

## Standard Policy Lines Advisory Committee

### Minutes of October 4, 2005 Meeting

The Standard Personal Lines Advisory Committee convened its first meeting on October 4, 2005 at 10:00 a.m. in Room 110, Senate Office Building, Tallahassee, Florida.

Chairman Rick Mahler, Deputy Chief of Staff for the Florida Department of Financial Services called the meeting to order.

In addition to Chairman Mahler, the following members were present: Joel P. Curran, Jim Graganella, Hector Fortun, Bruce A. Baker, Rick Suarez, Arnold Whisenant, Dr. Elizabeth Goldsmith, Richard C. Koon and Steve Burgess.

1. **Government in the Sunshine Overview.** Elizabeth Teegan, Assistant Director of Legal Services for the Department of Financial Services, reviewed the “Government-in-the-Sunshine Act” and the “Public Records Act” with members of the committee. She noted that the committee was an advisory body to state government and was subject to both Acts. She informed committee members that the “Government-in-the-Sunshine Act” required all meetings of the committee to be open to the public, publicly noticed in advance and documented by minutes. She observed that “meetings” was a broadly-defined term and included any communications between two or more committee members about Task Force business, including phone conversations and e-mail communications. Ms. Teegan informed committee members that they could meet in private as long as they did not discuss committee business. She also reviewed the “Public Records Act” that requires all records, including e-mails, regarding committee business to be made available for public inspection and copying.

2. **Committee Charge:** Chairman Mahler reviewed the statutory charge of the committee with the members.

3. **Homeowners Policy Overview:** David Thompson, Florida Association of Insurance Agents, provided the committee with an overview of typical homeowner’s policy forms and contracts. He isolated 3 primary types of policies: single family, renters insurance and condominium dwellers.

Mr. Thompson also spoke at length about endorsements which are built into policies and can yield confusion to homeowners. Costs were discussed. Floridians are extremely concerned about rising costs. Those prices are attributable to several factors including geographic location, proximity to fire departments, etc.

There are several types of policies including HO3 (most common) HO2, HO4, HO5 (what he considers the “best of the best”) HO6 (condo dwellers) and HO8 (uncommon, for older homes).

He discussed the different types of coverage A through F. He also discussed the differences between “replacement costs” and “actual cash value” coverage. The people who are covered under the policy were discussed at length.

Mr. Thompson discussed at length the perils which may not be covered in standard policies. He said that many of these items may be insured through endorsement but that additional costs will be incurred.

Mr. Thompson also discussed the specifics of condominium insurance and how it is unique in Florida and in the insurance marketplace.

4. **Overview of Mediation Program:** Mark Pritchett, Collins Center for Public Policy, gave the committee an overview of the Florida Mediation program and its work in the aftermath of the 2004 hurricane season. The mediation process was reviewed.

Mr. Pritchett asked Richard Vura to provide the committee with an overview of the major complaints heard from homeowners during the mediation meetings. Mr. Vura told the committee that homeowners were very confused by the complexity of the contracts.

In addition, he discussed that depreciation of value, the lack of timely settlement, and the inability to determine the cause of the peril as causes of confusion.

5. **Insurance Services Office Policy Overview:** Chuck Schlager, ISO Policy Forms Administrator, briefed the committee on ISO policy forms development. Mr. Schlager stated that ISO maintains policy forms for several lines of business including homeowners. He then gave an overview of the structure of coverages and endorsements.

Mr. Schlager reviewed the ISO policy form development process, stating that forms are created to respond to market need and state-specific legislation. He also stated that ISO keeps forms as updated as possible based on input from a myriad of sources. In addition, he reviewed recent case law and regulatory changes related to policy forms.

The filing and approval process was discussed at length with Mr. Schlager noting customers are always informed of changes in policy language.

Mr. Schlager gave an extensive overview of the dwelling property program, reviewing eligibility, different types of coverage forms (similar to Mr. Thompson’s discussion) and basic property coverages. In addition, Mr. Schlager discussed the homeowner’s property program. The different types of forms were discussed (similar to Mr. Thompson’s discussion) as well as additional coverages that consumers may choose in addition to the basic coverage.

Mr. Schlager ended by discussing Florida-specific requirements and several considerations that the committee should take into account when making recommendations to the Legislature.

Members of the committee asked several questions to Mr. Schlager regarding the ability to make understanding policies easier, state-specific language, and a consumer checklist for consumer policies. There was a discussion by the committee relating to the idea of the checklist for consumers, with the Chairman noting that CFO Gallagher has been an advocate of implementing a way for consumers to know exactly what they are getting when they purchase coverage.

Chairman Mahler asked Mr. Schlager to provide the committee with information regarding the percentage of business that ISO writes in Florida.

6. **American Association of Insurance Services, INC Policy Overview:** Deborah Summerlin, AAIS, VP of Insurance Lines, gave the committee an overview of their policy forms. She initially discussed their core services as well as standard programs which they cover including personal and commercial lines coverage. They also have several specialty programs that may not be applicable for this committee.

Ms. Summerlin then discussed the primary forms associated with the AAIS homeowners program as well as the mandatory endorsements that are required for their program. Several Florida-specific endorsements were discussed including the valued policy law and windstorm coverage.

The structure of the AAIS policy form was discussed next by Ms Summerlin. This structure is similar to that of ISO. The AAIS Florida Homeowners Manual was discussed as a “stand alone” manual for specific requirements that apply only to this state.

Ms. Summerlin concluded her presentation by advising the committee of how AAIS may be of assistance to this committee.

Chairman Mahler asked Ms. Summerlin to provide the committee with information regarding the percentage of business that AAIS writes in Florida.

7. **Public Testimony:** Mark Rosen, Florida Insurance School, spoke regarding the historical context of policy forms and stated that the forms had become substantially more complex over time. Mr. Rosen also expressed frustration with agents who do not explain the provisions of the policy and with consumers who do not read their policies. He expressed a willingness to assist the committee in the future.

Mark Delegal, State Farm Insurance Company, stated that all companies in the state oppose a standard policy. He provided a brief history of his opinion about the creation of the committee. He believes that a standardized policy would be a regulatory requirement that is contrary to homeowner’s interests. He also stated that State Farm had only .003% of their cases go to mediation. Chairman Mahler replied that the group still has an obligation to consumers and the Legislature to improve the climate for homeowners.

Several members asked questions of Mr. Delegal and a discussion took place as to the proper role of the committee and the benefits of having a standard policy in Florida.

8. **Other Business:** Richard Koon, Senior Management Analyst, of the Florida Office of Insurance Regulation nominated Jim Graganella, President/CEO, of Capital Preferred & Southern Fidelity Insurance Companies, to serve as Vice-Chair. The motion was seconded by Steve Burgess, Florida's Insurance Consumer Advocate. The motion carried and Jim Graganella was named Vice-Chair of the committee.

9. **Meeting Schedule:** Chairman Mahler announced that the next meeting would be held on October 28, 2005 at 10:00 a.m. in Room 110, Senate Office Building.