

FROM: Director, Worldwide Markets EXTN: 6677

DATE: 25 July 2005 REF: Y3601

SUBJECT: **Florida: Hurricane Dennis. Emergency Order and Informational Memorandum issued by the Florida Office of Insurance Regulation**

SUBJECT AREA(S): The Emergency Order applies to Florida residential property insurance policies in specified counties covering property damaged by Hurricane Dennis.

The Informational Memorandum concerns all claims arising from Hurricane Dennis

ATTACHMENTS: Emergency Order 82315-05-EO
Informational Memorandum OIR-05-011M

ACTION POINTS: **Underwriters to note requirements**

DEADLINE(S): **Immediate effect**

Purpose of bulletin

To notify the market of two Florida regulations arising from Hurricane Dennis:

- (i) an Emergency Order prohibiting cancellation or nonrenewal of personal and commercial residential policies in specified circumstances;
- (ii) an Informational Memorandum on reporting requirements. This Memorandum, issued 20 July, replaces a Memorandum on the same subject issued 15 July.
Lloyd's is arranging compliance with this Memorandum centrally: until further notice managing agents do not need to submit information on Hurricane Dennis to the Florida Office of Insurance Regulation.

The Emergency Order

The Order (Emergency Order 82315-05-EO) was issued by the Florida Commissioner of the Office of Insurance Regulation on 19 July, 2005. A copy is attached (not including the attachments, available from Worldwide Markets if required).

The Order states that:

"An insurer may not cancel or nonrenew a personal residential or commercial residential property insurance policy covering a dwelling or residential property located in Escambia, Santa Rosa, Okaloosa, Walton, Bay, Gulf, Franklin, Wakulla, Calhoun, Jackson, Washington and Holmes County which has been damaged as the result of hurricane or wind loss resulting from Hurricane Dennis for a period of 90 days after the dwelling has been repaired, except as provided in Section 627.4133(2)(d), Florida Statutes, and in accordance with all other applicable statutes and rules of the commission."

Fl. Stat. section 627.4133(2)(d) provides, in part:

...However, an insurer or agent may cancel or nonrenew such a policy prior to the repair of the dwelling or residential property:

- a. Upon 10 days' notice for nonpayment of premium; or
- b. Upon 45 days' notice:

- (I) For a material misstatement or fraud related to the claim;
- (II) If the insurer determines that the insured has unreasonably caused a delay in the repair of the dwelling; or
- (III) If the insurer has paid policy limits.

....

This section of Florida law also provide that a structure is deemed to be repaired when substantially completed and restored to the extent that it is insurable by another authorized insurer that is writing policies in this state. It should also be noted that this section contains provisions regarding the nonrenewal of a policy covering a property that has been damaged.

Managing agents should ensure that they, and the coverholders acting on their behalf, comply with this requirement.

Hurricane Dennis reporting requirements

Lloyd's Market Association (LMA) informed its members of an Informational Memorandum (OIR-05-010M) issued by the Florida Office of Insurance Regulation ("FOIR") on 15 July, 2005. The letter pointed out that Lloyd's Worldwide Markets was in contact with FOIR, through Lloyd's America Inc. and local counsel in Florida.

The detailed nature of the reporting requirements set out in that Memorandum was of concern to a number of insurers doing business in Florida. FOIR has responded by withdrawing the Informational Memorandum and replacing it with Informational Memorandum OIR-05-011M, issued 20 July, 2005. This memorandum calls for the submission of information for Hurricane Dennis on the same basis as the 2004 Florida disaster reporting. For the 2004 Florida disaster reporting Lloyd's provided a weekly/monthly central report. At this time, the FOIR had indicated that it is likely that additional reporting requirements will be issued in the future.

In the interim, as agreed with the FOIR, Lloyd's will provide a weekly report centrally on Hurricane Dennis. Consequently, for the time being, Lloyd's managing agents do not need to provide information to the FOIR. Lloyd's will inform managing agents immediately should there be any change in this position.

A copy of the memorandum is attached, for information.

Further information

If you have any queries about this bulletin please contact Lloyd's Worldwide Markets 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



OFFICE OF INSURANCE REGULATION

FILED

JUL 19 2005

KEVIN M. MCCARTY
COMMISSIONER

OFFICE OF
INSURANCE REGULATION
Docketed by: DJS

IN THE MATTER OF:

**Hurricane Dennis
Emergency Order; Prohibition on Cancellation
or Nonrenewal of Residential Property
Insurance Covering Property Damaged
by Hurricane Dennis in Specified Counties**

CASE NO.: 82315-05-EO

EMERGENCY ORDER

TO: All Property and Casualty Insurers and Surplus Lines Insurers

THIS CAUSE having come before the Commissioner of the Office of Insurance Regulation as a result of the State of Emergency created by Hurricane Dennis, and being fully informed in the premises,

NOW THEREFORE, the Commissioner hereby **FINDS** as follows:

JURISDICTION AND FINDINGS OF FACT

1. The Office of Insurance Regulation (the "Office") has the duty, pursuant to Section 624.307(2), Florida Statutes, to enforce the provisions of the Insurance Code (Chapters 624-632, 634,635, 636, 641, 642, 648, and 651, henceforth, the "Code"). The Office shall have the powers and authority expressly conferred upon it by, or reasonably implied from, the provisions of the Code. Section 624.307(2), Florida Statutes, and as further authorized by Section 252.46, Florida Statutes.

2. Section 120.569(2)(n), Florida Statutes, provides that “if an agency head finds that an immediate danger to the public health, safety or welfare requires an immediate final order, it shall recite with particularity the facts underlying such finding in the final order...”

3. This Emergency Order is being issued pursuant to Section 627.4133(2)(d), Florida Statutes, which authorizes the Commissioner of Insurance Regulation to issue an Order invoking the provisions of this subsection upon the declaration of an emergency pursuant to Section 252.36, Florida Statutes.

4. On July 7, 2005, Florida Governor Jeb Bush, issued Executive Order 2005-139, declaring a state of emergency and activated the State Comprehensive Emergency Management Plan. Executive Order 2005-139 is attached as **Exhibit 1**.

5. As a result of Hurricane Dennis, Florida Governor, Jeb Bush, declared a state of emergency and requested, by letter dated July 10, 2005, that the President of the United States, George W. Bush, declare an expedited Major Declaration for the entire State of Florida and requested individual assistance for Escambia, Santa Rosa, Okaloosa, Walton, Bay, Gulf, Franklin, Wakulla, Calhoun, Jackson, Washington and Holmes County. Governor Bush’s letter dated July 10, 2005 is attached as **Exhibit 2**.

6. The Office has found that Hurricane Dennis has produced significant damage. Preliminary estimates indicate expected damages between 1.2 and 5.5 billion dollars. The hurricane damage has resulted in the closing of businesses and financial institutions, the suspension of mail service, the displacement of persons from their homes, loss of personal belongings and corresponding temporary loss of employment.

7. Due to the severe and continuing impacts of the 2004 Hurricane Season, there continues to be a lack of availability of contractors to expeditiously repair damaged properties.

8. The head of the U.S. Department of Homeland Security's Federal Emergency Management Agency (FEMA) announced on July 11, 2005, that President Bush has ordered the release of federal disaster funds and emergency resources for Florida to aid people battered by Hurricane Dennis. Michael D. Brown, Under Secretary of Homeland Security for Emergency Preparedness and Response, said the President took the action under a major disaster declaration issued this afternoon immediately after receiving FEMA's analysis of the state's expedited request for federal assistance. The declaration covers damage to private property from the hurricane beginning on July 10, 2005. FEMA Release is attached as **Exhibit 3**.

9. The issuance of this Emergency Order and the procedural safeguards set forth herein are fair under the circumstances due to the state of emergency that exists. As indicated in the Notice of Rights herein, Respondents are afforded an opportunity for a review of this Order.

WHEREFORE, the Commissioner of the Office of Insurance Regulation finds that as a result of the direct effects of the impact of Hurricane Dennis the issuance of an Order implementing the provisions of Section 627.4133(2)(d), Florida Statutes, is required in order to protect the public health, safety and welfare.

Accordingly, IT IS HEREBY ORDERED:

An insurer may not cancel or nonrenew a personal residential or commercial residential property insurance policy covering a dwelling or residential property located in Escambia, Santa Rosa, Okaloosa, Walton, Bay, Gulf, Franklin, Wakulla, Calhoun,

Jackson, Washington and Holmes County which has been damaged as the result of hurricane or wind loss resulting from Hurricane Dennis, for a period of 90 days after the dwelling has been repaired, except as provided in Section 627.4133(2)(d), Florida Statutes, and in accordance with all other applicable statutes and rules of the commission.

DONE and ORDERED this 19th day of July, 2005.



A handwritten signature in cursive script, reading "Kevin M. McCarty", is written over a horizontal line.

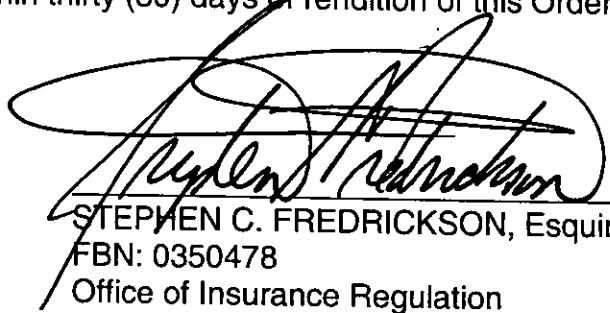
Kevin M. McCarty
Commissioner
Office of Insurance Regulation

EXHIBITS:

1. Executive Order 2005-139
2. Governor Jeb Bush's letter to President George W. Bush, July 10, 2005 with attachments and responses from President George W. Bush
3. FEMA Release relating to Hurricane Dennis

NOTICE OF RIGHTS

Any party to these proceedings adversely affected by this Order is entitled to seek review of this Order pursuant to Section 120.68, *Florida Statutes*, and Rule 9.110, *Fla.R.App.P.* Review proceedings must be instituted by filing a petition or notice of appeal with the General Counsel, acting as the agency clerk, at 612 Larson Building, 200 East Gaines Street, Tallahassee, Florida 32399-0333, and a copy of the same with the appropriate district court of appeal, within thirty (30) days of rendition of this Order.



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Copies Furnished:

All Property and Casualty Insurers
and Surplus Lines Insurers



INFORMATIONAL MEMORANDUM
OIR-05-011M
ISSUED
July 20, 2005
Florida Office of Insurance Regulation
Kevin M. McCarty, Commissioner

To All Property and Casualty Insurers in the State of Florida

Hurricane Dennis Reporting Requirements

NOTE: This Informational Memorandum supercedes Informational Memorandum OIR-05-010M, issued July 15, 2005.

Due to the recent adverse impact of Hurricane Dennis on many areas of Florida, all property and casualty insurers transacting direct business in Florida, including surplus lines carriers, are required to submit to the Florida Office of Insurance Regulation ("Office"), certain information for claims resulting from Hurricane Dennis and the financial impact of Hurricane Dennis.

The information shall be submitted via the Office website at <https://apps.fldfs.com/disasterreporting/home.aspx>.

Be advised, **disaster reporting for the 2004 hurricane season will remain on the current monthly reporting schedule.**

Information regarding Hurricane Dennis may be submitted beginning at 8:00 AM EDT on Thursday, July 21, 2005. Each insurer's initial submission shall be completed no later than 5:00 PM EDT on Wednesday, July 27, 2005. Please have the Florida Company Code(s) available for your company/companies when accessing the system. Information for Hurricane Dennis shall be submitted on the same basis as the 2004 disaster reporting (individual company or group basis).

Each insurer shall continue to provide the required information under both the Weekly Disaster Reporting and General Claims Reporting to the Office on a weekly basis not later than 5:00 PM EDT each Wednesday, until it receives notice from the Office regarding changes to the reporting schedule. The required information under the LOB Reporting shall be submitted on a monthly basis, not later than 5:00 pm on the fifth (5th) workday of the each month, for the immediately preceding month. For example, the first report shall be for the month of July and shall be submitted to the Office not later than 5:00 pm on August 5th. Each submission shall contain the cumulative results experienced by the insurer from Hurricane Dennis and not information for only the previous week's reporting period.

If a company has no exposure in the state of Florida, under the "Weekly Disaster Reporting" report type, select "The Company/Group has no property exposure in Florida." Continue through the end of the reporting process. Once this has been done, the company will not need to report again for Hurricane Dennis, unless the company gains direct exposure in Florida during the required reporting timeframe.

If the company has exposure in the state of Florida but has not received claims as a result of Hurricane Dennis, under the "Weekly Disaster Reporting" report type, select "The Company/Group has property exposure in Florida but has received no property claims as a result of Hurricane Dennis." Continue through the end of the reporting process. Once this has been done, the company will not need to report again for Hurricane Dennis, until the company receives one (1) or more claims during the required reporting timeframe.

If a company has exposure in the state of Florida and has received claims as a result of Hurricane Dennis, the following information must be submitted:

Under the “Weekly Disaster Reporting” report type:

Claims Information for areas in which claims have occurred

1. Number of Claims Reported to Date, by County;
2. Number of Claims Determined to be a Total Loss, by County (Total loss is defined as a claim that requires settlement of the maximum amount of insurance on the covered property.);
3. Total Claim Payments to Date, by County (Claim payments include additional living expenses (ALE), business interruption (BI), structure coverage, and contents coverage.);
4. Estimated Case Reserves, by County (Case reserves include additional living expenses (ALE), business interruption (BI), structure coverage, and contents coverage. Reserves include case reserves and allocated loss adjustment expenses only).

Financial Projections

5. Best Estimate of Expected Gross Loss resulting from each hurricane;
6. Projected Net Retention resulting from each hurricane (net of all reinsurance, include Florida Hurricane Catastrophe Fund coverage);
7. Identification of the Model used in calculating the Expected Gross Loss and Net Retention;
8. Estimated Total Dollar Amount of Deductibles for All Residential Claims Reported to Date for each hurricane. *

General Information

9. Location, contact information and hours of operation for any mobile response units that are currently assisting with each hurricane;
10. Number of adjusters assigned to areas adversely impacted by each hurricane; and
11. Contact information for the individual submitting the information.

*The deductible should be for personal residential property claims only. Do not include deductibles for auto physical damage claims or commercial property claims.

Under the “General Claims” report type:

For the purposes of this report,

- “Adjusted” is defined as a claim that has been evaluated and for which a settlement offer has been made to the claimant.
- A “closed claim” is defined as a claim that has been settled, the claimant has received payment, and no additional payments for this claim are expected to be incurred by the insurer.
- Aging should begin with the date the claim was reported.
- For Item 7 through 13, include only claims that are still open or have been reopened, not those claims which have been closed. If a claim has been closed and then reopened, do not report them in both categories; report it as an open claim only.

1. Total number of claims reported to date;
2. Total number of claims where the company has made contact with the policyholder;
3. Total number of adjusted claims (includes claims that have been adjusted as a result of desk reviews or on-site examinations);
4. Average number of days to adjust the claims reported in Item 3 above;
5. Number of closed claims where no additional payments to the policyholder are anticipated;
6. The average number of days to close the claims reported in Item 5 above;
7. Number of claims open for less than thirty (30) days;
8. Number of claims open for thirty (30) days or more than thirty (30) days and less than sixty (60) days;
9. Number of claims open for more than thirty (30) days and less than sixty (60) days, where only additional living expense (ALE) payments have been made to policyholders;

10. Number of claims open for more than sixty (60) days and less than ninety (90) days;
11. Number of claims open for more than sixty (60) days and less than ninety (90) days, where only additional living expense (ALE) payments have been made to policyholders;
12. Number of claims open for more than ninety (90) days; and
13. Number of claims open for more than ninety (90) days, where only additional living expense (ALE) payments have been made to policyholders.

Under the “LOB Reporting” report type:

The following information should be provided for these specific lines of business: Fire and Allied Lines, Farmowners, Homeowners, Mobile Homeowners, Commercial Multi-Peril, Commercial Auto Physical Damage, Private Passenger Auto (PPA) Physical Damage, and Other Lines.

1. Total number of claims reported to date;
2. Total number of claims determined to be a total loss (Total loss is defined as a claim that requires settlement of the maximum amount of insurance on the covered property.);
3. Total dollar (\$) amount paid to policyholders for Additional Living Expenses (ALE) paid.
4. Total dollar (\$) amount of contents coverage paid.
5. Total dollar (\$) amount of structure coverage paid.
6. Total dollar (\$) amount of claim payments made to date. This column should equal the total of Items 3, 4, and 5 above; however, for some certain lines of business, there are types of payments that are not categorized above. Said payments, while not included in the breakdown of payment types, should be included in the Total Claim Payments made to date.

The specified lines of business are consistent with those defined by the National Association of Insurance Commissioners (NAIC) and detailed in the statutory financial statements of the company.

The Office will issue further instructions regarding the new method of electronic disaster reporting for the 2005 hurricane season at such time as the application is available for use by companies.

If you have any questions regarding the reporting process, please contact the Market Research Program, Data Collection Unit at (850) 413-3147 or DisasterReporting@fldfs.com.