

FROM: Director, Worldwide Markets EXTN: 6677
DATE: 18 March 2005 REF: Y3522
SUBJECT: **Florida: Mandatory Hurricane Claims Payment Requirements**
SUBJECT AREA(S): Personal and commercial residential property claims arising from the 2004 hurricane season in Florida
ATTACHMENTS: Emergency Rule 69OER05-06

ACTION POINTS: **Managing agents to note the requirements**
DEADLINE(S): **Payment of claims by Monday 18 April, 2005**
Reporting of unpaid claims by Thursday 28 April, 2005

Purpose of bulletin

To notify the market of a new Florida Emergency Rule, the Mandatory Hurricane Claims Payment Requirements ("the Requirements") 69OER05-06.

This bulletin affects managing agency and broker staff dealing with residential property claims in Florida arising from the hurricanes that hit Florida in 2004.

Mandatory Hurricane Claims Payment Requirements

A copy of the Requirements is attached. The Requirements apply to outstanding personal and commercial residential property claims resulting from Hurricanes Charley, Frances, Ivan, Jeanne or Tropical Storm Bonnie.

The Requirements oblige all insurers with such claims:

1. To settle and pay the claims by **Monday 18 April, 2005**. This applies if the policyholder filed the claims on or before **31 December, 2004**.
2. To report any claims that have not been settled and paid by 18 April 2005 to Market Investigations, Florida Office of Insurance Regulation, by **Thursday 28 April, 2005**.

Insurers must submit the report by e-mail to the following address: 69OER05-06@fldfs.com . It should be an Excel spreadsheet containing the following:

- The emergency rule number (i.e. 69OER05-06) in the subject line;
- Insurance company name;
- Storm name;
- Policyholder name;
- Policy number;
- Claim number;
- Date the claim was reported;
- Explanation of why the claim has not been settled and paid;
- Insurer contact name, e-mail address and telephone number.

The report should include all claims outstanding at 18 April, including claims that had been settled and were subsequently re-opened. In such cases, an explanation should be included on the spreadsheet.

Compliance with the Requirements

We suggest that managing agents ensure that, for all their Florida personal and commercial residential property claims, the coverholders and claims handling firms involved are aware of this emergency rule.

Managing agents are responsible for submission of the reports due by 28 April. In the case of business written on a subscription basis, the managing agent of the leading syndicate should submit a single report on behalf of all the syndicates on the risk. As with earlier Florida reporting requirements, coverholders can submit reports on behalf of managing agents. Managing agents will still need to submit reports relating to outstanding claims arising on open market business.

The Requirements do not oblige an insurer to file a nil return. A managing agent will only have to file a report if a syndicate that it manages has claims outstanding at 18 April that meet the criteria.

Definitions of personal lines and commercial lines residential coverage

These terms are defined in section 627.4025 of the Florida Insurance Code:

- Personal lines residential coverage consists of the type of coverage provided by homeowner's, mobile home owner's, dwelling, tenant's, condominium unit owner's, cooperative unit owner's, and similar policies;
- Commercial lines residential coverage consists of the type of coverage provided by condominium association, cooperative association, apartment building, and similar policies, including policies covering the common elements of a homeowners' association.

Further information

If you have any queries about this bulletin please contact Lloyd's Worldwide Market Services:

Lloyd's Worldwide Market Services
Tel: 020 7327 6677
Email: market.services@lloyds.com
Box 190b, Gallery 1

This bulletin has been sent to active underwriters and the compliance officers of managing agents and Lloyd's brokers.

Julian James
Director,
Worldwide Markets

EXHIBIT D

NOTICE

FINANCIAL SERVICES COMMISSION

RULE TITLE:

RULE NO.:

Mandatory Hurricane Claims Payment Requirements

69OER05-06

SPECIFIC REASONS FOR FINDING AN IMMEDIATE DANGER TO THE PUBLIC

HEALTH, SAFETY OR WELFARE: The Financial Services Commission and the Office of Insurance Regulation (“Office”) hereby state that the following circumstances constitute an immediate danger to the public health, safety, or welfare:

The 2004 hurricane season has been particularly destructive for Florida. Insured losses due to the multiple storms have been estimated to be collectively \$20 billion. Tropical Storm Bonnie caused damage in north Florida. Substantial damage in southwest and central Florida was caused by Hurricane Charley, which hit the Punta Gorda and Port Charlotte area on August 13, 2004, as a Category 4 Hurricane with sustained winds up to 145 miles per hour. Hurricane Charley crossed northeast through the center of the state exiting near Daytona Beach. In a 10-mile wide path extending from the southwest coast there was widespread major damage to homes, loss of personal belongings and corresponding temporary loss of employment.

Hurricane Frances hit the east coast of Florida on September 4, 2004 as a Category 2 Hurricane, and slowly crossed the peninsula. Hurricane Frances, though less intense than Charley, caused damage over a much wider area of the state.

On September 16, 2004, Hurricane Ivan caused massive damage in the Florida Panhandle. Hurricane Ivan impacted the Gulf Coast as a Category 4 Hurricane with

sustained winds up to 130 miles per hour. The eye made land fall just west of the western Florida state line, bringing hurricane force winds to much of the Florida Panhandle. The hurricane also produced tornados that destroyed and damaged structures in the Florida Panhandle. There was extensive damage in the Pensacola area, which was hit by the strong northeast quadrant of the storm as it made landfall.

And finally, Hurricane Jeanne made landfall near Stuart, Florida, the night of September 25, 2004 as a Category 3 Hurricane with sustained winds up to 120 miles per hour. On September 26, 2004, the storm made a path northwest across the state.

The Governor of Florida has issued five orders declaring a state of emergency due to the storms (Executive Orders 04-182, 04-192, 04-206, 04-217, and 05-13). The President of the United States has declared most of Florida a federal disaster area.

Additionally, on November 23, 2004, the Governor of Florida issued Executive Order 04-248, which incorporated by reference all previous orders and supplemental orders issued by the State Coordinating Officer. Also, on December 20, 2004, the State Coordinating Officer, pursuant to Executive Order 04-248, issued a Supplemental Order granting the Office extended authority to issue rules or orders needed to place a moratorium on the cancellation or nonrenewal of homeowners and other types of policies governed by the Insurance Code. In recognition of a continuing state of emergency, the Governor of Florida issued Executive Order 05-13, on January 21, 2005, which incorporated by reference Executive Order 04-248, and all supplemental orders issued by the State Coordinating Officer.

Insurers have reported in excess of 1.4 million property insurance claims as a result of the four hurricanes. A significant number of claims remain unresolved

throughout the state and as a result thousands of homes remain un-repaired. Homes continue to be in various stages of disrepair for several months, some to the point at which they cannot meet the underwriting guidelines for voluntary insurers or even for Citizens Property Insurance Corporation because they are still under construction. Leaving these homeowners without the ability to insure their property poses an immediate threat to public safety and welfare.

Failure to timely settle and pay these claims further delays the insured's ability to repair damaged structures and adversely impacts the economic health and welfare in this state. Accordingly, this rule is necessary to require all insurers to settle and pay outstanding claims within the next 30 days in order to minimize economic damage.

REASONS FOR CONCLUDING THAT THE PROCEDURE USED IS FAIR UNDER THE CIRCUMSTANCES: The Financial Services Commission believes that adopting an emergency rule is the fairest method to protect the public because of the nature and extent of the destruction caused by the 2004 Hurricane Season. An Office bulletin addressed to all regulated persons and insurers would reach them, but would not be legally binding. A permanent rule would not have the flexibility and immediacy to protect the public welfare.

In consideration of the emergency conditions currently existing, and given the Office's responsibility to protect the public interest and implement the Insurance Code, an emergency rule is necessary.

SUMMARY OF THE RULE: Emergency Rule 69OER05-06 requires all insurers to settle and pay all outstanding hurricane claims no later than April 18, 2005. If they are not settled and paid, the insurer shall report to the Office detailed reasons why each claim has not been settled and paid.

THE PERSON TO BE CONTACTED REGARDING THE EMERGENCY RULE IS:

Joanna Mueller, Office of Insurance Regulation, 200 East Gaines Street, Tallahassee,

FL 32399-4210, (850) 413-5275.

THE FULL TEXT OF THE EMERGENCY RULE IS:

69OER05-06 Mandatory Hurricane Claims Payment Requirements.

(1) All insurers which have outstanding personal residential and commercial residential property claims as the result of Hurricanes Charley, Frances, Ivan, Jeanne or Tropical Storm Bonnie, shall settle and pay all such claims, filed by the policyholder as of December 31, 2004, no later than April 18, 2005. Any claims that have not been settled and paid by that date, shall be reported to Market Investigations, Office of Insurance Regulation, no later than April 28, 2005. The report shall be submitted by email with an attachment of an Excel spreadsheet, to email address 69OER05-06@fldfs.com. The spreadsheet shall contain the emergency rule number in the subject line, the insurance company name, storm name, policyholder name, policy number, claim number, the date the claim was reported, an explanation of why the claim has not been settled and paid, and a company contact name, email address and telephone number. The provisions of this rule shall not give rise to any civil action and all reports filed by insurers in compliance with this rule shall be provided to the Office as part of an ongoing market conduct investigation.

Specific Authority: 120.54(4), 624.308, 626.9611 FS. Law Implemented: 624.424, 624.316, 624.318, 626.9541(1)(i), 626.9561, 626.9641, FS. History –
New

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