hundred-percent uptime.

19 Northwood Shared Resource Center has
20 agreed to meet that standard in our service
21 level agreement associated with its
22 consolidation effort, but with some caveats.
23 And so we'll continue to report these
24 performance measures quarterly and hopefully be
25 able to work through not only the transition

1 but also the change in management of our data
2 center.

3 That's 37 measures tied to our agency
4 plan. One of the things we've been working
5 very hard to accomplish is developing a forward
6 and very strategic-thinking department. We'll
7 be updating our strategic planning and our
8 tactics associated with this upon approval and
9 our agency dashboard on the Web site so with
10 that I respectfully request for our annual plan
11 2012-2013.

12 GOVERNOR SCOTT: Okay. Any questions?

13 (No response.)

14 THE GOVERNOR: Is there a motion to
15 approve?

16 ATTORNEY GENERAL BONDI: So moved.

17 GOVERNOR SCOTT: Is there a second?

18 CFO ATWATER: Second.

19 THE GOVERNOR: Moved and seconded. The
20 item is approved without objection. I think
21 everybody says the same thing, thanks for all
22 your hard work, you do a great job running your
23 agency and you do a great service to the
24 state.

25 COMMISSIONER PUTNAM: Don't go to the

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senate.

1 THE GOVERNOR: Kevin's back. I recognize
2 Kevin McCarty with the Office of Insurance
3 Regulation.

4 COMMISSIONER McCARTY: Thanks. Welcome --
5 it's good to be back. There are a few agenda
6 items today. The first agenda is to request
7 your adoption is the minutes of the Financial
8 Services Commission for September 20th, 2011,
9 November 1st, 2011, and December 6th, 2011.

10 GOVERNOR SCOTT: Is there a motion to
11 approve?

12 ATTORNEY GENERAL BONDI: So moved.

13 GOVERNOR SCOTT: Is there a second?

14 CFO ATWATER: Second.

15 GOVERNOR SCOTT: Moved and seconded. The
16 item is approved without objection.

17 COMMISSIONER McCARTY: Thank you,
18 Governor. Then item number 2 is to request for
19 approval for publication for proposed
20 amendments to Rules 690-137.001 and 138.001.
21 Both of these are annual and quarterly
22 reporting requirements and National Association
23 of Insurance Commissioners Financial Condition
24 Exam Handbooks. These are tools that are used
25 by the insurers in the State of Florida that

1 are consistent with the same filing
2 requirements of all the other states. It
3 allows for them to update those filing books
4 and to file them electronically in electronic
5 formats.

6 GOVERNOR SCOTT: Is there a motion to
7 approve?

8 ATTORNEY GENERAL BONDI: So moved.

9 GOVERNOR SCOTT: Is there a second?

10 CFO ATWATER: Second.

11 GOVERNOR SCOTT: Moved and seconded. The
12 item is approved without objection.

13 COMMISSIONER McCARTY: Agenda item number
14 3 is to request for approval for publication
15 amendments to Rule 690-149.003 regarding health
16 insurance rate filing procedures. Pursuant to
17 Florida law, health insurers who are acquiring
18 to seek or renew health insurance policies are
19 required to submit documentation to the Office
20 to demonstrate that the rates are commensurate
21 with the benefits that are being provided.
22 There are certain insurers that have limited
23 credibility that could meet certain limited
24 streamline filing requirements. We want to
25 offer these filing requirements to be published

1 on our Web site to make more efficient filings
2 with regard to our health filings, life filings
3 as well as medical sup.

4 GOVERNOR SCOTT: Great. Is there a motion
5 to approve?

6 ATTORNEY GENERAL BONDI: So moved.

7 GOVERNOR SCOTT: Is there a second?

8 CFO ATWATER: Second.

9 GOVERNOR SCOTT: Moved and seconded. The
10 item is approved without objection.

11 COMMISSIONER McCARTY: Agenda item number
12 4 is a request for approval for publication
13 amendments to the Rule 690-149.002 [sic]. The
14 purpose of this rule is to update and provide
15 edits for our uniform data letter, instructions
16 for life and health insurers to make electronic
17 filings in our I-File system. These are
18 revisions that simply currently take
19 information that is not electronically filed
20 and provide it to be electronically filed.

21 GOVERNOR SCOTT: All right. Is there a
22 motion to approve?

23 CFO ATWATER: So moved.

24 GOVERNOR SCOTT: Is there a second?

25 ATTORNEY GENERAL BONDI: Second.

1 GOVERNOR SCOTT: Moved and seconded. The
2 item is approved without objection.

3 COMMISSIONER McCARTY: The next agenda
4 item is request for proposal for publication of
5 Rule 690-164.030 for various product designs.
6 The Office recently conducted a comprehensive
7 review of agency rules to determine whether
8 some of the rules needed to be modified or
9 eliminated. As a result, it was determined the
10 rule under review here is unnecessary and
11 should be repealed. This rule concerns
12 approaches for guarantees established for
13 universal life policy. Repeal of this rule
14 will make the Florida Insurance Code consistent
15 with the National Association of Insurance
16 Commissioners.

17 GOVERNOR SCOTT: Is there a motion to
18 approve?

19 COMMISSIONER PUTNAM: So moved.

20 GOVERNOR SCOTT: Is there a second?

21 ATTORNEY GENERAL BONDI: Second.

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

24 COMMISSIONER McCARTY: Governor, the
25 Office is requesting the repeal of the

1 following Rules: 690-198.003, license
2 requirement; 200.013, rate filings; 170.112
3 [sic], sinkhole insurance; and 191.072,
4 reinsurance, excess loss insurance. These
5 rules need to be repealed because the state
6 statutes no longer implement them, have been
7 repealed making them obsolete, or they are
8 simply restating in language that is currently
9 in Florida law.

10 THE COURT: Is there a motion to approve?

11 ATTORNEY GENERAL BONDI: So moved.

12 GOVERNOR SCOTT: Is there a second?

13 CFO ATWATER: Second.

14 GOVERNOR SCOTT: Moved and seconded. The
15 item is approved without objection.

16 COMMISSIONER McCARTY: Item number 7,
17 requests for approval for publication of a
18 notice to repeal Rule 690-143.045,
19 definitions. This rule was originally
20 promulgated in early 1970s. The rule defines a
21 list of insurance terms, many of these terms
22 are no longer used, they're inconsistent or
23 obsolete and no longer necessary.

24 GOVERNOR SCOTT: Is there a motion to
25 approve?

1 ATTORNEY GENERAL BONDI: So moved.

2 GOVERNOR SCOTT: Second? Is there a
3 second?

4 CFO ATWATER: Second.

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

7 COMMISSIONER McCARTY: Number 8 is a
8 request for approval of publication of notice
9 to repeal rule 690-142.011, insurance conduct,
10 market conduct guidelines. This rule provides
11 specific guidelines for assessment or fines
12 commensurate with certain specific Florida
13 Insurance Code violation. This rule has been
14 in effect since November 1994. Since that
15 time, many of the fines prescribed in the rule
16 have become antiquated or changed. Section
17 624.4211 of the *Florida Statutes* provide
18 specific guidelines for the assessment of
19 administrative fine. As a result, this rule is
20 unnecessary and should be repealed.

21 GOVERNOR SCOTT: All right. Is there a
22 motion to approve?

23 ATTORNEY GENERAL BONDI: So moved.

24 GOVERNOR SCOTT: Is there a second?

25 COMMISSIONER PUTNAM: Second.

1 GOVERNOR SCOTT: Moved and seconded. The
2 item is approved without objection.

3 COMMISSIONER McCARTY: Agenda item number
4 9 is a request for approval for adoption of
5 proposed amendments to Rules 690-200.004, 005,
6 6, 9, 14, and 15 relating to auto manufacturer
7 warranty rules. And under current -- pursuant
8 the Florida statute the Legislature enacted a
9 new category for motor vehicle service
10 companies. These were motor vehicle service
11 warranty companies that were owned by
12 automobile manufacturers, so the Legislature
13 provided for a streamlined process and
14 eliminated a lot of the requirements that you
15 would have for a standard warranty company, and
16 this simply codifies those amendments for the
17 streamline process of adopting rules and forms.

18 GOVERNOR SCOTT: Is there a motion to
19 approve?

20 ATTORNEY GENERAL BONDI: So moved.

21 GOVERNOR SCOTT: Is there a second?

22 CFO ATWATER: Second.

23 GOVERNOR SCOTT: Moved and seconded for
24 approval without objection.

25 COMMISSIONER McCARTY: And lastly we have

1 a request for approval to repeal Rule 690-170,
2 Part V, arbitration rules. Florida Statute 627
3 originally granted insurers the right to an
4 arbitration proceeding with the Office. The
5 Financial Services Commission adopted the rule
6 pursuant to this, however, the law has
7 subsequently been repealed and so the Office is
8 requesting to repeal the rule associated with
9 that law.

10 CFO ATWATER: So Moved.

11 GOVERNOR SCOTT: Is there a second?

12 ATTORNEY GENERAL BONDI: Second.

13 GOVERNOR SCOTT: Moved and seconded. Show
14 the item approved without objection.

15 Kevin, could you repeat what you did
16 yesterday with regard to making it easier on
17 getting some things done quicker?

18 COMMISSIONER McCARTY: Yes. We looked at
19 certain provisions within the insurance code
20 and found a provision that would allow the
21 Office to provide companies the opportunity to
22 offer a certification, and we applied this to
23 those that are -- filings that are already in
24 the pipeline as well as to those that they want
25 to file in the future which allows the company

1 to attest that their form is in compliance with
2 Florida law and that the only changes they are
3 making are, and it specifies what those changes
4 are.

5 And the attempt here is to address some of
6 the -- when a company makes a filing, they just
7 don't make the paper, and they may make
8 hundreds of papers because they really are
9 filing the contract for its entirety with its
10 necessary addendums, and so oftentimes
11 companies are only making relatively minor
12 changes, and what this allows them to do to
13 make those minor changes, highlight those to
14 the Office and attest to the compliance with
15 the regard to the rest of that provision.

16 GOVERNOR SCOTT: Accelerate all changes
17 that need to be --

18 COMMISSIONER McCARTY: Right.

19 GOVERNOR SCOTT: -- made, right?

20 COMMISSIONER McCARTY: Now, that's being
21 done for all the ones that haven't already --
22 we did a similar one for all of the products --
23 virtually all of products that were deregulated
24 by statute -- the rates had been deregulated by
25 statute, we applied that on April 9th. So

1 companies now have that tool available to
2 them. But they can also as an option make a
3 normal filing in the normal course, they can
4 also do a prefiling conference to discuss the
5 changes they're going to make. So we're trying
6 to provide many services to our customers.

7 GOVERNOR SCOTT: Thanks a lot.

8 COMMISSIONER McCARTY: Thank you,
9 Governor.

10 GOVERNOR SCOTT: Have a good day.

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1 GOVERNOR SCOTT: Now, let's recognize
2 Ben Watkins with the Division of Bond Finance.
3 Good morning.

4 DIRECTOR WATKINS: Good morning, Governor,
5 Cabinet Members. I would like to request a
6 deferral of item number 1 which is minutes of
7 May 8th meeting until the next time this Board
8 convenes.

9 GOVERNOR SCOTT: Okay. Is there a
10 motion?

11 ATTORNEY GENERAL BONDI: So moved.

12 GOVERNOR SCOTT: Second.

13 CFO ATWATER: Second.

14 DIRECTOR WATKINS: Item number 2 are
15 reports of award --

16 GOVERNOR SCOTT: Moved and seconded.

17 DIRECTOR WATKINS: -- of competitive
18 sale --

19 GOVERNOR SCOTT: Show it approved without
20 objection.

21 DIRECTOR WATKINS: -- of two different
22 bond issues. The first is \$267.4 million in
23 Department of Transportation right-of-way
24 bonds. These bonds were awarded to the low
25 bidder and allowed us to reduce interest rates

1 on outstanding bonds from 4.92 percent to 3.11
2 percent which was the rate bid on the loan.

3 This generates -- this transaction is
4 expected to generate gross debt service savings
5 of \$55.8 million, present value savings of \$43
6 million or 15.1 percent of the principal amount
7 of the refunded bonds.

8 Item B of item 2 is also a report of award
9 on refunding, \$31.8 million of university
10 system improvement revenue refunding bonds.
11 Again it allowed us to reduce the interest rate
12 on outstanding bonds from 4.65 percent to 2.64
13 percent, which was the interest rate bid
14 generating gross net service savings of 5.9
15 million, present value savings of 4.9 million
16 or 14.3 percent of the principal amount of the
17 refunded bonds.

18 By way of review with respect to this
19 fiscal year, we have executed 22 transact -- 22
20 refunding transactions aggregating 2.6 billion
21 generating gross debt service savings of \$450
22 million or present value savings of \$366
23 million.

24 GOVERNOR SCOTT: That's great.

25 DIRECTOR WATKINS: So this has been an

1 extraordinary run. Interest rates continue to
2 be very favorable, and it's positioning
3 ourselves to be able to take advantage of the
4 interest rates that the market is offering that
5 allows us to do this and lower the overall cost
6 of the state's debt portfolio.

7 Just by way of reference, 2.6 billion is
8 roughly 10 percent of the aggregate amount of
9 principal indebtedness. So for one year that's
10 running at a pretty good clip. We continue to
11 move aggressively to take advantage of
12 opportunities as they present themselves.

13 And that by way of introduction to item
14 number 3, which is authorization for the
15 insurance of competitive sale of up to \$630
16 million in PECO refunding bonds. This consists
17 of four separate series of bonds. We have
18 ratings in place, the preliminary official
19 statement has been printed and mailed, and the
20 bonds are callable for the first time on July
21 1. So we'll we in a position to continue to
22 take advantage of the favorable interest rates
23 offered through the market should you choose to
24 approve this. So that's item number 3.

25 GOVERNOR SCOTT: Okay. Is there a motion

1 to approve?

2 CFO ATWATER: So moved.

3 GOVERNOR SCOTT: Is there a second?

4 COMMISSIONER PUTNAM: Second.

5 GOVERNOR SCOTT: Moved and seconded and
6 approved. The item is approved without
7 objection.

8 DIRECTOR WATKINS: Lastly item number 4,
9 are resolutions authorizing the issuance of
10 competitive sale of \$50 million in University
11 of Florida student activity revenue bonds.
12 These are the new money bonds secured, not by
13 the full faith and credit of the state, but by
14 the activity and service fee of students at the
15 University of Florida.

16 The financing is being used to expand the
17 Reitz Union and their staff is here for the
18 University of Florida should you have any
19 questions on the details of the facilities
20 being financed with this.

21 GOVERNOR SCOTT: What's the term of the
22 bond?

23 DIRECTOR WATKINS: It will be a 20-year
24 loan.

25 GOVERNOR SCOTT: Twenty-year bond. Okay.

1 All right. Is there motion to approve?

2 COMMISSIONER PUTNAM: So moved.

3 GOVERNOR SCOTT: Is there a second?

4 CFO ATWATER: Second.

5 GOVERNOR SCOTT: Moved and seconded. The
6 item is approved and without objection. Thank
7 you, very much.

8 DIRECTOR WATKINS: Thank you.

9 CFO ATWATER: Governor, can I have one
10 comment?

11 GOVERNOR SCOTT: Yes.

12 CFO ATWATER: Ben, just -- I would like to
13 add one comment. Recently -- the Governor and
14 I shared this last year as well -- I had a
15 chance to meet with rating agencies and review
16 the last legislative session and the fiscal
17 direction of state and just tremendous
18 compliments were offered in regards to
19 Mr. Watkins' service and his ability to
20 articulate and communicate timely, effectively
21 with the rating agencies. And I just wanted to
22 pass that along.

23 And secondly I would like to pass this
24 along, Governor, because I said this as well
25 when I had the same experience a year ago, they

1 also wanted to make note of the fact that your
2 personal participation in these conversations
3 following the legislative session in reviewing
4 the information with them is extremely
5 valuable, and in recognizing your hands-on and
6 very familiar experiences with where we're
7 headed, where we're going, and what we're
8 doing. And I don't know if that gets out
9 enough, but I want to express that. Thank you,
10 Ben.

11 GOVERNOR SCOTT: Ben is doing a great job,
12 we got a great story, I mean, tourism is up,
13 home sales are up, I mean, we got a lot of
14 things going for us so we got to keep doing
15 it. And last year we paid down the debt for
16 the first time in 20 years, right?

17 DIRECTOR WATKINS: Yes, sir.

18 GOVERNOR SCOTT: And this year we're on
19 track to paid down -- this calendar year we're
20 on track to pay down debt.

21 DIRECTOR WATKINS: Correct.

22 GOVERNOR SCOTT: So we're heading in the
23 right direction.

24 DIRECTOR WATKINS: Right. Thank you very
25 much, sir.

1 And if I could, one last thing just to
2 clarify. On the University of Florida
3 transaction, we will try to get it within a
4 20-year maturity structure. There's an
5 aggregate -- there's a limitation on the max
6 amount of the debt service we can pay, and
7 we're going to try to get it a 20-year loan.
8 It may be that we need to go slightly longer
9 than that, but we'll evaluate market conditions
10 at the time. And I just wanted to be clear
11 about that.

12 GOVERNOR SCOTT: Thanks. But you know
13 everybody's involvement, whether it's economic
14 development or, you know, the debt, all this
15 stuff. Everybody's commitment has an impact
16 so...

17 DIRECTOR WATKINS: Thank you, sir.

18 (Cabinet meeting concluded at 11:48 a.m.)

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CERTIFICATE OF REPORTER

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STATE OF FLORIDA:
COUNTY OF LEON:

I, CAROLYN L. RANKINE, do hereby certify that the foregoing proceedings were taken before me at the time and place therein designated; that my shorthand notes were thereafter translated under my supervision; and the foregoing pages numbered 1 through 140 are a true and correct record of the aforesaid proceedings.

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

DATED THIS _____ day of July, 2012.

CAROLYN L. RANKINE
2894-A Remington Green Lane
Tallahassee, Florida 32308
850.878.2221