CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE MARKET ACCOUNTABILITY ADVISORY COMMITTEE MEETING

Tuesday, December 8, 2015

The Market Accountability Advisory Committee (MAAC) of Citizens Property Insurance Corporation (Citizens) convened at Sheraton Orlando North hotel in Maitland, FL on Tuesday, December 8, 2015 at 11:00 am (EDT).

The following members of the committee were present:

David Newell, Chair
Skip Boylan
Gordon Jennings
Brian Squire
Phil Zelman
Greg Rokeh

The following members of the committee were present telephonically:

David Altmaier
Dennis Martin
Nestor Rivero
Steve Roddenberry

The following Citizens staff members were present:

Adam Marmelstein	Dan Sumner
Andrew Woodward	Barbara Walker
Barry Gilway	Bruce Meeks
Carl Rockman	Charles Johnson
Cindy McVay	Dan Sumner
David Woodruff	Kelly Booten
Jennifer Montero	Joe Martins
John Rollins	John Wortman
Rick Patterson	Steve Bitar

The following Citizens staff members were present telephonically:

Ariel Thompson	Brian Weaver	Candace Bunker
Clara McDaniels	Ken Tinkham	March Fisher
Mark Hendry	Sara Golding	Sue Register
Tom Popko		

Call Meeting to Order

Roll was called.

1. **Approval of Prior Meeting Minutes**

A motion was made and seconded to approve the September 29, 2015 minutes. All were in favor. Motion carried.

2. **Agent Training Update**

MR. ROCKMAN: I would like to update the MAAC on our regular standard metrics in the agency space. You will see and notate that our current agent counts continue to decrease both at the agent and agency level, and I also would like to also present to you our agent segmentation criteria. We are seeing a drip downwards in the agency sizes overall, but you continue to see that our Tier I, II and III agencies continue to dominate the books of business by over 60 percent. So our efforts continue to be tied to working with those agencies to make sure they are properly supported and that we are doing what we can to make sure business is transitioned to the private market. In the past MAAC meeting I was asked to bring some transparency to the new business submission world, primarily how does it look between our captive group and our independent group. And in your exhibit on the fourth chart on page 1 you will see where we have taken the 270 agencies that we focus on that what we call heavy submitters, these are agencies that submitted 200 or more last year. To bring some transparency to that question I detailed for you how that 270 breaks out and you will notice that of the 270, 112 are what we consider to be captive agencies. The balance of that are what we consider to be independent agencies. So depending on the nature of the question or what you are looking to get from it I would say that our heavy submitter group is not dominated in that space by any one particular segment of producers. We see good balance there and we also more importantly see decreasing submissions in both segments, both captives and independents.

There was also a question around the number of Clearinghouse appointments on average relative to captives and independents in this segment, and I have detailed that for you over on the right hand column. You will see the captives average about 7.3 appointments in the Clearinghouse, independents average 4.8. That is not a surprise to me particularly, because the independents generally would have other avenues to place business outside of the Clearinghouse where the captives are going to have tighter control. Any questions on those segments or that information?

CHAIRMAN NEWELL: Any questions, members? Okay.

MR. ROCKMAN: Great. Just an update then on the agency management team. We continue to focus on those Tier I, II and III agencies, and the bullets reflect the conversations that we have with those agencies. Completed 1,469 both individual and phone contacts so far this year. We are going to continue that momentum going into next year.

We are getting great feedback from the agency that we survey in this space and our agency management team is completely focused on helping this group better understand Citizens, helping customers transition to the private market and to make sure they are appropriately supported. Agent webinars, we did wrap our agent webinar series last month. We had projected about 450 to come into the webinar in November. Our actual count was around 338. We are going to continue a webinar strategy next year to better inform agencies, not just on our policy center system but on other things that impact them at Citizens. We are also going to continue our field work, the education that we do for annual compliance at different association events and we are going to continue our outreach efforts potentially increase them. Those plans are being finalized and we will present those to you when they are available.

Last in my presentation we were asked at the last MAAC meeting to bring up a little bit more transparency around the fees that we charge. So just to set the stage, we do charge a fee to every appointed agent with Citizens, and it is $125. We charge you that fee when you are first appointed and we charge it to you on renewal. So each appointed agent pays $125 when first appointed with Citizens and then annually we charge them $125. The question became, well, what, how does that money break out? How does Citizens apply that money? And in your exhibit you will notice, I have given you some detail on that. If you are a newly appointed agent, $60 of that $125 goes to the Department of Financial Services. We are obligated to pay the appointed fee similar to any other company in Florida. So that is simply a pass through. $60 of that is a pass through to DFS. The balance we retain to provide the services and benefits that you will see notated in the section called justification of the fee. Upon renewal the regulator does charge less to renew an appointment with an appointed carrier. We simply pass that $30 fee on renewal to the regulator and maintain the balance. We did think for application simplicity it was better to charge the fee consistently both new and renewal and that is what we do, but I did want to present to you how we break out the fee, what is passed through the regulator and then more importantly I have documented the actual things that we apply that money to internally. Things like administrating the agency program, agent system credentialing, the build out and management of our field team and travel related to that. So the fees that we collect, the balance of them are applied back to support the agent community that pays them and we feel that that is an appropriate use of the balance of those fees. So I will take any questions or comments that you might have on that question.

CHAIRMAN NEWELL: Any questions?

MR. ZELMAN: Yes, I had a quick question.

CHAIRMAN NEWELL: I am going to recognize Phil first, so.

MR. ZELMAN: I just want to thank Citizens for putting that together. I appreciate the information.

R. ROCKMAN: Thank you.

CHAIRMAN NEWELL: Greg.

MR. ROKEH: A question on your webinars. Is the content the same on all of the webinars throughout the year?

MR. ROCKMAN: No, Greg, we will change the webinar content based on input that we are getting from agencies where we feel they need some more support. But more importantly, our customer care center representatives and our underwriting partners will inform us on some of the questions that agents are having as they call in and seem to struggle with either the system or a new policy or procedure. So we will use the webinars and we will change the content of the webinar to make it more contemporary to what we believe the needs of the agents are and we get that intelligence both from our agency managers who travel, but also from our internal departments that deal with agents every day.

MR. ROKEH: I was curious, because in looking at your total, your total participants in the webinars.

MR. ROCKMAN: Uh-huh.

MR. ROKEH: I was curious how many of them were participated in multiple webinars.

MR. ROCKMAN: Great question, great question. And what we are going to be doing as we do the webinars next year, we are going to be building in on the registration page a little bit more of a census as to who is attending because that has come up internally. Are we getting agency owners, are we getting support folks. So we are very curious about who is attracted to the webinars and who is adopting them.

MR. ROKEH: It may look like there is a large number, but if you are getting the same person that attends all of the webinars your footprint is not very wide.

MR. ROCKMAN: Exactly. We would like to have folks come in on a repeated basis, but obviously with those numbers we would like to broaden the participation of the webinars and we want to make sure that they are, you know, appropriately supported and publicized. So we would certainly -- we like these numbers but given our agent audience, they should be broader and that is a component piece of our strategy next year.

MR. BITAR: And this is Steve Bitar for the record. Just to add to that, keep in mind that with the webinars and the participation that occurs, many times we will have a single attendee that is reflected but they have dialed us in on a speaker phone in the office and you have multiple people that are actually listening in and attending on the training together in a conference room, et cetera. So that does, you know, reflect some of the activity as well.

MR. ROKEH: Thank you.
CHAIRMAN NEWELL: Phil.

MR. ZELMAN: Actually, Steve just answered that comment I was going to make. I know that when we put staff in front of a webinar, I can have anywhere from one to eight or nine or ten people sitting in a conference room watching the webinar, but only one registered. So the numbers are -- are accurate to a certain, to a small degree.

MR. ROCKMAN: Okay.

MR. ROKEH: To follow up with one quick question. Do you have anyway when you are doing the webinar registration to ask them how many participants are logged in? That might help you with keeping an accurate, because you may be seriously under – under valuing these webinars with the way you are keeping track.

MR. ROCKMAN: That is exactly where the assessment question came from. It is the number of folks in the agency, but also what role they play because we are very curious about who is coming in. So going forward next year we will include the census and be able to report those numbers back to you.

CHAIRMAN NEWELL: Carl, I had one question. Just remind us, you have six agency managers now, where they are located and some of their responsibilities?

MR. ROCKMAN: Right. We currently have three tri-county area where obviously we have huge penetration and major population. We have two located on the west coast. So in the Tampa Bay area where we continue to write and sustain a lot of business in the Tampa, Pinellas area, and then we have one agency manager located in our Tampa office who works a broader group of agents, primarily from a wholesaler or a telephone platform. So we like the geography split that we have. We think tri-county is obviously where we need to be, but also support for the west coast we believe is appropriate as well.

CHAIRMAN NEWELL: A follow up. What has been the response? You made 1,469 contacts. What has been the response from those agents?

MR. ROCKMAN: Yes. We have actually sent a survey out to agents that we have engaged with. We really believe to make sure that the agents saw value in those. I don't have the numbers in front of me specifically, but I know it has got to be at least 150 to 200 interactions that we have measured from a quality standpoint. Overall response has been good, the agents value the contact, they see value in the relationship, and I will commit to bring those reports and those numbers back in to the next MAAC to share with you what we are seeing in that space as well.

MR. BITAR: And this is Steve Bitar. Just to add to that, after we pick the agents up off the floor from having a personal visit from a Citizens field manager, then we survey them about the response. I think it is very important to know, I know in my visits and in the interactions that I have had with several agents, they are shocked and amazed at the level of outreach that Citizens is investing in our agent community. I think that is truly a reflection of the work that we have done here together as well as on the agent roundtable and the work that Carl has really championed with regards to building out our agency support. So it has been shockingly positive and people have been very surprised that Citizens is really stepping up to the plate to build that relationship.

MR. ROCKMAN: And to your question in terms of specifics, the two big things we really, really work on in the agency specifically are around depopulation and Clearinghouse as well. Helping the agents understand those two very, very important programs, how they can be optimized and what impact it has on the agency is brought back in to Citizens. So we have some empathy for some of the things that the agents might be going through at those platforms so we can address ourselves internally as well.

CHAIRMAN NEWELL: Okay. Any questions from those on the phone? All right, let's move along, Clearinghouse update, Adam Marmelstein. Good morning, Adam.

3. <u>Clearinghouse Update</u>

MR. MARMELSTEIN: Good morning, Chairman Newell, how are you today?

CHAIRMAN NEWELL: Great.

MR. MARMELSTEIN: Excellent. I will provide you with a brief Clearinghouse update. We will start by noting that of course we are at the end of the year and it is a good time to look back and see how far we have traveled in the course of 2015. A few brief points. We are happy to say that to this point this year approximately 9,000 policies have been deemed ineligible for coverage with Citizens. They have either not been allowed in in the first place because there are private markets available for them to be placed in, or they were on the Citizens' books and private markets have been found for them and so they have left. So that is 9,000 policies which amounts to approximately $2.9 billion in coverage A. Skip, I notice you are looking at some of the slides. I am just going to kind of go through them so you won't find necessarily all of these numbers right here. On the HO-6 side we are excited to announce that this will be added to the platform as we have talked about throughout 2015, coming soon in just a week or so. December 14th is the go live date and we will begin processing new business on December 14th, and we will begin also processing renewal business on the same date, but, of course, this has to be done in advance of the expiration dates of those policies to provide proper notice. So those policies with expiration dates beyond February 17th of 2015, will be processed on -- I am sorry, 2016, thank you, Steve, it is hard to believe that we are already through 2015. It seems like just yesterday it was New Year's Eve. So that is HO-6's. And then my last point I will make on Clearinghouse is again looking back, where were we a year ago in November of 2014. Approximately 29 percent of the Citizens' book was on the Clearinghouse platform. It was H-03s, new and renewal. And the book at that time was approximately 900,000 policies. In a year's time of course primarily through depopulation we have seen that book shrink considerably, but also interestingly we have added the dwelling fire product and with the addition of the HO-6 product next week, a full 58 percent of all of the personal lines products being offered by Citizens will be available on the Clearinghouse. So we have effectively doubled the number of policy types that will be on the Clearinghouse, the number of policies that will be available on the Clearinghouse. So that is a very brief year end summary, a year end Clearinghouse. Thank you, Chairman.

CHAIRMAN NEWELL: Thank you, Adam. Any questions? I want to make sure we welcome David Altmaier, he is on the phone now. David or Nestor, any questions?

MR. RIVERO: No.

CHAIRMAN NEWELL: All right, anybody here, Phil Zelman is recognized.

MR. ZELMAN: Just a question to start. As far as the renewals in the Clearinghouse, are you finding any particular territories that are doing better than others on this process?

MR. MARMELSTEIN: Absolutely. You may recall when we were here last in September, part of the slide deck was a break down by territory of the percentages of policies that are finding an offer in the private market. It was a green chart in the upper left hand corner and it broke down where Clearinghouse was having success. It was interesting insofar as, and I won't be able to pull it right out of my head at the moment, but there were some counties in there that were -- that were a little bit surprising. There were some that you would expect to see. It is perhaps not shocking to see a large success rate in the inland counties, but also there were no surprises in terms of what the tri-county area looked like, the match and the offer rates in the tri-county area remain, remain low, and, of course, that is due primarily to two factors. One is Clearinghouse can do many things, but one of the things it can't do is create a marketplace for which there -- when there isn't one. And the other thing, of course, is even if offers are getting made those offers tend to reflect private market pricing and, of course, there is a constraint 115 percent on new business and equal to or less than on renewal business. So we absolutely have a break down by territory. We have also been able to through this process, agents have been able to see that their private markets in some places where perhaps they didn't know that they existed. So we have created this very positive feedback group where agents can learn that there was a private market that they didn't maybe know existed in their area. The down side of that though, of course, is they will take those policies, similar policies next time and look to the private market first, which is great, it is exactly what we want, but what it does is it lowers our successful offer rate because they have already gone direct to the carrier. So it is a win but it measures, it measures poorly for us.

MR. ZELMAN: Okay, thank you, that is it.

CHAIRMAN NEWELL: When we kicked off Clearinghouse, of course, just like any new system, there was some bumps along the way. I just hadn't received any calls and so it sounds like the system is working and people are navigating it. And how has it been from your point of view as far as the navigation and agents having to put those policies through the Clearinghouse?

MR. MARMELSTEIN: Well, we have been very pleased from a technical perspective as how well it has worked. Integrating all of these carriers on to the Clearinghouse platform is a unique challenge. It is one thing for us to be able to map to an agency and back to our own back end system. When you start adding carriers and every carrier, although there are some similarities are distinctly different. So there have been some challenges along the way, but they have been taken in stride, deadlines have been met, it has been done on schedule, it is going very well. And it is succeeding in its mission. It is absolutely giving policyholders through their agents the opportunity to see possible offers from other places. We do continue to hear from agents that the interface, itself, is long, and that is true, and that is in some part just the nature of the beast. When you have so many private carriers they all want a lot of the same information, but they are all slightly different and of course as the agents on the board know, they all have their little nuances and they all want those included. So in order to get a viable offer we have to address all of those. So it takes a little longer to get it in, but I think overall it has been a very successful implementation.

MR. BITAR: I will just add to that. When you look at what we thought we would need from a staffing perspective to support the Clearinghouse platform and the team, you know, originally we had budgeted five full time employees to do nothing but deal with escalated situations, back end support from an office perspective. We have two and have no plans to add any more staff to that team and have really eliminated those vacancies from our budgeting for next year. So for us we feel we are very lean, able to support all of the questions that are coming in through our general call center and the customer care center, and then also handle any of the escalations that come through Adam's team directly with those two full time employees. So it is working really well.

CHAIRMAN NEWELL: Okay. Any questions? All right, well, Adam, we are going to keep you in the hot seat.

MR. MARMELSTEIN: All right.

CHAIRMAN NEWELL: Let's talk about depopulation.

4. <u>Depopulation Update</u>

MR. MARMELSTEIN: All right, very good. Depopulation. So again, continuing the theme of looking back, the first slide in the packet here is a recap. You have seen this before. These are the 2014 results for depopulation, and I don't have too much to say here, but we will use them a little bit down the road as a means to compare and contrast 2015 with 2014. The next slide talks about 2015 assumptions and where we are, and you can see November there is a number that is an estimate, 35,000 policies. Of course when these materials were prepared we didn't have the assumptions had not been run yet. It has been run. I am happy to report that that estimate was pretty good, 33,995 policies actually were assumed on the date, which is 48 percent assumption rate, and therefore, we feel pretty good about projecting 17,000 to be assumed as a result of the -- during the December assumption which would bring us to approximately round numbers, a quarter of a million policies assumed during 2015. I will also note that November was the first month that the premiums were put on the offer letters. So as we have talked about many times our policyholders are now aware what the estimated premium will be when the private carrier gives them their renewal offer, when that policy becomes due. November was the first month that this happened. So we will continue to I am sure hear concerns about what the premiums are, but remember that for the letter to be there in November it had to start much, much sooner. So it is going to be a positive thing. It is going to take some time to see what the effects are of this letter. So with one assumption down at 48 percent I am a little hesitant to draw any conclusions, either from a correlation or a causality standpoint, but the 48 percent seems consistent within the range for the year. The next slide, sometimes it is just interesting to draw a picture and to look back. And all this picture does is it compares 2014 to 2015, on these four metrics. We can see that the OIR requests were similar, and even the number of assumption offers made, the green bar were very similar, neck and neck, my little notes here say throughout the year to this point. But if you will notice the purple bar, were are estimating that only about 65 percent of the policies will be assumed in 2015 as were in 2014. If you turn the page this shows that aggregate number and what it makes clear is that trending very similarly in 2015 as in 2014, right up until November. If you recall in November of 2014, last year was the largest assumption we have ever had. We just heard that there are only about 33,000 policies that went out the door this November as compared to a much, much larger number last year. And so we are going to end the year probably 273,000 rather than the 415,000 number. The following slide gives you month to month break down. In the last slide is provided simply to give a peak into what is coming next. We talked about the December projections of about 17,000. There are very preliminarily numbers in for January. Only the OIR approval numbers are in, but based off those we are projecting somewhere between 21 and 25,000 policies to be assumed in January of 2016. Thank you, and thus concludes the depopulation update. Thank you.

CHAIRMAN NEWELL: Any questions?

MR. ROKEH: Yes.

CHAIRMAN NEWELL: Greg.

MR. ROKEH: What is, as we sit here today what is the current policy count?

MR. BITAR: The current policy count as of this Monday was 509,000 policies.

MR. ROKEH: 509.

MR. BITAR: And I will tell you that is the lowest it has ever been in my history with Citizens and I started in August of 2003. So historic lows for a lot of us that have been with the organization for a while. I think it is important to note though, cyclical. You know, if you look back at the JUA and Florida windstorm and you look at the policy counts over the years, you will see that we have hit peaks, 1.2, 1.4, 1.5. We will come down 600, 800. At one point I think the JUA had about 58,000 policies if I remember correctly. So I think it is very reflective of what is happening in the reinsurance world, what is happening with 10 years of no storms. I think we have all read the articles that celebrated that anniversary. So I think there is a lot of positive things that are happening and this is a direct result of that, and we hope that it continues but at the same time, too, we have to be cognizant of the fact that those risks that are being presented at Citizens, the ones that are making it through are the ones probably that belong with the insurer of last resort and I think that is the key. We recently evaluated what that book of business looks like, what policies are we issuing and they are a lot of the older homes, homes that are in the tri-county area, the less desirable risks, if you will, that probably belong here. So I think it is important that the Clearinghouse presence is doing what it is supposed to do, validate eligibility on the front end and only let in the policies that truly belong here and I think the numbers reflect that.

MR. ROKEH: You kind of answered the next part of my question, which was, you know, if you look at this from 30,000 feet, what is left.

MR. BITAR: Yes.

MR. ROKEH: And are there really – there probably aren't, it doesn't sound like there are any surprises then from the book of business that is left with Citizens?

MR. BITAR: Not really, not unless from a financial perspective we start seeing some companies find things a little bit more desirable than they historically have just because of what is happening in the marketplace, but as it stands right now, like I said, we are sitting at about 509,000. We would love to get down to 415, 420 to 450 range next year, but when you look at what the book looks and what is left it doesn't seem to be a lot of appetite for a lot of those risks that are sitting at Citizens right now, but we will keep you posted on that and we hope to see a change in a positive direction.

MR. ROKEH: Thank you.

CHAIRMAN NEWELL: Phil.

MR. ZELMAN: It seems that the depop process has been pretty successful in the commercial side also. Do we see any changes coming in that respect, or are you seeing less business coming in on the commercial side because of carriers that have now stepped up to the plate?

MR. BITAR: You know, the commercial numbers, believe it or not, are pretty low when you look at our overall policy counts. You know, on the wind only side and the coastal, I mean, I am looking at some numbers right now. We have got about 20,000 or so coastal commercial risks, and in the CLA account we have got about 3,300 policies. So we really are at some historic lows from a commercial perspective and we have had some good interest on the commercial side, especially with the commercial residential risks from a depopulation perspective. The biggest surprise to me quite honestly, has been the interest on the coastal account in depopulation. If you take a look at some of the new players that are in that book of business and we are really seeing some movement on the personal residential coastal side, the wind only policies. So for us, again, the market is opening up. What wasn't desirable once upon a time is becoming more and more desirable. You know, we used to quote all the time, the coastal account has about 400,000 policies and that is what we always expect it to be, stable and secure. I look at what we have got in the coastal account now, solid PRW, 111,000 policies. Personal residential multi-peril where we have the combo policies located in the coastal account, 74,000 policies. So less than 200,000 personal residential wind only risks when we historically would say 400,000. So that tells me there is a lot of movement going on from a depopulation perspective, companies are opening up their appetite and finding the risks that quite frankly are more desirable and that is where they belong. So we are happy to see that.

CHAIRMAN NEWELL: Skip, do you have a question?

MR. BOYLAN: Steve, with all the depopulation and Clearinghouse success, those remaining policies that are housed in Citizens, has there been anything that looked like a spike in loss ratio?

MR. BITAR: I can definitely point to the tri-county area. I can totally point to water damage. I think we are all very familiar from our recent rate filings and all of the attention that we have had there. So our next meeting actually is going to be with the actuarial and underwriting department. I hope you will stick around to hear some of what is going on specifically with those concerns and some of what we will be discussing there. But we definitely have targeted that there are opportunities there and are working to analyze the remaining book, our loss ratio is there, our litigation costs that come along with that unfortunately and trying to see what we can do to positively impact that trend.

MR. BOYLAN: May I continue?

CHAIRMAN NEWELL: Yes.

MR. BOYLAN: So anticipating that water will continue to be the big loss since we are kind of past through hurricane season, is Citizens' position to do some aggressive lobbying during this upcoming legislative session in that specific area?

MR. BITAR: I would say absolutely. I don't think we have anymore chairs up here for anyone else to come up and help me out with this, but without a doubt between AOB, between some legislative changes that we could potentially make from a coverage perspective. We are also looking at potentially filing some language as well from a product perspective to help us manage the expenses that are related to a lot of our water loss claims. So yes, we have lots of discussion going on internally as well as plans to work with the Office of Insurance Regulation from a product perspective and we will be discussing a lot of that in the next meeting as well. And here comes Barry to the rescue.

CHAIRMAN NEWELL: Welcome, Mr. Gilway.

MR. GILWAY: Thank you. Barry Gilway for the record. I feel compelled to jump in on this issue. Obviously the water damage issue which we will be going into great detail I believe in the AU committee, it is staggering. We are literally receiving 800 new litigated cases per month, 800, and that is impacting, you know, our ability to keep up with that level of litigation. It is huge. Now, about 10 and growing to about 15 percent of that is the AOB, you know, losses and we are part of, directly in answer to your question, we are part of an industry consortium that is supporting, you know, AOB legislation and we believe that is critical. What you also hear though, and John Rollins will be focusing on this, and just as urgently we need to work very, very closely with OIR on policy language changes, and the policy language changes, the interpretation that we are getting from Florida courts on the current language because of the ambiguity is just costing us an absolute fortune. And the Florida courts are just taking a very, very liberal interpretation of the water damage coverage within the policy. So we have -- we are in discussions with OIR and are recommending some fairly significant policy language changes that frankly would provide us with some enforceability, you know, associated with water damage losses. The bottom line is this, that in Miami-Dade, 90 percent plus of all losses, water damage losses come in months after the event and they come in through either an attorney or a public adjustor, 90 percent. Around the state it is 86 percent. So the reality is today we have no ability whatsoever, none, to really respond to those losses and offer the insured a fair and equitable settlement. We literally have no opportunity to adjust those losses. And in our opinion this is an issue not only for ourselves but it is an issue that we have to get our independent agents engaged in, you know. We will be putting out a communication program called Call Citizens First, driven by Christine on the communications team but this has to be an all-out effort. We need AOB legislation and we are going to lobby hard for that. Christine is taking the lead in that one. We need policy language changes to get us in front of the attorneys, in front of the public adjusters, and we need significant communication effort to really drive this change. If we don't get those then the average policy premium for Miami-Dade for an H-03 policy will grow from $2,800 today, by the way, which is 20 percent too high relative to the rest of the state, to over $4,000 in the next three years. And so what you have is a situation in Miami-Dade particularly in the tri-county area, you know, where consumers are going to be paying a huge cost as a result of the liberal interpretation of Florida courts relative to water damage losses. We have to get in front of that. So this is probably one of the key issues that Citizens has to get engaged in. We need the help of all of the agency associations to get in front of this communication program and work with us on the communication program and then, of course, support the AOB, you know, legislation that is in front of the House and the Senate, you know, as we speak. Thank you for the opportunity to comment.

CHAIRMAN NEWELL: Thank you, Barry. Any further questions, anybody on the phone? We got Barry in the hot seat so it is time to -- so thank you on that. I guess next up is Jeremy Pope and Andrew Woodward are going to talk to us about telephone payments.

5. Telephone Payments

MR. POPE: Thank you, chairman, and good morning. For the record my name is Jeremy Pope, Director of Consumer Services. And joining me is Andrew Woodard, Controller and Senior Director of Accounting. This morning in tab five of your committee materials we would like to give a brief update to this committee of a project we have been working on over the past couple of months. Consumer Services partnered with the accounting group based on agent and policyholder feedback to look at expanding our current self-service tools and options that we have today over the phone. Currently, policyholders cannot make a payment using our automated service today. We are looking by the end of this month to implement a soft launch where policyholders will be able to do so via an ACH transaction. So they will need to have a checking account or a routing number to make their payment for personal lines policies over the telephone. In lieu of obviously mailing in a check or stopping in at the agency's office to make the payment. In addition to offering an additional option for policyholders to make a payment, this also will help to reduce the workload for the agent population. Today when policyholders make a payment in an agent's office they – the agent is required to complete a payment authorization form and keep it on file for several years for compliance purposes. We expect once we introduce this in full force for agents to help us promote this option to policyholders as well. About 78 percent of our payments, no surprise, are payments in full for our policies that come directly from mortgage carriers and various premium finance companies. But we still do have a population out there that are on payment plans and still mail in checks into the organization. The enhancements to our phone system will mimic the functionality of what Manage My Policy offers today. The Manage My Policy is the web based tool that policyholders can register to retrieve a high level policy account information, but they also can make a payment on that system today. So again we are just looking at ways where we can expand options for policyholders to be able to collect premium dollars in an efficient and accurate manner. So again we look to implement a soft launch the last week of this month. As of right now we are working with a vendor and the reason we want to do a soft launch and not really go out there and advertise this enhancement, because we want to look at the what the adoption rate will be, who that population, you know, who actually will be utilizing the tool and if that pulls any volume away from our web tool which we don't expect that it will. We do have plans in the first quarter to partner with Christine's group, the communication division to have some type of communication go out to the agent population so they are aware of the enhancements and they can also assist policyholders or help direct them to that automated system. Andrew is going to go over some high level information around payment activity we see throughout the organization today.

MR. WOODARD: Thank you, Jeremy. And good morning, committee members and Chairman. We have presented some facts and figures here on the last slide and rather than read through each one instead let me highlight a few perhaps more salient points. First of all, nearly one quarter of all personal lines payments are managed right now are paid through the Manage My Policy portal. That has been a number that has either been stable or increasing and to Jeremy's point, reflecting an appetite for perhaps an expanded service in this area. Second, the cost per transaction you will note there towards the bottom, right now we pay 60 cents per transaction for the first 10,000, after that it is 50 cents per transaction. These costs are fixed. They are paid by Citizens, and they are -- this will be executed under an existing contract using an existing cost structure that will not expire until April of 2017. Finally, probably not directly tied to this expansion, itself, but we thought that it might be helpful to the committee to see some of the payment plans statistics. You will note there on the bottom that nearly 80 percent of all policies pay in full with the remaining 20, 22 percent using the installment options that we offer. So I hope some of this information was h within the next month or so. Are there any questions?

CHAIRMAN NEWELL: Any questions, anybody on the phone have any questions? All right.

MR. ZELMAN: I have one.

CHAIRMAN NEWELL: You are --

MR. ZELMAN: The question keeps coming up, we keep hearing the same answer, but credit cards?

MR. WOODARD: Yes. We have looked into this and we have explored that several times, and the position that we have determined internally is that the merchant transaction fees that are associated with accepting credit cards unfortunately are not fees that we can pass along to the consumers. And I believe at this point and Jeremy and Steve if you all want to chime in, but the cost associated with doing that would be 100 percent born by Citizens and I am not sure that at this point in time it is a worthwhile use of resources, you know, in the current environment that we are in. I don't know if Steve or Jeremy would have anything to add to that.

MR. BITAR: I would be happy to add to that. I mean, historically we have had the request come in multiple times for credit card payments and as Andrew has stated, passing on the fees has been prohibitive to us because there is from a legislative perspective I believe a cap as to the amount of the fee that can be passed on and then we have to absorb the rest. Now, I know there has been some legislative change recently with regards to credit card fees. I know with agents I believe you can now pass on the full fee. We are looking at interpreting whether or not that can be something that insurers can do as well. So we will take that back and do some research, but historically that has been the main reason, our CFO is here as well.

MS. MONTERO: On the research that we have done credit card fees are not considered financing fees. We can pass financing fees along but credit cards are convenient fees. So we don't have an MGA or anything like that to pass it through and any other way. So we can't pass that through. That is why we have chosen to stay with the ACH. And we also do have the agents offer premium finance for people. The credit card interest rates are much higher. The majority of the people who want to use the credit cards just want to charge the whole thing and get the points because it doesn't really -- it doesn't save any money, it is not a financing mechanism. So that is why we can't use the credit cards. Does that help answer your question, Phil?

MR. ZELMAN: Yes, and I think you just answered the question as to how some of the companies are getting away with doing this.

MS. MONTERO: MGA charge.

MR. ZELMAN: It is an MGA situation. Because there are quite a few companies that are taking credit cards.

MS. MONTERO: Right, but they are charging you through the MGA with a $25 or $30 fee, right.

MR. ZELMAN: Okay, thank you.

MS. MONTERO: That is how they are recouping it, thank you.

CHAIRMAN NEWELL: Any other questions? Well, good luck on this endeavor. I know giving people options is always good, so good luck.

MR. POPE: Thank you.

CHAIRMAN NEWELL: All right, any new business to come before the committee? Anybody on the phone have any new business? Hearing none.

MR. ALTMAIER: This is David Altmaier.

CHAIRMAN NEWELL: Yes.

MR. ALTMAIER: Can you hear me now?

CHAIRMAN NEWELL: Yes, sir, go ahead, David.

MR. ALTMAIER: I just wanted -- I just wanted to apologize for being late to the call. It took me about this long to figure out the mute functionality. But I have been here since about 10 after and sorry for being late.

CHAIRMAN NEWELL: Well, good, I am sure you heard the call and those phone systems sometimes can be tricky. So without any new business I guess we will entertain a motion to adjourn.

MR. ZELMAN: Make a motion to adjourn.

MR.BOYLAN: Second.

(Whereupon, the meeting was adjourned.)