

**CITIZENS PROPERTY INSURANCE CORPORATION**

**MINUTES OF THE  
BOARD OF GOVERNORS MEETING  
Wednesday, June 19, 2019**

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened in Sheraton Orlando North in Maitland, Florida on June 19, 2019 at 9:00 a.m. (EST).

**The following members of the Board were present:**

Gary Aubuchon, Chair  
Bette Brown  
Blake Capps  
Marc Dunbar  
James Holton  
William Kastroll  
John McKay  
Bo Rivard  
Freddie Schinz  
John Wortman

**The following Citizens staff members were present:**

Barry Gilway  
Barbara Walker  
Jennifer Montero  
Jay Adams  
Christine Ashburn  
Violet Bloom  
Kelly Booten  
Hank McNeely  
Andrew Woodward  
Mike Sills  
Joe Martins  
Paul Kutter  
Brian Donovan  
Joe Theobald  
Steve Bitar  
Nancy Staff  
Mark Casteel  
Gene Bednarek  
Bonnie Gilliland  
David Woodruff  
Eric Addison

**The following people were present:**

Kapil Bhatia	Raymond James
M. Lezcano	UBS
John Generali	Wells Fargo
Kevin Tromer	Team Focus
Ken Vincent	Guy Carpenter
Danny Kriss	Guy Carpenter
Adam Schwebach	Willis Re

**Call Meeting to Order**

Barbara Walker: Good morning and welcome to Citizens' June 19, 2019 Board of Governors meeting. This meeting is publicly noticed in the *Florida Administrative Register* and is recorded with transcribed minutes made available at our website. Please do not put this call on hold. Press \*6 to mute your line and #6 to unmute your line. We will convene with roll call.

Roll call: Chairman Gary Aubuchon, Bette Brown, Blake Capps, Marc Dunbar, James Holton, William Kastroll, John McKay, Bo Rivard, Freddie Schinz, John Wortman.

Chair Aubuchon: Welcome Board of Governors. We have a full complement of governors today.

**1. Approval of Minutes**

Chair Aubuchon: Our first order of business is approval of two prior meetings' minutes from March 27, 2019 and May 17, 2019.

**A motion was made and seconded to approve the March 27, 2019 and May 17, 2019 minutes. All were in favor. Motion carried.**

**2. Chairman's Report**

Chair Aubuchon: I'll be brief in my report. I want to take the lead in this because we have a very modest staff at Citizens. I want to single out Christine Ashburn. She has for six years fought the Assignment of Benefits (AOB) battle. As a former legislature, what she was able to achieve, with the help of Barry Gilway and others, was done with the strength of relationships she's built over the last six years in the legislature. While it's appropriate to say that without the support of the officers of the House and Senate, the Chief Financial Officer, and the Governor, it would not have happened, it's also fair to say that without Christine Ashburn, it would not have happened. It was her beating that drum for six years, and that's a game changer for us. We've been lamenting on this Board for all these years that we need AOB reform, and today is our day. Thank you, Christine, Barry, and the entire team.

### 3. President's Report

Barry Gilway: Thank you, Mr. Chairman, and I could not agree more with regard to your comments on Christine, Jay Adams, Dan Sumner, and the entire Corporate Legal Team. We've been on this AOB movement for four or five years. I think Christine and I have been counting the presentations that have been made over the last four years, and I think we came up with 32 independent presentations attempting to get the AOB story out there both in the media and to customer groups. The leader has always been Christine on this issue, and I really appreciate you recognizing her. The primary focus today will be on AOB reform, and the impact it will have on Citizens when effectively implemented. I've requested Christine, Chief of Communications and Legislative Affairs, and Jay Adams, Chief of Claims, to take the lead to describe AOB legislation initially. Jay will then review the actions to implement and take advantage of the legislation that will benefit the policyholders. As I said, both were instrumental along with Dan Sumner and our Corporate Legal Team in getting this passed. But, before I turn this over to them, you can't escape a few comments. As you are aware, we've had excellent success in eliminating the potential for assessments by reducing the overall policy count from 1.5 million to a stable 420,000. It has been at that level now for close to three years. In a presentation that Ben Watkins in the SBA made to the Cabinet last August, he clearly demonstrated the extent to which Citizens and the Florida Hurricane Catastrophe (CAT) Fund has contributed positively to Florida being the only state with a three-star rating. I believe all the governors received copies of this presentation. It shows that of a \$42B improvement in the state's financial condition, a combination of Citizens and the CAT Fund is responsible for over \$28M out of that \$42B improvement. The reason I'm pointing that out is that it's clear that AOB has an impact on the consumer and a huge impact on the state. Our ability to continue depopulation clearly improves the overall state financially. Our impact on that rating was due to the reduced assessment and exposure. The opportunity, however, to reduce our footprint further is dependent on the health of the private marketplace and their interest and ability in assuming Citizens business. At the end of the first quarter, the Florida market is still very healthy. However, the combined ratio had increased by 8.9% over the same quarter of last year. The loss adjustment expense (LAE) increased in the industry in Florida domestics by 12.6%. Net income decreased by \$65M for the industry. Without question, AOB litigation played a major role in these results. At the same time, CAT reinsurance rates are moving higher after many years of favorable rates. Today, Citizens looks far more like a residual market with 90% of our properties over 20 years old. 61% of the homes we insure are over 50 years old. We also insure lower value homes. 46% of the buildings we insure are less than \$200K in Coverage A. In addition, 51% of policies are located in the highest litigation counties, responsible for 90% of Citizens' litigation and where litigation rates are highest. Policyholders in the Tri-county area also submit a significantly higher percentage of claims. 38% of all Tri-county policyholders have submitted a claim compared to 23% of the policyholders in the rest of the state. If you take the impact of wind and excluding the wind numbers, 20% of the policyholders in Tri-county have put in a non-wind claim compared to 13% of the rest of the state. The number one reason why Citizens may be considered unattractive is rate inadequacy. Private companies and respond to all the risk characteristics in their rating strategy. The largest drawback to depopulation has been Citizens' rate inadequacy which the private companies cannot address because under current statute they have to maintain certain rates for three years after the assumption of business. Prior to AOB reform, Citizens' previous filing reflected a 46.9% rate inadequacy for Broward County and a 26.5% rate inadequacy for Dade County. This is why AOB reform was key not to just Florida companies but even more

critical for Citizens and for any company that has a large southeast Florida market share as AOB hits the litigation rate. It directly impacts litigation rates in our most concentrated counties. You'll hear from Brian Donovan a little later this morning that the customer will benefit the most from the reform will be the customers in high litigation areas. If we take full advantage of AOB reform, we will reduce rate inadequacy and lower the rates of our policyholder, which will make Citizens' business more attractive to the private market. This will help us reduce the financial obligation of the state and Citizens' footprint.

Chairman Aubuchon: I want to undo one faux pas. We have a new governor at the table. We'd like to welcome Bo Rivard.

Bo Rivard: It is a pleasure to be with you guys and I look forward to working with everyone. I had a nice orientation with Barry a few weeks ago. It's an honor to be on the Board.

### **AOB Discussion**

Christine Ashburn: As Governor Aubuchon mentioned earlier, we've been working on this since what feels like forever. We had joked that this is the "new sinkhole." I am happy to share with you that House Bill (HB) 7065 relating to insurance assignment agreements, passed the Florida Legislature on April 24, 2019 and was signed into law by Governor Ron DeSantis on May 23, 2019. The bill is effective July 1, 2019 – except for subsection (ss.) 627.7152(10) (the fee portion of the bill), F. S. which became effective on May 24, 2019 with the signing of HB 337. You may have mentioned in the Claims Committee when Governor Capps had questions about the effectiveness of this bill and what happens with fees. Harvey Cowen, who is "the godfather of AOB" – the attorney who put a video out during week nine, sharing that AOB is dead and if you had AOBs, to get them to him before July 1. That frustrated Senator Jeff Brandis out of the Tampa Bay area. Senator Brandes was the sponsor for HB 337, which was related to the courts, and he added an amendment making the fee portion of HB 7065 effective immediately once signed. This was a direct result of the marketing going on about getting AOBs in and trying to take advantage prior to the July 1<sup>st</sup> effective date. I want to highlight some of the key portions of the bill and Jay will speak about all the things we're doing to implement it. There is under my tab a full breakdown section by section of the bill, but I do want to highlight for you the key components that we believe are the critical pieces for making this effective to help us change the tide. The bill requires that assignment agreements:

- Contain a provision allowing the assignor to rescind the agreement without penalty or fee within 14 business days.
- Contain a provision requiring that the assignee provide the insurer with a copy of the executed agreement within 3 business days after the execution of the agreement or work has begun, whichever is earlier.
- Include a written, itemized, per-unit cost estimate of services to be performed.
- Limit the use assignment agreements to \$3,000 or 1% of Coverage A under urgent or emergency circumstances. Consumers are not signing the full rights to the full claim when there is water gushing out of their pipe in the middle of the night.
- Prohibits assignee from charging fees or penalties for mortgage processing, rescission or cancellation of the agreement, or administrative fees to insureds. We have seen some egregious, opportunistic behaviors in that area.

The bill requires that an assignee has the burden to demonstrate that the insurer is not prejudiced if the assignee fails to:

- Maintain records of all services provided under the agreement.
- Cooperate with the insurer in the claim investigation.
- Provide the insurer with requested records and documents.
- Deliver a copy of the executed agreement within 3 business days or work has begun, whichever is earlier.

The bill requires, as a condition precedent to filing suit that assignees must submit to Examinations Under Oath, participate in appraisal or other alternative dispute resolution methods. Those of you who have been with us on the Board remember that a number of these types of provisions we've already added to our policy form. The one exception that is now law is the examinations under oath. Most of this has been leveraged in our forms. Here is the crux of the bill: the goal of this is to change the behavior. We need to stop the filing of these suits for fear of not being able to recover these fees, or, in some instances, fear that they may have to bear the fees themselves if the insurance company wins the judgement. The bill states that attorney fees may only be recovered by an assignee under s. 57.1045, F.S. or under the provisions outlines below:

An assignee must give notice prior to filing a lawsuit and make a pre-suit demand.

- The insurer must respond in writing to the notice with a pre-suit settlement offer within 10 business days of receipt of the demand.
- Fees shall be awarded as follows if the different between the judgement obtained by the assignee and the pre-suit settlement offer is:
  - Less than 25 percent of the disputed amount, the insurer is entitled to an award of reasonable attorney fees.
  - At least 25 percent but less than 50 percent of the disputed amount, no party is entitled to an award of attorney fees.
  - At least 50 percent of the disputed amount, the assignee is entitled to an award of reasonable attorney fees.

Remember, in the past, if we lose by \$1 we have to pay the attorney's fees, so this is a huge step in the right direction. If the insurer fails to inspect or provide authorization for repairs within 7 calendar days after the first notice of loss, the insurer waives its right to an award of attorney fees. Insurers may make available a policy that restricts in whole or in part an insured's right to execute an assignment agreement if the following conditions are met:

- Must make available a policy that does not restrict post-loss assignment agreements.
- Restricted policies are available at a lower cost.
- The insurer notifies the insured annually of the coverage options available for post-loss assignment agreements.
- The insured must reject a fully assignable policy in writing or electronically.

There was some concern during the session by state leaders that we have a pending filing for rate approval sending at the Office of Insurance Regulation (OIR) that did not contemplate the outcome of this bill. I believe one of you asked Brian Donovan in December what happens if reform occurs and if there is an opportunity for us to take another look at rates. Brian's answer was yes. So, in order for us to have confidence that we can do that quickly, we worked with House and Senate leadership on language on the following:

- HB 7065 provides that Citizens may not implement a rate change in 2019 for HO-3 and DP-3 policies unless the rate filing reflects projected savings from the bill.
- The bill requires that the rate filing include an exhibit demonstrating the impact of the bill on the indicated rates for HO-3 and DP-3 policies.
- The bill also requires that Citizens provide policyholders with details on the projected rate savings from the bill.

Jay Adams: Before we get started, I want to say that HB 7065 has been a significant lift for Citizens. We have until 7/1 to be responsive to this bill. We've been working on this bill ever since the Senate basically passed that. This has truly been another enterprise initiative where most major divisions stopped what they were doing and put this on the front priority. I want to go through what some of the business impacts have been for us to be prepared for a 7/1 release. The first one I'd like to talk about our affects claims legal team. When we got the bill and read it, it's pretty easy to read at first glance. But when we started breaking it down into claims processes, we started having all kinds of legal questions. We needed our claims legal team to highly engage with us and across the enterprise to make sure we are all interpreting the new law correctly: required content of the assignment agreement for enforceability; excluded content of the assignment agreement for enforceability; contents of Notice of Intent to Initiate Litigation. They also did a considerable amount of training and building materials: Claims Litigation, Defense Counsel and AOB team training materials; Claims Litigation and Claims Legal AOB training; AOB team training; Defense Counsel training; development of Forms and Templates for litigation filed. Once we figure out our strategy and approach, they send that out to everyone so that everyone has the same approach to use, and we don't have our Defense Counsel trying to reinvent the wheel. We'll move onto the claims impact. If you refer to Lines 237 – 241 of HB 7065, the bill outlines that we must have a process to investigate each claim according to the Florida law. The Claims response has been that we're going to create a dedicated team for compliance. We're mandating that team with the following things:

- If the agreement is valid and enforceable
- If the Assignee has met their duties
- If the Conditions Precedent to Suit have been met
- If the Assignor has met their responsibilities to be eligible to be included on the proceeds
- If the Assignor is in good standing to file a Notice of Intent to File Suit

There are few timelines that our AOB team will have to deal with:

- Inspect the property within 7 calendar days after the first notice of loss or provide written or oral authorization for repairs
  - Failure to comply waives the right to entitlement of attorney fees
- Respond in writing within 10 business days by making a pre-suit settlement offer or demanding appraisal

Now as we walk through what our processes will be and our workflow design, the main concern we have is that we have to get that AOB or that notice of intent to the AOB team and it has to be done timely.

#### *AOB Team workflow design*

- Process for routing new AOB's & Notice of Intent to File Suit – Mailroom
- Process for determining validity of AOB agreement

- Process for determining what constitutes an “urgent or emergency circumstance” as defined in the Bill. We have to validate if the AOB did get signed or if it’s limited.
- Process for documenting that authorization for repairs were granted within 7 calendar days to remain eligible for Entitlement of Fees
- Process for determining if the Assignee has met the conditions precedent prior to filing suit
- Process for responding to a new Notice of Intent to File Suit
- Process for validating the judgement obtained as compared to the Pre-suit Settlement Offer to determine the Entitlement of Fees
- Deductible management changes to support multiple file ownership
- Parties involved changes to ensure appropriate parties are added to the check correctly
- Development of multiple claims correspondence letters for Bill compliance per section
- Development of time sensitive Claims Management System notices for Bill compliance
- Best Practices changes to include the AOB procedures

#### *Program Management and Process Support*

- Develop structure around teams performing work
- Facilitate management of program scope
- Support cross-team communication dependencies
- Facilitate Steering meetings to ensure overall agreement of strategy and approval of documents and policies
- Ensure governance compliance to Enterprise processes for documentation and program communications and reporting
- Documentation of end-to-end process and key performance indicators

#### *Systems and Ops*

##### **Intake channels**

- New online form (straight through processing)
- Enhancement of electronic and physical mail intake

##### **Claims Management System enhancements needed by July 1, 2019**

- Intake system enhancements
  - Identification of AOB
  - Identification of Notice of Intent to File Suit
  - Flagging and routing to AOB team
- Development of AOB summary tab
  - Adjuster data collection for management of the AOB or multiple AOB’s
  - Statutory data collection for future reporting
- Development of correspondence
- Creation of AOB email address with routing to the intake system
- Enhancements to the adjuster payment processing system for appropriate tracking of AOB payments

##### **Claims Management System enhancements needed by late July 2019**

- Correspondence loaded to the document production system
- Enhancements to automate triggers to generate correspondence
- Development of an AOB dashboard to facilitate the leadership of the dedicated AOB team

If we refer back to the bill Lines 286 – 294 of HB 7065, it says that the OIR will be making a data call. We need to make sure we are compliant and ready to be responsive to whatever the data

needs are. As we build out our AOB template in the Claims Management System, we looked at what we feel we need to manage the program and report back to this Board. We've also taken into consideration on what the OIR will need as well to determine the success of this program. Some of the things we'll be capturing are time stamps; AOB details for audit history; vendor details; financial details; incoming mail details. We will need to make a few modifications to the data warehouse so it'll support our actuarial and analytic needs. We will create an enterprise performance metrics dashboard to create program results. We need to make a rate and product systems change.

#### *Communications*

Citizens Communications will produce and deliver the following communications prior to July 1, 2019:

- Brief explanation of HB 7065 with details on how to submit the AOB agreement to all policyholders
- Brief explanation of HB 7065 with details on how to submit the AOB agreement to all known Vendors (we are working with the mitigation associations)

Barry Gilway: I believe that concludes the presentation. I want to thank Governor Dunbar who had the ability to sit through, on short notice, one of our steering committee meetings that focused on addressing all the issues Jay and Christine just discussed. He got firsthand knowledge on the complexity of what we have to go through in the coordination to pull through something like this. Governor, thank you for attending the meeting.

Marc Dunbar: Thank you for hosting me. I will tell you, my fellow Board members and to those who are listening, to sit in that room, to see the talent assembled, and to see the daunting task to get up to speed by July 1 . . . Chairman, when you see laws are passed, you don't fully appreciate what happens after that law is passed and it's mechanically implemented in the industry. I will tell you kudos to Barry and Christine and Jay and the rest of the team. It was phenomenal to watch, and hopefully, it will be an example to the rest of the industry and a validation to the legislature on what they passed that helpfully the reforms will favorable impact the industry.

Blake Capps: The seven day rule (e.g., like a notice of loss and we have to inspect within seven days) – how practical is that going to be to implement? What does the evidence show as to how quickly we did our inspections in recent storms? How do we need to change our mode of operation in order to get there within seven days to preserve our right to get our attorney's fees paid?

Jay Adams: The bill does not require us to do the inspection piece if we are under a declared emergency by the Governor. As far as our normal non-hurricane related losses, our goal is to be onsite within 48 hours of the first notice of loss (FNL) for that inspection. Today, given that there is no representative with the insured who is not allowed to inspect within 48 hours, we do a pretty good job of making that happen. We also require from our best practices and our quality assurance program that when the inspection is scheduled and completed, it is notated in the claim log so we can track when they're supposed to be there and when they actually got there.

James Holton: Did the legal team foresee any possible ambiguities that you're concerned about with some of the consistencies in the forms. What's going to happen in Florida is that different



circuits and districts will have different interpretations as this law evolves. I want to know if you foresaw any hotspot areas that might concern us. I applaud you doing the consistency of forms.

Jay Adams: Like any piece of legislation, we understand the total intent of what they're trying to accomplish. There are some legal gaps that we have identified and we have processes put around it. For everything that we have identified, we are trying to make sure that the insured is the one who is being protected. We feel that this bill is set up for the policyholder protection. Anything we've made decisions on we have taken the policyholder and put them at the highest level in that process and tried to offer those protections for them.

Barry Gilway: Christine mentioned Harvey Cohen and the video he distributed, which is really a training video on how to overcome the AOB legislation. What is interesting in that is the proposal that Harvey Cohen presented was to eliminate AOB and then go directly to the insurers, cutting out any middle man (e.g., adjusters). We have a team that's always looking at what's next and potential pitfalls so that we can stay ahead of the game. Very quickly – there were two organizations that put out videos within hours of HB 7065 passing.

Chairman Aubuchon: Christine, do you have anything else?

Christine Ashburn: I have a couple minor bills to discuss later in the book, but I'm happy to discuss them here. One of them is the courts bill and the other one is HB 301. It's the CAT Fund bill that Governor Holton asked at the last meeting – the changes in the LAE factor of the CAT Fund from five to 10. That bill did pass and was signed into law by the Governor yesterday. Jennifer Montero can speak about the reinsurance piece about how that impacted reinsurance negotiations. Everyone was hopeful that the Governor would sign it. That was all I was going to share.

#### **4. Chief Financial Officer Report**

##### **a. Finance and Investment Committee (FIC) Report**

Chair Aubuchon: Yesterday, we had our FIC meeting. We covered the risk transfer update as well as the clean audited financials.

#### **Risk Transfer Program**

Jennifer Montero: Behind tab four, you'll find the executive summary for the risk transfer as well as the layer charts. Following the approval of the May 17<sup>th</sup> Board conference call, Citizens reinsurance team went out to market with firm order terms for the Coastal Account. Relative to prior years, the market is hardening with authorizations from reinsurers that came in at a much slower rate than in the past. Although our pricing was aggressive, we believe that the pricing offered to Citizens properly reflected Citizens risk profile and position in the market. A total of 25 markets participated in our program this year, including four new markets and nine markets from last year that chose not to participate. Citizens transferred approximately \$1.27B to the global reinsurance and capital markets for the Coastal Account, which includes \$880M of risk transfer from 2017 and 2018 that remains in place for the 2019 season. The total amount of surplus

exposed for a 1-in-100 year event will be approximately 28%, or \$766M. The final 2019 Risk Transfer Layers for the Coastal Account are as follows:

- Layer 1 of this program covers \$100M in excess of \$393M of personal residential and commercial residential losses and would work in tandem with the mandatory coverage provided by the FHCF to include the co-payment of the 10% of the losses not covered by the FHCF. This layer was placed at 100%, or \$100M at a rate-on-line of 11.5%.
- Layer 2 of this program covers \$293.65M, or 68.47%, of the total \$350M of annual, aggregate personal residential and commercial residential losses and will attach after \$493M of losses. This layer was placed at a rate-on-line of 5.5%
- Layer 3 of this program would provide approximately \$53.25M of coverage for CNR losses not covered by other layers of the program and for which Citizens has no FHCF coverage. This layer was placed at 25%, or \$53.25M, of the total layer of \$213M at a rate-on-line of 8%. This layer was oversubscribed as we received 34.29%, or \$72.82M in authorizations.

All three of these layers were single year coverage. To ensure the success of the Coastal Account placement, we waited until we received authorization for the majority of the Coastal Account program before going to market with FOTs for the Personal Lines Account (PLA). This is the first time since 2005 that Citizens has purchased reinsurance for the PLA. Prior to the placement in the PLA, the PLA exposed 63% of its surplus in a 1-in-100 year event. Citizens' strategic risk transfer plan transfers \$176.5M of risk alongside and above the FHCF, which reduces the amount of surplus exposed to approximately 58%. Layer 1 of this program covers \$176.5M, or 88.25%, of the total \$200M in excess of \$415M of personal residential and commercial residential losses and would work in tandem with the mandatory coverage provided by the FHCF to include the co-payment of the 10% of losses not covered by the FHCF. This layer was placed at a rate online of 11.25%. The total 2019 Risk Transfer Program is approximately \$1.45B of coverage, with total costs including the multiyear layers, of approximately \$94.9M with a weighted average rate online of 6.55%.

#### b. Financial Summary and Statement of Operations

Jennifer Montero: The next thing I have is the summary of financials for March 2019. I'll go over the highlights of the financial summary. The operating results from 2019 are relatively unchanged from first quarter (FQ) 2018 and reflect the continued stability of policy counts, written premium, and LAE ratios. The consolidated direct written premium through the FQ 2019 was \$202.1M which is 2% less than the prior year. This decrease is the result of decreases in combined policies in force (PIF), primarily the CLA and the Coastal Account. Decreases in PIF are 1% for the PLA, 29% for the CLA, and 12% for the Coastal Account. No premiums ceded were recognized through FQ 2018 and FQ 2019. Premiums ceded to private reinsurance are recognized at inception of the Atlantic Hurricane Season, which is June 1<sup>st</sup>. At March 31, 2019, consolidated ultimate losses and LAE related to Hurricanes Irma and Michael were unchanged compared to December 31, 2018. Hurricanes direct ultimate losses in LAE totaled \$1.9B with \$697.2M recoverable under Citizens reinsurance contract with both FHCF and private reinsurance. Hurricane Michael's consolidated ultimate loss LAE totaled \$151.7M. There were no reinsurance recoverables [sic] associated with Hurricane Michael, as the loss in LAE attachment levels were not met. Although non-litigated water claims continue to be a dominant driver of loss in LAE activity within the PLA, recent trends suggest that the litigation rate may have peaked and are now showing signs of decline. Within the CLA, volatility in older sinkhole claims continues to contribute to material quarterly variances

in loss ratios. The dimensioning size of the overall commercial lines book of business leaves it more susceptible to material swings in the loss of LAE ratios as a result of development in prior accident years when the CLA book of business is considerably larger. Reported loss in LAE ratios for the FQ was driven by favorable development on outstanding reserves on older sinkhole claims. Administrative expenses incurred during the FQ were \$35.6M which is 9% less than the same period last year and 16.3% less than budget. The variance in contingent staff was primary due to the lower than anticipated need for independent adjusters. The expense ratio for the first quarter was 28% reflecting a 0.8 decrease from the same period last year and a 3% decrease compared to budget. Total investment income for the FQ 2019 was \$57.6M, which is \$12M greater than the same period a year ago. Despite a decrease of \$839M in total average invested assets over the same comparable period, the increases are primarily due to three factors: year over year decreases in realized losses, increases in average coupon yields, and decreases in holdings in tax exempt securities (which generally have a lower yield compared to taxable securities). The decreases in realized losses were driven by increases in market values of securities compared to book value in the underlying securities that were sold. The increases in coupon yields were primarily the result of portfolio managers reinvesting proceeds from disposition securities with higher overall yields. Holdings in tax exempt securities decreased as a result of decreases of our pre-event bond proceeds which are to satisfy debt service payments. As we enter into the 2019 hurricane season, Citizens' capital position remains incredibly strong, supported by a large level of surplus and a highly rated invested assets in our robust reinsurance program. For the 2019 hurricane season, our risk transfer program consists of \$1.45B of traditional reinsurance through Everglades Re, supporting our robust and diverse claims paying capacity.

c. 2018 Audited Financial Statements

Jennifer Montero: The audited financials are also in here. They are December's 2018 and there is no change from what was presented to you at the last meeting. The Audit Committee can talk more about that.

d. Actuarial and Underwriting (A&U) Committee

Jennifer Montero: I'd like to call up Brian Donovan, our Chief Actuary, and Paul Kutter to go over the recommended rate filing.

i. Action Item: Annual Recommended 2019 Rate Filings

Brian Donovan: Good morning, Board members. I'm Brian Donovan, Chief Actuary at Citizens. I will provide an update concerning the rate filings that we discussed this past December and filed in January. As Christine mentioned in her presentation, HB 7065 was passed to directly deal with the AOB abuse. Part of that bill states that Citizens not increase HO3 or DP3 rates until we consider the potential savings from that bill. Due to the direction at that time, we have withdrawn all those filings we made in January and reexamined all of the non-hurricane losses to see where we can expect savings from HB 7065. Today, I'll update the Board on the impact of this House Bill on Citizens rate indications and what our new proposed rate changes are. Earlier today, Barbara Walker provided you with a sheet of the presentation. It's an abbreviation of all the materials that are in the Board materials. So, for slide one, I think we're familiar with this exhibit. I will not go through all these numbers, but for the record, these are the updated rate changes that we are

proposing to file with the OIR. I will go over which numbers are impacted by the new legislation. Again, the bill directed that HO3 and DP3 should not be increased or decreased until we have an explicit accounting of the anticipated future of the impact. We went a step further and withdrew all filings for the PLA and CLA. We examined them all thoroughly, and our conclusion was, as expected, HO3 and DP3 water claims were impacted the most. We were able to come up with measurable savings for HO6 and mobile homes as well. For this exhibit, I would turn your attention to the bottom right corner. All of those numbers roll up into columns 11 and 12 for PLA – our current uncapped rate need which is 14.2%. We are proposing a 4.7% rate change. For the CLA, the uncapped rate need is 54.2%. After the application of the glide path, we are proposing an 8.9% rate change. Overall, for the company, the rate need is 18.1% with a proposed change of 5.1%. If we turn to the next slide, we compare where we were and where we're at today. The initial filing is what we talked about in December and the updated filing reflects what we are proposing today. Across the company, our uncapped rate need was 28.6%. After the application of the savings from AOB reform, it is now 18.1%. Looking at the PLA, 25.9% was the rate need, but now it's 14.2%. CLA was 54.2% and there was no change. CLA did not change at all. We looked at the losses and there were only a handful on AOB, but there was nothing significant. The rate need for the CLA is driven by the hurricane models. Nothing has changed with the hurricane models with the HB 7065. Our proposed CLA rate change has not changed. For PLA, we see there are significant changes, but within those numbers are the wind-only policies. Once again, the wind-only policies are driven by hurricane models, so there are no changes to the wind-only policies. The proposed rate change for PLA is now 4.7%. CLA is 8.9%. If we turn to the next slide, I'd like to talk about the lines that are directly impacted. Focusing on homeowners, the uncapped need was 25.2%. After the application of the HB 7065, it is now 7.2%. It's worth noting that this reduction is not solely due to the impact of HB 7065. We did recognize a dip in the overall litigation rate. A combination of loss trend data and an anticipated savings of the house bill reduced the overall homeowner's need from 25.2% to 7.2%. After application of the glide path, our proposed rate change for homeowners is 8.5% to 2.3%. You can see the same uncapped reductions for dwelling; however, that's starting from a much higher place – 36.9% reduced to 24%. Our proposed rate change is from 8.9% to 8.6%. You can see some modest savings for the condo units and mobile homeowners. What does this translate into in terms of the impact for policyholders? We can see with the original filing for homeowner that it was originally 2.7%, or about 4,500, of the policyholders would have received the decrease. With this adjustment, that number is now 45,000 (27.6%) policyholders will receive a decrease. You can see the changes through the other lines of business. With the initial filing, 23,000 policyholders were going to get decreases and now 67,000 (21.6%) will get the decrease. For the policyholders who do receive a decrease, the average savings is \$237. You can see the statewide proposed premium has decreased from 28.51% to 26.87%. This not only reflects a savings for the policyholders who do receive a decrease, but even the policyholders who are receiving an increase will receive a lower increase. We can see the actuarially sound premium (i.e., uncapped) has been reduced from 32.97% to 28.16%. Moving to the next slide – it's just a histogram by policy forum of the distribution of the rate changes. At the bottom of this graph, you can see the four different buckets. That is just the range of the rate change. For example, 19% of the HO3 will get a rate decrease minus 11% to minus 5%. 8% will be in the minus 5% to 0%, etc. Finally, where are these decreases occurring? Initially, if you look at Dade County, Dade was always ground zero for this litigation issue. It's the reason why they have the highest premium for HO3 in the state, so it's not surprising that Dade is impacted the most by these savings. 71% of policyholders in Dade will

be getting a decrease. Maybe surprising at first, but Broward is getting only 2% of the decrease but it's really not that surprising when you think about it. While Broward was only second to Dade in terms of litigation, it had not received the same kind of rate increases like Dade received. For example, since 2015, on average, Dade's premiums increased 26.3%. During that same time, Broward's rates increased by 16.5%. That is reflected in the average premium. Dade, even after the decrease, it's still higher than Broward's premium. That concludes my report.

John Wortman: Just a comment. We did have an A&U meeting yesterday and we did go over this. I want to thank staff for all the hard work they're doing. The one concern that was raised was the fact that we're going to reflect the reduction in claims caused by HB 7065 a little earlier than the rest of the industry, so there is some concern on policy growth. We will watch that closely.

**A motion was made and seconded for the Board to approve the 2019 Annual Recommended Rate Filings, effective December 1, 2019; and upon approval, the presented rate changes will be filed with the Office of Insurance Regulation. All were in favor. Motion carried.**

## **5. Chief Systems & Operations Officer Report**

### **a. Information Systems Advisory Committee (ISAC) Report**

Kelly Booten: Good morning. We did not have an in ISAC meeting this quarter.

#### **i. Action Item: Multifunction Copiers**

Kelly Booten: For our multi-functional copiers we have some expiring leases. This Action Item seeks Board approval for up to a three (3) year lease agreement for 21 multi-function copiers located in Jacksonville (18), Tallahassee (2) and Tampa (1). The new lease agreements will allow Citizens to either continue use of existing multifunction copiers or replace expiring leases with the newest technology. Installation of the replacement copiers will be staggered to allow for ease in delivery and set-up. Any new lease agreement(s) will be made pursuant to an established Florida State Term Contract. This is an ongoing operating expense, which is budgeted annually. It is budgeted for approximately \$296,000 for a three (3) year lease term which includes annual lease costs and projected click count charges.

**A motion was made and seconded for the Board to approve up to a three year lease term with Konica-Minolta and Kyocera under an approved State Term Contract for 21 multifunction copiers in Jacksonville (18), Tallahassee (2) and Tampa (1) that is consistent with the intent of this Action Item and to authorize staff to take any appropriate or necessary action consistent with this Action Item. All were in favor. Motion carried.**

## **6. Chief Claims Officer Report**

### **a. Claims Committee Report**

Chairman Aubuchon: Jay, I hope you take a moment to talk about our Special Investigations Unit (SIU) and the sting operation in the Rubicon because I'm really impressed with our organization's part in it.

Jay Adams: We met telephonically on June 12<sup>th</sup>, and during that meeting, we covered HB 7065. Christine gave a very similar presentation. We took updates on our CAT litigated claims and non-weather water. We have a few action items we need to bring before the Board as well. Before I do that, I would like to introduce Joe Theobald. He is our director of our SIU. He and his team have done a phenomenal job over the years. It's hard to recognize them and bring stories forward that we can talk about publicly. I'm going to ask Joe to talk about two very large ring investigations that they completed and had success with in the cases.

b. Special Investigations Unit Update

Joe Theobald: I am pleased to provide an update on our SIU. You may have seen published reports on Barbara Gonzalez, a public adjuster, along with 35 others who were arrested for their involvement in an alleged \$2.5M water claims scheme that targeted Citizens and other carriers. The case is dubbed "Operation Crossing the Rubicon." The investigation was a multi-department effort led by the task force detectives that include members of the Miami Dade Police Department and the State Fire Marshall (which is overseen by the Florida CFO's Office). As you can see by the display chart, the investigation focused on a criminal network that included representatives of the Rubicon Group, an insurance agent, contractor service providers . . . it extended to 23 Citizens policyholders covering 24 claims to the tune of \$833K in indemnity payments. All of these individuals are being charged with insurance and racketeering crimes for their alleged involvement in staging non-weather water and wind claims in the Miami area. SIU began working with the task force detectives about a year ago, when we started providing documentation on over a 100 claim files. Sifting through the voluminous documentation and evidence showed that purportedly communications in the forms of emails, text messages, and calendar appointments among representatives of the Rubicon Group and others within the network that discussed the planning, staging, and reporting of these insurance claims to Citizens and other carriers. In some cases, the policyholders were directed to get the policy of insurance with Citizens prior to the staging of the claim. This operation is not over. There will be more. Unfortunately, this ring is an example of many others that are being investigated by SIU that affect Citizens and our policyholder base. Earlier this month, Citizens collected a final payment on a \$790K restitution order involving George Espinoza, Sr. That marks a final chapter in one of the largest rings Citizens helped stopped that started about ten years ago. Espinoza and probably about 30 others were arrested in 2014 in scheme investigators called "Operation Flames and Floods," in which homeowners were recruited to stage fires and water claims in residential homes. More than a dozen insurers in four counties, including Miami, were affected. It included 23 Citizens claims that involved payments over \$6.7M. Espinoza, Sr. received 20 years in prison as part of that plea agreement, and Citizens was issued 42% of the collectable assets that were available. He pled guilty on all insurance fraud charges. I'm proud to say that our SIU made the most significant contribution in his arrest. This included text mining, complex data analysis, reviewing claim details, conducting field investigations, and presenting our findings to task force detectives and prosecutors. Since 2016, our SIU investigations have led to arrests of individuals, many of these working in organized crime groups. I credit the success of the anti-fraud program to the hard-

working, passionate investigators, analysts, and the strong collaboration we have with the Florida CFO – their Financial Services Division and Division of Investigative Services led by Simon Blank. I can't say enough warm things about Simon and his group. Without the information sharing, intel gathering, and collaboration, none of this would have really happened along with the strong relationship we have with the Miami PD.

Bette Brown: This is Dade County I assume. How does Citizens staff get involved with tasks that appear to be fraud? Do you follow through to work with the authorities? Is that what you do?

Joe Theobald: The marching orders with Citizens' SIU, which comes from Florida's statute. It requires that every insurer that collects over \$10M in direct written premium to have a specialized unit dedicated to the investigation of insurance fraud. We're trained and inspected to identify fraud – to investigate it and to evaluate it. Any time the evidence we collect shows support for evidence on a criminal act, we're required to report that to the Division of Insurance Fraud.

Bette Brown: That's great. It makes sense. Thank you for your work.

Jay Adams: I'd like to add to that as well. Joe and his team have developed incredible relationships with the law enforcement groups. We are not successful unless they help plug into the process. In the Rubicon Group specifically, we had all the documentation that fraud had occurred, but we struggled to get across the finish line because we don't have video or records that indicate that the fraud actually happened. What really brought that down was the partnership with the other law enforcement groups. They were able to get specific records for text mining and emails. That information sealed the deal. Again, it is that collaborative effort. We will meet with the law enforcement to see if we can get them to partner with us.

Bette Brown: It sounds like you work well with them. You've got one part and they've got one part. I'm glad we're doing well with that. Thank you.

Chairman Aubuchon: Thank you, Joe and to your team. Awesome job.

c. Action Item: Supplemental Claims Legal Services

Jay Adams: The first action item I'd like to talk about is the Supplemental Claims Legal Services, RFP No. 19-0007. Currently, Citizens is contracted with over 100 outside defense firms to provide claims-related legal services. These vendors were procured via two solicitations that occurred in 2015 and 2016. However, despite having firms currently under contract to provide these services, a need to retain additional law firms has arisen due to the current volume of pending litigation resulting from the influx of new lawsuits associated with recent catastrophic events that directly impacted various parts of Florida. By contracting with additional outside claims counsel, Citizens can ensure that it (1) has the appropriate amount of resources needed to adequately address potential future volumes of pending litigation and (2) is utilizing qualified law firms to deliver a high level of legal service. The recommended firms will be added to the existing panel of Citizens' claims defense counsel (First Party Property and Appellate). The contract terms do not require Citizens to make any assignments or pay any minimum amounts to the selected law firms. The firms recommended for award will supplement the existing panel of counsel which were awarded

contracts in the First Party Property and/or Appellate claims-related service areas under Request for Proposals (RFP) 15-0023 and 16-0009. The additional contracts awarded under this RFP 19-0007, will not increase the estimated cost of the contracts awarded under RFP 15-0023 and RFP 16-0009. The estimated cost for all contracts awarded under RFPs 19-0007, 16-0009 and 15-0023, including renewals, remains \$350M.

**A motion was made and seconded for the board to approve the recommended award and resulting contracts, including renewal periods, for RFP 19-0007 for Supplemental Claims Legal Services to the list of attached vendors (Attachment "A"); authorize staff to take any appropriate or necessary actions consistent with this Action Item; and approve this Action Item for these supplemental claims legal service contracts, utilizing funds previously approved for RFP 15-0023 and RFP 16-0009, which was \$350M. All were in favor. Motion carried.**

d. Action Item: Claims Print Management Hardware and Software

Jay Adams: The next item is the Claims Print Management Hardware & Software Upgrade Florida State Term Contract No. 44102100-17-1. This Action Item seeks Board approval to lease a hardware and software solution from Neopost under a State of Florida Contract for mail processing equipment. This contract will enable Citizens to continue the currently implemented automated processing of claims checks and other claims mailings wherein the check and claims support documentation are collated, documents are inserted into envelopes in an automated process, and intelligent mail fulfillment (barcode application) is achieved. Maintaining this solution allows for the continued automation of combining claims settlement checks with supporting claim documentation into a single mailing. The proposed contract will have a 48 month term with no renewal options. Citizens will utilize the Florida State Term Contract for Mail Processing Equipment, Contract No. 44102100-17-1. This is budgeted and it's for approximately \$415,000 for the life of the lease (48 months total) or approximately \$103,750 per year.

**A motion was made and seconded for the Board to approve the proposed contract, via State of Florida State Term Contract No. 44102100-17-1, to Neopost USA as set forth in this Claims Print Management Hardware and Software Action Item with an amount not to exceed \$415,000; and to authorize staff to take any appropriate or necessary actions consistent with this Action Item. All were in favor. Motion carried.**

e. Action Item: Commercial Adjusting Services

Jay Adams: The last item is for Commercial Adjusting Services RFP 15-0018 – Contract Amendment. We would like to make some contract amendments; this is cleanup after Hurricane Irma primarily. This Action Item seeks approval to amend the commercial adjusting contracts to augment compensation for the first seven days of a commercial adjuster's catastrophe deployment. This amendment also revises language relating to the "Team Adjusting Model," in order to more closely align the language with Citizens' team adjusting practices. The amendment specifies that Citizens may require field team adjusting as part of the team adjusting model, which involves the assignment of multiple field adjusters for one claim with the vendor responsible for staffing all field roles for each team/claim. The amendment also removes language indicating that adjusting teams will consist of desk and field adjusters from a single vendor, as this is not



consistent with Citizens practices. In September 2017, the Board of Governors approved an amendment to increase the contract fee schedules by approximately eighteen percent, in order to align the rates with Citizens' other adjusting services contracts. The contracts were also temporarily amended to provide further rate increases in response to Hurricane Irma, including additional compensation that was specific to the first seven days of catastrophe deployment. These additional rate changes were implemented under the Board of Governor's emergency authorization for Hurricane Irma in September 2017, and they were removed from the contracts effective November 2017. This Action Item is not requesting additional funds. The requested contract amendment is expected to increase costs by approximately \$750K to \$1M for a major catastrophe response. Citizens has spent \$17,660,304.57 under these contracts as of April 2019.

**A motion was made and seconded for the Board to approve the proposed contractual amendments as set forth in this Action Item for Commercial Adjusting Services, RFP 15-0018; and to authorize staff to take any appropriate or necessary actions consistent with this Action Item. All were in favor. Motion carried.**

## **7. Chief Underwriting and Agency Services Report**

### **a. Market Accountability Advisory Committee (MAAC) Report**

Steve Bitar: Dave Newell is not here today. The FAIA convention is underway here in Orlando, and he's asked me to provide the report on his behalf. The MAAC met by teleconference on June 13<sup>th</sup>. Chairman Dave Newell facilitated the call. Carl Rockman, Senior Director of Agency and Market Services, provided an Agency Services update, showing namely agency and agents continue to decline at Citizens. We have roughly 7,000 agents located across 4,500 agencies. An update was provided on our performance violations and late submissions as well as an update on our outreach activities. The MAAC also reviewed a planned approach to modify our required agent educations strategy, which includes improved agent curriculum and replacing our biennial education requirement with prescriptive mandatory education based on agent performance. The MAAC met this approach with no objections. Scott Crozier, the Vice President of Underwriting and Product Development, provided the committee an update on our Four Point Program and how we process our Four Point inspections in the Underwriting Department. That was something the MAAC asked for specifically.

### **b. Actuarial and Underwriting Committee**

John Wortman: The A&U met yesterday. We did discuss the rate changes we discussed earlier. We also discussed two action items that Steve will bring to the table in a little bit.

#### **i. Action Item: Lost History Reporting RFP**

Steve Bitar: This Action Item requests Board approval of a contract with Insurance Services Office, Inc., to provide secure reporting of prior loss history information for Citizens underwriters, primarily for new business applications, to better assess insurance risk and help ensure that the properties meet sinkhole and general underwriting requirements. The electronic return of information regarding the loss history of the insured, the property, and other unique identifiers

will be integrated into Citizens systems and returned to the underwriter electronically. All information will be provided regardless of loss and carrier.

**A motion was made and seconded for the Board to approve a contract with a three (3) year base term and three (3) optional one year renewal terms, for an amount not to exceed \$600,000, to Insurance Services Office, Inc., as set forth in this Action Item; and, to authorize staff to take any appropriate or necessary actions consistent with this Action Item. All were in favor. Motion carried.**

ii. Action Item: Product Changes

Steve Bitar: My last action item has to do with HB 7065. Product Development is bringing forward the Product Coverage Form changes that are needed to support the passing of HB 7065. We provided an executive summary, which goes through these changes.

**A motion was made and seconded for the Board to approve the above proposal to update policy contract forms; and to authorize staff to take any appropriate or necessary action consistent with this Product Changes – June 2019 Action Item to include filing with the Office of Insurance Regulation (OIR), system change implementations, updates to supporting documents or forms and other relevant activities. Final changes may vary slightly, depending on guidance from the OIR. All were in favor. Motion carried.**

**8. Chief Internal Audit Office (OIA) Report**

a. Audit Committee Report

Bette Brown: Joe will talk about his OIA Dashboard. The gentleman from Dixon Hughes and Brian Smith – they did the two audits. I want to compliment everyone. We had two clean audits. On top of that, they were very positive about the staff and how helpful they were. We are very proud of our staff and their ability to work with these auditors.

Joe Martins: I'd like to start with the internal review of the audit review progress. We completed work for four audit engagements. Opportunities for improvement were noted for IT Critical Security Controls Implementation as well as the Targeted Payroll Analytics. With the SIU advisory, we provided consultative advice regarding controls and leading practices, monitoring governance procedures and tools, including a report matrix & scorecard, which will enable tracking, consistency and accountability surrounding the creation and review of monitoring reports. We are currently tracking 14 open item observations of which two new observations were added. One observation was closed since the last committee meeting. Two open high rated observations, of both which refer to audits performed on the CenterPoint User Access – both of these items are being assessed, and we expect those to be closed by the end of this month. All open items are being worked on. With respect to the Internal Control Framework Project, we noted that the Internal Controls Office facilitates the role out of the internal control framework – there are 12 process reviews remaining but are expected to be completed by October of this year. Through the framework, we are able to manage and control effectiveness through control self-assessments, which are completed by the business units. These are scheduled to be complete

by November this year. Internal Controls Office monitors completion of CSAs and assesses quality management reviews. For the Enterprise Risk Office (ER), we look at risk from the top down and bottom up. Operational risk management – we implemented the Resolver tool and risk training which will begin in the third quarter. 32 risk assessments were completed and recorded in the resolver tool by the end of this year. The business unit should be equipped to manage risks in the process areas and according to Citizens aligned risk methodology. Citizens strategic risks were recorded earlier this year for the organization. ER continues to work with the executive leadership team to develop summaries for current and future litigated activities. At this Audit Committee meeting, CFO Montero presented actions taken to mitigate Financial Services risks. Compared to other insurers in Florida, Citizens receives a broad range of audit oversight. These include audits from the OIA, Office of Inspector General, Dixon Hughes external auditor, FHCF, various reinsurance carriers, State of Florida Auditor General, and the OIR. The following slides provide a view of the past work completed by these functions. From an internal perspective, the OIA provides independent objective assurance and consulting services designed to add value and improve Citizens operations by providing a systemic, disciplined approach to evaluate and approve the effectiveness of risk management, control, and governance processes. Audit themes for 2019 include expense management, reliance on third parties, fraud detection and deterrence, innovation and systems conversion, enterprise resiliency, and security and privacy culture. The Office Inspector General (OIG) is responsible for conducting and coordinating activities that promote accountability, integrity, and efficiency. The OIG operates independently and provides fact based investigative services, programmatic studies and reviews, compliance assessments, opinions, consultations, and referral services. For an external perspective, we have Dixon Hughes Goodman, and they annually provide an independent audit of Citizens financial statements on a statutory basis and GAAP basis. We also have the FHCF. Citizens annually must submit its insurance data to satisfy the mandatory data call requirement. After the data is submitted, FHCF sends to FIRM examination resources which come on site for five days to compare data call submission that is displayed in the policy center. Reinsurance carriers periodically perform claims audits, and the last audit was conducted during May this year by Guy Carpenter. The focus was on the Coastal CNR program with an emphasis on Hurricane Irma losses and for the 2018 term with an emphasis on both CNR and x-CNR. Generally these audits include evaluations of the claims department organization, structure, claims handling, and reporting procedures and authorities. The CAT Plan and Citizens reserve philosophy, including LAE and other related expenses and use of third party administrators and bad faith claims. Lastly we have regulatory oversight by the State of Florida Auditor General (AG) and the OIR. Every three years, the AG performs an operational audit which takes a year to complete. The 2018 audit was conducted by seven auditors from the AG and a contracted firm with four auditors who completed the audits onsite. The 2018 audit focused on governance, organizational structure, claims processes, customer service, depopulation activities, procurements of goods and services, internal control framework, the OIA function, and IT systems and controls. Every two years, the OIR conducts a market conduct exam, which starts in August and finishes in December that same year. The 2018 exam included oversight by the OIA chief and two managers, while the exam itself was conducted by a contracted firm, Eide Bailey, with four examiners on the premise. The exams are broad based and looks at governance, plan of operations, Board of Governor minutes, audit results, consumer training, claims functions, underwriting guidance, policies and procedures, agency practices, purchasing, IT systems, and ERM.

Bette Brown: We have Joe's OIA and you saw his dashboard with the detail. Then we have Dixon Hughes, which is external. The CAT Fund is external. All the reinsurance carriers are external. Then there is OIR. Those are a lot of audits. It's pretty extensive.

Chairman Aubuchon: Not to mention the OIG. Joe, is there an agency or an organization in Florida that is audited more than Citizens?

Joe Martins: I think Citizens is unique. Citizens is the one that has the OIA and OIG.

## **9. Chief Human Resources Report**

### **b. Action Item: Learning Management System (LMS), SuccessFactors**

Violet Bloom: [inaudible] used to train employees, agents, independent contractors, and other constituents. It is critical to the operation of our business and continuation of services to our customers, especially in a CAT event. This is a GSA contract. The vendor is Carahsoft Technology Corp. ("Carahsoft"). They are an authorized reseller for SAP/SuccessFactors Learning Management System Cloud Services. It is a budgeted item and will be included in the 2020 budget. The contracted amount is \$200,000.00 (consisting of (i) approximately \$141,000 to continue services from September 24, 2019 through September 23, 2020, and (ii) approximately \$59,000 in contingency funds for professional services to the extent needed in the transition to a new system). This Action Item requests authorization to enter into a one-year new contract with Carahsoft for SAP/SuccessFactors Learning Management System Cloud Services and related professional support services to support a transition to a new system. A new contract is needed to maintain the current system functionality until Citizens can procure and implement a new Learning Management product. The contract term is for twelve (12) months (September 24, 2019 through September 23, 2020). Citizens Purchasing Policy No. 501 authorizes the use of any Alternate Contract Source approved for use by the Florida Department of Management Services (DMS). Carahsoft is an approved GSA Schedule 70 vendor for SuccessFactor LMS.

**A motion was made and seconded for the Board to approve a one-year contract with Carahsoft Technology Corp. for the purchase of (i) approximately \$141,000 SuccessFactors LMS services, and (ii) approximately \$59,000 for professional support services related to the transition to a new learning management system, for a total contract amount not to exceed \$200,000, as set forth in this Action item; and to authorize staff to take appropriate or necessary actions consistent with the Action Item. All were in favor. Motion carried.**

## **10. Chief of Communications and Legislative and External Affairs Update**

\*\*See the President's Update for the AOB Discussion.

## **11. Consent Agenda Items**

- **Commercial Banking Services Contract Extension.** It is a six month contract extension: Contract Number: 11-10-0005-00. The recommended vendor is Wells Fargo Bank. It is a budgeted item for an additional \$65,000.00 (not to exceed) during the six-month

extension. The requested six-month extension will be from June 9, 2020 through December 9, 2020. Staff recommends that Citizens' Board approve a six-month contract extension to Wells Fargo Bank as set forth in this Consent Item and for an amount not to exceed \$65,000.00; and authorize staff to take any appropriate or necessary action consistent with this Consent Item.

- **Jacksonville Janitorial Services.** The vendor is ABM Industry Groups, LLC. This is a budgeted item for \$849,772.15. The contract terms are July 1, 2019 through June 30, 2022. The initial contract with ABM was a three (3) year base term, beginning July 1, 2016 and ending June 30, 2019. Citizens is seeking approval to execute the remaining three (3), one (1) -year renewal terms. It is recommended that Citizens' Board of Governors: approve the three (3), one (1) year renewals for janitorial services in Jacksonville with ABM Industry Groups, LLC. as set forth in this Consent Item; and authorize staff to take any appropriate or necessary action consistent with this Consent Item.
- **Electronic Document Services – Amendment for End of Contract Data Migration Services.** Contract Number – 14-13-2006-00. The vendor is – CEDAR Document Technologies, Inc. It is a budgeted item. On December 13, 2013, the Board approved \$4,625,000 for a 5-year contract period ending June 30, 2019. This Consent Item will not increase the contract amount previously approved. The contract has a five (5) year term ending on June 30, 2019. No renewals are available. The Citizens Actuarial and Underwriting Committee recommend the Citizens Board of Governors: approve an amendment to Contract No. 14-13-2006-00 for up to \$375,000 in data migration services; and authorize staff to take any appropriate or necessary actions consistent with this Consent Item.

Marc Dunbar: On the last one related to the electronic data services, I have a couple questions. I noticed it is a unique aspect of the public records law for litigation. Do we bump up against the Bureau Records Management with the Department of State? Do they help us set up our records retention schedule and do they help us with some of the costs for this warehousing?

Steve Bitar: They don't help us with the cost. But from a public records perspective, we do have a series of schedules that we maintain and we basically are consistent with their recommendations across the organization. We have stewards in our business units where we vet quite thoughtfully how long to retain each series of documentation. As a result, we'd rather err on the side of caution, especially from a litigation perspective, which is why Legal has advised us that they recommend we bring over all of these documents.

Marc Dunbar: So, we hold them and not send them back over to the Department of State?

Steve Bitar: We hold them. Correct.

William Kastroll: Regarding the commercial banking contract, I know it is difficult to switch vendors, especially with banking. Citizens is on the forefront of preventing fraud. We are the gold standard, which was shown today with the sting operation. It is ironic that we use a bank – Wells Fargo – that has gotten in trouble over the last few years with some insurance fraud and different insurance issues. I realize this is a six month extension, but I would like staff to consider looking at a different bank so we can disassociate ourselves with someone who has gotten in

specific trouble in the insurance industry. But, I know it is very difficult task, and pricing is also a consideration. I would like to make that known that if all possible in the RFP process that we can look at a different bank because of how they have tarnished the insurance industry.

Jennifer Montero: We've already left Wells Fargo. We have a new vendor. It's JP Morgan. The extension that we are asking for is simply because of the transition period. We need more time as we bring JP Morgan on to run side-by-side. We have done the ITN two or three Board meetings ago. We completed a competitive solicitation and we did go with JP Morgan.

William Kastroll: Thank you. As usual, you're on the forefront. Thank you.

Blake Capps: On the last consent item for electronic document services, when we look at the procurement method, the words "single source" appear. Just for my own education, can you refresh my memory when single source is triggered and when the appropriate circumstances are for using that methodology.

Steve Bitar: Single source is rarely used by us, but this was a legacy system that we had prior to our transition to Guidewire, when we were still on ePass. CEDAR was the embedded technology that we used for these images. We've made the decision to move away from them. We've competitively bid, and we now have the Guidewire platform. We use Document Explorer now for access through Alfresco as well as some other supporting systems. The sole source is a legacy from what we inherited. We've moved away from that. That's no longer being utilized. This is to end the contract and we'll be able to move to what was competitively solicited. This is to get the metadata and index those documents into records.

**A motion was made and seconded to approve the Consent Agenda items. All were in favor. Motion carried.**

### **New Business**

Barry Gilway: Historically, we have not come to the Board to discuss location or timing of Board meetings. Barbara has taken the lead to reaching out to individual Board members in identifying times when you might all be available to ensure the appropriate quorum. Historically, we've had Board meetings at various locations around the state. This is a chart to show where we've had Board meetings historically. What we find with Board meetings is that you get very little consumer representation at the actual Board meeting. When the OIR puts on a rate hearing, which for the last two years they've elected to put that on in Miami Dade where we have 55% of our business, then they take the lead in determining the location of the rate hearing. We do get some limited consumer representation at the rate hearing. The question I've been asked to request of the Board is that we have nailed down this location through 2019. Barbara is in the process of negotiating rates for 2020 and identifying the timing for 2020. It's been suggested that I open this up to the Board before we forge ahead that we put this open to the Board. Can you put up the other slide? This is the location of every Board member before me. We put this up to show that historically Orlando has been a rather convenient, centralized location for Board and staff members. It's not a convenient for customers. Are you comfortable as a Board to continuing

at a centralized location or whether there are suggestions? This is not a voting item but a discussion.

Jim Holton: I'll draw from past experience. I had the pleasure of being chair of TBARTA. We had the same discussion with our five counties. We implemented a policy to increase citizen input and rotate different counties. It did significantly increase citizen input and comment. Given the fact that we have policyholders all over the state, especially in south Florida, I would ask that we consider potentially rotating meetings as Citizens has done in the past to accommodate maximum transparency and input from our policyholders and citizens of the State of Florida.

Marc Dunbar: I echo that. I think those are great comments. I would recommend, after having spent three days in Jacksonville and being able to spend time with the employees, we need to be through Jacksonville once a year. It was eye-opening for me and everyone one of us should go through there. It'll make it easier for staff with regard to traveling. With Miami Dade being our largest county where we write policies, it'll be important that we rotate through Miami Dade.

Bette Brown: We've done this before. I love a centralized location, so I'm not a proponent of rotating. I do remember a comment about that – when we had rotated meetings, we did not have public input either. If we can encourage public input, then that's a good thing. We want to be transparent and we want the public to get to us. I don't know if we had that when we rotated.

Barry Gilway: If you take a look historically at the outside parties that presented at Board meetings – there have been times four or five years ago when we were in the heat of rate issues where there has been individuals from Monroe County and Miami Dade who have presented at the Board meetings. Historically, there has not been a large number of public participation at the Board meetings. From a logistic standpoint, we are ambivalent. I do believe that Governor Dunbar has a good point. We have a number of employees in Jacksonville. We have a high concentration of policyholders in south Florida. We are set for 2019, but subject to this discussion, we would not object to working with a 2020 schedule that locates meetings in Jacksonville, St. Petersburg, Orlando, and Tallahassee. The only reason I don't throw out at Tallahassee is that it's expensive and there is limited space. Miami is expensive. Jacksonville is not.

Bette Brown: It does sound like you had a great trip at the main office in Jacksonville. I am envious of you and will put that on our list of things to do. Whether we have a Board meeting there or not, I will do that. At least one meeting a year should be at Jacksonville.

Barry Gilway: Any time a Board member takes the time to visit us, it's appreciated. Chairman Aubuchon spent a whole day visiting every single department. Marc Dunbar spent three days with us. On his first day, Governor Rivard visited the Tallahassee office and attended one of our employee events. We've had Governors Schinz and Capps visit us at different times. Based on this conversation, can we complete the 2019 schedule and then we'll come to you regarding rotating the location in 2020.

Chairman Aubuchon: I would echo that we want to be responsible to our policyholders to be accessible as possible on top of managing the budgets as well.

Bo Rivard: It's worth noting the number of policies in Miami Dade. It's worth adding consideration the part of the state that sues us the least.

Meeting adjourned.

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