The Florida Market Assistance Plan (FMAP) Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened at the Orlando-Orange County Expressway Authority in Orlando, FL on Friday, March 22, 2013 at 8:00 a.m. (EDT).

The following members of the Board were present:

Carlos Lacasa, Chairman  
Carol Everhart  
Don Glisson  
John Rollins  
John Wortman

The following Citizens staff members were present:

Barry Gilway  
Sharon Binnun

Call Meeting to Order

Roll was called. Chairman Lacasa, Carol Everhart, Don Glisson, Tom Lynch, John Rollins and John Wortman were present.

1. Approval of Prior Meeting’s Minutes

A motion was made and seconded to approve the December 15, 2010 Board of Governors minutes. All were in favor. Motion carried.

2. Audited Financials

Sharon Binnun stated, I believe this will be quick meeting. It has been some time since the Board of FMAP met. FMAP was created by statute to provide consumers an opportunity to find insurance coverage. A consumer can go to the FMAP website and find information related to their property. Agents can shop for business on that website. They can get the information and place business. It is basically a keep out program. It is funded by a $450 fee that is charged to Florida residential property writers. To the extent that the revenue is adequate, Citizens will fund the difference by statute. We have a team at Citizens that handles both depopulation and FMAP. They allocate resources between each. Citizens’ Accounting Department handles all the financials accordingly and prepares the financial statements. If have an annual external audit.
Sharon Binnun continued, over the last four or five years, FMAP has about 2,000 to 4,000 policies kept out of Citizens. They can get up to 20,000 requests for assistance but FMAP is a vehicle in which agents can shop the business. It is not where we are actively shopping the business. It is relatively a small scale, but it has kept a few policies out of Citizens. It is a very small scale keep out program. We are very well aware of the clearinghouse concept that Barry Gilway is pitching. The clearinghouse will be a keep out program, too, on a much larger scale. It will be a much more proactive way to shop. To the extent that we get the clearinghouse, we’ll certainly look for opportunities to achieve efficiencies of FMAP.

Sharon Binnun continued, I do want you to be aware that there is a fair amount of manual work that goes into FMAP, and we do have a dedicated team. We have a small team of three people who have also handled the depopulation that was the largest in a single day ever in November. Steve Bitar was part of that team. That same team with IT was able to help with the Weston depopulation of commercial residential business.

Sharon Binnun continued, you have the audited financials. You have an unqualified opinion, which means everything is good. You already have the internal controls in place at Citizens used by FMAP. The budget for FMAP is basically an allocation of salaries of the depopulation team as well as the calls that come in related to FMAP. We have some annual reports that give a good explanation of how FMAP works. I’ve highlighted the top 10 companies that have used FMAP to place properties. Some of those are companies that are doing depopulation as well. I’m happy to go into more detail.

Don Glisson stated, it looks like it is costing us about $123 per offer accepting. It looks like a good use of funds to keep policies out.

Sharon Binnun responded, I would say that is true because we do so much internally. We do have a system where the policyholder can enter his/her data and the agents can request reports. There is a lot of manual work in terms of contract for the agents to maintain. In the aggregate, we’ve kept out a lot of policies at very little cost.

Don Glisson asked, how would this work with a new program?

Barry Gilway responded, in the Senate Bill, it contemplates utilizing FMAP as an interim measure. The issue with the clearinghouse is the technology. The proposal under Chairman Simmons Bill, currently, would utilize FMAP as of July 1st as an interim vehicle to make sure that policies are available for selection by companies. Under that bill, all policies would sit in FMAP for a 72 hour period and be available for selection by any company. Once we have the clearinghouse up and running, FMAP would function as it does today. It is not our intention to get rid of FMAP.

Sharon Binnun added, the clearinghouse is a vehicle in which agents would place business. We would keep that agent place business with the clearinghouse. FMAP is for the consumers who enter their own data.
John Rollins asked, why hasn’t FMAP grown to the scale of being an effective clearinghouse? The answer, I’m assuming, is that the technology has not supported the scale that we are talking about now. If the consumer can use FMAP in the past, why hasn’t the agent community taken to FMAP?

Sharon Binnun responded, I think that is an excellent question. One of the keys to the success to the clearinghouse is that it is a win for everyone. If a policy is submitted by an agent through a clearinghouse, then that agent won’t lose that business. On the contrary, through FMAP, the agent may or may not know if the consumer is going online. Once a policy goes through FMAP, it is a free up for grabs for any agent to reach the policyholder. The clearinghouse is a long time coming, and I think it will have a positive impact.

Barry Gilway added, I agree with Sharon completely. There are two advantages to the clearinghouse from the agency perspective. Going back into my history of buying and selling agencies, there are two ways to evaluate an agency. The first way you evaluate an agency is through [inaudible]. The second way you evaluate an agency is based upon the value of the owned expirations of the agency. The clearinghouse provides ownership by the Senate and House Bills. The clearinghouse eliminates the issue that when a policy goes into Citizens, the agent loses ownership of that business. Also, as currently structured, there may be opportunity for the agent to earn more commission and not less because of the direction relationship they will have in place.

Tom Lynch asked, the clearinghouse will be a mandate, won’t it? Every policy will have to go through the clearinghouse, whereas, FMAP is optional and very few people know about it.

John Rollins added, that’s a great answer. It has great potential in terms of answering why FMAP hasn’t been more successful. FMAP hasn’t provided an incentive for the agent to direct the consumer to FMAP. The clearinghouse changes that because it updates technology and legislatively.

John Wortman commented, based on my experience with keep outs, the agent drive the process more than anyone else. I would encourage you to have the agents walk with you every step to make sure it is successful.

Barry Gilway responded, I agree. I’ve spent an enormous amount of time with FAIA and with Jeff Grady. I also spent time with one of the heads of PIA. This is not a panacea, by the way. The clearinghouse levels the playing field.

John Wortman continued, in takeout, I do think agent approval should be done before the takeout occurs because it stays out.

Tom Lynch commented, I would think that if we think the clearinghouse is as successful as we think it is then FMAP will become extinct.

Sharon Binnun responded, I think it’s possible. To the extent that we can give the consumer direct access to the clearinghouse, then this does give that option. I would ask the
Board to approve the documents that are in your binder, which includes the financial statements, the 2011 and 2012 annual reports, and audits.

Tom Lynch asked, did we miss a year?

Sharon Binnun responded, yes.

Carol Everhart made a motion to approve the FMAP 2011 and 2012 financial statements, annual reports, and audit reports. The motion was seconded. All were in favor. Motion carried.

[Meeting adjourned]