

CITIZENS PROPERTY INSURANCE CORPORATION

**MINUTES OF THE
MARKET ACCOUNTABILITY ADVISORY COMMITTEE TELECONFERENCE MEETING**

Thursday, September 19, 2019

The Market Accountability Advisory Committee (MAAC) of Citizens Property Insurance Corporation (Citizens) convened telephonically on Thursday, September 19, 2019 at 11:30 a.m. (EDT).

The following members of the committee were present telephonically:

David Newell, Chair
Lee Gorodetsky
Steve Roddenberry
Greg Rokeh
Kurt Lewin

Lissette Perez
Phil Zelman
Ken Norberg
Paula Lutes

The following Citizens staff members were present telephonically:

Ariel Shami
Carl Rockman
Jennifer Montero
Kelly Booten
Jay Adams
Cindy Brunner

Barbara Walker
Barry Gilway
Steve Bitar
Dan Sumner
Bonnie Gilliland
Ray Norris

The following member of the Board of Governors was present telephonically:

Blake Capps

Call Meeting to Order

Roll was called and a quorum present.

1. Approval of Prior Meeting Minutes

A motion was made and seconded to approve the June 13, 2019 minutes. All were in favor. Motion carried.

2. Agency Services Update

MR. ROCKMAN: Thank you, Chairman Newell. For the record, this is Carl Rockman, Senior Director of Agency and Market Services.

I will begin my report today with page 2 of my presentation. This is our normal report on our distribution footprint at Citizens. The top box will reflect the net change in agencies, agents and licensed customer representatives from December '18 through August of '19. While we do see an overall downtick in agencies and agents, we are pleased to report an uptick in our licensed customer representative role.

We are very pleased with this, because it means that the folks that are really touching the Citizens' customers are getting credentialed and getting identified where we can communicate to them more effectively. We are very, very pleased to report that number is increasing, and we are looking for that trend to continue.

The committee over time has asked us to also report specifically on tri-county agent and agency trend. The second box will reflect a net growth in agencies in tri-county of 127. We believe this is reflective of the shifting marketplace in tri-county where there may be more demand on Citizens' products and more agencies are coming forward to reestablish their connection at Citizens.

The boxes on the bottom third of the page reflect our overall agency segmentation. The number of 64 percent of Citizens' agencies having less than 50 policies continues to hold, and there is no significant overall drift in agency size.

Are there any questions on the agency footprint from the committee?

CHAIRMAN NEWELL: Any questions? No. Okay, Carl, keep moving.

MR. ROCKMAN: Thank you. Moving to page 3, this is our normal report on our performance violation program. I will point out a couple of features to the committee.

Overall total submissions, you do see an uptick in overall submissions, again, reflecting shifts in the marketplace. And our overall performance violation percentage has risen to 10 percent of our submissions, primarily led by the easily correctable incorrect signatures and missing signatures and incorrect credits.

While this trend is continuing to trend higher, I will point the committee out to the bottom box on the right-hand side. That while the trend is continuing and we do have agents receiving warning notices, the movement between a warning notice and a suspension is very, very insignificant.

Once we are at a position where the agency gets a warning notice our program is to educate and support and provide better understanding to them. It seems to be effective with very, very few agents moving to the suspension category. Again, our job is to make

sure that agents don't even get warning notices, and I will be sharing with the committee some plans we have in that place to bring better visibility and education in this very, very important space when I get to my outreach update.

Moving to page 4 of the report. This is the other component piece of our performance program for agents, and this is the late submission program. Again, this is reflective of documents that have not been submitted to Citizens inside of our time requirements. You will see again a 20 percent factor in terms of alerts.

What that means is 20 percent of the business submitted to us does not have documents uploaded within the five days of the effective date. Obviously then once the alert fires and the agents move into the actual violation window, you will see that number drops to five percent. Overall this trend is four percent, five percent for the month of July.

Okay. Again, the same trends continue. Once we have the ability to send a warning notice to the agents, we are able to mitigate, educate and help them understand and very, very few move to suspension at that stage.

The booking programs, we continue to administer this year and look forward to reporting results. On page 5 though one piece the committee did want me to bring to you in this session, we have broken these numbers out. There was a request from the committee in the last session to please break out performance violations and late submissions by county. And on page 5 we have done that.

And I think this tells a story. What you will see, performance violations by county, what it does confirm is that our tri-county agents where a lot of our heavier production lives, are the drivers of performance violations. When it comes to late submissions though it is not in the tri-county area.

My interpretation of this means that potentially some agents that aren't as used to working with Citizens, the lower producers, maybe some people that are just getting back on board outside of tri-county might need our support to understand the requirements for submission. Clearly our tri-county folks when you compare them understand the importance of timeliness.

We need to work on their quality, the other agents we need to work on their timeliness outside of tri-county. We want to report those numbers based on the committee's request. And I will take any questions or commentary on this slide and the preceding two slides on the performance program.

CHAIRMAN NEWELL: Any questions from the committee at this point?

MR. ZELMAN: Dave, this is Phil.

CHAIRMAN NEWELL: Go ahead, Phil.

MR. ZELMAN: Carl, thank you for doing this break out. I think it really shows everybody where the business is coming in, where the violations are also coming from.

MR. ROCKMAN: We thank you for that feedback and we are again happy to provide any visibility that the committee request relative to where the violations are occurring. And again, we are incredibly focused on agents that need support and help and I am coming to another announcement here just shortly. Any other questions?

CHAIRMAN NEWELL: All right, I don't hear any, Carl. If you want to go to page 6.

MR. ROCKMAN: I will. So on page 6 I wanted to bring some visibility to the committee on an initiative that we completed this week, and it really has to do with making sure the agents are informed of the very, very important changes that came with the AOB legislation. What they can do to better understand its impact on them and their customers.

But more importantly, provide some very, very important reminders on two program elements that we will impact agents and customers. Slide six represents what the education was about and when it occurred.

We ran four webinars for agents, on the 16th and the 18th of this week. And the content really is on the right-hand side. What we did in these webinars, we really wanted to review the AOB scenario and how important it is that the customer understand their rights and obligations under the new legislation, and we wanted to really make sure the agents understood that if customers aren't in the right track on an AOB, some of the consequences that can occur.

Then we move into the legislation. We actually walked the agents through what the legislature requires in terms of submitting the AOB contract, what must be submitted. We really wanted to make sure that the agents understood the obligations of the AOB contractor and the customer. Important elements about canceling the contract, and then a quick update on the rate impact that the AOB legislation at least had on Citizens.

Once we settled on the AOB information we really turned the page to reinforce the importance of the Citizens Managed Repair Program. Our HO3 and BP3 policies contain a Managed Repair Program. We offered a refresher on that Managed Repair Program, because we really believe that customers will select and choose that Managed Repair and we can help them at that moment of truth, a lot of great things can happen.

We also shared some success stories with agencies that have that high adoption of MRP at their customer base, and really that success story is really based on their energy at the point of sale and during renewal contact, emphasizing the MRP's benefits, what is in it for the customer and making sure the customer is aware of the benefits should they have a non-weather water loss and report it to Citizens.

I want to just do a quick thank you to Jay Adams and his team, both Rachelle Kenworthy and Clem Dexter, who were subject matter experts in our webinar who added great support from the questions from the agents that attended the webinar and then Violet Bloom's learning and development area who really put together a fantastic package of education and support to send this message to the agents.

Again, a critical message, one that everyone here has worked long and hard on, but we wanted to make sure that the agents understood the customers' rights and obligations, their role and to bring general awareness to not only the Managed Repair Program, but a refresher on the sub limit inside of HO3 and DP3 policies and to make sure that agents were doing what they can to raise that awareness with the consumer. Any questions on the AOB strategy from an education standpoint for agents?

MR. ZELMAN: Dave, this is Phil again.

CHAIRMAN NEWELL: Go ahead, Phil.

MR. ZELMAN: Carl, good morning. How many agents have taken or account managers, CSRs have taken this webinar?

MR. ROCKMAN: We had 210 attendees attends the four sessions. And while that number may seem light compared to our agent footprint, we placed heavy emphasis of inviting agents that had low MRP adoption.

We really worked, while we send a general invitation to every agent in the state, we really worked hard behind the scenes to make sure that the right agents got in to attend. And if we have a sense that an agent didn't get into the experience that has low MRP adoption, we will be working through our agency managers to connect with those agencies.

We are not disappointed with 210 agencies attending, but work remains. We want to continue to make sure that agents understand the new rules of the game with AOB, what their role is in it, and more importantly, the sub limit and our MRP program. We continue, continue to have to emphasize that message to make sure that the customer is well served.

MR. ZELMAN: Okay. Thank you. I took it yesterday.

MR. ROCKMAN: Thank you for attending.

MR. ZELMAN: I found it very educational.

MR. ROCKMAN: We thank you. And with all of our education events, we have recorded them and will be posting one of the events, so we can have more of an on demand. We know agents are busy. Sometimes the times may not have been convenient.

We will be able to report at the next session how many agents potentially engaged the recorded session and that would be something that we would direct a lot of agents to. We have a high demand for. Surveys on the education as you reflected, Phil, we have high satisfaction. People were very appreciative of the information, particularly, particularly around MRP.

I think there continues to be a big opportunity for us to continue this to get our agents all the great benefits inside of that program.

MR. ZELMAN: Agreed.

CHAIRMAN NEWELL: Carl, this is Dave Newell. I am just curious. Was there a -- you mentioned the Managed Repair, but were there other questions that agents were questioning throughout these few webinars? Was there a common theme?

MR. ROCKMAN: I think the common theme as I reflect on the questions that we did take both live and in our chat, the questions were generally around MRP, our current results, our ability to respond. Their general concern that the customer will be well taken

care of, and obviously we have every bit of evidence to suggest that the program is a great success in that space.

There were a few technical questions around AOB vendors and their obligations to report under the new statute. And we just brought visibility to the public website where they should report and reemphasized that. Obviously the questions were generally around MRP of the support provided so far and the agents I think we're just looking to raise their confidence level, and they should have confidence that we are able to deliver in that space.

CHAIRMAN NEWELL: Okay, well, thanks.

MR. ROCKMAN: Okay. With your support then, Mr. Chairman, I will move on to page seven.

CHAIRMAN NEWELL: Yes.

MR. ROCKMAN: And I will deliver our agent outreach report. On the left-hand side you will see our current results in the agent roundtable space. We had a very successful agent roundtable tele-conference on August 27th, and then our next scheduled live meeting is going to be in the Panhandle on November 7th. We are looking forward to a great session there with our agent roundtable.

Associations sponsored webinars continue. You will see the attendance listed there. We just concluded one with our Latin agent partners on September 17th. Live agent town halls that the conventions continued. We just concluded one at the NAPA Convention just last month.

Policy center webinars have obviously come to a conclusion, but we still report on that. But here is the evolving new edition I wanted to bring to the committee. Based on the late submission of performance violation program, we think the time has come to put together a more consistent education experience that is offered to all agents, not just agents that find themselves in a warning notice or in a suspension.

We are announcing today that in October and November and December we will be running a series of webinars education events, encouraging all agents that want more knowledge around how to avoid late submissions and performance violations, encouraging them to attend. We will have great instruction, live Q and A. And again, our target audience is really going to be those agents that feel they are either in a place where they need support or their staff needs support and just wanted to understand better how to manage this very important element of their Citizens relationship.

We look at this as evolving. And we have been doing a lot of work education-wise, office to office with our agency managers.

We think now the time is ripe to scale it, particularly given shifting markets and other issues. We want to announce to the committee that we are going to be running a consistent education webinar on this space every month for our agency partners that want to come in and get a little more support in this very important space.

CHAIRMAN NEWELL: Any questions for Carl regarding these webinars? Okay.

MR. ROCKMAN: Okay. Mr. Chairman, that will conclude my report. I will take any additional questions from the committee they may have for me.

CHAIRMAN NEWELL: Okay. Well, I don't hear any questions from the committee at this point, Carl, but I am sure you will be around if we need you if something develops later on in the call.

MR. ROCKMAN: Okay, thank you.

CHAIRMAN NEWELL: All right, thanks, Carl. Let's turn to tab three, folks, and get a catastrophe update from Jay Adams. Welcome, Jay.

3. Catastrophe Update

MR. ADAMS: Thank you, Chairman, and committee members. For the record, my name is Jay Adams, the Chief Claims Officer here at Citizens. Today I would like to focus my catastrophe update really on what are the impacts that we are still seeing out of Hurricane Irma and Hurricane Michael, multiple years, you know, after the actual date of loss.

If we go to slide two, you can see here that these are the new first notice of loss claims we received just in 2019 for Hurricane Irma. We have received almost 2,700 new claims, and keep in mind, Hurricane Irma's date of loss was 09/10/2017. And then we received 233 Hurricane Michael's claims, and Hurricane Michael's date of loss was 10/10 of '18.

If we go over to slide number three, this kind of gives you a breakdown of what those claims for Hurricane Irma look like. The majority of them are coming in as wind, but you can see there are some associated other causes of loss, like loss assessment and water damage.

On slide number four, this is the same type of information for Hurricane Michael. Here we are seeing again the majority of them being wind, and we also see quite a few of loss assessments.

Slide number five, what we are looking at here is how many claims that have been reported for Hurricane Irma and Michael in 2019, and they also had some type of representation. And that could be a plaintiff attorney, a public adjuster or both.

For Hurricane Irma 62 percent of all the new receipts have some type of representation, and for Hurricane Michael, 4.7 will have representation.

If you look at the bar chart at the very bottom of this graph, the dark blue line represents policyholders that reported their claim, and then the peach, pink and red represent some designation of representation.

And if you look at the left of this bar chart for the 2017, what our history typically is, the policyholder usually reports their claim immediately following one of these catastrophic events. And as you get further and further out in time, what tends to happen is most of those claims come in represented.

And when they come in represented, especially late, 12 months or beyond, most of those claims are being set up to move right over into litigation.

If we go over to slide number eight, this shows the actual activities our special investigative unit has been engaged in when it comes to the hurricanes. And what you

will see is initially the SIU team is not overly engaged, because most of those are reported from a policyholder that have some type of actual damage related to the event.

As we get further and further away from the actual date of loss, what tends to happen is those files tend to get many more SIU red flags associated. The utilization of SIUs significantly increases as we get further and further away from the actual dates of loss.

If you look at slide number seven, what we are doing here is showing you the open pending Cat claims. So why do we still have open pending Cat claims for Hurricane Irma and Michael? Well, we still are continuing to get new first notices of loss.

But if you look down these two charts what you see is that most of the claims that are open are associated to an AOB litigated claim or an appraisal or a non AOB claim that is in litigation, and that is where the majority of our pending is and those processes tend to take an extended period of time.

Appraisal can usually begin and end within about 90 days, but litigation on average runs in excess of about 400 days. Those claims will continue to pend for some time.

If you go to slide number eight, this shows you the payments that we have made in January of 2019 through August of 2019, on those claims that have been reported. And between the ones that are closed and open, you can see that we have made a little of \$10 million in indemnity payments for Hurricane Irma.

And if you go to slide number nine, it is the same information for Hurricane Michael and we have made a little over \$1.1 million in indemnity payments in this calendar year for Hurricane Michael.

And the last slide is a slide that you guys have seen multiple times. Clearly this is just a campaign where Citizens is ready. And we really do reach out to all these different channels and media outlets to try to keep people informed as we have new events.

I wanted to give you a very quick update. We were very blessed in the state with Dorian. Nearly missed Florida, but it stayed offshore just enough that we did not sustain any significant damage. As a matter of fact, we didn't even engage our catastrophe plan for Dorian.

We have received about 100 claims to date there, and we leveraged our current non-catastrophe work flows to pick all those claims up and handle those. They are being handled timely as they are being reported.

And Chairman Newell, that concludes my presentation. I will be glad to take any questions you may have.

CHAIRMAN NEWELL: All right, committee members, any questions for Jay?

MR. ZELMAN: Hi Dave, it is Phil.

CHAIRMAN NEWELL: Hey Phil.

MR. ZELMAN: Jay, thank you for answering all the questions before we got to ask them.

MR. ADAMS: Excellent.

MR. ZELMAN: As far as letting us know how the claims were reported and what is going on currently between Irma and Michael. And I know we had a few claims for that last storm.

I don't know if they were Citizens' claims or not and I am wondering how people had claims for a store that didn't hit.

MR. ADAMS: Well, for Hurricane Dorian specific, even though the eye did not make a landfall in Florida, there were still areas that did sustain some hurricane force winds and tropical storm force winds, and the majority of the claims that we got would be like a tree fell over on a house or maybe on a fence. And it would have been related to the higher winds that they were getting.

MR. ZELMAN: Okay, that is fair, but I don't think we had much in the way of winds here in Dade County.

MR. ADAMS: Chairman, if I could, since Carl spoke about MRP and AOB, could I give you just a brief update of where we stand with some of that information?

CHAIRMAN NEWELL: Absolutely.

MR. ZELMAN: That would be great.

MR. ADAMS: On the Managed Repair Program, and what I am going to speak to is the permanent repairs. As you may recall we had a filing that was effective July or August of 2017, and that was where we had the threshold language in the policy that said that you had to call if you were going to exceed the \$3,000 in emergency repairs and so forth.

In the time frame from January through August of 2018, we had 3,631 policies that reported a claim that were eligible to go into the Managed Repair Program. 285 customers actually selected the Managed Repair Program.

When we look at the same time frame for 2019, January through August, we now are under a new endorsement, and the new endorsement has the \$10,000 non-weather water cap with a \$3,000 for vendor or emergency services. In that period, we had 3,301 policies that filed a claim, where 675 homeowners selected the program.

We have seen a significant uptake of the Managed Repair Program through 2019, primarily based on the sub limit in the policy. And then as you all know on 7/01 this year, the Governor signed the House Bill 7065 into law which made some limitations around the AOB agreements. We have been tracking what the activity has been.

For the month of July, we received 708 assignment of benefit agreements. When we moved into August, we received 471 assignment of benefits, and through where we are yesterday in September, we only have 165 assignment of benefit agreements.

The legislation is certainly taking a significant impact and we are seeing a significant reduction in the number of assignment of benefits claims assigned to Citizens.

Chairman, that does conclude everything I wanted to talk about today.

CHAIRMAN NEWELL: Wow, Jay, that is some impressive stats right there. So hopefully that will continue.

MR. ADAMS: We anticipate that we will continue on that trend.

CHAIRMAN NEWELL: Yes, yes. Phil.

MR. ZELMAN: No. Thank you, Dave. Jay really went above and beyond and thank you for the AOB additional report. I think that is pretty impressive and pretty important that --that our staff need to realize the importance of what we are dealing with here.

CHAIRMAN NEWELL: Great point, Phil. All right, Jay, thanks again, yes, excellent report, great information and certainly agents not only on this call, but on those webinars and all those things can really help promote this and show what Citizens is doing in that regards. So hopefully they will take advantage of some of this information.

Committee members, as you know tab four is for informational purposes only. It is about depopulation in the Clearinghouse. You can certainly look through that and have any direct questions, reach out, reach out to Citizens' staff for any updates on that.

Any new business before the committee? All right, with that in mind, do I hear a motion to adjourn the meeting?

MR. ZELMAN: Motion to adjourn.

CHAIRMAN NEWELL: Second?

MR. ZELMAN: This is Phil.

MS. PEREZ: This is Lissette, I will second the motion.

CHAIRMAN NEWELL: Okay, thank you for everything. Thank you all for being on the call today. The meeting is adjourned and have a great day.

MR. ZELMAN: Thank you. When is the next meeting?

CHAIRMAN NEWELL: The next scheduled meeting is a teleconference on December the 5th of this year, December 5th, 2019.

MR. ZELMAN: Thank you.

(Whereupon, the meeting was concluded.)