CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE
BOARD OF GOVERNORS MEETING
Wednesday, September 25, 2019

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened in Sheraton Orlando North in Maitland, Florida on September 25, 2019 at 9:00 a.m. (EST).

The following members of the Board were present:

Gary Aubuchon, Chair
Bette Brown
Blake Capps
Marc Dunbar
Reynolds Henderson
James Holton
William Kastroll
John McKay
Bo Rivard (telephonically)
John Wortman

The following Citizens staff members were present:

Barry Gilway
Barbara Walker
Jennifer Montero
Brian Donovan
Jay Adams
Steve Bitar
Kelly Booten
Nancy Staff
Mark Kagy
Andrew Woodward
Violet Bloom
Palicia Francis
Elaine Thomas
Dan Sumner
Michael Peltier
Mark Kagy
Joe Martins
Silvan Iuretig
Bonnie Gilliard
Eric Addison
Toya Bradley
John Schmitt

The following people were present:

Kapil Bhatia	Raymond James
Dave Newell	FAIA
Coleman Cordell	Bank of America Merrill Lynch
John Generalli	Wells Fargo
Michael Alfano	Wells Fargo
Kevin Stokes	Guy Carpenter
Margaret Lezcano	UBS
Vince Jannetti	UBS
Nathaniel Johnson	JP Morgan
Henry Reyes	JP Morgan
Ian Hanson	Willis Re
Jeremy Ginter	Willis Re
Ken Vincent	Guy Carpenter
Jason Kutz	Guy Carpenter
Nicole Preston	MacNeill Group

Call Meeting to Order

Barbara Walker: Good morning and welcome to Citizens September 25, 2019 Board of Governors meeting. This meeting is publicly noticed in the *Florida Administrative Register* and is recorded with transcribed minutes made available at our website. Please do not put this call on hold. Press *6 to mute your line and #6 to unmute your line. We will convene with roll call.

Roll call: Chairman Gary Aubuchon, Bette Brown, Blake Capps, Marc Dunbar, Reynolds Henderson, Jim Holton, Will Kastroll, John McKay, Bo Rivard, and John Wortman.

Chair Aubuchon: Welcome Board of Governors. Welcome to the Wednesday, September 25, 2019 Board of Governors meeting.

1. Approval of Minutes

Chair Aubuchon: Our first order of business is approval of the prior meeting's minutes from June 19, 2019.

A motion was made and seconded to approve the June 19, 2019 minutes. All were in favor. Motion carried.

2. Chairman's Report

Chairman Aubuchon: I'd like to welcome our new Board member, Reynolds Henderson. We are really thrilled to have you on our Board.

Reynolds Henderson: Thank you. I'm excited to be here. This is a lot to absorb. I've never been on a board with an audience like this, but I'm very honored to be on this Board and to serve with you. You're highly decorated with your many talents.

Chairman Aubuchon: We're happy to have you. I want to salute Barry and Jay and the team for their preparation for Hurricane Dorian. We got lucky, but luck is defined by when preparedness meets opportunity. We were presented with an opportunity to prove, once again, that we're prepared. The communication that you sent to us, Jay, when we get to a catastrophe (CAT) situation is appreciated by each Board member. The thoroughness by which you prepare is to be commended.

3. President's Report

Barry Gilway: Thank you, Mr. Chairman and Board of Governors. I would like to echo your comments toward Jay. I think it is amazing what goes on behind the scenes when something like Dorian is preparing to hit our shores. The entire team orchestrated the CAT Plan that was put together extremely effectively. You can imagine Jay, every single morning, adjusting the resources that are required based upon the track the storm takes. One day we have 800 resources to adjust and the next day we're down to 20. The complexity associated with that is amazing and the communication behind it. There was the first notice of loss (FNL) teams getting engaged. It's incredible seeing this whole thing in action, and I compliment Jay and the entire team for being ready for it.

Insurance Industry Financial Report

This morning, we're taking a different tactic. I'm normally up on my own, but today I decided to bring the power to the table to accomplish a few things. We frequently get questions about "how low can you go" and what are the next steps to get Citizens to the point where we are a true residual market. We are facing an extremely interesting market from a financial standpoint that is clearly impacting our ability to reduce below that 420K footprint that we have today. It's also very clear today that the appetite of Florida companies to assume additional business is truly impacted directly by the financial health of the marketplace. Right now, many private companies are struggling because you have the financial impact of Hurricanes Irma and Michael and the development of all those numbers. The development is continuing, and as Jay will show you, the losses continue to pour in even from Irma. The reinsurance market is changing and pricing is increasing in the reinsurance market. That's offsetting the potential benefits of the latest Assignment of Benefits (AOB) legislation. There is uncertainty on the part of the companies as far 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. There are all kinds of schemes by specific individuals in the

Trial Bar to move the first party suits. A huge issue for Florida companies is that we continue to experience absurd litigation in 75% of the business that was not impacted by AOB. Ultimately, this has to be solved to improve the overall market in a significant way. If we really want to improve the market, we have to address the 75% of first part litigation that we were not able to get to in AOB. Today I have asked Steve and Jay 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 will talk about a recent Request for Information (RFI) that Governor Dunbar participated in and we will ask for his comments at the end of Jay's comments relative to the RFI and the direction we want to take. Jay will update you on the hurricanes and litigation.

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, specifically on the difference between standard government practices and Citizens.

Let me launch you into a couple of numbers. Prior to 2016, this was an incredibly profitable market. The Florida Domestic Companies were experiencing excellent profitability with combined ratios (i.e., a combined ratio of loss, loss adjustment expense [LAE], and general expenses) of 81.3% in 2013 and $684M in net income, a combined ratio of 80.6% in 2014 resulting in $800M in net income, and 85.2% combined ratio in 2015 with net income of $422M. In 2016, as the litigations component started to take hold, you started to see a turn, and the domestic companies posted a negative net income for the first time in several years with $47M 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 a result, 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 $510M and the result was negative net income of $244M. 2018 continued that trend with a net underwriting loss of $435M and negative net income of $254M. 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. The combined $48M 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 $331M in 2017, $397M in 2018, and $39M so far this year in addition to strengthening their reinsurance programs and, in some cases participating, at higher levels in Florida Hurricane CAT Fund (CAT Fund) to keep reinsurance costs down. This has caused a lot of turmoil in the marketplace. 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. One of the major businesses announced last week that they will write no more new business or offer renewals in the Tri-County areas; they've had enough and can't live with the litigation practices. 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 the Officer of Insurance Regulation (OIR) this year and another 27 rate increases under review. 90% of the companies are filing rate increases. OIR is in an extremely difficult position. They are trying to protect the consumer's interests; they are trying to make sure they incorporate the way Citizens did the estimated savings from the AOB legislation that was passed but at the same time keep the financial condition of the industry at a healthy level. Florida is highly dependent on the health of the reinsurance marketplace. 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 $18B-$20B insured loss of Hurricane Irma that resulted in over 1 million claims to date, and Hurricane Michael with an estimated $7B 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. If that storm hit between Dade and Broward, then this would have been the "storm of the century." It would have been the largest storm on record. 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. Barbara Walker has been doing a wonderful job assessing these locations. You also have the proposed 2021 quarterly committee/board dates. If there are no questions, I will turn this over to Steve.

Market Analysis

Steve Bitar: Good morning, Board of Governors. For the record, I'm Steve Bitar, Chief of Underwriting and Agency Services. I will call to your attention the presentation that was distributed to you earlier today. First off, I think it's important to note Citizens' role in the market. I want to commend this Board for your support over the past eight years in moving us from what some would say "the preeminent carrier in the marketplace" to what can be viewed as a residual market player. As we move through this presentation, you'll see that a lot of the great work that has come together over the past eight years truly does bring Citizens to a point where we can be considered as a residual market and not a primary carrier. First off, it's important to understand from a statutory perspective the roles that Citizens plays. We are truly supposed to be a residual market in Florida but must act as a market stabilizer to ensure the economic health of the state. What does that mean? Basically, Citizens is a safety net to ensure that Florida citizens property owners can secure coverage. It's absolutely needed. If you want a mortgage in Florida, you need to have homeowner's insurance to qualify for that mortgage. We must step in and, by statute, provide an affordable insurance option to applicants. "Affordable" is very interesting because not every state looks at that when establishing their residual market. Historically, prior to this change of adding "affordable," we had the highest rates to reflect the high risk that was associated with Florida. It's key to understand, in Florida, affordability is something we must consider. This is why we have a 15% underwriting rule. If you can secure private coverage, that doesn't mean you're ineligible for coverage in Citizens. It used to mean that you were ineligible. But, if the offer premium comes within 15%, you have to take the other offer. However, if you are beyond 15%, you're then granted access to Citizens. This is what led to the huge growth. On the next slide, I want to talk about Citizens volume and how we reached our peak in 2011. You'll see this shows you what our policy count has been between 2011 and 2019. In 2011, we hit our peak at 1.47M policies. Our market share was roughly 23% at that time. There was a high volume of depopulation that began to occur in 2012 and took us through 2015-2016 era. We're now sitting at 420K policies. On the next slide, I want to talk about the declining depopulation which indicative of a residual market. This shows you the amount of policies that have been assumed compared to the percentage of total policies we have in the book of business. I want to note here the appetite of the private market and the number of companies that wanted to participate in depopulation and did. In 2011, we had three companies interested in depopulation. Citizens was at its peak. There was high demand for citizens. That changed over time. It's key to look at the capacity of the private carriers and their interest. In 2012, we had seven companies that wanted to participate. In 2013 that jumped to 18 companies. In 2014, we had 21 companies that participated in depopulation, and that led to 416K polices that were depopulated that year. 40.8% of our total policy count was depopulated in 2014. If you continue downward, in 2015 we had 14 and then 11, seven, and four. In 2019, we have only two companies that expressed interest. This is very telling with regard to the appetite of the private market as well as the quality of Citizens book of business. On slide five, you'll see a few slides come up that really compare where we were in 2011 to where we are now in 2019. Slide five focuses on Citizens personal residential market share. In 2011, you see a lot more, darker blue, representing higher concentrations of Citizens market share. In 2019, almost the entire state is in light blue, which shows that Citizens has a market share under 5% in all of those counties.

Marc Dunbar: Hernando, Pasco, and Pinellas – is that primarily because of sinkholes?

Steve Bitar: Correct. On the next slide, we'll look at the commercial residential market share. Again, it's the same story here. You see that we have a high concentration of market share throughout the state, and as you transition into 2019, you see a lot less dark red. The commercial residential book has really shrunk. On slide seven, I want to talk about the personal residential concentration. The personal residential policies relative to total policies in higher risk areas have remained at a consistent level. This goes back to those higher concentrations in policies I talked about in the prior two slides. Those areas are Hernando, Pasco, Pinellas and Hillsborough. We have a high concentration of sinkholes in those areas. We also have the Tri-County (Broward, Miami Dade, and Palm Beach) area and the rest of the state. In 2011, we had 1.472M policies. We had 25% of the market share in the Tampa area; 43% in Tri-County and 32% everywhere else in the state. Move that to 2019 and you'll see that the numbers remain rather consistent in concentration of percentages: Tampa is at 25%, Tri-County is 50%, and remainder of state is at 25%. Citizens' concentration of the book has been consistent year to year. On slide eight, we will talk about how the market share has stabilized. The personal residential market share in total insured value (coverages A, B, C, and D) in 2011 in the Tampa area was 41%, in Tri-County it was 34%, and statewide was at 19%. Starting in 2015, that concentration of the market share in total insured value has shifted to where you expect to see a residual market. In 2016, we were at 11% in Tampa, and since then, we've been at 10%. Since 2015, for the Tri-County, we've sat at 10% and have brought that down to 9% currently. Statewide, in 2015, we were able to reach 5% and for the last four years, we've been sitting at 4%. It is evident that we've been able to stabilize the market. Slide nine begins the analysis of

Citizens actual book of business. We look at a variety of factors: location, age of home, value of home, prior loss history, and rate adequacy. On slide 10, we take a look at location – where do our risks sit. In 2011, it talks about the total insured value placed by Citizens in county by county by zip code. The sentiment shows that 2019 will have lighter colors which show the total insured value has shifted from Citizens to the private market. Slide 12 talks about age of home and it shows you how we've been able to move toward a residual market and what the profile would be. In 2011, roughly 22% of the homes we insured were 20 years old or newer. In 2019, only 11% of our book is 20 years old or newer. If you look at homes that are over 40 years old, in 2011, only 39% of our homes were insured by Citizens. In 2019, more than half of the homes we insure are older than 40 years old and would be considered "undesirable" in the private market.

Marc Dunbar – Do you have the breakdown also by the location of homes? And does that include Hernando County or is this fairly typical across the board? (microphone not on at this time)

Steve Bitar: This is pretty typical across the board. You'll find these numbers are driven by the high concentration of those areas in the Tri-County and Tampa areas. I can get that breakdown and provide it following the meeting.

Marc Dunbar: I would be curious to know, for example, if in the Tri-County we have a disproportionate number relative to our overall base of older homes, because that's the anecdote that we're told that you have these older homes in the Tri-County, particularly, they're going to have the water issues so, I'm curious…

Steve Bitar: Absolutely. You're going to have that and the wind only on the coast, and that's going to make them less desirable, too. We can get the breakdown for you. On slide 12, we talk a little about the value of the home. Here, we look at total insured value. Coverage A is the replacement cost of the home, but total insured value is A, B, C, and D. Coverage A is the dwelling itself. Coverage B is going to be your pertinent structures. Coverage C is your contents. Coverage D is your loss of use. When you total that, in 2011, on average, the total value was $339K on the homeowner's side. For the rest of the market, the average was $490K. In 2019, the market has gone to $512K, but at Citizens, we've advanced to residual market which shows in the total average of insured value of $316K. The next slide focuses on Coverage A, which is truly the cost of the home at which we insure. 39% of Citizens' policyholders have Coverage A of $200K or less. When you look at the distribution and on the personal lines account (PLA) HO3, you see $100K of Coverage A to $300 of Coverage A. The bulk over our coverage sits within that range, most of which sit at $200K or less. On slide 14, we talk about loss history (i.e., has there been a claim on that property previously?). Private carriers take a look at loss history, and find that if a home had a loss, that home is not desirable to insure, which then pushes individuals to the residual marketplace. First, we look at the Tri-County regions. In 2011, when you look at total claims, 3.17% of the Citizens' book had a prior claim on it. In 2019, 27.79% of Citizens' book had a prior claim. For the rest of the state, it was at 2.64% at the end of 2011. In 2019, it's 19.47% has a claim history. Most of the numbers have water claim damage. When you look at the claims history, a lot of our policies are not going to be desirable due to claims history. Slide 15 looks at rate adequacy. I think the best way to demonstrate where we sit where we are specifically with regard to our rate need. In 2014, we came forward with our rate increases in 2015, and we requested that a rate increase for 32% of all the PLA multi-peril. We were only seeking increases for 14% of the book. In 2019, we are in a position of being unsound from an actuarial perspective. 80% of our PLA policies we requested an increase and on the multi-peril side, we have sought for an increase in rates for 72% of our policies. In 2014, we were approaching actuarial soundness. Only 14% of the policies received a rate increase and now we're sitting at 72%. Obviously, policies rated as adequate shifted to the private market. On slide 16, I want to take a moment to compare Florida to the other residual markets in the country. Notably, we put a mix here that is most comparable to Florida. Florida's market share was 8.51% in 2014. In 2018, our market share was at 4.18%. Look at some other states. Massachusetts and North Carolina are higher than where Citizens sits. Florida is no longer the highest like it once was back in 2014. We've made significant strides when you compare us to other states. I put Louisiana on here because you'll see in 2014 they were sitting at 3.71% and they managed to get down to 1.42% due to significant depopulation. They modeled their statute to make the rates artificially high. Florida has 1,350 miles of coastline and when you think about that from a reinsurance perspective, it's quite unique. Louisiana has 397 miles. Texas has 367 miles. We've had Hurricanes Matthew, Irma, and Michael impact the market place. We have a unique litigation landscape and we have the glide path to contend with. Reinsurance costs are starting to creep up. On slide 17, we see a recap of what caused Citizens' growth. By 2011, Citizens peaked at 1.5M policies. There were challenges of private market profitability at that time. The state and private carriers were responding to the hurricane seasons of 2004 and 2005. There was a major failure of a company in 2006, which led to Citizens inheriting 300K policies in one day. We had the sinkhole crisis which led to significant concerns from the private market and eligibility. There was the unfavorable litigation environment. There was the generally low profit margin in Florida. There was the increased cost in reinsurance. It's important to note that National/Regional carriers exited or restricted writing at that time. The market share reduced from 63% in 2004 to 32% in 2011. The next slide talks about what changed. What led to Citizens shrinking? The Board supported the changes. Insurance rates started to come down. We had 10 years of no significant hurricanes. We had new Florida domestic carriers. Citizens did eliminate the ceding commission, which encouraged domestic carriers. When that change was made, when a company assumes a block of Citizens policies, historically, Citizens used to retain a portion of the premium because Citizens serviced the policies until they were assumed by the company. The Clearinghouse in 2014 encouraged depopulation.

Chairman Aubuchon: Just a reminder for everyone, turn on your mic when you ask a question because this meeting is being recorded.

Steve Bitar: On slide 19, this shows our position in the market. If you look at these pie graphs, let's focus on the lighter blue. In 2004, Florida based companies represented 22% of the market share. Look at the light blue today. 72% of those customers is covered by Florida based private companies. Citizens is the green slice. In 2004, we had 15% of the market. We now sit at 4% of the market. On slide 20, again looking at our position in the marketplace, I'll call your attention to the green bars. We're looking at the admitted insurers (dark blue), Citizens (green), and surplus lines (orange). Citizens' presence has shrunk as can be seen between 2009 and now. On slide 21, we see the approved rate changes. When you look at the OIR and what they've been able to approve, in 2010, you saw double digit increases because we were affordable. Over time, as prices came down, the market softened. Companies were really ready to step in and take these policies. The approved annual filings were for decreases in 2014 and 2015. As you see in 2016 and 2017, the market responded with rate increases. We're seeing double digit increases by 40 carriers. This expects this to increase. Slide 22 talks about eligibility and coverage changes. This is something we look at from a product development perspective. We try to analyze the market and the filings that are coming in by company. Many carriers have tightened their eligibility rules. They are focusing more on what would be considered a preferred risk. If it's a higher value home, then this is why you see our Coverage A average has come down significantly. They also made stringent roof condition rules and water coverages. Pricing has become more competitive on newer homes because those are highly desirable by private carriers. We've seen some expanded optional coverages such as flood, equipment breakdown, etc. Several carriers have restricted writings in the Tri-County. Slide 23 talks about reinsurance. There has been abundance in capital in reinsurance and rates have been decreasing since 2012. There has been an uptick this year as a result of the recent storm activities. May Florida domestic carriers rely on reinsurance and we've seen several companies pull out of the CAT Fund and then return back to the CAT Fund due to affordability of reinsurance. The next slide shows that during a soft market Citizens will shrink, and during a hard market, Citizens will grow. Depopulation is shrinking because of the fact that we are small and because of the remaining book of business being unattractive. Slide 25 talks about what's next. The private markets are consistently increasing rates. Carriers are refining their eligibility to focus on preferred risks. The market capacity has reduced significantly in the Tri-County area due to water loss and AOB challenges. There has been an impact to financial stability for some carriers. There are indications of reinsurance market hardening. Though we are moving toward the position of a residual market, we will never rest on our laurels. It's always important to be creative to move policies out of Citizens and yet be realistic about the market.

Chairman Aubuchon: Thank you, Steve. That was a very thorough and excellent presentation on where we've come from in the last eight years. For Governor Henderson it's a good look back on how large we were and how small we've become.

Reynolds Henderson: The first question I have is on rate adequacy and this recommended rate increase was not implemented for 2018. Obviously AOB was a huge issue. However, why was it not implemented?

Steve Bitar: We were asked to hold off following House Bill (HB) 7065, in order to anticipate the savings we could expect after the legislation. Rather than moving forward with a rate increase intended, we recalculated what the rate should be with the anticipated savings, and then re-filed, which was a better position for consumers.

Reynolds Henderson: Looking from 2014/2015 to today, it looks like you're hitting a slower depopulation. Is that due to the older homes? Is it an increased risk to take in the older homes?

Steve Bitar: It's a little bit of everything. When you look at what's happening with the quality of our book of business, we have about 53% of our homes that are insured are over 40 years old. That is definitely not desirable by the private sector. Beyond that, we share what our estimated premium would be and that is compared to the estimated premium the other carrier would offer. Our customer has right in front of them a list of estimated premiums. In the years of peak depopulation, they know the premiums are more competitive on the private side. That's not the case now so a lot of the depopulation offers are being declined and they are starting with Citizens.

Barry Gilway: On HB 7065, the legislation incorporated within the bill a provision that requires Citizens to estimate the impact of the legislation on their numbers and then incorporate that estimates savings up front. That was the cause of OIR's position on our rate increase. The bill required we adjust that rate downward to reflect the potential impact of 7065. The other point I'd make is that one of the issues we're going to be facing due to the fact that our rates are frozen at around 3% is that the industry is recommending rates in the 14% to 15% rates. The disparity between our rate premium level and the industry premium level is going to grow. As that grows, we can expect increase submissions into Citizens because we will become one of the cheaper companies on the street.

Blake Capps: I wonder if you can contrast a couple philosophical concepts. "Residual" is a word I interpret to be insurer of last resort. Then, there's the word "affordable." It seems to me that the words don't go together. How can you be affordable and yet residual?

Steve Bitar: You're absolutely correct. We ponder that same concept philosophically many times. For us, being a residual market, we want to take on those high risks, and we don't take into account that affordability. If we cannot receive the appropriate premium for the risk that we are insuring, then we put the state and everyone else at risk. But we have to work within the confines we've been granted, so we try to balance that. The affordability piece comes into play as to what was happening in the marketplace with that legislation was implemented, and I think it'll be really difficult to remove it. We have to work within the confines of the 15% rule and we hope the private market will soften so that companies can rebound.

Blake Capps: Slide 19 where we contrast Florida private companies with national ones, how do you define a Florida based insurance company? There's a sentiment that it would be nice to deal with the locals and to help Florida businesses.

Steve Bitar: It's a company domiciled in Florida. It's a company that began in Florida. Some of those companies have moved into other states. There are also the "pups." There's Allstate National that does not write in Florida, but they do have Castle Key, which writes in Florida. When you look at national writers like USAA, they write nationally across the state and in other states.

Barry Gilway: The characteristics of Florida carriers are different from what you'll find in the national market. There are 23 Florida domestic carriers that have $50M or less in surplus. You have limitations relative to the surplus levels. You have 36 domestic carriers that are $100M or less in premium. When you take a look at the overview of the Florida market, you have smaller carriers that are more dependent on reinsurance than would be a national carrier that has substantial surplus protection. The Fundamental difference is that, in order to obtain a

Demotech rating, you have to focus not only on capital and surplus but also on the reinsurance protection. It's really a set of small carriers, many formed in 2012 and 2013.

John Wortman: A lot of them were formed to just do depopulation.

Will Kastroll: Steve, great presentation. I want to make a statement. Citizens has a great name in Florida and across the country. Barry is often asked to speak about Citizens at universities. Employees at Citizens are asked to speak at reinsurance conventions. In the state of Florida, Citizens has a great name. It wasn't always like that. Back in 2004, Citizens didn't have a great name because of legislation not allowing it to be vibrant as it is today. My statement is that things are catching up – the market is catching up. In the last 52 weeks, it was about 60 different companies that filed for rate increases, many of which are double digits. To continue our high level service and to continue to attract quality employees to continue to paying claims, which is the most important part of this whole equation, we will have to take a rate increase – a fair rate increase – to make sure we don't take a step backwards. Unfortunately, we have to go ahead and keep pace with those other companies. The legislation cut us off at the knees a few months ago when they approved a filing and took it back from us. It's a slow process, much like an aircraft carrier. It'll take a wide turn.

Barry Gilway: The next topic fits in with what's next. In front of you is a letter written by Senator Brandis. That letter is recommending that the Board support the Funding of an external review to determine what additional steps need to be taken or can be taken to further reduce the overall footprint of Citizens. While I do not agree – I have some serious issues with the some of the recommendations – I do not believe that, for example, an assigned risk plan for property would be an appropriate way to go. I don't believe turning us into a reinsurance business is good because we would not be able to respond to a liquidation. But, I do believe an outside review could be beneficial to take a look at what has to happen in order to take us to the next step and create a healthier marketplace. For example, we're restricted today by the glide path. Regardless of whether Citizens or this Board were to believe that we need a significant increase to offset the rate inadequacy, the reality today is legislatively we cannot do that because of the glide path. There are other provisions that need to be looked at such as litigation reform, which is essential if you're going to create a healthy market. Frankly, it'll reduce the need for the rate increases. At the December meeting, we would like to outline a possible outline for procurement. We can bring in an outside party to take a look at Citizens and define those specific areas where our biases are eliminated and define those specific areas that might be necessary in order to take Citizens to the next level and reduce the financial impact that Citizens would have on the state. You have both Senator Brandis' letter and my response. My response includes what I Believe would be absolutely, essential to include in any procurement venture. One of my concerns would be that this is a market that is highly dependent upon reinsurance. It has very low capital and surplus ratios compared to other states. Turning Citizens into a reinsurer would allow more carriers to write more business with less surplus would not be an approach I would recommend to this Board. But, I do believe it would be wise to look at every single aspect necessary to consider what might be done to reduce the footprint.

Jim Holton: To Barry's point and to some of the other points here, the obvious elephant in the room is the glide path. We have to be realistic as a Board and as an organization and have an honest dialogue with the Florida Legislature about efficacy of the glide path in today's world given all the forces in the market, pre-storm activity, rates of the other carriers and so forth. My sense is that the legislature, more than in the past, is open to omnibus insurance reform. I would encourage staff and the Board to consider an overall group of recommendations from an independent source that we can take to the legislature. The glide path, while appropriate at the time, it's anachronistic now.

Barry Gilway: I think you hit the nail on the head. I believe Senator Brandis' position is the same. If Citizens makes recommendations on a standalone basis, there would be biases. If you have an independent group making recommendations that the legislature could consider, it may be taken more seriously. I think your point is very well made and I think there are some advantages of having an outside party look that would eliminate any internal biases.

Marc Dunbar: We're just getting this letter, so I'm trying to flip through and understand what Senator Brandis wants. One of the things I'm concerned about is a couple of items in this recommendation. The request for a feasibility study appears to be outside the charge of Citizens. The Governor has made it very clear that he respects the separation of the power and role of the policymakers and the legislature (the role of the Executive Branch). He wants everybody to be pretty tight with what they do in terms of the strict instruction of statute. I personally have concern of moving forward with even what you just recommended without Dan and others doing an analysis to make sure we're not spending one nickel outside of our statutory charge. I'm just looking at it, but I can see at least two bullet points on here that are clearly outside our very clear statutory charge. So, I don't want to have anybody accuse us of using money we're not supposed to. I'm certainly sensitive to Senator Brandis' concerns, and frankly, I'm going have a chat with him to understand a little more what's going on here, but, until we get a clear understanding on whether we can even spend the money, I don't even think we should move forward with anything. It would be my recommendation that we table this issue until we get a legal analysis to be presented at the next Board that essentially defines parameters that we can act upon. It'll also give us time to talk to our appointing principles to see where they are. Some of this stuff are legislative issues and they are not issues for the Board of Governors. To the point that's been made by Governor Wortman many times and others, there are some serious policy issues the legislature needs to consider, first and foremost is the glide path that can achieve some of these objectives. So that's just me personally, but looking at this, I do have concerns about spending money outside of our very clear statutory mandate.

Barry Gilway: We are on the same page. Our proposal would be that in December we would present this to the Board. Dan Sumner has raised similar issues you've raised, so our recommendation is that we would propose a scope document relative to the procurement so that before we move forward with the procurement, we will have considered everything within the statutory of what Citizens should be doing. Whatever we would present to you in December would be an outline of those areas where we do believe it would be appropriate to have an outside party involved.

Reynolds Henderson: I would echo what Governor Dunbar said. Is it part of our mission to provide the shared services platform? I think it's a great idea but is it appropriate to spend money on things like that. It seems like this is the perfect time to brag on what you've accomplished with AOB and reducing the exposure and going after the litigation that is causing such a drain on our side. We can show the legislature our success and take this as an opportunity to reduce that further if we could through legislation.

RFI Approach

Jay Adams: For the record, Jay Adams, Chief Claims Officer. My first topic I'd like to cover today is the operational assessment services for claims management. To refresh everyone's memory, back in December 2018, Barry brought this topic before the Board, asking for us to conduct a Request for Information (RFI). And what we're looking for was - due to the overall magnitude and spend associated with our Defense Counsel and our overall litigation, we wanted to conduct an RFI to review the whole claim process from the FNL to the litigation. What we're looking for there is to see if there were any opportunities for improvement in any of those area. We posted that RFI on January 28, 2019. We also worked with Governor Dunbar as a Board observer for this project. We received five responses, and from those responses, we were able to conduct due diligence meetings for two hours each with up to four of those vendors. The overall consensus from those vendors is that they want to come in and spend a lot of time and effort digging into our claims files from the FNL all the way through litigation. They wanted to run analytics and run them through artificial intelligence to make improvements. They concluded that they thought we had a good handle on the claim handling process. We get some proof of that through the audits with the OIR, Attorney General, our own internal audit department, etc. After these meetings, we sat down with Governor Dunbar attending and we talked about what we wanted to do based on what we heard from the consultants thus far. What we decided was to try to have something that would be less tasking to Citizens and thought we would scale back a little bit on what we were going to do through the original solicitation. Since most of our spend relates to claims costs and in the litigation realm, we wanted to put our biggest focus there. After we came to agreement, what we want to focus on is how do we acquire our defense counsel. Today we do it by solicitation but we're not required to do it that way. So we're getting our bang for the buck in that space. Are we allowing the appropriate fees and costs for billing to attract the better attorneys? What we want to do there is that you compare us against the market pricing to make sure we're not paying above or below that amount. We want to look at how we assign our attorneys. Should we be segmenting differently? We want to look at our overall vendor management process and the metrics we look at for performance to make sure that we're covering those appropriately. We want to look at any potential changes to our vendor disciplinary process. The end goal for all of this is we want to look at the ULA cost management associated with litigation.

Marc Dunbar: Thanks, Jay, and thanks Chairman Aubuchon for appointment as the Board observer. It was a great process to listen to the presentations and to hear from these vendors the unsolicited praise over the things that have been done to try to look at the various issues in litigation and how we're doing things. I agree with all of Jay's recommendations. I think that it will help us do a 360 to see if there is anything we can do improve. I know the team is working really hard but I wholeheartedly support it, but I appreciate you letting me participate as Board Observer.

Catastrophe Update

Jay Adams: Today, I'd like to focus on my hurricane update on Hurricane Irma and Hurricane Michael. What I want to do is to continue to the conversation we've been having about how these storms are still impacting Citizens. Hurricane Irma's date of loss was 9/10/2017. We are two years past that date. Hurricane Michaels' date of loss was 10/10/2018. Traditionally, you'd think most of your claim receipts would follow immediately after those storms. What we're seeing is that 4/20/2019 through 8/5/2019, we've received almost 2,700 new Irma claims and 250 Michael claims. For Irma, the majority of those claims are wind related, which you'd expect. We are starting to see trends with claims related to weather related water damage. For Michael, the distribution is very much the same, mainly wind. On slide five, for 2019, when we look at FNL claims that have representation, it's shocking. For Irma, for claims received, they have 62% representations. They may have an attorney or a public adjuster or maybe even both. Michael is at 4.7% representation. Some of this might be geography related because we see higher representation in South Florida and in the Tampa area. The bottom chart shows the representation of Irma claim receipts. The blue represents the policyholder reporting the claim and the other shade represents representation. What's interesting is that the closest date of the loss – our policyholder reports the claim themselves. Historically at Citizens we get 50% to 60% of the claims within the first 25 days of the event. The majority of the claims come in early on. AS time progresses the majority of those claims come in represented, and then it works just like the way water claims come in that they are being set up for litigation. On the next slide, this is the slide that indicates a Special Investigation Unit (SIU). Early after the storm, most of those claims are legitimate without SIU red flag times, but as we move further away from the storm, the red flags increase. On slide seven, there have been a lot of news clips as of late around Michael and why there are still 18K claims still pending. I can respond to that from a Citizens perspective. The first column shows Irma data and the second column is Michael data. The majority of our claims sit in litigation and appraisal. Once litigation is filed, it takes about 400 days for those to resolve. Once someone files litigation, that claim is going to stay open for over a year. In the appraisal process, claims that go through that will typically take 90 to 120 days. The further out from the storm, the faster those claims go because there is less competition for resources. We also have a pretty good amount in the new FNL. Those are claims that we are investigating and have not made a decision at this point.

Marc Dunbar: So the litigation – are most of them filed in a circuit court?

Jay Adams: Most of them are in circuit. AOBs sometimes go to the county level. On slide eight, this is what we've paid in 2019 for Irma – little more than $10.1M. This is two plus years out from the storm date. Slide nine is the same information but for Michael. We've paid a little over $1.1M. I want to speak to Dorian very quickly. We are very blessed as a state. I've heard numbers that there are about 70K folks displaced over there. If that storm came into South Florida as a category 5, that number would be over a million. That would be a CAT event that I don't know how this state would be able to recover from. Thankfully, from Dorian, we received about 100 claims in Miami Dade, Palm Beach, and Volusia. The type of claims we typically get out of that 100 were trees falling over covered property. The last thing I want to talk about is manage repair and AOB. In 2017, we did a product language change for the non-weather water. We put a $3K threshold language in there. It was not a cap or a limit. The vendor was supposed to contact us if they were going to exceed that amount. That was the only change in the policy that affected the policyholder. When we looked at the number of claims that were eligible for that endorsement, 8% of those claims actually went into the permanent repair program. In 2018, we made another non-weather water product change and here is where we introduce the $10K sublimit for non-water water and a $3K vendor cap included in that limit. Since that has rolled out, we've had an increase in utilization of that program to 24.4%. We looked at the voice of customer survey results, and our survey results are running in the mid-90% range for that. Our customers seem to be overall good with the work product. The real benefit is that we know the repairs are being done with these and we don't have a risk of an insurer making a second claim from overlapping damages. On the AOB front, Barry mentioned HB 7065 that went effect in July. In July we were receiving 23 AOB agreements per day. That may have had rollover from June. In August, that number reduced to 15 per day and now it's down to 11 per day. The legislation is having significant impact. Do we see an impact in our litigation? Not yet because on average it takes six to nine months for a claim to go into the litigation round. We're a little early to see if that's happened. AOB will reduce, but that 70% litigation that we continue to get that's first party will include some of the AOB into that suit.

Blake Capps: You mentioned that AOB agreements that are submitted to Citizens down to 11 per day. It's like an old agreement that's not up to the new statutory rules and then has to rule to the contractor who can't honor the AOB due to the new laws?

Jay Adams: We created an AOB unit to handle every AOB. The new law became effective July 1st. On July 1st, we were tracking things that were signed on or beyond that date. We are still getting things that are prior to 7/1. Of the ones that are effective 7/1 and beyond, 9% were compliant. The rest were not compliant. They did not have the right information included. In August, that number increased to 30% and in September we're at 40%.

Blake Capps: So about 40% of the agreements are invalid because they do not meet the new rules.

Jay Adams: They do not follow the statute. The statute lays out specifically what is requirement in the agreement.

Jim Holton: Some of the AOB stuff will now be translated into first party claims. In fact, I've heard on TV notable trial lawyers make that comment: "We lost AOB and now let's focus on first party." Do you anticipate the same kinds of issues?

Jay Adams: Correct. We do not expect the behavior to change included in the first party. We've been told that with the AOB vendors are trying to get a letter of inclusion to be part of the first party suit. They can bill us for whatever amount and anything we fail to pay will be part of the first party suit.

Reynolds Henderson: Do we do anything in response to hurricanes to educate people during the process? Do we go to them or do we expect them to file a claim?

Jay Adams: Prior to a hurricane making landfall, when we are sending out the bars and charts of where the intended path is, Christine and her team are sending emails explaining on what we want them to do and how to call Citizens and file a claim. Once we have landfall, we use an automated dialing system to message out to customers who have filed a claim providing additional instructions. We will continue to do email campaigns through Christine's team throughout the life of the beginning stages. Steve's team will partner with us from a call center perspective. We look at our PIF vs the claims that have been reported and we look at aerial imagery that we receive. If we see pockets of significant damage and we have policies that have not been reported, we send that information to the call center. Steve will send calls that say they're in an area that has significant hurricane damage and see whether it needs to be a reported claim. Multiple times throughout the campaign, we try to reach out to the customer.

Reynolds Henderson: One thing during Hurricane Michael was that Verizon was down for over a month. Everything was down so there was no way to get emails or receive calls.

Jay Adams: We also have a CAT Response Center. We have three of those that we sent after Michael. We try to partner with the Department of Financial Services (DFS) to set up where we would have an insurance village. We move those sites around to the damaged areas. That site is fully self-supported. We have generated power and satellite and we can do phone calls. We can take a claim, answer open claims, and cut advance checks. We worked with our legislative team to market that area – radio or whatever is available.

Chairperson Aubuchon: For Hurricane Michael, with aerial imagery, we reached out to them.

Jay Adams: The ones in Mexico Beach, where we had no access, we leveraged the aerial imagery for a slab claim (i.e., where the structure was gone). We prepared all the large loss information and turned the claim in on behalf of the insured. When we reached out to the insured, we reached out with a check.

Bette Brown: I witnessed this personally with Irma when you set up the team. Not only were you there for people but there were people walking away with checks. Then you'd hear about it everywhere: "Citizens was here. I've got a check for housing until I file my claim." I didn't hear a negative thing. It's the right thing to do and I compliment you for doing that because you are going above and beyond to help the customers.

Jay Adams: Thank you. I have to reiterate that it's a team effort. We couldn't do it without the help of the Executive Leadership Team (ELT) and their teams.

Barry Gilway: The only other comment I want to make, and it's a compliment to Governor Brown. When Irma hit, she was extraordinarily helpful in paving the way to allow us to get to the Keys and rapidly set up the center. She worked with local government officials for Jay and me to meet. My compliments to Governor Brown who worked tirelessly to pave the way for us.

Will Kastroll: In addition to a response, Citizens outsourced their labor pool to agents. 90% of people who buy homeowner's insurance within a radius of 15 miles of their local agent. Citizens pays those local agents to conduct the business and place the business. And, in a time of need, they are in our communities and Citizens does a great job educating the agents on how to respond. Those agents also set up command posts with generators at their offices and they're able to make claims with Citizens: the outsource of your labor pool in an effective and efficient way to have troops on the ground representing you.

Steve Bitar: I would echo that it's an absolute partnership when we respond to a storm. Citizens does what it can to reach out to its customers, but we also reach out to our agents in the local areas. Many claims filed are through the agent within 15 miles of their home. That's our face to the company, so we want to make sure they have all the information they need to represent Citizens and to assist that customer at their time of need.

Chairperson Aubuchon: At this point, I'm going to call for a five-minute recess.

Barbara Walker: We will begin again with roll call: Chairperson Gary Aubuchon, Bette Brown, Blake Capps, Marc Dunbar, Reynolds Henderson, Jim Holton, Will Kastroll, John McKay, Bo Rivard, and John Wortman. Chair, you have a full Board.

Chairperson Aubuchon: For the record, we have not received any public requests to speak at this meeting.

4. Chief Financial Officer Report

a. Risk Transfer Program

Jennifer Montero: The 2019 revised layer charts are behind tab 3. These layer carts incorporate the updated CAT Fund retention and coverage estimates as well as the June 30, 2019 Probable Maximum Loss (PML) vs. the December 2018 PMLs projected forward to hurricane season which were presented at the last meeting in June. The FHCF coverage and retention are based on the CAT Fund premium. Our estimated CAT Fund premium was based on projected June 30th in-force premium, exposure, and CAT Fund rates. CAT Fund rates, however, were not finalized until July of this year and we now know Citizens' CAT Fund premium which is based on actual 6/30 exposure. This resulted in the CAT Fund coverage and retention coming in slightly higher than projected for the Coastal Account, which caused the "Sliver Layer" to attach below the CAT Fund retention. The reverse is true in the Personal Lines Account (PLA). The CAT Fund coverage and retention came in slightly lower than projected in the PLA. This caused the "Sliver Layer" to attach above the CAT Fund retention. The CAT Fund aggregate retention level is $7.4B, which is set by Florida Statute and is driven by changes in reported industry exposure. The CAT Fund total coverage amount is $17B. Every participating company has a share of that $7.4B retention and $17B coverage. A company's share of the retention and coverage is based on their CAT Fund premium. Citizens transferred approximately $1.27B of risk to the global reinsurance and capital markets for the Coastal Account, which includes $880M of risk transfer that carried over from 2017 and 2018 that remains in place for this season. The total amount of surplus exposed for a 1-in-100 -year event in the Coastal Account is approximately 31%. The 2019 Risk Transfer layers for the Coastal Account are as follows: the Sliver layer, covers $100M in excess of $393M of personal residential and commercial residential losses and works in tandem with the mandatory coverage provided by the CAT Fund to include the co-payment of the 10% of losses not covered by the CAT Fund. This layer was placed at 100%, or $100M at a rate-on-line of 11.5%. The top layer, covers $239.65M, or 68.47%, of annual, aggregate personal residential and commercial residential losses and will attach after $493M of losses. This layer was placed at a rate-on-line of 5.5%. Turn to the next slide. The 3rd layer of this program provides approximately $53.25M of coverage for Commercial Non-Residential losses not covered by other layers of the program and for which Citizens has no CAT Fund coverage. This layer was placed at 25%, of the total layer of $213M at a rate-on-line of 8%. This layer was oversubscribed as we received 34.29%, or $72.82M in authorizations. All three of these layers provide single-year coverage. Prior to the PLA placement, the PLA exposed 63% of its surplus for a 1-in-100-year event. The strategic risk transfer plan for the PLA reduced the amount of surplus exposed in a 1-in-100-year event to approximately 54%. The wrap layer in the PLA covers $176.5M, or 88.25%, of the total $200M in excess of $415M of personal residential and commercial residential losses and works in tandem with the mandatory coverage provided by the CAT Fund to include the co-payment of the 10% of losses not covered by the CAT Fund. This layer is per occurrence and provides single year coverage. It was placed at a rate-on-line of 11.25%. The total 2019 Risk Transfer Program, combining the PLA and Coastal Account placements, has approximately $1.45B of coverage, with total costs, including the multi-year layers, of approximately $94.6M with a weighted average rate-on-line of 6.5%.

b. Action Item: Citizens Legacy Securities

Citizens' legacy securities were acquired by its former investment manager in 2007 before the financial market collapse. They included Pacific West, Atlantic East, Issuer Entity (Ottimo), AFF Financing and Lehman Brothers Holdings. We evaluated the sale of these Structured Investment Vehicles ("SIV") legacy securities and received Board approval in March 2016 to strategically sell the securities in June 2016 based on bids received. As a result, Citizens sold two of the SIVs – Pacific West and Atlantic East – and held Issuer Entity (Ottimo), AFF Financing and the Lehman bonds, as the market conditions for these securities was not as liquid, and they were continuing to generate cash flow. Citizens has recovered approximately $206M ($180M prior to 2016 and $26M since 2016) for Issuer Entity (Ottimo) and AFF Financing, which includes $102.5M, or approximately 72%, of the original write down of $142M. Due to the amortization and prepayments of the underlying assets, both securities' remaining total outstanding amounts have significantly decreased, and that has increased the administrative costs, as well as the associated potential risks. Additionally, market conditions and interest rates have also changed since 2016, liquidity is constrained, and the cash flow has also been reduced. Citizens can liquidate the SIV legacy assets and reinvest in liquid rated securities pursuant to the investment policy to maximize investment returns, which will limit future market risk and volatility, and bring the overall portfolio into compliance with the investment policy. The market sale price of the SIV portfolio is expected to be approximately $14M-$18M, which will result in estimated losses of approximately $10M-$14M.

Marc Dunbar: These are the securities I asked Kapil and you about?

Jennifer Montero: Yes. We're looking to get rid of all of those.

Marc Dunbar made the motion for the Board to approve staff to work with its Financial Advisor to develop a strategy to sell its remaining SIV legacy securities and Lehman Brother Holdings Escrow to end the legacy of illiquid securities. James Holton seconded the motion. All were in favor. Motion carried.

Jennifer Montero: Yesterday, at the Finance and Investment Committee (FIC), Governor Dunbar asked about our money market accounts and checking accounts and what we're earning on that. For 2019 through August 31st, our average daily balance is about $30.2M. Our total income so far is $370,467, so that gives us an annualized return about 1.85%. In 2018, it was 1.44%. However, while our investment income increased in 2019, we expect to decrease in 2020.

Chair Aubuchon: I want to take a moment to recognize Governor Brown for chairing the meeting for me.

c. Financial Summary and Statement of Operations

Despite upward adjustments to loss reserves for Hurricane Irma during the second quarter, which I will discuss shortly, operating results through the first half of 2019 compared favorably to operating results through the first half of 2018, which is largely driven by increases in net investment income. Consolidated direct written premium through the first half of 2019 was $442.8M, which is 3.7% less than the prior year. This decrease is the result of decreases in combined policies in force, primarily commercial lines policies within both the Commercial Lines Account (CLA) and the Coastal Account. Decreases in policies in force were 2.2% for PLA, 27.9% for the CLA, and 11.6% for the Coastal Account. Premiums ceded for private reinsurance were $94.6M at June 30, 2019 compared to $88.6M at June 30, 2018. The increase in premiums ceded in 2019 were the result of coverage purchased in the PLA during 2019 (but not in 2018), partially offset by reductions in premiums ceded in the Coastal Account. Through June 30, 2019, consolidated ultimate direct losses and loss adjustment expenses related to Hurricane Irma increased $119.1M largely as a result of an increase in both late reported claims and loss severity within the Personal Lines Account. The net impact of this increase, after reinsurance reimbursements, was $33.2M. A majority of the net development occurred within commercial non-residential losses for which reinsurance has not yet and is not expected to trigger. Ultimate losses and loss adjustment expenses related to Hurricane Irma were $2.035B on a direct basis of which $783.5M is recoverable through reinsurance. Ultimate losses and loss adjustment expenses related to Hurricane Michael were unchanged compared to December 31, 2018 and remain at $151.7M. There were no reinsurance recoverables associated with Hurricane Michael, as the loss and LAE attachment levels were not met. Current accident year losses and LAE unrelated to sinkholes and hurricanes did not experience meaningful variances from prior accident years and development of prior accident year losses and LAE was minimal. Although litigated non-weather water claims continue to be a dominant driver of loss and LAE activity within the PLA, while still an issue, the litigation rate for accident years 2018 and 2019 continues to show improvement in comparison to accident years 2014 through 2017. Within the CLA, volatility in older sinkhole claims continue to contribute to material quarterly variances in loss and LAE ratios. While loss and LAE development within the CLA are less significant to the accident year to which they relate, the diminishing size of the overall commercial lines book of business leaves it more susceptible to material swings in the loss and LAE ratio as a result of development in prior accident years, when the commercial lines book of business was considerably larger. Administrative expenses incurred during the first half of 2019 totaled $65.1M, which were 1.5% less than the same period a year ago and 14.3% less than budget. Variances in contingent staffing was primarily due to a lower-than-anticipated need for independent adjusters that were engaged in response to Hurricanes Irma and Michael as well as a higher-than-anticipated number of claims entering mediation. The expense ratio for the first half of 2019 was 25.0%, reflecting a 0.5% increase from the same period a year ago and a 0.8% decrease compared to budget. Total investment income for the first half of 2019 was $88.7M, which is $29.4M, or 50%, greater than the same period a year ago, despite a decrease of $815.6M in total average invested assets over the same comparable period. Primary factors contributing to this increase were significant reductions in realized losses taken during the current period and increases in overall yields within the portfolio. Heading into the hurricane season, Citizens' capital position remains incredibly strong, supported by a large level of surplus, highly-rated invested assets, and a robust reinsurance program. For the 2019 hurricane season, our $1.449B private reinsurance program consists of $899.4M in traditional reinsurance and $550M through Everglades Re., supporting our diverse claims paying capacity. I actually had two questions from Governor Dunbar during the Audit Committee yesterday. They were on page five of the financial results which consist of the administrative expenses. The first question was about the insurance $240K at June 30th with $493K with a budget of $460K. The question about why it's so low. It comes down to a timing issue – it's the difference between when reinsurance payment is budgeted and when it gets paid in the expense. Historically, insurance premiums are scheduled earlier in the year relative to when they're actually invoiced, which creates a higher variance, but it'll become less by the end of the year. In some cases, our reinsurance policies are bundled and exceed $100K pre-paid threshold. In sum, the variances are driven by two factors: the timing of the invoice of our reinsurance policies and how our reinsurance policies are grouped and invoiced to us.

Marc Dunbar: Just a quick follow up. The consent item about D&O; it looks like we're going to be increasing our D&O coverage. Is that within this budget?

Jennifer Montero: That would be included in the budget. It was included in the budget knowing they'd have to come before the Board for that insurance. The second item was related to employee benefits. We have $15.7M as of June 30th but it was $17M last year. We've begun the retention of health care costs with a self-funding insurance mechanism. While the transition has provided overall improvements and reduced costs, these costs can vary. We do not expect the annual insurance expenditures to be remarkably different from the prior year.

Marc Dunbar: We're not spending less on employee benefits?

Jennifer Montero: No. Our employees are going to the doctor less often.

5. Chief Systems & Operations Officer Report

a. Information Systems Advisory Committee (ISAC) Report

Kelly Booten: Good morning. The ISAC met via teleconference on September 10, 2019. I provided an update on recent IT accomplishments and an overview of progress made resolving open audit findings. Some of the recent accomplishments included implementing a modernized, voluntary reporting system; implementing a cloud based configurable service desk; completing of our 18-month upgrade of Citizens Insurance Suite, which includes our policy, billing, and claims systems changes related to the AOB legislation that needed to be implemented quickly; and migrating Microsoft Office 360. Robert Sellers provided the update on our identity and access management program, which is one component of our IT security strategy to update and consolidate user identity access management processes and technology capabilities. We are consulting with Gartner Consulting Services who will provide suggestions on how to improve our identity and access management, the technology that we have, and the governance processes we use. They will provide a 200 page report; they have access to a lot of industry information. Robert also briefed the committee on our Business Continuity and Disaster Recovery status and how it related to our Dorian response. Aditya Gavaala provided the committee with a Cloud Implementation update.

i. Action Item: Oracle Products and Services Renewal

Kelly Booten: The action item is related to Oracle product, which is the critical glue for our systems. This Action Item is not requesting an increase to the previously approved contract spend. This Action Item is seeking Board approval of the purchase through a substitute alternative source contract approved by the State of Florida Department of Management Services (DMS). These critical services were not available through the DMS contracts previously approved by the Board in Consent Item 10A on December 12, 2018. On August 9, 2019, DMS approved Citizens' request for authorization to use the Arizona alternate source contract 108233-001-ACS Oracle Products and Services.

James Holton made the motion for the Board to ratify this contract for Oracle Products and Services, No. 180233-001-ACS with DLT Solutions, LLC for a 1-year term, August 31, 2019 – August 30, 2020 using the previously Board approved dollar expenditure for these Services; and, b) Authorize staff to take any appropriate or necessary action consistent with this Action Item. Bette Brown seconded the motion. All were favor. Motion carried.

6. <u>Chief Underwriting and Agency Services Report</u>

a. Market Accountability Advisory Committee Report (MACC)

Dave Newell: We held a teleconference on September 19th. Carl Rockman provided information about the market services provided to the agency workforce at Citizens. Currently we have 6,997 agents and 4,495 agencies. We received metrics on performance violations and late submissions were given, including an update on the Tri County area. Agent outreach continues with webinars and live updates. The association I represent will have a webinar to provide our members an update on were Citizens is from a performance standpoint and hurricane preparedness. Jay Adams provided a same type of update you heard earlier today related to response to Michael and Irma. Our next teleconference is on December 5th.

Blake Capps: I have one question about agencies and how they perceive their block of business with Citizens. There is a good talk about performance violation and the disciplinary processes. If I were an agent, would I perceive doing business with Citizens as a disadvantage and would I steer customers elsewhere. What about the financial incentive part of it? If a customer comes, would I get a better commission by steering them somewhere else?

Dave Newell: From a commissions standpoint, Citizens has some of the lowest commission rates among the private market. That would not be a consideration to advise them to go with that policy. Secondly, the agent is appointed with Citizens. In that regard, the agent is the one if they have a binding violation, then they would be the one disciplined.

Steve Bitar: We work closely with the agents through the Agent Roundtable and the MAAC. We go over the disciplinary process and the guidelines for that. I will tell you that the good agents want rules in place and want discipline to go after agents who are not performing well. We've been told that our guidelines are not stringent enough and we should be more aggressive. This was our starting point and we will raise the bar as time continues.

Dave Newell: They've decided at Citizens staff to work with those agents who are struggling with these things. Some are missing signature or updating documents. Carl's team is going to the agent's offices to get them to learn the process better.

Steve Bitar: And our goal is really about training and education. We are not out there with a hammer. There is a disciplinary process you work through until you get to a point for suspension.

b. Actuarial and Underwriting Committee Report (A&U)

John Wortman: The A&U met on September 10th and we reviewed two key issues. Brian Donovan will review a rate change approved by the OIR – 4.8% rate increase. Steve will talk about a product change with an action item tied to the product change.

i. Rates

Brian Donovan: Good morning. I will give an update on OIR's rate order. As discussed in the June 19th Board meeting, Citizens filed updated rate indications that reflect the anticipated savings with AOB reform related to HB 7065. On July 29th the OIR issued the rates. With one notable exception, the OIR approved the rates as filed. We asked that for all lines of business receive a 5.1% rate change and what was approved was 4.8%. For personal lines, we asked for 4.7% and the OIR approved 4.3%. The difference between the filed and the approved rate was the freezing of Monroe County's Homeowner and Dwelling policies. Staff recommended a change of 7.6% and 5.8%. The OIR approved a 0% rate change for the second year in a row. In ln last year's rate order, the OIR asked Citizens to take four actions regarding Monroe's future. Three of those actions we were actively able to address. The fourth was to incorporate the updated hurricane models into the rate indication. These models were not available at the time when we made our rate filing, but they will be incorporated in the next filing. For commercial lines, Citizens recommended an 8.9% and the approved change was 8.9%.

ii. Action Item: Product Changes – September 2019

Steve Bitar: You'll recall prior to 2015, Citizens had a maximum Coverage A of $1M. By statute we were required to enter into a stair step process where we reduce that from $900K down to $700K eventually. If any county could demonstrate market availability issues, they can go to the OIR to ask for an exception and allow for the $1M. Both Monroe and Miami Dade were able to bring forward their cases and an exception was granted. Coverage A is now at $700K except for those two counties. As a result of our audit general exam in 2019, we had an audit finding stating that we were insuring homes beyond the limit. In 2018, that audit finding presented the same thing. The explanation we provided was not enough to remove that audit finding and it reappeared in 2018. As a result, we are changing our entire renewal process to accommodate this specifically. Ultimately, let's say that the maximum is $700K and a policyholder is sitting at $698K for their Coverage A. Insurance companies will apply an increase year to year to keep up with inflation. If the inflation caused the policy to need to be at $702K, we would bump that policy to $702K but then we would then not renew it. We would give them that year to find coverage. We don't apply inflation guard more than 60 days ahead of the renewal. Because of the findings, we will be evaluating more than 120 days earlier, so if it does appear that the customer will be crossing that $700K threshold, we will have time to legally non-renew.

John Wortman made the motion for the Board to approve the above proposal to update eligibility guidelines and to authorize staff to take any appropriate or necessary action consistent with this Product Changes – September 2019 Action Item to include filing updated underwriting rules with the Office of Insurance Regulation (OIR), system change implementations, updates to supporting documents or forms and other relevant activities. Final changes may vary slightly, depending on guidance from the OIR. Will Kastroll seconded the motion.

James Holton: Going back to the two counties, do they have to request every year for the exception?

Steve Bitar: The process is that they present one time to the OIR and then they receive the exception. There is no recertification process. I will tell you from what I've seen is that there really isn't a marketplace for Monroe County.

James Holton: I was curious about Dade, particularly if the average home being around $200K.

Steve Bitar: If you look at that chart, I think we have about 1270 policies sitting at the $700K mark, so it's a small number.

James Holton: Going with the analogy, my home goes from $698K to $702K. I get my notice saying that I'm about to lose my policy. What if I don't agree that my home is $702?

Steve Bitar: We allow 120 day notice. You can provide us with an appraisal.

James Holton: Is that something that goes in the notice letter? Or, do they have to go to the agent.

Steve Bitar: The agent will be the first to see the non-renewal and can talk the customer through some options.

Blake Capps: Let's say I have a house that's $800K, and my argument is that I cannot find a reasonable degree of competition. How does OIR define reasonable?

Steve Bitar: That's more of a question for the OIR. I'm not familiar with their process when it comes to exceptions. They are monitoring the counties and they see who is writing in those counties. It's between the OIR and the county.

Blake Capps: If you have a home right on the ocean in Dade and it's worth $5M. Are many homes like that basically uninsurable? Do those people have plenty of insurance options?

Steve Bitar: From what I hear, those homes are quite desirable in the private market or in surplus lines.

All were in favor of the above said motion. Motion carried.

7. **Chief Claims Officer Report**

    a. Claims Committee Report

Chair Aubuchon: The Claims Committee did not meet in September because the meeting date coincided with Hurricane Dorian.

    b. Action Item: Legal Services Agreement Contract

Jay Adams: Today we have an action item for Legal Services: Contract No. 19-19-5001-00. The vendor is Vendor: Lydecker, LLP d/b/a Lydecker Diaz. This Action Item requests Board approval of a previously executed Legal Services Contract with Lydecker, LLP. This Contract was executed to promptly commence specialized legal support of Citizens' Special Investigations Unit operations. Board approval is requested for an amount not to exceed $400,000 for the duration of the three-year Contract. The Contract provides for specialized legal advice and strategy in support of Citizens' Special Investigations Unit. This specific Contract was not budgeted in 2019. However, funds were available from Special Investigations Unit operational costs. Funding for the remaining years of the contract term will be budgeted in the appropriate subsequent years. The Contract is for legal services and is not subject to the competitive solicitation requirements of Section 287.057, Florida Statutes. Lydecker LLP was selected for its extensive relevant experience and competitive pricing.

Marc Dunbar made the motion that the Board Approve the Contract for an amount not to exceed $400,000 for the three year term of the Contract, as set forth in this Action Item and authorize staff to take any appropriate or necessary actions consistent with this Action Item. James Holton seconded the motion. All were in favor. Motion carried.

8. Chief Internal Audit Office (OIA) Report

a. Audit Committee Report

Joe Martins: At the Audit Committee we went through the completion of five projects: AOB Reform Implementation, Information Classification and Handling, Reinsurance Recoveries, Responsible Vendor Review Scoring Model, and Support OIG on Claims Complaint. Minor opportunities for improvement were noted. We further provided a process in the tracking of issues among the OIA, OIR, and OIG. We are currently tracking seven open items, none of which are significant or of high impact. All open items receive proper attention. The Internal Controls Office facilitated the rollout of the Internal Control Framework, and we are getting closer to the end of this project. We will hand over the control assessments to management. The organization is currently in the process of completing their internal assessment reviews and these will be completed by Nov. 30, 2019. The Internal Control Office will monitor the self-assessments and will continue to provide the short report early next year. For the Enterprise Risk Management (ERM) Office, it continues to facilitate and embed Citizens' Enterprise Risk Management Framework within the organization. For the fourth quarter this year, there will be the rollout of the residual risks and systems training thorough out the organization.

9. Chief Human Resources Report

a. 2019 Employee Engagement Survey Highlights

[inaudible – 2:31:25 to 2:31:47]

Violet Bloom: . . . 2020 benefits program. In addition to seeking approval for several contracts that will allow us to continue our current employee program, we are very pleased to share our results from our recent employee engagement survey. As Governor Kastroll said, in 2014 Citizens did not have a great name. That was true within our organization and it impacted our ability to recruit employees. The results show what great progress we've made. We've continued to have high participation in the survey and that demonstrates our employees understand the purpose of the survey and they know management will take the results seriously. We're pleased that from 2014, where 60% said they were engaged, we've seen a 29% increase. 89% of our employees are saying they're engaged and motivated by the work they do at Citizens. They are proud t work for Citizens. I'd like to share with you the six questions that attribute the 89%. 92% of our employees responded positively to the statement "I feel proud to tell people I work at Citizens." 91% agreed with the statement: "I am likely to recommend this company to family and friends as a great place to work." 90% responded positively to the statement: "I am satisfied with my job at this company." 90% said they intend to stay at this company for at least another two years. 88% said they "generally look forward to coming into work at Citizens." 86% agreed with the statement: "This company motivates me to do more than what's required in my role." The survey includes 59 additional questions and 18 distinct categories such as autonomy and empowerment, communication, company leadership, customer focus, change management, recognition, and pay and benefits. Our employees reported high levels of engagement in all categories. Based on the 2017 employee engagement results, Citizens leadership developed a corporate action plan and division action plan. These plans were to sustain the areas that scored high and enhance where responses show room for improvement. A key area focused on department relationship (at supervisor and manager level) and as you can see that number has improved. Another area was focused on learning and development: provide opportunities for development and help employees understand their options for career progressions. We implemented a program this year called Career Path which gives more information. Based on the 2019 results, we saw a 19% increase in how employees feel about their opportunities for their progression. In 2017, we introduced a new question that gave us further insight: 86% of employees said, "My manager gives me the opportunity to try out things that interest me in my role." Finally the other area of focus is that we wanted to sustain leadership. We are quite pleased with the progress but it's important to continue for the senior leadership to be visible and transparent to their employees. 90% of employees are confident in their senior leaderships. 81% of employees say that "his company is transparent when communicating with employees." The survey results are hot off the press. We had them only for a few weeks. Results were shared with employees yesterday. Managers will receive results for their team next week. Over the next several months, leaders will review results, and develop corporate and division action plans where we want to sustain high scores and enhance in other areas.

Chair Aubuchon: You must have been very excited to present to us today. When I visited the Jacksonville office, it's one thing to see and feel the employee engagement. It's another to see information to back it up with the evidence.

Marc Dunbar: I want to echo what you said. When I was there for three days, it was incredible to feel the comradery and the support that leadership has from the rank and file. I encourage everyone to spend time in Jacksonville to see and feel what's going on in there. We had a long chat – Barry, Violet, and I – about what we can do to maintain that. One of the things I did bend Barry's and Violet's ear about is about the benefits package. There is only so much we can do with salaries. Our executive team could leave for greener pastures and we need to make sure we have competitive benefit packages. I would love to see to try to do little things to mitigate impacts of health insurance. I would unapologetically want to make sure we take care of our senior leaders. Some of our folks are underpaid and we should not apologize to critics of the organization on how much we pay staff.

Bette Brown: I met with Barry and Violet about this survey, and this is extraordinary on the response rate and the positive comments. I do think we need to thank leadership for being so inclusive and working together.

b. Action Item: Dental Insurance

Violet Bloom: The first action item is for dental insurance coverage. The recommended vendor is MetLife. Funding will be included in the Annual Operating Budget for each respective contract term year. Estimated cost of Dental Insurance Coverage through MetLife for the contract period of January 1, 2020 through December 31, 2020, is approximately $866,000. Citizens and its Employees both share in the contribution level cost at 85/15 percent: Citizens' estimated cost $736,000 and employees estimated cost $130,000. This Action Item requests approval for a renewal contract award for MetLife to provide dental insurance needed for fully-funded Preferred Provider Organization (PPO) dental plan program to be offered to Citizens' employees, effective January 1, 2020. D As a fully insured product, this coverage is placed through our competitively procured insurance broker, Mercer Health & Benefits, LLC (Mercer). The incumbent provider of this coverage is MetLife whose current contract expires on December 31, 2019. Mercer negotiated on Citizens' behalf and obtained competitive quotes to continue employee Dental Insurance Coverage for 2020. This quote estimates the amount for one year renewal coverage for Dental Insurance Coverage.

Marc Dunbar made the motion for the Board to approve the contract with MetLife as set forth in the Dental Insurance Coverage Action item for the period of January 1, 2020 through December 31, 2020 and authorize staff to take any appropriate or necessary action consistent with this Action Item. John Wortman seconded the motion. All were in favor. Motion carried.

c. Life and Long-Term Disability Insurance Coverage

Violet Bloom: The next action item is for life and long-term disability coverage. The recommended vendor is Cigna. Funding will be included in the Annual Operating budget for each respective contract term year. Estimated cost of Life and Long-Term Disability Coverage through Cigna for the contract period of January 1, 2020 through December 31, 2020, is approximately $803,710 plans total (Citizens and Employees contribution). This Action Item requests approval for a new contract award for Cigna to provide Basic Life, Voluntary Life, AD&D, Voluntary AD&D and Long Term Disability insurance needed for fully-funded Life and Long-Term Disability Insurance Coverage programs to be offered to Citizens' employees, effective January 1, 2020. As a fully insured product, this coverage is placed through our competitively procured insurance broker, Mercer Health & Benefits, LLC (Mercer). The incumbent provider of this coverage is Cigna and the current contract expires on December 31, 2019. Mercer negotiated on Citizens' behalf and obtained competitive quotes to continue employee Life and Long Term Disability Insurance Coverage for 2020. This quote estimates the amount for one year renewal coverage for Life and Long Term Disability Insurance Coverage.

Marc Dunbar made the motion for the Board to approve the contract with Cigna for Life and Long-Term Disability Insurance Coverage Action item for the period of January 1, 2020 through December 31, 2020 and to authorize staff to take any appropriate or necessary action consistent with this Action Item. Bette Brown seconded the motion. All were in favor. Motion carried.

d. Learning Management Systems and Services

Violet Bloom: The next action item is for Learning Management System (LMS) and Services (GSA Contract Numbers: GS-35F-0247V and GS-35F139CA). The recommended vendors are

Cornerstone OnDemand, Inc. (System Provider) eSkillz Corp. (Implementation Vendor). Funding for these contracts are included in the 2019 Annual Operating Budget and will be included in subsequent budgeting years. The cost of the Cornerstone OnDemand contract for system access and support shall not exceed $1,266,490 for a five (5) year contract term. The cost of the eSkillz Corp contract for implementation services shall not exceed $190,172. Each of the requested contract amounts includes a contingency fund of 20% for potential change orders. The contingency fund for the Cornerstone OnDemand contract will cover any additional "per user" charges if Citizens exceeds its anticipated usage levels and any ancillary services needed over the 5-year term. The contingency fund for the eSkillz contract will cover the charges for any additional services or unforeseen work caused by Citizens during the system implementation process. Contingency funds will not be paid to the vendors unless and until the additional services are needed. This Action Item seeks Citizens Board of Governors approval to contract with the vendors identified above for a secure cloud-based Learning Management System, which will be used by the HR team for training content management, records retention, training delivery and tracking of all mandatory and recommended trainings to be delivered to employees, vendors, licensed agents, and adjusters. For the past 6 years, Citizens has used SAP SuccessFactors to provide its Learning Management System. The contract for those services is due to expire on September 23, 2020, but may be terminated sooner to avoid paying unnecessary costs. After extensive negotiation and product demonstrations, Citizens selected Cornerstone OnDemand, Inc. and eSkillz (implementation partner) as the vendors who would provide the best overall value to Citizens. Cornerstone provided the best in value as it related to price, past performance, features, functionality, service support, reputation and delivery and implementation support. The contract with Cornerstone OnDemand will have a five (5) year term. The contract with eSkillz Corp for implementation services will have a one (1) year term. Each contract is anticipated to commence in late 2019 or early 2020. Citizens Purchasing Policy No. 501 authorizes the use of any Alternate Contract Source approved for use by the Florida Department of Management Services (DMS).

Bette Brown made the motion for the Board to approve contracts with Cornerstone OnDemand, Inc. and eSkillz Corp. for the purchase of (i) $1,266,490 for five (5) years of Learning Management System access and support services, and (ii) $190,172 for one (1) year of system implementation services, for a total amount not to exceed $1,456,662, as set forth in this Action Item; and to authorize staff to take any appropriate or necessary action consistent with this Action Item. John Wortman seconded the motion.

Bette Brown: Does your motion include the 20% contingency?

Violet Bloom: Yes.

James Holton: I want to comment how important this is to the employees and agents that use Citizens. Education is the main driver for cultural change within an organization. Having a backbone of this through the LMS is important to continuing the education and change. I'm excited about this new system you found. Thank you.

All were in favor of the above said motion. Motion carried.

e. Background Check & I-9 Services

Violet Bloom: The next action item is for Background Check and I-9 and E-Verify Services. The recommended vendor is Sterling Infosystems, Inc. DBA Sterling. Funding will be included in the Annual Operating Budget for each respective contract term year. The contract amount, including renewals, shall not exceed $659,000, which includes $467,750 for five (5) year base term and $191,250 for the five (5) year renewal term. This Action Item requests Board approval of a contract with Sterling Infosystems, Inc. dba Sterling, to provide background investigation reporting services, via a secure web-based software as a service (SaaS) system, for Human Resources and Underwriting and Agency Services. This is a continuation of services Human Resources currently utilizes for preemployment screening. The Vendor will obtain, evaluate, and process criminal histories, identity verifications, employment and educational verifications, international background investigations, motor vehicle records, as well as process I9 Forms utilizing the E-Verify system for new employees. Sterling will also provide expanded services in order for Citizens to comply with Federal law 18 USC 1033 which prohibits any individual who has been convicted of a felony involving dishonesty or breach of trust from engaging in the "business of insurance." Those expanded services will include: 1.) Human Resources will use these services to run criminal background checks on the current employee base and approximately every five (5) years thereafter. 2.) Underwriting and Agency Services will use these services to run criminal background checks on the current agent base. They will also use these services as part of the ongoing credentialing process. The contract term will have a five (5) year base term, with the option to renew for up to an additional five (5) years. On March 11, 2019, Citizens issued Invitation to Negotiate No. 19-0008, Background Checks for Employees & Agents. Vendor responses were due by April 10, 2019 and four (4) responses were timely submitted. The proposals were reviewed and scored by an Evaluation Committee who recommended the top two (2) vendors for advancement to negotiations. On August 27, 2019, the Negotiation Team recommended an award to the vendor that provided the best overall value – Sterling Infosystems, Inc. dba Sterling.

Dan Sumner: Excuse me. I'm sorry to interrupt. We have reached the noticed adjournment time and I would ask the Board to vote to extend. *(In response, the Board voted to extend the meeting.)*

Marc Dunbar made the motion for the Board to approve a contract with a five (5) year base term amount of $467,750, with the option to renew for an additional five (5) years for $191,250, for a total amount not to exceed $659,000, to Sterling Infosystems, Inc. dba Sterling, as set forth in this Action Item and to authorize staff to take any appropriate or necessary actions consistent with this Action Item. John Wortman seconded the motion.

Marc Dunbar: Is there an ongoing obligation in an employees' contract or employment agreement that they disclose if they had an event. If we do the five years and they didn't disclose then there's cause for termination.

Violet Bloom: Yes, it's in our corporate contract that they report that.

All were in favor of the above said motion. Motion carried.

10. **Chief Legal Officer and General Council**

Board of Governors Vice Chair Nomination/Election

Dan Summer: Good afternoon. This Action Item is brought forth in compliance with Citizens Property Insurance Corporation's Plan of Operation, Section 6 (D) and requests that the Board elect one of its members to serve as vice chair of Citizens Board of Governors.

Chair Aubuchon: About two years ago, this Board voted me to be the Vice Chair. Then a year later, CFO Patronis appointed me as Interim Chair. By today's vote, I'm officially stepping away from the Vice Chair position so that we can fill the vacancy today.

Marc Dunbar nominated and made the motion to have Bo Rivard be Vice Chair. John Wortman seconded the motion.

Chairman Aubuchon: We have a motion and a second; do we have any further nominations?

Reynolds Henderson: I would like to nominate Governor Dunbar, here, the nominator.

Marc Dunbar: Can I decline the nomination?

Gary Aubuchon: You can…are you? (confirmed with Dunbar) You are declining the nomination, okay. Are there any further nominations? Hearing no further nominations, the nominations are closed. **All were in favor of Bo Rivard as Vice Chair. Motion carried.**

11. **Consent Agenda Items**

- **Reinsurance Advisory Brokerage Services.** Contract Numbers: 15-15-0001-01 and 15-15-0002-02. These are budgeted. Citizens' Board approved contracts with Guy Carpenter & Company, LLC and Wills Re Inc. pursuant to an Action Item at the September 30, 2015 Board meeting. The contract amount approved was $15 million with two renewal terms for each vendor. The total amount for the second and final renewal is listed below. Guy Carpenter & Company, LLC Contract 15-15-0002-01 - $1,500,000 Willis Re Inc. Contract 15-15-0002-02 - $1,500,000 The total amount for both one-year renewals is $3,000,000. Approval is requested for the second, one-year renewal. It is recommended that Citizens' Board: a) Approve the second, one-year contract renewal to Guy Carpenter & Company, LLC in the amount of $1,500,000 and the second, one-year contract renewal to Willis Re Inc. in the amount of $1,500,000 for Reinsurance Advisory and Brokerage Services. The total amount for both one-year renewals being $3,000,000; and b) Authorize staff to take any appropriate or necessary actions consistent with this Consent Item.
- **Medical and Prescription Drug Coverage Administrative Services Only.** Contract Number: 16-16-0001-00. The recommended vendor is Florida Blue. It is budgeted. One Year Renewal Term: Citizens cost for the administrative services fee is $43.00 per employee per month from January 1, 2020 - December 31, 2020 Total Renewal Term

estimated cost: $491,748. The requested one-year renewal will be effective from January 1, 2020 through December 31, 2020. Staff recommends that Citizens' Board: a) Approve a one year contract renewal to Florida Blue as set forth in this Consent Item and for an estimated amount of $491,748 as described above; and b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.

- **Retained Recruitment Services.** Contract Numbers – 13-13-0017-02 through 13-13-0017-07. The recommended vendors are: Humanitarian Resources Group, I-TECH Resources Inc., Jacobson Executive Search Inc., Korn Ferry International, Lear and Associates, and PMG Employment Consultants. It is a budgeted item. This Consent Item is not requesting an increase to the contract amount previously approved. The Board of Governors approved a contract amount of $450,000 on September 20, 2013. The contracts have not incurred any spend. The requested six-month extension will be from January 2, 2020 through June 30, 2020, for those vendors who are agreeable to extending their contract on the same terms including pricing. The initial three (3) year term for these contracts was January 2, 2014 through January 1, 2017, with renewals expiring on January 1, 2020. It is requested that the Citizens Board of Governors: a) Approve a six (6) month extension of the Retained Recruitment Services – Executive and Professional contracts through June 30, 2020, for the six (6) contracted vendors as listed in the Contract ID above; and b) Authorize Citizens to take any appropriate or necessary action consistent with this Consent Item.
- **Directors & Officers Liability Insurance** The recommended vendor: Starr Insurance Company, Argo Insurance Company, AIG. This is a budgeted item. The contract amount is as follows:

Policy	Insurance Carrier	Premium
Directors & Officers Liability (10 million)	Starr Insurance Company	$157,046
Directors & Officers Liability (10-15 layer)	Argonaut (Argo) Insurance Company	$43,000
Directors & Officers Liability (15-20 layer)	AIG (Illinois National Insurance Company)	$31,530

The term for the excess policies is October 1, 2019 to September 30, 2020, to be purchased with Argo and AIG. Citizens' agents of record solicited quotes from numerous carriers. Starr Insurance Company (an admitted carrier) is recommended as D&O carrier for the first $10 million-layer 2019/2020 policy term due to breadth of coverage, stability of carrier, and pricing. It is recommended that Citizens' Board: (a) Approve the purchase of the 2019/2020 Directors & Officers Liability Insurance renewal policy with Starr Insurance Company, and with excess coverage renewed with Argo and AIG as provided above for total coverage of $20 million with a total annual premium of $231, 576; and (b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.

Marc Dunbar made the motion for the Board to approve the Consent Agenda items. John Wortman seconded the motion. All were in favor. Motion carried.

New Business

Steve Bitar: I wanted to answer Governor Dunbar's question about the distribution of age of homes. 53% of our homes are over 40 years. 58% are over 40 in the Tri-County and 24% are over 60. In Tampa, 55% of the homes are over 40 and 23% are over 60.

Chair Aubuchon: Our next meeting will be held here on December 11, 2019.

Meeting adjourned.