

Good morning Governors. We frequently get questions regarding steps we are taking to further reduce the size of Citizens. Citizens is faced with an extremely interesting market right now that is clearly impacting our ability to further reduce our footprint. As you are aware, the appetite of Florida companies to assume more of Citizens business is highly dependent on the health of the private market. Many private market companies are struggling with the impact of Hurricanes Irma and Michael as loss development continues. The reinsurance market is changing, and pricing is increasing. There is uncertainty as to the impact of recent AOB legislation and how this will affect company financials. In addition, the Industry is still experiencing extremely high first party litigation rates overall but especially in Southeast Florida and ultimately this issue will have to be addressed to permanently improve the market.

Today I have asked Steve Bitar and Jay Adams to join me to provide you with a better overview of the current market and a closer look at how Citizens is moving towards being a true residual market. I will start by providing some key Industry Financials that I believe will put some later points in perspective, and then Steve will provide a presentation that was handed out this morning that gives you some market analytics and looks at Citizens book of business as a residual market. Jay then will update you on the ongoing impact of recent Hurricanes on Citizens and share some thoughts on the recent RFI completed for the Claims and Litigation areas.

Before we start, just recently Nancy Staff our Ethics and Compliance Officer, provided you with an Open Government Overview; while we will not cover that in this meeting Nancy is with us today to answer any questions you might have personally on this material.

Prior to 2016 the Florida Domestic Companies were experiencing excellent profitability with combined ratios of 81.3% in 2013 and \$684 million in net income, a combined ratio of 80.6% in 2014 resulting in 800 million in net income, and 85.2% combined ratio in 2015 with net income of \$422 million. (Combined ratio includes both losses, LAE and expense ratio.) In 2016 the picture began to change, and the domestic companies posted a negative net income for the first time in several years with \$47 million in negative net income and a combined ratio of close to 104%. As you will see in Steve's presentation the period of strong profitability resulted in depopulation numbers at Citizens that were extremely high. As results deteriorated depopulation numbers dropped dramatically.

2017 and Hurricane Irma changed the look of the market completely. 2017 resulted in a Net Underwriting Loss for the Industry, excluding Citizens, of \$510 million and the result was negative net income of \$244 million. 2018 continued that trend with a Net Underwriting Loss of \$435 million and Negative Net Income of \$254 million. Combined ratios in both years were close to 107% and through the second quarter of 2019 this trend continues with an Underwriting Loss of \$209 million for Domestic Carriers and while the Net Income improved it was still negative \$48 million. The combined ratio for 2019 had grown to 119%. Florida Domestic Companies have maintained their financial strength through the addition of significant Capital and Surplus Contributions of \$331 million in 2017, \$397 million in 2018 and \$39 million so far this year in addition to strengthening their reinsurance programs and in some cases participating at higher levels in FHCF to keep reinsurance costs down.

These results have caused many companies to respond in several ways to improve these negative results. More and more companies have announced restrictions in writing new business and renewing business in Southeast Florida where litigation remains at unsustainable levels. Other companies have filed more restrictive policy coverage forms, implemented more rigorous underwriting standards, and they continue to increase rates with 29 increases approved by OIR this year and another 27 rate increases under review.

Due to very strong reinsurance programs, Demotech recently revised its capital requirements for Florida Companies from 1-100 to 1-130 storm coverage, and with the added increase in Capital and Surplus we still have a market with generally strong financials. However, this market has clearly been impacting the interest of private companies in assuming Citizens business that looks today far more like residual business than it did a few years ago as will be discussed by Steve. There are encouraging signs that 7065 will have an impact on the 25% of the litigation that is AOB related as will be discussed by Jay. It will likely take some time for the Industry to recover from the estimated \$18-20 billion Insured loss of Hurricane Irma that resulted in over 1 million claims to date, and Hurricane Michael with an estimated \$7 billion insured loss. We are of course thankful that Hurricane Dorian's impact on Florida was minimal, as some have estimated that with a slight turn in the track it could have created far more damage than any prior storm. It is key that Citizens is ALWAYS ready to respond to the worst event.

You have in front of you, Citizens' CONFIRMED 2020 Quarterly Board dates and venues. The June venue is not yet confirmed for the Miami/Fort Lauderdale area. You also have the PROPOSED 2021 quarterly committee/board dates. If there are no questions, I will turn this over to Steve.