

MEETING OF THE STATE BOARD OF ADMINISTRATION
GOVERNOR SCOTT AS CHAIRMAN
CHIEF FINANCIAL OFFICER ATWATER AS TREASURER
ATTORNEY GENERAL BONDI AS SECRETARY

OCTOBER 9, 2012

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AGENDA

ITEM 1. Request approval of the minutes of the August 7, 2012 meeting.

(See Attachment 1A)

ACTION REQUIRED

ITEM 2. Request approval of, and authority to file, emergency rule Florida Hurricane Catastrophe Fund, 19ER12-1, Optional Date Changes for New Participants for the 2012-2013 Contract Year, and the incorporated form, for adoption.

(See Attachments 2A, 2B, and 2C)

ACTION REQUIRED

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

Representing:

DIVISION OF BOND FINANCE
STATE BOARD OF ADMINISTRATION
FINANCIAL SERVICES COMMISSION, INSURANCE REGULATION
DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES

The above agencies came to be heard before
THE FLORIDA CABINET, the Honorable Governor Scott
presiding, in the Cabinet Meeting Room, LL-03, The
Capitol, Tallahassee, Florida, on Tuesday, August 7,
2012, commencing at approximately 9:20 a.m.

Reported by:

MARY ALLEN NEEL
Registered Professional Reporter
Florida Professional Reporter
Notary Public

ACCURATE STENOGRAPHY REPORTERS, INC.
2894 REMINGTON GREEN LANE
TALLAHASSEE, FLORIDA 32308
850.878.2221

APPEARANCES:

Representing the Florida Cabinet:

RICK SCOTT
Governor

PAM BONDI
Attorney General

JEFF ATWATER
Chief Financial Officer

ADAM PUTNAM
Commissioner of Agriculture

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I N D E X

DIVISION OF BOND FINANCE
(Presented by BEN WATKINS)

ITEM	ACTION	PAGE
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3	Approved	7
4	Approved	8

STATE BOARD OF ADMINISTRATION
(Presented by ASH WILLIAMS)

ITEM	ACTION	PAGE
1	Approved	9
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FINANCIAL SERVICES COMMISSION, INSURANCE REGULATION
(Presented by KEVIN McCARTY)

ITEM	ACTION	PAGE
1	Approved	13
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3	Approved	15
4	Approved	15
5	Approved	15

DEPARTMENT OF HIGHWAY SAFETY AND MOTOR VEHICLES
(Presented by JULIE JONES)

ITEM	ACTION	PAGE
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1 GOVERNOR SCOTT: All right. Now I would like
2 to recognize Ash Williams with the State Board of
3 Administration.

4 Good morning, Ash.

5 MR. WILLIAMS: Good morning, Governor and
6 Cabinet members.

7 Item 1, request approval of the minutes of the
8 May 8, 2012 meeting.

9 GOVERNOR SCOTT: Is there a motion to approve
10 the item?

11 ATTORNEY GENERAL BONDI: So moved.

12 GOVERNOR SCOTT: Is there a second?

13 CFO ATWATER: Second.

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

16 MR. WILLIAMS: Thank you. Item 2, request
17 approval of a fiscal sufficiency of an amount not
18 exceeding \$115 million State of Florida, Board of
19 Education Lottery Revenue Bonds, series to be
20 determined.

21 GOVERNOR SCOTT: Is there a motion to approve
22 the item?

23 ATTORNEY GENERAL BONDI: So moved.

24 GOVERNOR SCOTT: Is there a second?

25 CFO ATWATER: Second.

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

3 MR. WILLIAMS: Thank you.

4 GOVERNOR SCOTT: Thank you, Ash.

5 MR. WILLIAMS: Would you like an update on the
6 fund, as usual?

7 GOVERNOR SCOTT: I would. That would be
8 great.

9 MR. WILLIAMS: I usually open with that.

10 As of last night's close, the Florida
11 Retirement System Trust Fund stood at
12 \$124.2 billion. We recently put out our fiscal
13 year-end performance, which I think you probably
14 saw the release on. That was, as of June 30,
15 .29 percent return, 77 basis points ahead of
16 target.

17 As you know, I usually give you the report of
18 performance in the longer of two time series,
19 either the fiscal year-to-date or the calendar
20 year-to-date. Having just ended the fiscal
21 year-to-date, we're now flipping back over to
22 calendar year-to-date for the remainder of this
23 year. And the calendar year-to-date number is, as
24 of last night's close, 7.92 percent, which is 101
25 basis points ahead of target.

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GOVERNOR SCOTT: All right. Thank you very
much. Any other questions for him?

Thank you, Ben. I mean, thank you, Ash.

Memo

TO: Ashbel C. Williams, Executive Director & CIO

THRU: Jack E. Nicholson, Chief Operating Officer, FHCF

FROM: Tracy Allen, Senior Attorney, FHCF

DATE: September 26, 2012

SUBJECT: Cabinet Meeting for October 9, 2012

Request approval of and authority to file Emergency Rule 19ER12-1, F.A.C.,
Optional Date Changes for New Participants for the 2012-2013 Contract Year.

ITEM 2. FHCF EMERGENCY RULE

Request approval to file Emergency Rule 19ER12-1, Optional Date Changes for New Participants for the 2012-2013 Contract Year.

The Emergency Rule creates an optional “as of” date for exposure reports of “new participants,” which are insurers that began writing residential property insurance in Florida after June 1, 2012. For the current (2012-2013) Florida Hurricane Catastrophe Fund (FHCF) Contract Year, the Emergency Rule gives these new participants the option of using either the currently provided “as of” date of December 31, 2012 or using a November 30, 2012 “as of” date. The insurer would be required to file the incorporated form 2012NPO by December 1, 2012 to change its “as of” date.

The Emergency Rule is intended to facilitate takeouts from Citizens Property Insurance Corp. The current rule language may provide an unintended impediment to takeouts beginning on December 1 of the FHCF Contract Year. By providing the optional November 30 “as of” date, the Emergency Rule enables new companies to begin their takeouts as soon as possible after the end of the hurricane season without the former Citizens policies affecting their FHCF premium.

The Emergency Rule is consistent with efforts by the Citizens board and OIR to depopulate Citizens and provides the flexibility to remove potential impediments to these efforts.

ATTACHMENTS TO BE INCLUDED WITH THE SBA AGENDA ITEM 2:

- Notice of Emergency Rule with full text of emergency rule.
- Incorporated Form: 2012NPO, Optional Date Changes for New Participants Pursuant to Emergency Rule 19ER12-1.

ACTION REQUIRED

Notice of Emergency Rule

STATE BOARD OF ADMINISTRATION

Departmental

RULE NO: 19ER12-1

RULE TITLE: Optional Date Changes for New Participants for the 2012-2013 Contract Year.

SPECIFIC REASONS FOR FINDING AN IMMEDIATE DANGER TO THE PUBLIC HEALTH, SAFETY OR WELFARE: This emergency rule is necessary to allow for better coordination of the Florida Hurricane Catastrophe Fund (“FHCF”) coverage for “New Participants” that remove policies from Citizens Property Insurance Corporation (“Citizens”) given the current 2012-2013 efforts being made to reduce Citizens’ exposure and will apply to any FHCF participating insurer that writes its first Covered Policy after June 1, 2012, but before December 1, 2012. Citizens’ board and management are considering various alternatives to depopulate Citizens and reduce its policyholder count and the dollar amount of exposure. The size and exposure of Citizens, a state-created property insurer, is a major concern of the Legislature, the Executive Branch, and the public. As of July 31, 2012, Citizens had 1,449,178 policies in force, representing a total exposure of \$494 billion. There is an urgent need to remove impediments in order to assist and accommodate the depopulation efforts of Citizens. A large hurricane could result in significant assessments on most property and casualty policyholders in the state. The timely transfer of policies to the private insurance market would serve the State’s interest and help reduce both Citizens’ policyholder count and its exposure amount. This emergency rule provides an option for New Participants to report their exposures, as used to determine FHCF coverage and premium, one month early, in order to allow such insurers to purchase FHCF coverage that better aligns their FHCF reimbursement coverage to support their Citizens depopulation efforts for the 2012-2013 FHCF Contract Year. Without this flexibility, New Participants may have to delay the timing of a Citizens takeout program resulting in less competition in the marketplace and lost opportunities. The emergency rule would allow New Participants the option to pay FHCF premiums based on their exposure on Covered Policies written from June 1, 2012, to November 30, 2012. This would avoid the situation in which a New Participant is required to pay a premium for FHCF coverage on exposure removed from Citizens after the hurricane season has ended. Under this emergency rule, New Participants would have the ability to select the current “as of” reporting date for exposure of December 31, 2012, or they could select an alternative “as of” reporting date of November 30, 2012.

REASON FOR CONCLUDING THAT THE PROCEDURE IS FAIR UNDER THE CIRCUMSTANCES: The concept of filing an emergency rule with the changes included in this emergency rule has been discussed at a rule workshop, where similar changes are also being proposed for implementation in the 2013-2014 Contract Year and at an FHCF Advisory Council meeting. Both meetings were open to the public. In addition, this rule has been placed on the FHCF website. This emergency rule is a benefit for the public at large, the New Participant, Citizens, and the FHCF. The emergency rule provides affected New Participants with an additional option for exposure reporting to facilitate take-out programs without adversely affecting the administration of the FHCF or other participating insurers.

SUMMARY: The emergency rule would allow New Participants to select an option which changes the current “as of” reporting date for exposure from December 31, 2012, to November 30, 2012, changes the reporting date of the exposure from March 1, 2013, to February 1, 2013, and changes the actual premium payment from May 1, 2013, to April 1, 2013.

THE PERSON TO BE CONTACTED REGARDING THE EMERGENCY RULE IS: Jack E. Nicholson, Chief Operating Officer, Florida Hurricane Catastrophe Fund, State Board of Administration of Florida.

THE FULL TEXT OF THE EMERGENCY RULE IS:

19ER12-1, Optional Date Changes for New Participants for the 2012-2013 Contract Year.

(1) Definitions.—As used in this emergency rule:

(a) The term “New Participant” is defined in the 2012-2013 Reimbursement Contract and means any company which begins writing Covered Policies on or after the beginning of the Contract Year. A Company that removes exposure from either Citizens Property Insurance Corporation entity pursuant to an assumption agreement effective on or after June 1 and had written no other Covered Policies before June 1 is also considered a New Participant.

(b) The term “As Of Date” refers to the date on which an insurer determines its exposure under Covered Policies.

(c) The term “Covered Policy” is defined in Section 215.555, F.S.

(2) Optional As Of Date for New Participants.—

(a) A New Participant has the option to change its As Of Date for the 2012-2013 Florida Hurricane Catastrophe Fund Contract Year from December 31, 2012, to November 30, 2012, by executing and filing Form 2012NPO, <http://www.flrules.org/Gateway/reference.asp?No=ref-XXXXX>, which is hereby adopted and incorporated by reference into this emergency rule. By selecting this option, the insurer also changes the reporting date of the exposure from March 1, 2013, to February 1, 2013, and changes the due date of the actual Reimbursement Premium from May 1, 2013, to April 1, 2013.

(b) To the extent the dates in Form 2012NPO conflict with the dates contained in Rules 19-8.010, 19-8.028, 19-8.029, and 19-8.030, F.A.C., or the documents incorporated therein, this emergency rule, including Form 2012NPO, shall take precedence.

(c) All other provisions of Rules 19-8.010, 19-8.028, 19-8.029, and 19-8.030, F.A.C., remain in full force and effect with respect to a New Participant.

Rulemaking Authority 215.555(3), F.S. Law Implemented 215.555, F.S. History-New 10-9-2012.

THIS RULE TAKES EFFECT UPON BEING FILED WITH THE DEPARTMENT OF STATE UNLESS A LATER TIME AND DATE IS SPECIFIED IN THE RULE.

EFFECTIVE DATE: October 9, 2012

OPTIONAL DATE CHANGES FOR NEW PARTICIPANTS
PURSUANT TO EMERGENCY RULE 19ER12-1

2012-2013 Contract Year
June 1, 2012 through May 31, 2013

Name of Company: _____
(Type Name of Company)

NAIC #: _____

In executing this form, 2012NPO, the above-named Company is representing the following:

1. That it is a "New Participant," as that term is defined in 19ER12-1(1)(a),
and,
2. That it first began writing Covered Policies, as that term is defined in Section 215.555, F.S.,
on or after June 1, 2012, but prior to December 1, 2012, and,
3. That it understands that executing this form makes the terms contained herein irrevocable for
the 2012-2013 Contract Year, and
4. That it agrees to do all of the following:
 - (a) Use an "As Of Date" as defined in 19ER12-1(1)(b) of November 30, 2012;
 - (b) Report its "As Of Date" exposure for Covered Policies on or before February 1, 2013;
and
 - (c) Pay its actual Reimbursement Premium on or before April 1, 2013.

This form does not take effect until executed by the Company and received by the FHCF's administrator, Paragon Strategic Solutions Inc., no later than December 1, 2012, at the following address: 8200 Tower, 5600 West 83rd Street, Suite 100, Minneapolis, MN 55437.

By: _____ **Date:** _____
Signature

Typed/Printed Name and Title of Company Officer

Approved by:

Florida Hurricane Catastrophe Fund

2012NPO
(19ER12-1)

By: State Board of Administration of the State of Florida

By: _____ **Date** _____

Ashbel C. Williams
Executive Director and CIO

Approved as to legality:

By: _____ **Date** _____