

CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE CLAIMS COMMITTEE MEETING
Wednesday, March 9, 2016

The Claims Committee of Citizens Property Insurance Corporation (Citizens) convened telephonically on Wednesday, March 9, 2016 at 10:00 a.m. (ET).

The following members of the Claims Committee were present telephonically:

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

The following Citizens staff members were present telephonically:

Barry Gilway
LaTrice Grier
Joseph Theobald
Craig Sakraida
Michael Guerra
Elaina Paskalakis
Mike Gilmer
Shari Hamilton

Call Meeting to Order

Roll was called: Chairman Gary Aubuchon, Governor Jim Holton, Governor Freddie Schinz, and Mr. Jon Palmquist were present.

1. Approval of Prior Meeting's Minutes (November 30, 2015)

A motion was made and seconded to approve the November 30, 2015 minutes. All were in favor. Motion carried.

2. Approval of Claims Committee Charter

A motion was made and seconded to approve the Claims Committee Charter. All were in favor. Motion carried.

3. Strategic Update

Jay Adams stated, I wanted to take a few minutes to review the claims strategic update. Today's update is going focus mainly around the non weather water loss trend. I would like to start this discussion around Citizens' depopulation efforts starting back in 2014. In January 2014, Citizens had a little over a million policies in force and through our robust depopulation efforts reduced the policies in force to about 513,000 as of January 2016. This equates to a reduction of about 51

percent overall in our policies in force. Over the same period Citizens received 33,000 new first notice of loss claims in 2014, and 21,400 first notice of loss claims in 2015. This equates to a reduction of only of about 35 percent on the claims side. The interesting fact here is that the non weather water claims as a percentage to all first notice of loss claims received went from 53 percent in 2014, to 57 percent in 2015.

Jay Adams continued, saying this in a slightly different way, we received more non weather water claims as a percentage of total claims in 2015, than we did in the prior year when the total claims volume in policies in force were declining. Another interesting fact is that our litigated claims volume has remained steady over the period where we continue to average around 600 new suits each month. As we data mine our data we have started to see some alarming trends. For example, the average number of days to receive the report of the first notice of loss averaged 33 days over all first notice of such loss received during 2015, when we look at our H03 policy form. What this means for claims is that it is difficult to inspect the loss to determine the cause and origin and the damages caused by the loss when many of the permanent repairs have been completed prior to Citizens receiving the notice of loss.

Jay Adams continued, we believe that this lag in reporting the first notice of loss is being driven by the assignment of benefits issues as well as the increase of claims that have representation at the first notice of loss. What do we mean by this assignment of benefits when we talk about property insurance claims? An AOB occurs when a policyholder agrees with a contractor, often at the time of the initial damage remediation to authorize the insurer to issue checks directly to the contractor. The vendor provides services to an insured and then presents Citizens with a bill. Very often this occurs well prior to a claim being reported to or adjusted by Citizens. The public records shows that contractors often work closely with attorneys to expand the scope of claims and to litigate the claims triggering Florida's one way attorney's fee law that requires the insurer to pay all legal fees to the plaintiff.

Jay Adams continued, in October 2015, the Office of Insurance Regulation issued an assignment of benefits data call to Citizens along with Florida's most active private market property insurance companies. Many of the data fields requested from the data call were not recorded or tracked within the claims management system. Claims and actuarial partnered to develop a statistical valid sample of claims to be reviewed where all of the data fields could be completed. The results of this study was published by John Rollins, our Chief Risk Officer and his staff under a white paper titled Non Catastrophic Homeowners Water Claims: January 2016.

Jay Adams continued, I wanted to share some of the key points from that study that provides the largest impacts to the claims organization. Some of the key insights were the prevalence of AOB on water claims, particularly litigated claims is increasing in the tri-county area region. There is evidence that this is spread around the state in the past year. The data call shows that the group of claims with AOB whether litigated or not incur higher paid losses and expenses than those without AOB. The data call also shows that average costs for litigated claims is more than double that of non litigated claims, and the average cost for non litigated claims with AOB is more than double that for non litigated claims without an AOB.

Jay Adams continued, there is a strong connection between the increases in litigated water claims and increases in AOB and representation at the first notice of loss. And it does not appear to be a strong correlation between water loss claims and the age of homes.

Jay Adams continued, please refer to Exhibit 1 behind tab three in your binder. This exhibit displays the trends and percentage of reported water claims that had an assignment of benefits. What is interesting to note here is that southeast Florida had a significant increase in AOB from 2013 to 2014, and the rest of Florida is steadily increasing over the period. It is also worth noting here that 2015 data is not complete as of the time of doing this report.

Jay Adams continued, please refer to Exhibit 2 in the binder. This exhibit shows the reported litigated water claims in southeast Florida and outlines the trends we are seeing in increased litigation. It demonstrates that both litigation and AOB drive higher claim costs both separately and together. Citizens did not begin tracking AOB information until 2014. There may be additional AOB claims in the report years 2012 and 2013 that were not identified as such. However, one thing is clear though, there are significant increases in AOB over 2014 and 2015.

Jay Adams continued, please refer to Exhibit 3. The data call focused on closed claims only, and these claims were of water losses resulting from roof or pipe damage. Citizens conducted a manual review of the statistical valid sample of these claims. Exhibit 3 shows that the non litigated claims with AOB costs 74 percent more on average than claims without AOB in the tri-county area. Litigated claims in the southeast region are approximately 50 percent more expensive on average than elsewhere regardless of AOB. Separately, litigated claims are 182 percent more expensive on average statewide than a non litigated claim.

Jay Adams continued, please refer to Exhibit 4. When further examining water losses in southeast Florida the steady and steep increase in the number of claims being litigated is apparent. Both the loss and LAE severities are considerably higher for litigated claims.

Jay Adams continued, Exhibit 5. Another observable trend is the percentage of claims that are first reported with an attorney and/or a public adjuster representing the insured. A customer is encouraged by the insurer to report a claim directly, but attorney and public adjusters advertise and solicit heavily to become involved prior to notification of the insurer. Citizens sees a clear upward trend in the number of claims that have been represented at FNOL. These claims are very likely to end up in litigation.

Jay Adams continued, so what are we doing to help mitigate these factors in Claims? The Claims division is working closely to develop appropriate strategies across from the Non Litigation, Litigation and SIU groups. We have dedicated non litigation, non weather water teams are being staffed. Enhanced training is being conducted for the non weather staff teams on best practices, estimating guidelines, policy and how to appropriately manage represented claims. We have enhanced SIU investigative techniques for non weather water claims and additional training for staff.

Jay Adams continued, Product is currently working on product language changes to help eliminate gaps in our policy language with filings pending. We have our Contracted Manage Repair program

rolling out in May which will provide 24/7 support for emergency services which include mitigation, board up and tarping, and tree removal, as well as providing for a credentialed network of contractors that can complete all repairs and provide a warranty to the policyholder. We have partnered with Sales, our agency force and our communications group to launch a Call Citizens First campaign. And the idea behind that is providing our policyholders the appropriate information to call in their claim to Citizens first to give claims the opportunity to inspect the damages. And then we are also currently working with the legislative body to produce AOB legislation. And with that, Chairman, that concludes my report.

Chairman Aubuchon stated, thank you, Jay. Members, any questions or comments?

Chairman Aubuchon continued, Jay, as you know, this is the last week for the Legislature and it doesn't appear that any robust changes are going to be taking place this year from the legislative side, and I am sure Christine will give us an update next week when we meet as a Board, but absent any legislative changes do you think the initiatives that you are putting forth are going to be able to start reducing some of these issues?

Barry Gilway stated, let me respond to that in two ways. First, we worked, Christine, myself, Candice and Dan Sumner worked in concert with OIR and the FICA organization last week in Tallahassee attempting to get some last minute AOB changes introduced in both Diaz' Bill and Representative Broxson's Bill. I think your assessment is correct in terms of AOB language. We do not believe that it is looking good to get any substantive changes. There may be a few changes that could be incorporated, but nothing frankly that addresses the key issues.

Barry Gilway continued, and as Jay indicated, the key issue is the one where attorney fee statute that is what is driving a lot of this. However, at the same meeting all of those parties worked together on assessing possible product language changes, and the end result I think was pretty positive in that we got OIR's agreement at least as respects, the industry to do three basic things. First, as Jay mentioned, the reporting time frame was 33 days for us, somewhat less for the industry, and there was agreement on behalf of OIR that we expect to have included in our policy language that basically provides for a decrease notification period and restricts any permanent repairs until three days after the loss is reported.

Barry Gilway continued, the second issue that is under consideration is the issue of putting in a sub limit and we are considering both the sub limit of \$3,000 emergency repair sub limit or one percent of Coverage A sub limit that they are willing to consider.

Barry Gilway continued, and then the third area was the restriction on the collapse line within the agreement, and while none of this is finalized at this point, Mr. Chairman, we are optimistic that this will have somewhat of an impact and give us a little better control of claims. I have to be clear though, that we really do not believe that the deterioration in our results is really going to be handled until the Legislature really takes some remedial action on the one way attorney fee statute. That is the real key issue.

Chairman Aubuchon stated, right.

Barry Gilway stated, I think we have got some good progress being made in terms of policy language. However, this may or may not apply to the rest of the industry.

Chairman Aubuchon inquired, and what would the time frame be for OIR to enact these changes?

Barry Gilway replied, the current legislation, both the Diaz Bill and I believe the Broxson's Bill, if AOB changes occurred would be 06/01, is the date within the Bill. If their policy language changes in all likelihood they would be rolled on at the subsequent renewal of each Citizens policy.

Chairman Aubuchon stated, I see. Members, any questions of Barry or Jay?

4. Non Weather Water Update

Mike Gilmer stated, good morning, Mr. Chairman, thank you. As indicated in the chart provided in the hand out, Citizens has received 3,127 new first notices of loss for the third quarter of 2015, and 3,010 new first notices of loss for the fourth quarter of 2015. This represents the 49 and 56 percent of all new claims received for the same periods. For January 2016, Citizens has received 1,007 new first notices of loss. And just a quick update here, for February of 2016 we have received 929.

Mike Gilmer continued, despite the robust depopulation efforts in reduction of Citizens in force policies, the non weather water related claim volume remains constant. The team structured of Citizens non weather water team consists of six teams staffed by a mix of Citizens adjusters and dedicated teams of independent adjusters. Oversight of the claims teams is provided by six Citizens staff field claims managers and the strategic vision is to have the non weather water team fully staffed with Citizens adjusters. So that the challenges that face the non weather water adjustment staff and management continue to include the increase in water claims that have the assignment of benefits and the late notice claim reporting where the work has already been completed that Jay alluded to earlier.

Mike Gilmer continued, to address some of these challenges Citizens has implemented a water mitigation estimate review pilot program with two contracted vendors and since September of 2015, Citizens has submitted over 1,500 water mitigation estimates for review. Additionally, the claims team is calibrated in conducting quality assurance to ensure consistent and proper claims handling. And that will conclude my summary of this portion, and again thank you, and I will turn it over to Elaina for her update.

Elaina Paskalakis stated, good morning, Mr. Chairman and Governors. I would first like to start with just a general overview of litigation since the last time we provided an update in September 2015. So looking at the last 13 months in litigation, from January 2015, through February 2016, Citizens was served in excess of 8,000 lawsuits regarding residential property losses. This reflects an average of 621 lawsuits per month, which we have seen this trend hold true for at least the last 18 months. During the same time frame we were able to resolve a bit over 12,000 litigated matters. As of February 1st of this year our pending volume was 6,600 lawsuits which reflects a 34 percent decrease as compared to the same time last year when we had just over 10,000 pending lawsuits.

Elaina Paskalakis continued, as we have seen since March 2014, 96 percent of the incoming lawsuits continue to arise out of the tri-county area with Miami-Dade being the lead with 67 percent of all incoming lawsuits. The leading dispute for all incoming lawsuits in terms of 54 percent is a disagreement over the scope and pricing in the adjustment of the claim. 85 percent of all insureds are represented when they first notify Citizens of the claims or the time of the first notice of loss we see that 45 percent of the insureds are represented by a public adjuster, 38 percent are represented by an attorney, and one percent are represented by both when they first report the loss.

Elaina Paskalakis continued, in 61 percent of the incoming lawsuits the insured did not notify Citizens of any dispute or disagreement with Citizens' coverage position or adjustment of the claim prior to filing suit. We also see that 48 percent of the lawsuits are brought within the first six months after the first notice of loss. This again is another trend that we have, that has remained consistent over the last 18 months.

Elaina Paskalakis continued, drilling down to water losses, this of course continues to be a leading cause of loss for all new incoming suits at the tune of 82 percent of all of the suits that we have gotten over the last 13 months. Water losses also consistently comprise in excess of 80 percent of all suits since March 2014. Again, a trend that we have seen hold true for at least the last two years. 64 percent of the water lawsuits are due to plumbing leaks and breaks and remain the leading cause of losses in terms of pending and represent 65 percent of the pending volume of lawsuits.

Elaina Paskalakis continued, and just to give an idea of what we are looking for in terms of trials, when we completed this report as of February 1st of this year we had already 73 water loss matters set for trial for this year.

Elaina Paskalakis continued, when we look at assignment of benefits, we have seen a trend since December 2015, of an increased number of new incoming AOB lawsuits brought against Citizens. And again, what we mean by that are a service vendor hired by the insured is bringing the lawsuit against Citizens. Prior to December 2015, the number of new incoming AOB suits averaged approximately 91 suits per month. In December 2015, and January 2016, we saw that number skyrocket to 249 and 211 new AOB suits respectively. That represents over a 200 percent increase in the monthly average of AOB suits received over the last 12 months. And to provide an update from our February numbers we received 254 AOB lawsuits in February of this year.

Elaina Paskalakis continued, AOB suits comprise approximately 21 percent of the new incoming suits now. That represents a five percent increase over our report in September of 2015. 78 percent of all pending AOB suits arise from a water loss of which 48 percent are associated with a plumbing leak or break. The dispute in the majority of the AOB suits is over the reasonableness and necessity of the charges or services submitted for payment. And again, just a snapshot of what we are dealing with in terms of trials, Citizens as of February 1, had 20 AOB cases already scheduled for trial in 2016.

Elaina Paskalakis continued, in conclusion, we see that the majority of new incoming lawsuits continue to arise out of water losses in the Tri-County area. The trend has remained consistent

since early 2014. A rise in the number of incoming AOB suits has been realized since December 2015. Roughly one half of the new suits continue to be filed within six months of the first notice of loss, and the vast majority reflect representation of the insured at the time the loss is first reported. The majority of lawsuits are also filed in the absence of the insured disputing Citizens' position at the time of the adjustment of the claim. In response to the ongoing trend with water loss litigation and increasing frequency of AOB suits, the litigation department is refining the organizational structure and working closely with our in-house legal staff to craft appropriate and effective litigation strategies to address these matters. And that concludes my report. Joe.

Joseph Theobald, stated thank you, my name is Joseph Theobald, I am the director of Citizens Special Investigations Unit. You will find in the non weather water update in section four, page 5, where I have outlined the water claims overview as well as our strategic response. During the September 2015 Claims Committee meeting the Citizens' Claims Leadership team presented information on non weather related water claims. At that time we brought attention to an increase in the fraudulent and state losses most particularly in Miami-Dade County which also accounted for the largest share of our newly filed lawsuits.

Joseph Theobald continued, in response, the Claims Leadership Team convened a water summit to communicate a clear vision and ensure alignment of our claims handling, litigation and SIU strategies to one another. During the water summit SIU analyzed and presented data on the south Florida marketplace, claims and SIU trends. Now the information developed during the water summit provided a springboard to a more robust strategy in which our SIU program refocused our analytics capabilities to proactively identify and investigate suspected water claims that has the most impact potential, increase the speed of attention and to work to expose crime rings that are targeting Citizens.

Joseph Theobald continued, we also provide training to front end adjusters to improve adjuster awareness and investigate the competencies of water claims, water related fraud claims to promote the quality of SIU referrals. We raised the bench strength of our investigative team by developing and presenting training material on water related claims investigations. We revamped our SIU desk and outsourcing team to balance the use of staff and outsourced firms and efficiently handle water related claims. Overall we have maintained an open line of communication with law enforcement and industry partners in support of their efforts to prosecute and expose fraud.

Joseph Theobald continued, on page 6 you will see two graphs. The first which represents the trend of average indemnity in relationship to SIU accepted referrals. Below you will see the count of water cause of loss claims. And in August, the month following the water summit, excessive investigation referrals for the water cause of loss increased 34 percent, and following the water summit the average indemnity continued to experience significant decline. The significant decline is through average indemnity for the water cause of losses likely attributed to a combination of establishing a clear vision, ensuring alignment of our claims handling, litigation and SIU strategies to one another.

Joseph Theobald continued, now, we continue to have systemic challenges. Although we have a positive glide path in our ability to identify potential suspect claims, we continue to have challenges which limit our ability of Citizens to fully investigate these losses. More specifically we

have observed that representatives of the insureds, including attorneys and public adjusters, have delayed the reporting claims typically 10, 15 days, sometimes as long as 30. They have attempted to prevent our SIU representatives from attending the damage inspection along with the claims field adjuster and have disallowed the SIU representative to conduct an interview of our named insured. In some cases this pattern spoiled evidence and hampered our investigative efforts.

Joseph Theobald continued, as we look ahead we will continue a partnership with learning and development in creation of bulletins and guides for adjusters that focus on critical first steps and direct connection to the preparation of a quality SIU referral. We will continue to keep our adjusting teams informed of fraud trends and abuses in order to keep a spotlight on fraud and invigorate quality SIU referrals. We will conduct a deeper analysis of those parties involved in the transaction to identify organized crime groups that are potentially targeting Citizens. We have included an addendum in section eight which details many of the recent cases that SIU has investigated, particularly on water, non weather related losses. This includes three claims in which the SIU investigation and subsequent referrals to the Division of Insurance Fraud resulted in arrests for insurance fraud. That concludes the SIU presentation.

Chairman Aubuchon stated, thank you, Joseph, and members, are there any questions of Mike or Elaina or Joseph on their presentations?

Governor Holton stated, I had a quick question for Mike or Elaina. Have you guys reached out to the Florida Bar at all to potentially coordinate any investigations of wrongful solicitation of claimants down in south Florida?

Elaina Paskalakis stated, our department has specifically not reached out in that regard, no, we have not.

Governor Holton stated, I mean, this area is getting a lot of attention statewide and in the press and obviously in industry periodicals and so forth. But I just thought the Florida Bar might obviously have an interest in looking at some aspects of this and was just curious if there were any opportunities there that you had taken or foresee you could take?

Barry Gilway stated, I think it is an excellent recommendation. We have not done that to the best of my knowledge. So we can have Dan work with Elaina on doing just that.

Governor Holton stated, yes, I think it has to be a multi-pronged attack by law enforcement and industry and lobbying and so forth to really defeat this problem, and that might be an untapped resource there that could be of value.

Barry Gilway stated, yes, we have developed, as you know, we have developed considerable information on the top attorneys that are engaged in the AOB lawsuits, in ranking. I think our top attorneys are averaging, on the AOB side, are averaging around 600 lawsuits a year in total. I think the top one is something in the range of 1,400 lawsuits or 1,300 lawsuits over an 18 month period. So I think we can clearly identify the key firms that are engaged in this practice.

Governor Holton stated, no, absolutely, that goes to the very point of maybe there is something the Bar could take a look at as well if the evidence is there.

Barry Gilway stated, right, thank you for the suggestion.

Governor Schinz stated, I 100 percent agree with Jim's recommendation, Barry, and Mr. Chairman. I think it is a great idea and I think getting the Bar involved, is going to be very important to try to bring this thing in for a soft landing. So I think it is a very good idea, Jim.

Governor Holton stated, thank you, Freddie.

Chairman Aubuchon stated, okay, any further comments or questions? Okay.

LaTrice Grier stated, I would like Mike Gilmer to revisit one of his points in his summary about the two contracted vendors for water mitigation. I wanted to clarify that these vendors are not under contract. We are actively preparing a solicitation to solicit those, that that is actually a pilot program where we are just outsourcing that service.

Mike Gilmer stated, okay, correct, yes, thank you.

LaTrice Grier stated, thank you.

5. Tornado Claims Update

Craig Sakraida stated, yes, good morning, Chairman Aubuchon and Governors. Just to give you a brief update, these numbers were as of February 17th. So I will have some additional information as of this morning. But as forecasted, January 2016 was an active period for tornadoes and severe weather in Florida. We had an active period from the 17th through the 28th, for the nine reported tornadoes and severe weather events that caused damage statewide.

Craig Sakraida continued, even though the weather events did not technically qualify as a catastrophe, it did allow us to exercise portions of our catastrophe response plan. The claims process does not change in the event of increased volume. However, events like the January storms do provide us insight to keep components of the plan such as reporting, claim assignment and management of critical time service standards. This ensures we are operating effectively and efficiently when we do have increased volume and have to scale our operation to meet the needs of the incoming claims. We provide our customers the ability to file claims 24 hours a day, seven days a week, with immediate assignment to the adjusters which allows us to meet their needs in events such as this.

Craig Sakraida continued, most of the damages were minor consisting of roof damages, trees down and damages to fences, sheds and patios. There was one large commercial loss on Siesta Key that damaged three buildings in a condo association. We have inspected the property and are currently working with the contractor to come to an agreed scope and price. As of the time of this report it was reserved at 3.21 million. In speaking with the commercial department this morning it is going to be increased to about 4.5 million due to some damages that have been discovered by the contractor and through our multiple inspections of the buildings.

Craig Sakraida continued, just to give you a brief summary, to date we have 375 claims that were filed, 356 were residential, 19 commercial. As of the date of the report, 232 claims were closed for about 62 percent closing ratio. As of this morning we are at 90 percent closure. Average indemnity paid is a little over \$1,000. Total indemnity paid for residential claims is almost \$394,000. Average indemnity payment for commercial claims is \$35,330. And the total indemnity payment for the commercial claims is \$671,000. That number is skewed a little bit just because there is one large, the large commercial loss I mentioned on Siesta Key. There was a \$650,000 advance that was given to them to start putting the building back in some sort of order to protect it from further damage. We do have the total outstanding reserves of \$3.5 million and once again, the \$2.56 million of that is large commercial loss. Our average time to contact the policyholder was 21 hours and the average time for inspection was four and a half days. All of these numbers are well within our time standards. And just one other thing that isn't mentioned in here, the damage was statewide, there was a good percentage of these claims that were in the tri-county Miami-Dade, Broward area. The west coast did get hit fairly hard along the Siesta Key, Tampa Bay area, and there were a few claims in the panhandle.

6. Quality Assurance Redesign

Michael Guerra stated, good morning, Mr. Chairman and Governors. Citizens has recently completed a redesign of our audit process, and combining our new document of best practices which complies with Florida Statutory requirements and Citizens in combination of our estimated guidelines. We feel that we now have a very solid process in place to paradigm with our software tool of InPoint Claims Monitor that gives us an automated end to end scoring that we feel now is very critical data to support to our business units behaviors and opportunities to enhance what is happening out in the field and discuss level.

Michael Guerra continued, our quality assurance team is comprised of desk adjusters here in Jacksonville, as well as field re-inspectors throughout the state, comprised of three managers, one supervisor, 14 desk adjusters and six field re-inspectors. Again, we feel that the process we have in place now is going to give us the data that we need to continue to provide to our business unit the information they need to improve.

Michael Guerra continued, we are focusing a lot of our attention on non weather water, as well as large loss ,MCM, but we are conducting complete audits for all of our departments including commercial, CCU unit, BLT unit, sinkhole and appraisal mediation. Recently completed a test of our new process in our InPoint tool in January, and we felt very comfortable that the numbers that we saw are realistic to what we know is happening out there. The previous process we felt the scores were too high for what we were seeing on the manual reviews. However, we feel now the new process and the new algorithms that we have with the InPoint tool is point on. We just finished our first formal audit for February. We are happy to report of the 620 some audits that we completed both our staff adjusters and our field IA vendors scored in a solid meets category. Our CPI score index is from zero to 300. Both our staff and the field IAs scored in the 240 range. So we are comfortable that we are now on the right process. We will continue the monthly audits, continue the monitoring of the reports, but we feel at this point we have a very, very good program to move forward in 2016 and beyond.

Michael Guerra continued, at this point we are also looking at redefining some of our specialized units, one being our claims litigation. We are working with Elaina and her team and legal to attach an addendum for litigated claims. We are also looking at sinkhole, again, for specialized purposes of additional statutory requirements to make it more applicable and defined, and we are also in the future looking at mediation and appraisal to also have their own specific addendum to our process.

Michael Guerra continued, all in all we are very pleased with the progress. We think we have a solid tool at this point and we will continue to provide the monthly data reports. That ends my report.

7. Vendor Relationship Mangement

LaTrice Grier, stated thank you, Governor, good morning. The first item that we are presenting today is for our Contractor Repair Services. The claims department is seeking to augment its current service offerings available to its policyholders through the facilitation of a contractor network. This program will provide policyholders with licensed and credentialed contractors capable of providing emergency services and repair services. This program will be offered to policyholders with qualifying claims on a voluntary basis. Citizens intends to offer the program to residential and commercial policyholders who file eligible claims at the first notice of loss, but these services may also be available during later periods of the claims life cycle after an adjuster has been assigned.

LaTrice Grier continued, Citizens received 21,406 non catastrophe claims in 2015, with 12,314 representing non weather water claims. Florida has not experienced a catastrophe in the past 10 years, and as such Citizens anticipates that the foregoing claims figure could increase drastically in a catastrophic event.

LaTrice Grier continued, Citizens will utilize the pricing set forth with the estimating software Xactimate to determine the cost of emergency and repair services and leverage its own credentialing system to support the assignment process for contractor repair services. Citizens issued an invitation to negotiate for Contractor Repair Services, ITN 15-0011 in September of 2015. Those responses were received and evaluated by an evaluation committee. Negotiations were held with four finalists. The negotiation committee recommended one vendor for award, and that vendor is Contractor Connection. If there are no questions I will move on to the action item specifically.

Chairman Aubuchon stated, Members, are there any questions?

Mr. Palmquist stated, Mr. Chairman, I have one question.

Chairman Aubuchon stated, sure.

Mr. Palmquist stated, LaTrice, is this contracting going to be exclusive for contractor, contracting estimates and also bill back water mitigation, et cetera?

LaTrice Grier stated, yes, it is.

Mr. Palmquist inquired, if they don't have the capacity, then what happens?

LaTrice Grier stated, I believe that if the contractor does not have the capacity the policyholder will be allowed to choose their own contractor.

Mr. Palmquist stated, but Citizens isn't prevented from using some other water mitigation vendor then in that case?

LaTrice Grier stated, we are not.

Mr. Palmquist asked, for emergency services?

LaTrice Grier replied, not for emergency services.

Jay Adams stated, So the way that this contract will be set up and worked will be the Contractor Connection has a scalable plan just like we do for catastrophe. They have the ability to bring in more contractors into the program if necessary. They have adequate coverage for the entire state of Florida for non catastrophic work. So today they would be able to handle our entire claims volume for all emergency services and/or contractor repair that is sold during the first notice of loss process. Today that program will be strictly voluntary.

Mr. Palmquist stated, okay. And in the event of a CAT they will ramp up?

Jay Adams stated, they have the ability to ramp up, correct.

Mr. Palmquist stated, okay, thank you, Jay.

Chairman Aubuchon stated, All right, and Members, are there further questions? Hearing none, LaTrice, go ahead and read the recommendation.

LaTrice Grier replied, absolutely. The action item is as followed. This is a budgeted item, funding for this contract is included in the 2016 annual operating budget. It is paid under indemnity. The estimated contract amount is \$15 million for the life of the contract including all renewal terms. The term for this contract is anticipated to have a five-year base term with two, two-year optional renewals.

Jay Adams stated, Mr. Chairman, this is Jay, again. I want to make a clarifying point here. Our contract with Contractor Connection is a zero dollar contract, meaning they are not charging us any fee for making the referral of these contractors. So what we would be paying under this contract would be what we would have normally paid under the indemnity section of our policy for these losses. What this does is it guarantees credentialed contractors and vendors that have the appropriate skill set and it will also provide a warranty basis for the insurer.

A motion was made by Governor Schinz and seconded by Governor Holton to approve and recommend the Board to approve a recommended award and resulting contract including

renewal period for Contractor Repair Services, ITN 15-0011 to Contractor Connection; authorize staff to take any appropriate or necessary action consistent with this action item; and approve this action item not to exceed \$15 million. All were in favor. Motion carried.

LaTrice Grier stated, thank you. Our Sinkhole Engineering Services is the next agenda item that we have. This is a resolicitation of an expiring contract. The services intended to provide a credentialed network of experienced sinkhole geotechnical engineering contractors. While claim volume reduces continuously for sinkhole engineering services, the need to retain a network of contracted and qualified vendors remains to ensure standardization of pricing along with services standards and reporting which translates to increase productivity for Citizens staff, control spend and improve customer service through monitor performance standards.

LaTrice Grier continued, the Citizens Claims department has received over 1,500 sinkhole assignments through the existing contract since implementation in 2011. This program directly supports the 2016 annual plan and public policy goal. The sinkhole engineering services will require vendors to provide services for the following: geotechnical engineering report, sinkhole determination, remediation plan, soil sample retention, stabilization monitoring estimates. In addition to the monitoring services the stabilization plan, post stabilization monitoring reports, peer review services, expert services, training and miscellaneous services as indicated under the terms and conditions of the contract. A request for a proposal for Sinkhole Engineering Services, RFP 15-0031 was issued on December 1st, and a notice of intent to award was published on February 22, 2016. There were 17 vendors as listed on the attached notice. Are there any questions before I read the action item?

Chairman Aubuchon stated, members, any questions? Hearing no questions, LaTrice, please read the recommendation.

LaTrice Grier stated, thank you. This is a budgeted item. Funding for this contract is included in the 2016 annual operating budget and paid as a loss adjusting expense. The estimated cost of this contract including renewals is not to exceed \$72 million. The contract term will have a base of three years and at Citizens' discretion have one optional two-year renewal. A request for a proposal for Sinkhole Engineering Services RFP 15-0031 was issued on December 1, 2015, and a notice of intent to award was published on February 22, with an intent to award contract to 17 vendors, and they are as follows: SDII Global Corporation, GHD Services, Madrid Engineering, Universal Engineering, ATC Group, Arehna Engineering, Geohazards Engineering & Geology, PT&C Forensics, Inc., Tierra Inc., Florida Geotechnical Engineering, Grindley Williams Engineering, Andreyev Engineering, Windermere Engineering Services, Terracon Consulting, Inc., GSE Engineering & Consulting; Geo-Tech, Inc., Hanecki Consulting Engineers.

A motion was made by Governor Holton and seconded by Governor Schinz to approve and recommend the Board to approve the recommended award and resulting contract including renewal periods for Sinkhole Engineering Services, RFP 15-0031 to the list of attached vendors as set forth in this action item; authorize staff to take any appropriate and/or necessary actions consistent with this action item; and approve this action item not to exceed \$72 million. All were in favor. Motion carried.

Chairman Aubuchon stated, and LaTrice, you have got one more consent item.

LaTrice Grier, stated yes, thank you, Governor. This is one consent item for an amendment to the Non-Litigated and Litigated Claims Adjusting Services contract. The staff is requesting approval to amend the contract to add a line item fee of \$90 for assignments involving third party water mitigation review.

LaTrice Grier continued, this additional fee applies to assignments sent to a third party water mitigation company for a comparative review and estimate of claims involving water damage. This fee is only applicable to water assignments where the adjuster has attempted to secure the comparative estimates from the third party water mitigation company.

LaTrice Grier continued, at present the claims handling process requires the adjuster to manage the file differently for losses involving third party water mitigation reviews due to the various touch points with vendors. To account for the additional work we have historically used the existing time and expense or gross claim amount scheduled line item. To assure that we maintain the proper analytics and capture these related claims specifically, and to ensure proper management of compensation we recommend a separate line item. Governor, are there any questions before I go to the consent item?

Chairman Aubuchon stated, Members, any questions? Hearing no questions, you may proceed.

LaTrice Grier stated, Thank you. This is a budgeted item. Funding for this contract is included in the annual operating budget and is paid as a loss adjusting expense. There are no changes to the contract amount or terms. It just represents an additional line item highlighted on the fee schedule.

A motion was made by Governor Holton and seconded by Governor Schinz to approve and recommend the Board to approve the amendment of a contract for Non-Litigated and Litigated Claims Adjusting Services to add a line item fee of \$90 for assignments involving third party water mitigation review; authorize staff to take any appropriate or necessary action consistent with this consent item, and approve the consent item subject to the approved contracted budget of \$500 million. All were in favor. Motion carried.

8. New Business

[Meeting adjourned]