

CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE CLAIMS COMMITTEE MEETING Wednesday, June 12, 2019

The Claims Committee of Citizens Property Insurance Corporation (Citizens) convened telephonically on Wednesday, June 12, 2019 at 10:00 a.m. Eastern.

The following members of the Claims Committee were present telephonically:

Gary Aubuchon, Chairman
Freddie Schinz
Jim Holton
Blake Capps
Jon Palmquist
Jay Adams, Staff

1. Approval of Prior Meeting's Minutes (March 19, 2019)

A motion was made by Governor Schinz and seconded by Governor Holton to approve the March 19, 2019 minutes. All were in favor. Motion carried.

2. House Bill 7065 AOB Bill Update

CHRISTINE ASHBURN: Good morning, Chairman Aubuchon, and members of the committee. I appreciate you all wanting to hear from us today. As we all know we have worked long and hard on trying to curb assignment of benefit abuses that have caused insurance increases for Citizens and the industry. And I am happy to report that following six long years of working on this issue, thanks to the leadership of the Governor and the CFO and the House and Senate leadership, we were successful in passing with a large coalition of supporters from the industry and consumer groups, House Bill 7065 relating to insurance assignment agreements which passed the Legislature in week eight of the nine week session on April 24, 2019, and was signed in the law by Governor Ron DeSantis on May 23, 2019. The Bill is effective for assignment agreements that are entered into on or after July 1, 2019, except for subsection 627.7152 (10) of the Bill which became effective on May 24, 2019, with the signing of House Bill 337. That piece of the Bill which I will go through is specific to the attorney fee structure, and this effort was put into a court's Bill to try to change the effective date of that particular section in direct response to some trial attorneys putting out alerts to their members saying, get your AOBs in prior to July 1, because AOB is dead as of July 1. And so the Legislature acted, Senator Jeff Brandes in running an amendment to try and make the fee provision effective upon becoming law which they were successful in doing in that particular subsection, to stop the gamesmanship that was very evident on Facebook and some other alerts that were going around to some bad actors. So with that, Mr. Chairman, I have included several slides that walk through the major provisions, but I have also included an appendix that outlines the section by section, the detailed pieces of the entire Bill that I wanted to provide the committee. You know, obviously the lion share of the need to fix this is related to claims, and it will be a huge undertaking for the entire organization to implement quickly and we are working at that. And obviously the Claims team, Jay's department, is very involved in new ways of doing business and developing what needs to be done to get this implemented by July 1, when these new agreements will start coming in.

If you go to page 3 of the presentation, much of the Bill is structured around the regulation of assignment agreements and what can and cannot be in them, as well as what makes them valid or invalid. The Bill requires that assignment agreements contain a provision allowing the assignor, or the consumer to rescind the agreement without penalty or fee within 14 business days. It contains a provision requiring that the assignee provide the insured with a copy of the active agreement within three business days after the execution of the agreement or work has begun, whichever is sooner. That agreements must include a written itemized per unit cost estimate of services to be performed. It limits the use of assignment agreements to \$3,000 or one percent of Coverage A under urgent or emergency circumstances, and it prohibits the assignee from charging fees or penalties for mortgage processing, rescission or cancellation of the agreement or administrative fees to insure which is something that has been a real consumer concern by the Legislature throughout this process. We have seen from egregious behavior in those areas with large fees for having to deal with a mortgage company, et cetera. On page four, 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. If they fail to cooperate with the insurer in the claims investigation, which is something that we know has been a problem tying our hands when they will not allow us access and provide us with any information so that we can appropriately adjust the lost. We must provide the insured with requested records and documents to that same end, and must deliver a copy of the executed agreement within three business days or when work has begun, whichever is earlier. The Bill also requires that a condition precedent to filing suit that assignees must submit to examinations under oath, participate in the appraisal or other alternative dispute resolution methods. Much of these methods are in our policy. As you all will recall, we have made some policy changes where we do require that they have some of the duties, including appraisal. What we do not currently have in our form, but now is in the law which is helpful, is that the examination under oath piece is something that we don't have access to now under our form, but now with the statute as of July 1 we will. So that is also great news. So to the crux of the issue on page five, attorney's fees. As you all have heard us talk for many years, the entire what I will call scheme around the abuse of these assignments, the use of these assignment agreements and the abuse of the assignment agreements really stems from some court rulings that have asserted that these vendors stand in the shoes of the insured and as such have had access to the one way attorney fees, such as 627.428, which was always intended if you read that law, you would never expect that vendors or third parties would have access to this fee statute as a protection to protect customers, policyholders in the event that there is egregious behavior and/or getting locked up in lawsuits for years that these insurance companies have a bevy of resources and the consumer just couldn't afford to continue to fight in a lawsuit, which protects them if they win by a dollar the consumer and insurance companies are on the hook for fees. So we have advocated for many years that the real solution to this problem is to eliminate access to the one way fee statute by these vendors and this Bill does that. The Bill states that attorney's fees may only be recovered by an assignee under 57.104(5) Florida Statutes or in the provisions outlined below from the Bill. 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 difference between the judgment of claim and 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's fees which allows for the first time in this specific area what we will call skin in

the game. So if we are going to get sued, these other vendors, which are businesses, if they lose within this framework they could actually have to pay our fees which we hope will be a deterrent from a frivolous lawsuit filing. At least 25 percent, but less than 50 percent of this amount, no party is entitled to fees. So everyone would pay their own fees in that range and then at least 50 percent of the disputed amount the assignee is entitled to reasonable fees by the insurance company. If an insurer fails to inspect or provide authorization for repairs within seven calendar days after the first notice of loss, the insurer waives its right to an award of fees. Moving to page six. There is a section of the Bill that allows insurance companies to 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. We must make available a policy that does not restrict post loss assignment agreements which means you have to offer both. That restricted policies are available at a lower cost. That the insurer notifies the insured annually of coverage options available for post opted assignment agreement, and that an insured must fully reject assignable policy in writing or electronically. This is at the option of an insurer. It is not mandatory for any company to make a filing for this type of policy, but it is an option for companies if they so choose to make a filing with the Office of Insurance Regulation. Specific to Citizens, as all of you are aware, we during the session had a rate filing pending with the Office of Insurance Regulation that was approved by the Board at the December Board meeting that did not contemplate the impact of potential legislation, since the session had not started. So I think rightfully so the Legislature wanted to be sure since Citizens had a pending filing that prior to us implementing those rates, that Citizens make a revised filing or a new filing for homeowners and dwelling policies in 2019, and basically saying that we are unable to make a filing, implement a rate filing unless any filing reflects projected saving from the Bill. It is specific to those two lines of business that have been most impacted by the AOB abuses and we will hear at the A&U at the Board from Brian Donovan and Jennifer Montero's team about those revised filings going to OIR in the coming months. The Bill also requires that the rate filing include an exhibit demonstrating the impact. So there is a clear exhibit that goes in, which of course would be part of the filing anyway. So that should not be an issue for the actuarial team. And the Bill also require that Citizens provide policyholders with details on projected rate savings from the Bill. Mr. Chairman, those are the highlights. The key provision we believe will be impactful and hopefully turning this abuse and this problem around. And I would be happy to answer any questions.

CHAIRMAN AUBUCHON: Thank you very much, Christine. Members, do you have any questions for Christine.

GOVERNOR CAPPS: On page five about a third of the way down, fees shall be awarded as follows if the difference between the judgment obtained by the assignee and the pre-suit settlements offer is. So if you are a third-party vendor, the only way you are going to get a dime in attorney's fees is to go all the way through a trial and have a judgment by a Judge first. Is that right?

CHRISTINE ASHBURN: Governor Capps that is a good question. As you know many of these are settled. And if Elaina is on the call so I might defer to her on this, but I think when we settle prior to court there are fees that can be built in so that that can happen and I would let Elaina speak more directly to what would happen in the settlement realm under this. Not to put her on a spot.

JAY ADAMS: So any time that a suit is filed that claim is going to have some type of judgment. So if it goes to trial it could be in Citizens' favor, it could be in the plaintiff's favor. If we settle that claim prior to it going to trial, the settlement amount would be considered the new judgment. So yes, the entitlement of fee section comes into place every time a suit has been filed against Citizens in this AOB space.

GOVERNOR CAPPS: Well, what I am kind of thinking is if AOB contractors, most of these cases are settled. Very few of them go to a trial. What I am trying to figure out is what is the real impact of this new law if AOB contractors can still get their attorney's fees paid for, 80 percent of the time, on the theory that 80 percent of them don't go to trial anyway, it almost seems like the law would have minimal effect, because the vast majority of these claims are settled out of court. Now, would that be kind of a discretionary thing on Citizens' part? Could they say, okay, from a business decision standpoint we think it would be good to go ahead and pay some attorney's fees just to get this thing settled out? So we are going to pay it in this case, but on this one we think we can go all the way to trial and not have to pay any attorney's fees. It can be handled on a case by case basis and what is a good business judgment?

BARRY GILWAY: I think the key issue here is that in Florida if you settle a case, then that is concession of judgment under Florida law. So it doesn't have to go to a full trial and to jury in order for a settlement to be made. And this fee schedule applies in the event of settlement. So that is the key. So it doesn't require that each of these cases go through the process of suit. And Jay can add to this, also, but there is also a provision within this law that we can utilize the appraisal process and we can demand appraisal and the results of that appraisal are also subject to this law.

CHRISTINE ASHBURN: I was just going to say, Governor Capps, from the perspective of de-incentivizing the bad behavior, the theory at the Legislative level and amongst the industry at the Capitol has been that these lawyers, there is no skin in the game, zero. There is no risk in filing these suits frivolously, hundreds of them as we know every month for us alone, and thousands in the industry over each year. The reason they do that is they know there is no threat that they are ever going to have to pay fees unless it is an egregious scenario. And so the hope is because insurers are afraid of ever losing and having to pay fees if they lose by a dollar, that everyone just settles a bunch of these. They don't want to try these cases. The belief, and by the way, Harvey Cohen who is the Godfather of this scheme, has already said AOB is dead as of July 1, because the belief is that adding this structure in now gives insurers a better chance of not having to pay fees, and these lawyers now realize that they have skin in the game and they're not going to want to risk having to pay fees if we take these things to court. That is the working theory in changing the behavior. Now, of course that remains to be seen if that actually occurs.

JAY ADAMS: You also asked, you know, can Citizens make the decision is it better to pay some small attorney fees and stuff to get it settled. So Barry mentioned in the provision in the Bill when the vendor notifies Citizens of their intent to file suit, within that 10-day window, Citizens will have to evaluate that case to determine if appraisal is a better methodology for settlement, or if they want to make a final pre-suit demand, and if that is done, then the vendor can choose to move that into suit at that point in time.

Once it gets into suit, if Citizens has made a demand they will have to evaluate on a case by case basis what they will want to do from there. But I guess what I am trying to say is, that decision is probably being made prior to a pre settlement offer going out by Citizens.

GOVERNOR CAPP: Okay, that explains much better how that would work. I appreciate it. Thank you all.

CHAIRMAN AUBUCHON: Thank you, Blake. And further questions for Christine?

BARRY GILWAY: At the Board meeting we will be going into not only the review of the Bill itself, but we will be using the President's report section really to do an extensive review, not only of the Bill, but all of the actions that Citizens is taking. Jay will be presenting that and all of the actions that Citizens will be taking in order to prepare to take full advantage of the Bill. And I think during that section I think many of the questions relating to process will be answered.

CHAIRMAN AUBUCHON: Very good, thank you, Barry. And for the record while I agree with Christine that the leadership of Governor DeSantis and CFO Patronis and members of the House and Senate were the reason this Bill passed, I would point out that were it not for the work of Christine and her team along with Barry Gilway really beating this drum for the last six years and coming up with very valid data to demonstrate the egregious effects of AOB, this would not have passed. So on behalf of the Board I just want to thank you and everyone at Citizens who was involved in making this happen. It was a heck of an effort and we are very pleased with the results.

CHRISTINE ASHBURN: Thank you, Mr. Chairman, I appreciate those comments.

3. Catastrophe Update

CRAIG SAKRAIDA: Thank you, Chairman Aubuchon and committee members. If you turn to tab three in your binder. I just wanted to go over a brief overview of the hail storm that occurred March 26, 2019. It is rare that we have a hail storm in Florida and this was actually one of the first times in the past several years we have actually had some true hail damage, reports of one to two-inch hail, and some concentrated wind damage. We leverage our MCM teams to handle these claims that were already in the area. We also leveraged some parts of our Cat Plan to include outbound calling campaigns completed by Jeremy Pope and his team to approximately 2,300 policyholders and a wider e-mail communication through Christine's team, to about 3,500 potentially impacted policyholders, gaining some of this information from our GIS tool and mapping in some of the hail reports off the NOAA website. Our commercial claims team also contacted approximately 103 potential commercial customers. A brief summary is on the next page. As of May 28, we had 236 claims filed, and you can see that we paid out about \$2.25 million in indemnity payments. If you turn to page 4, one of the key reasons why we dedicated a Cat code to this and we are monitoring it is assignment of benefits and representation. This part of the area that was hit, Brevard County, is not known for this. However, hail storms attract roofers and attract assignment of benefits. This area was impacted by Hurricane Matthew fairly heavily in October 2016. So there was a lot of homes that had recently replaced roofs. But we wanted to make sure that we were continuing to monitor AOB activity and can get ahead of it. So assigning a CAT code was critical in order to do this. One thing we also did do is review some of the inspection

parameters of our MCM firms that handled the claims from start to finish. Just to go over some things, since we don't handle hail claims all the time here in Florida, starting with the peripheral area, looking at damage to window screens, gutters and fascia to identify the size of the hail and potential impacts on the roof that would require replacement and clearly labeling all the hail damages to the homes. We did see a lot of pool cages that were damaged. However, they are excluded under our policy. So we are mainly focused on some of the peripheral areas and the roof. As I mentioned, Hurricane Matthew impacted this area. So we did see quite a high number of roofs that were already replaced and didn't receive any hail damage at all. The last slide just details some of the actual hail damage. We did see some, like I said, some true hail damage with broken windows, impact marks on shingles that were clear and evident of one to two-inch hail. So I just wanted to give you all a brief update that we do other things in Cat besides hurricanes. So with that concludes the information that I wanted to present. If there are any questions or comments I will gladly entertain them.

CHAIRMAN AUBUCHON: Thank you, Craig. Members, any questions for Craig? Okay, thank you very much for your presentation.

CRAIG SAKRAIDA: Thank you.

4. Litigated Claims Update

JAY ADAMS: Thank you, Chairman and Committee members. I am going to do a very brief update here in this space. The overall picture for litigated claims has not changed significantly over the course of the year. Through April 2019, we have received 3,333 new lawsuits, which is about an average of 833 lawsuits per month. This is a 22 percent decrease over what we saw over the same period last year. But you have to keep in mind, last year was really, this time frame was the peak of Hurricane Irma suits starting to come in. As of April 30, 2019, we were pending about 14,100 lawsuits, and this is about a 14 percent increase as compared to the same time. And again, mainly driven by Hurricane Irma activity. Eighty-nine percent of the incoming residential property lawsuits still arise out of tri-county. That has not really changed since March 2014. The claimant was represented at the first notice of loss in 62 percent of all the incoming lawsuits. In 53 percent of those incoming lawsuits, the insured never disputed the claim with Citizens through the adjustment process, which to us provides an indication that those claims were set up originally to go straight into lawsuit. When we talk about water losses, AOBs and catastrophe specifically, the new leading cause of loss for incoming residents of lawsuits is catastrophe losses. We are still getting about 48 percent of all new claims to be Hurricane Irma related lawsuits. Thirty-two percent of those cat lawsuits were brought by the insured, with 16 percent brought by AOB vendors. As we move further away we see things kind of return back to the pre-event levels, and where that happens we see non-weather water really starting to pick back up and be the main driver of the lawsuits. Right now they're representing about 40 percent of the incoming lawsuits. And really in conclusion, the majority of new incoming suits arises out of Hurricane Irma, but it is starting to trend down because we are moving further away from the event. We are experiencing a rising trend in AOB lawsuits that have reached pre Irma levels of litigation. This is an expected trend as Hurricane Irma claims have been trending down and non-weather water claims have been trending up. The timing of lawsuits is also returning to a pre-Irma pace with the vast majority of lawsuits brought more than six months after the claim was first reported to Citizens. The majority of lawsuits continue to involve insureds that were

represented at the time of the loss when it was first reported and filed in the absence of the insured disputing Citizens' position at the time of the adjustment of the claim. In light of the new legislation concerning the AOB claims and litigation, the claims litigation department in conjunction with in-house counsel is developing litigation strategies to address AOB claims subject to the new statutory requirements and obligations. As Barry mentioned, we will be providing a much more robust update at the Board meeting concerning AOB. But one thing that I want to leave this committee with is, we are putting in many metrics that we will be able to report ongoing forward, similar to what we did with our Managed Repair program so that we can keep this Committee and our Board up to date with what impact the new legislation is having on AOB. And Chairman, that concludes my presentation.

CHAIRMAN AUBUCHON: Thank you very much, Jay. Members, any questions for Jay?

GOVERNOR CAPPS: This is Blake Capps, I have one.

CHAIRMAN AUBUCHON: Go ahead.

GOVERNOR CAPPS: On page one where it talks about 13,091 lawsuits, I wonder, say we don't have any hurricanes for the next five years. I wonder how that number would be effected as that five years wanes along. Do you have any thoughts on that?

JAY ADAMS: Well, I can tell you that on average a litigated claims pends about 470 days. So we would think a year and a quarter or so out that if we did not have catastrophe activity, we would start to see those numbers start to fall off. However, where we generally draw the majority of our lawsuits is under the non-weather water cause of loss. And Michael Carver is going to provide a brief update on that. But I will tell you that we are starting to see pretty significant increases month over month of the number of non-weather water claims that are submitted. And traditionally about 50 percent of those claims that are submitted end up in litigation. So to answer your question, without catastrophe activity, I would expect that 14,000 pending numbers should decrease. However, we are rapidly filling the void of those with non-weather water claims today.

CHAIRMAN AUBUCHON: Any further questions? Okay, thank you very much, Jay, for your presentation. Now we will move to tab five, non-weather water and Managed Repair program update.

5. Non-weather Water and Managed Repair Program Update

MICHAEL CARVER: Thank you and good morning, Mr. Chairman and committee members. Regarding non-weather water claims we continue to see robust reporting in 2019. On average 919 non-weather water claims are being reported each month since the beginning of this year. And this monthly average is up from 821 or an increase of 12 percent over 2018. Total non-weather water claims reported in 2019 represent about 49 percent of all of the first notice of loss claims which is down from 53 percent as reported into March 2019 Claims committee meeting. Plumbing leaks continue to represent around 50 percent of all the non-weather water claims reported, and this has remained consistent throughout 2018 and 2019. Fifty percent of all the non-weather water claims received are typically associated with an assignment of benefits which has remained consistent since the beginning of this year. My next topic is regarding Citizens' Managed Repair program.

In order to refresh everyone's memory I would like to remind the committee that we made a product language change on August 1, 2018 that placed a \$10,000 sub limit on non-weather water claims. This sub limit can revert back to full Coverage A limit if the policyholder chooses to engage in the Managed Repair Program. About 80 percent of eligible policies have renewed with this new language, but it is still a little too early to report on the actual impacts at this time. I should have more detail information regarding this when the committee meets next. Regarding the Managed Repair Program since the beginning of the year through April 30, we have received a total of 2,948 non-weather water claims that were eligible for the Managed Repair Program. Of those 1,494 or 51 percent were submitted under the August 1, 2018 product language change. And so when we compare the total claims received in 2019 relative to the product language change, customers opting into the emergency mitigation services increased from 31 to 40 percent, and 9 to 12 percent for the Managed Repair program. So we have seen an increase in the adoption rates so far this year. While we are starting to see some positive trends around the August 1, 2018 product language change, we should have a better picture once we complete the one year renewal cycle moving forward which ends this August 2019. Mr. Chairman and Committee members, this is my update related to non-weather water claims and the Managed Repair programs and I will be happy to take any questions that you may have at this time.

JAY ADAMS: Chairman, this is Jay Adams. Could I just make one observation that I think is important for the Committee?

CHAIRMAN AUBUCHON: Sure.

JAY ADAMS: Michael Carver reported that our non-weather water claims trend was up over prior years for 2018. What I would like to point out is, Citizens today is the smallest that we have been in the last 10 years, and we are continuing to see month over month increases of non-weather water claims. I think that is important for people to understand because I think that kind of paints a picture of where things are going in the future as far as we know that about 50 percent of these claims that are reported are going to end up in litigation. So we are loading up 450 to 500 claims every month to be prepared to go into litigation within seven or eight months.

CHAIRMAN AUBUCHON: And Jay, do you expect that trend to continue in light of the AOB reform?

JAY ADAMS: That is a great question. I think we will have to wait and see. These claims that are being filed a lot of them are probably what I would say are suspect or potentially manufactured claims, and I do believe that the AOB reform is going to absolutely help curb some of that activity. But we are just going to have to wait and see what the bad actors continue to do in the market.

CHAIRMAN AUBUCHON: Okay, thank you, Jay. Members, any questions for either Mike or Jay? Okay. Thank you very much for your presentation.

6. Vendor Update

JOHN CIPOLLA: Thank you, Mr. Chairman and other committee members. As the Chairman stated we have three action items on the agenda today. The first action item is

for Supplemental Claims Legal Services, RFP 19-0007. And essentially what we are seeking in this Action Item is to add additional law firms to supplement our existing panel of outside defense counsel providing claims related services specifically in the first party property and the appellate arena. Currently, we are contracted with about 100 different outside defense firms. However, due to current law and pending litigation resulting from both Irma and some of the other items we discussed today, we have a need to procure and contract with additional firms. Our firms that we are currently under contract are able to meet our needs at this time. Granted, it is in a capacity that has placed significant strain on their resources and capabilities and additional catastrophic weather events in the near future, and not necessarily one that is the size of Irma or some of the other similar recent storms, would jeopardize Citizens' ability to effectively manage claims through assorted qualified outside counsel. So what we are doing here is somewhat proactive in nature and we are attempting to make sure that we have the appropriate amount of resources to adequately address current and potential volume litigation, and to ensure that we are utilizing qualified firms to deliver a high level of service. With that said, there are a few important things to note in that this is a budgeted item that is paid out of the individual claim as a claim expense. The contract terms will mirror the existing contract. The firms currently under contract were procured via two separate solicitations, one in 2015 and 2016. So it will have the same terms as those contracts and will expire on the same date. But also that the contracts do not require Citizens to make any assignments or to pay any minimum amounts to the selected law firms. It just prequalifies them and places them on the panel. With that said, on March 13, we issued solicitation RFP 19-0007. We received 21 proposals and the Action Item today seeks to approve eight firms in the first party property area, and then four firms in the appellate area. So Mr. Chairman, at this time if there are no questions I will move forward with the recommendation.

CHAIRMAN AUBUCHON: Thank you, John. Members, any questions for John? Hearing no questions, John, please proceed with the recommendation.

JOHN CIPOLLA: Staff recommends that Citizens Claim Committee approve and recommends the Board of Governor approve the recommended award in resulting contracts, including renewal periods for RFP 19-0007 for Supplemental Claims Legal Services to the list of the attached vendors included in attachment A. Also authorize staff to take any appropriate or necessary actions consistent with this Action Item and approve this Action Item for these supplemental claims, legal services, contracts, utilizing funds that were previously approved for RFP 15-0023 and RFP 16-009 which was in the amount of \$350 million.

A motion was made by Mr. Jon Palmquist and seconded by Governor Schinz to approve and recommend Board approval of the Supplemental Claims Legal Services Action Item, RFP 19-0007. All were in favor. Motion carried.

JOHN CIPOLLA: The next Action Item is for Claims Print Management, Hardware and Software Upgrade. Essentially this Action Item seeks a continuation of existing services. Currently we lease hardware and software solutions from Neopost which is a vendor under a state term contract for mail processing equipment. This equipment basically collates claims checks and other claims mailing so they can be mailed in the same document. It is an automated process. In addition to that, it allows for some proof of mailing report that is critical for us at times. This Action Item will allow us to enter a new lease. The current

lease expires in January 2020. So what we are proposing today is a new four-year lease under the existing state term contract 44102100-17-1. And this will allow us to continue these same services and utilize upgraded equipment that is being provided by the vendor. So Mr. Chairman, if there are no questions I will move forward with the recommendation.

MR. PALMQUIST: I just had one quick question. Will the new software, hardware be with Neopost as well?

JOHN CIPOLLA: That is correct. It is the same vendor. So we are currently with Neopost and that four-year lease is expiring and we are seeking to enter a new four-year lease with Neopost.

MR. PALMQUIST: Okay, thank you.

CHAIRMAN AUBUCHON: Any other questions for John? Okay, John, please proceed to the recommendation.

JOHN CIPOLLA: The staff recommends that Citizens Claims Committee approve and recommends the Board of Governors approve the proposed contract via State of Florida State Term Contract 44102100-17-1 to Neopost USA as set forth in the Claims Print Management Hardware and Software Upgrade Action Item, authorize staff to take any appropriate or necessary action consistent with this Action Item, and approve this Action Item not to exceed \$415,000.

A motion was made by Governor Capps and seconded by Governor Holton to approve and recommend Board approval of the Claims Print Management Hardware and Software Upgrade Action Item, State Term Contract 44102100-17-1. All were in favor. Motion carried.

JOHN CIPOLLA: The third and final Action Item is an amendment to the Commercial Adjusting Services contract. So this Action Item is seeking to amend two items, but is not requesting any additional funds. The first item is we are seeking to supplement or add to our compensation schedule under the commercial adjusting contract to allow for a seven-day deployment fee. This same type of seven-day deployment fee is already included in both Citizens' Non Litigated and Catastrophe Adjusting Services contract on the residential side. And so we are seeking now to add it to the Commercial contract as well to bring it in alignment with those other two contracts. This seven-day deployment fee was actually used during Hurricane Irma through the Governors emergency authorization and we used it from September 2017 until it expired in November 2017. The second proposed revision to the contract deals with the team adjusting model and the way it is outlined in the contract. And essentially what we are doing is just changing the language to more accurately describe Citizens process and model for handling Commercial claims. Right now the team adjusting model as defined in the contract speaks to a multiple field adjusters reporting to one desk adjuster. But what we have done is added in there a field team adjusting, and that encompasses a team of field adjusters that are working on one single claim, all provided by the vendor. So as I said, we are looking to add the seven-day deployment fee to align this contract with our other contract. And what that will do is avoid a scenario where our commercial folks are competing against our residential contracts for similar qualified resources, and will allow us to be competitive with other

carriers if needed under a catastrophe scenario. Mr. Chairman, if there are no questions related to the Commercial Adjusting Services Action Item, I will move forward with the recommendation.

CHAIRMAN AUBUCHON: Members, any questions for John? Okay, hearing no question, John, please proceed to the recommendation.

JOHN CIPOLLA: Staff recommends that Citizens Claims Committee approve and recommend to the Board of Governors, approve the proposed contractual amendments as set forth in this Action Item for Commercial Adjusting Services, RFP 15-0018 and authorize staff to take any appropriate or necessary action consistent with this action item.

A motion was made by Governor Schinz and seconded by Mr. Palmquist to approve and recommend Board approval of the Commercial Adjusting Services Action Item Action Item, RFP 15-0018. All were in favor. Motion carried.

7. Special Investigation Update

JOSEPH THEOBALD: Thank you, Mr. Chairman, and other committee members. I am pleased to provide a major case update for SIU. It is rare that we are able to openly speak about the work of our major case units due to the sensitive nature and long tail aspect of our investigations. Today I am excited to tell you about a recently publicized investigation highlighting the work of our SIU and our close working relationship with law enforcement. If you turn to tab seven in your binder you will see the summary of SIU's involvement with law enforcement operation, Operation Crossing the Rubicon. And you may have heard about recently published reports that Barbara Gonzalez, a public adjuster and principle owner of Rubicon Group and 35 others were arrested for their involvement in a massive insurance fraud scheme that targeted Citizens and other carriers. The network included representatives of Rubicon Group, insurance agents, contractors and AOB service providers. It extended to 23 Citizens policyholders. It expands 34 claims and about \$833,000 in claim payments. These individuals are all being charged with insurance and racketeering crimes for their alleged role in seeking non-weather water and wind claims in the Miami area. SIU began working with the task force detectives over a year ago which we provided documentation in over 100 suspected fraudulent claims. And sifting through voluminous amounts of documentation, evidence was obtained purportedly showing communications in the form of text messages, emails between representatives of Rubicon Group and eight others within the fraudulent network that discussed the planning, staging and reporting of these insurance claims to Citizens and other carriers. In some cases the policyholder was directed to obtain a Citizens policy prior to staging a claim. Additional arrests are anticipated with this operation. Following that written executive summary you will see there is a press release issued by CFO Jimmy Patronis' office announcing the arrest and the joint press conference that was held with the Miami State Attorney, Katherine Fernandez Rundle. We also included a chart that really depicts the network, how it worked together to stage these claims, and also a listing of the policyholders arrested. We have also included several of our cases of interest which are included had as an addendum. Unless there is any questions or comments, that concludes my briefing.

CHAIRMAN AUBUCHON: Thank you, Joe, outstanding work by you and your team and all involved. Members, any questions or comments for Joe?

MR. PALMQUIST: Just congratulations, nice job.

JOSEPH THEOBALD: Thank you.

7. Addendums

[For information only]

8. New Business

A motion was made by Governor Holton and seconded by Governor Schinz to adjourn. All were in favor. Motion carried.

[Meeting adjourned]

DRAFT