

ACTION ITEM

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Claims Committee Meeting, March 12, 2020
Board of Governors Meeting, March 25, 2020

CONTRACT ID	Claims Committee Meeting Minutes December 4, 2019
BUDGETED ITEM	N/A
CONTRACT AMOUNT	N/A
PURPOSE / SCOPE	Review of the December 4, 2019 Claims Committee Meeting Minutes to provide opportunity for corrections and historical accuracy.
CONTRACT TERM(S)	N/A
PROCUREMENT METHOD	N/A
RECOMMENDATION	Staff recommends the Claims Committee review and approve the December 4, 2019 Claims Committee Meeting minutes.
CONTACTS	Jay Adams, Chief Claims Officer

CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE CLAIMS COMMITTEE MEETING Wednesday, December 4, 2019

The Claims Committee of Citizens Property Insurance Corporation (Citizens) convened telephonically on Wednesday, December 4, 2019 at 10:00 a.m. Eastern.

The following members of the Claims Committee were present telephonically:

Will Kastroll, Chairman
Freddie Schinz
Blake Capps
Carlos Lopez-Cantera
Jon Palmquist [Joined the meeting following roll call]
Jay Adams, Staff

1. Approval of Prior Meeting's Minutes (June 12, 2019)

Chairman Kastroll: Good morning everyone. I hope you all had a wonderful Thanksgiving. It is a special time of the year, a special time with family and friends. I also hope you have had a chance in the last couple of days to work off any of those pounds that were accumulated in the past couple days. I know I have and I feel pretty good about things going into the holiday season. I am excited to chair the Claims Committee. This is my first meeting as Chairman of the Claims Committee. The reason I am excited to chair this is, there are many parts to the Citizens Property Insurance Corporation, and in my opinion, the Claims section of this company is one of the most important parts. Assuming that Citizens is like other insurance companies, our clients or policyholders only experience a claim about 20 percent of the time. So they are purchasing a very intangible product that only becomes tangible 20 percent of the time. And we are tasked at the claims level to go ahead and help them in a very professional and empathetic way when they do have that claim and turn their product of an intangible product into a tangible product. I am very excited to chair this committee. This committee is already a very strong committee and has always been a strong committee under the leadership of Jay Adams, and I can only try to help and make it just a little bit better as Committee Chairman. Thank you very much for allowing me to be the Committee Chairman. And the first order of business going forward is to approve the prior Minutes. Do I have a motion to approve?

A motion was made by Governor Capps and seconded by Governor Lopez-Cantera to approve the June 12, 2019 minutes. All were in favor. Motion carried.

2.Strategic Update

Jay Adams: I would like to begin with welcoming Chairman Will Kastroll and Committee member Carlos Lopez-Cantera to our Claims Committee and to thank returning committee members, Blake Capps and Jim Holton, as well as our market advisor, Jon Palmquist, for continuing to serve and provide guidance on our Claims Committee.

For today's strategic update I would like to focus on the continued new first notice of loss claims that are being received for Hurricane Irma. As a reminder to this committee, Hurricane Irma made landfall in the Keys on September 10, 2017. That is two plus years

ago. And if I could get you to turn to tab two in your binder we will start going through this presentation.

Please turn to slide two for a brief discussion on claims that have some type of representation when they are reported. The representation can be an attorney, a public adjuster, an attorney and public adjuster, or none. And if it is none, that would indicate that the insured reported their own claim. If you look back to 2017, which represents the landfall time frame, the graph indicates that the majority of the claims were reported by the insured which is exactly what we typically see. As you move to 2018 and beyond, the number of insured reported claims declines, and the claims reported with representation rises. As a good rule of thumb, claims that are initially reported with representation tend to move into litigation in the future.

If we could move onto slide number three. This is a graphical representation of how involved our Special Investigative Unit (SIU) has been throughout the life span of Hurricane Irma. Immediately following the landfall of Hurricane Irma our SIU team was only marginally engaged. As most of these claims filed closest to the date of loss, they actually have hurricane related damage. As you move further away from the date of loss SIU engages more frequently as many of these claims now raise questions about the damages, and why these claims are being reported so long after the actual date of loss.

On slide number four, this is a representation of the actual path that Hurricane Irma took through Florida once it made landfall in the Keys. It also shows the approximate wind speed associated with the event as it moved northwesterly through the state. And I would ask you to try to keep an eye or a mindset as to what this path looked at as we talk about the remaining slides.

On slide number five, this slide is an actual count of claims reported by county through October 31, 2019. As you can see the majority of the claims reported have occurred along the east coast with the tri-county area reporting the most claims.

On slide number six. This slide is another representation of claims reported, but now it is looking at the overall density of claims reported. And again, you can see the tri-county area and the Tampa area have the highest density in claims. The difference between this graph and the prior graph is really the storm path did track very close to near Tampa as compared to the east coast landfall or east coast land track.

On slide number seven, we breakdown the claims reported by year utilizing a heat map to show the overall volume. The deeper the shade of red indicates areas with the highest levels of new claim receipts. It is interesting to note that the majority of the claims reported from the tri-county area have occurred furthest from the date of loss.

I am going to skip over slide eight and nine as they are just further examples of different heat maps depicting the same information, but from a different view.

I am going to go over to slide number 10, and this slide shows the 2018 new claim counts compared to the 2019 new claim counts. As you can see the tri-county area continues to report the majority of the claims, and they also have the highest level of representation.

When we look at things from an actuarial perspective, we know that claims that have representation at first notice of loss are more likely to file litigation at some point during the claim life cycle. As this presentation has shown, many of the claims that are still being reported two plus years post the Hurricane Irma date of loss had representation and these will end up in litigation. At the end of October, Citizens was still receiving an average of 12 to 15 new first notice of loss claims from Hurricane Irma. And Chairman Kastroll, that would conclude my representation unless there are any questions.

Chairman Kastroll: Thank you, Jay. Are there any questions?

Governor Capps: Mr. Chairman, I have one.

Chairman Kastroll: Hi Blake.

Governor Capps: And by the way, congratulations on your chairmanship.

Chairman Kastroll: Thank you, Blake.

Governor Capps: And also Carlos, welcome to Citizens. I look forward to meeting you at the December meeting.

Governor Lopez-Cantera: Thank you, same here.

Governor Capps: I would take you back to page 5. The count of claims in Dade County, 30,000 as compared with Tampa, 3,784.

Jay Adams: Yes, sir.

Governor Capps: Yes. In Dade County I take it that Citizens is like the insurer of last resort a lot in that county, and I know there is a problem with getting other insurance companies to want to insure there. Aren't some of the other insurance companies like pulling out of the county because of all of the litigation going on there? It is just interesting that you have two gigantic metropolitan areas and you have got 30,000 claims in Dade and 4,000 claims in Tampa. And I take it that in Tampa we have a lot less customers there than we do in Dade County, and just curious about your thoughts about the competition in Dade County with other insurance companies and if we are likely to be one of the main insurance companies in Dade County in the future or whether that will shrink in the coming days.

Barry Gilway: Your question raises several different issues. Let me start out by saying that our overall market share of the percentage of the business that Citizens writes in the tri-county area really has been stable for the last two to three years, and we expect it to remain stable. There are numerous companies, most notable, and this is all public, companies like Heritage that have gone on record that they are withdrawing business from Dade and Broward in particular. However, there are other companies, the most notable being Universal, that is actively writing within the tri-county area. Basically what is happening relative to tri-county is that you have some companies that are withdrawing, but you have other companies that are participating in the writing of new business. The bottom line for Citizens is that our overall market share in Dade and Broward is remaining

consistent. And in Pasco, Pinellas, Hillsborough, Hernando, that is another area where we have fairly significant market share. And again, that is an area where our market share is remaining relatively stable with some companies more recently withdrawing indicating in their shareholder reports that they are restricting writings in the Tampa/St. Pete area, again, while other companies are withdrawing. One of the things that I will note is that, and I think it showed up in Florida Specialty, we were anticipating that we would pick up somewhere in the 45-50,000 policy range as a result of the Florida Specialty liquidation. At the end of the day the market showed a lot more resiliency. And in fact, we picked up initially close to 22,000 policies. The last number I got from Steve Bitar is that we will end up probably renewing 13 to 14,000 policies. So it is indicative really of a market that is still fairly aggressive and responding to overall market needs. You will see in our forthcoming budget that we really are predicting a relatively stable book of business moving into 2020. Does that answer some of your questions, Governor Capps?

Governor Capps: Yes, it does. You mention that we have a significant market share in both Tampa and Miami, and I was looking at the path of Irma on page 4. It almost looks like the hurricane was closer to Tampa than it was Miami, and there is just such a vast difference in the number of claims in the two counties. I think that perhaps it is probably just attributed to the concerted efforts of attorneys to ramp up litigation in the tri-county area. Would that be true?

Barry Gilway: I think that is an ongoing issue. I think we have Elaina with us today obviously, and I believe that about 90 percent of all of our litigation despite only having a 50 percent market share in the tri-county area, over 90 percent of all of our litigation comes from tri-county. So what you are seeing here, I think Jay's presentation is excellent because it basically shows the ongoing problem of the extensive litigation related to Dade and Broward in particular compared with the rest of the state. We have shown in the past, Jay has had some exceptional exhibits in the past that show that the litigation rate in Dade, for example, is 7.9 times the litigation rate that we see in the rest of the state. So the fundamental issue remains an extremely high litigation rate in Dade and Broward compared with the rest of the state and that is what of course Jay and his litigation team are dealing with.

Jay Adams: We see a very similar trend in our non catastrophe or our daily business as well. The majority of our claims that we get on an ongoing basis comes also from this tri-county marketplace.

Governor Capps: Okay, that was very helpful, thank you.

Jay Adams: Thank you.

Chairman Kastroll: Thank you, Jay and Barry. I would just add that it is a very difficult environment, a litigious environment in Florida and we have a very strong contract and we have very strong case law to back us up. Our contract is very fair to the insured, and claim staff help to ensure their very empathetic, but sometimes attorneys step in and we have to go ahead and hold our contract to what we say and what people pay for. So we all are doing a great job of that, but sometimes it is just part of the business. Okay, if there are no other questions for Jay on the strategic update, I am going to move on to number three.

Jon Palmquist: Mr. Chairman.

Chairman Kastroll: Yes.

Jon Palmquist: Good morning, this is Jon Palmquist. I joined, but I didn't want to interrupt.

3. Catastrophe Update

Craig Sakraida: Yes, Chairman and committee members. If you turn to tab three in your binder, I just wanted to provide a brief update of our catastrophe events for 2019 which were a lot less significant than the past three years. If you are looking at slide two, we had four events last year that we tracked. One was a hail storm and then Hurricane Dorian naturally, which missed us thankfully. That could have really turned the tables on where we are today. So we are very thankful for that, that it turned and really didn't provide any type of claim count for us at all. And the other two tropical storms that we just tracked for monitoring purposes to make sure that we are doing everything we can.

If you turn to slide three, I just wanted to touch a little bit kind of on what Chief of Claims, Jay Adams was talking about with Hurricane Irma. Through November 4, we received 3,773 new first notice of loss claims, and that is 5.1 percent of the total claims filed for Hurricane Irma. So we get a high number of those. Hurricane Michael, we received 250 new first notice of loss in 2019, bringing it to about 6.9 percent of the total volume received.

If you turn to slide four it just breaks down the cause of loss breakdown for the hurricanes, and you can see that the great majority of the 3,700 plus Hurricane Irma claims are still wind claims that are reported 18 months/two years past the date of loss.

On slide five, this just outlines some of the indemnity and expense payments that have been going out in the ongoing Irma claims and Michael claims that are filed. Slide five outlines the Irma claims with total number of claims. The indemnity paid and then the green column is the expense and each one is separated for open and closed claims.

On slide six it outlines the same information for Hurricane Michael. Just kind of gives you a graph of really what we are looking at. Some of the claims are open for different reasons. Mobile home total loss, some of them are in appraisal, but the great majority of them are being closed.

The hurricane claims, the status of them are on slide seven. You can see here a little bit of a breakdown of where some of the claims are at. Total loss mobile home claims, naturally there were a lot more for Hurricane Michael because of the nature of the geography and the policies that we had in the Panhandle as opposed to south Florida. We have got some claims in our mediation department. You see the bulk of them in our appraisal department as well as litigation, and Elaina can touch on that.

Jay Adams: I would just like to point out, for Hurricane Michael there has been a lot of press around why it is taking so long to close all those particular claims out there in the Panhandle. And from a Citizens' perspective, we only had five claims that are not handled at the point of time that we produced this, as of November 20. And those were brand new claims that had just been reported. The remaining of these claims, something has been paid on all of these claims and they're in different statuses. For example, when they go

into appraisal it could be as much as 90 days or 120 days until those get resolved. Those that are in litigation, our average pending time there is a little over a year. So the claims in those areas will pend for some time, but the claims that we have control over settling have all been paid. I just wanted to make sure we pointed that out for this committee.

Craig Sakraida: Great, thank you, Jay.

Jay Adams: Thank you, Craig.

Craig Sakraida: Chairman and committee members, that concludes my presentation. I will gladly take any questions or comments or anything regarding our 2019 catastrophe responses or any of our preparation.

Chairman Kastroll: Thank you, Craig. Any questions?

Governor Capps: And I have a general question about mobile homes. Do we have any statistics on what percentage of mobile homes around the state use Citizens? Like is there a lot of competition for that segment of business, or do a lot of mobile homeowners end up resorting to Citizens for insurance?

Barry Gilway: I don't have the specific numbers. I will tell you that at our peak Citizens was writing something in the area of 180,000 mobile homes, and today I believe that number is in the 50,000 range. So we write obviously a substantially lower percentage of the market than we did. However, having said that, the marketplace for mobile homes in Florida is very, very restrictive. Obviously, Florida Specialty was a good indication of a company that was attempting to respond to both the mobile home and the manufactured home market pretty aggressively. So I believe about two-thirds of their overall policies were both in the mobile home and the manufactured home area. Having said that, again, I repeat what I said before. There is obviously a market although some of them there is still a market for mobile homes and manufactured homes and it shows up basically in the fact that the private market picked up close to 80 percent of the Florida Specialty business which was predominantly mobile homes and manufactured homes.

Jay Adams: So from a Citizens' perspective in our book of business, they are clustered in areas throughout the state. For example, we had a heavy concentration of those mobile homes in the Keys when Hurricane Irma made landfall. We also had a significant amount of mobile homes in the Panhandle where Hurricane Michael made landfall. And it represented around 50 percent of all of the claims we received. So we do track that very closely every time we have a storm because the coverage works a little different in the mobile home products.

Governor Capps: Okay, very good, thank you.

4. Litigated Claims Update

Elaina Paskalakis: I have included my latest update for litigated claims and this covers the time period of litigated claims that have been received by Citizens from January of this year through the end of October of this year. For that time period we received just over 8,400 new lawsuits. That averages about 844 lawsuits a month which actually represents a 24 percent decrease as compared to this time of year in 2018. And that is 100 percent

attributable to Irma and as we move away from Irma. While we still receive new claims and new Irma suits to date, the bulk of the lawsuits for Irma were received end of 2017, and then throughout 2018. So as we go through this report I will reference that about what we have experienced and where our experience is going, which is pretty much back to what I call pre-Irma levels for litigation.

For the pending lawsuits we have just over 13,000 pending lawsuits as of the end of October. That does reflect a nine percent decrease as compared to this time in 2018. We do continue to see the trend that 90 percent of all new incoming lawsuits do arise out of the tri-county area, and that has been our experience for at least six or seven years. And that has just remained constant regardless of a catastrophe or just non catastrophe claims. The leading county for that is Miami-Dade. That accounts for 62 percent of all new incoming lawsuits alone. In terms of whether our insureds are reporting the claims with representation at the time, when we say representation, of course we mean either a public adjuster or an attorney, over 50 percent of our lawsuits involve claims where at the time that it was first reported to citizens, the insured was already represented.

In 57 percent of our lawsuits, well over half of our lawsuits, the insured did not dispute Citizens' adjustments of the claim prior to bringing suit. And what I mean by that, is we adjust the claim with the insured, we reach a position, make a payment or it may not be a covered loss. We communicate with the insured as to what our position and our adjustment of the claim is, and then we hear nothing back. We also invite the insured at the time that if they have a disagreement or they have new information to provide to us so that we can consider it for the claim, we do that at every closure of a claim, but in 57 percent of our lawsuits we hear nothing from the insured, no disagreement, and the next we hear from the insured, they are filing a lawsuit. The majority of the suits for this time period were brought after six months from the first notice of loss, and that is one of the examples of a return to pre-Irma levels. Catastrophe suits historically are brought within six months of the first notice of loss. What we see with non cat suits and as we move away from the event itself, is that the time frame increases. So it takes longer for the insured to file a lawsuit when you compare it to when they first reported it to us. The leading cause of loss for new lawsuits remains catastrophe and that is primarily due to Irma, with 49 percent of the new lawsuits coming in being catastrophe lawsuits. That does however represent an 11 percent decrease as compared to the same time period of last year. For those cat suits, catastrophe suits that are coming in, 30 percent are brought by the insured and 19 percent are brought by an AOB vendor.

We also look at water losses. Water losses as far as the cause of loss for new suits are slowly rising and are now at 24 percent of all new incoming lawsuits. And then we look at AOB litigation. AOB litigation is returning to what we consider pre-Irma levels and now represent 42 percent of all new incoming lawsuits. And I would just like to note that it is too early to realize the impact of the recent AOB legislation in litigation. So what these lawsuits are, are lawsuits on AOB agreements that precede the date of the legislation, which is July 1 of this year.

My last point is to look at what we have pending in the suit count. Again, the catastrophe suits continue to be the leading cause of loss for the pending lawsuits at 43 percent, but again that is also down 16 percent as compared to 2018. The next leading cause of loss are AOB lawsuits at 35 percent and water claims, and those are non-weather water claims,

at 27 percent. And with that, that concludes my update for this meeting and I certainly invite any that questions that you may have.

Chairman Kastroll: Thank you, Elaina. Any questions?

Governor Lopez-Cantera: On page 1 of the presentation it says 8,441 lawsuits, 8,290 residential in parenthesis. I am assuming the delta of 151 are commercial?

Elaina Paskalakis: Correct.

Governor Lopez-Cantera: The same with 2018, there is a difference of 403 which would be commercial.

Elaina Paskalakis: Exactly.

Governor Lopez-Cantera: My question is, from a value or potential liability prospective, what would be the liability on the residential policies in a gross number versus the commercial policies in a gross number?

Elaina Paskalakis: If I could just step back and make one correction. I am sorry, because I misspoke. The delta does represent the difference between commercial, but also, I am sorry, liability suits as well. So that is why we say residential property. So I apologize.

Governor Lopez-Cantera: So how many would be commercial property?

Elaina Paskalakis: I will have to get you the exact numbers, but it is going to be less than 200. It is a very small percentage of what we--

Governor Lopez-Cantera: Are you saying both suits combined would be less than 200?

Elaina Paskalakis: I would have to provide you with that information. For 2018, I believe we did receive probably over 200. So what this represents is the two paragraphs. The first paragraph is going to be the new incoming, and then the second is just going to be pending, which means those that are actually open in Litigation right now. But I can follow up with you on the exact numbers, but I do believe we received over 200 commercial lawsuits in 2018 due to Hurricane Irma. But I can certainly get you those numbers for 2018 and 2019 as far as commercial lawsuits if that is what you would like.

Governor Lopez-Cantera: Yes, yes, and if the Chairman will entertain it, I would like for going forward when these numbers are broken out and residential is obviously set aside, I want to know the balance what type of policies they are.

Elaina Paskalakis: Absolutely, I will definitely incorporate that into the following updates and I will make it clear as to what are residential properties, what are commercial property and what are liability. We can certainly do that.

Governor Lopez-Cantera: Right, great. And when you update me on the true numbers, I would like to know the gross dollar amounts as far as whatever the loss that was paid and then whatever is pending, what the outstanding liability is. I would like to see the distinction

between residential and commercial, how much the residential policies cost us and how much the commercial policies cost us, because commercial usually has a higher value than residential.

Elaina Paskalakis: Absolutely.

Chairman Kastroll: Okay, thank you, Carlos. Any other questions for Elaina?

Governor Capps: The whole subject of hiring attorneys and public adjusters versus Calling Citizens First, I know we have put a very concerted effort on trying to get people to Call Citizens First to avoid the whole litigation thing. Do we have any thoughts on how long that slows down a claim? Like when someone sort of unnecessarily calls an attorney like in page 2 where 57 percent of the incoming residential property lawsuits, the insured did not dispute the Citizens' position or adjustment of the claim? That would suggest to me if it had been unnecessary for these people to involve third parties, but they did anyway. And I know a lot of times being in the roofing business people are interested in getting their problems resolved quickly, and a lot of times I don't think they understand that when they call a third-party, it might mean that their damages are going to be fixed many months later than they would have been had they just called Citizens first. How long that delays a claim when they call a third-party?

Jay Adams: So in our non-litigation claim handling, when there is representation, Elaina reported that about 57 percent of those folks never have anything to say about whatever the settlement amount is. They don't dispute anything. And then a period of time goes by and that period of time usually is about six months and beyond when they file litigation. Once it gets into litigation, those pend a little longer than a year on average because it takes so long to get on the court docket. So in the non-litigated piece, I can't say that it adds any significant amount of time just because there is representation, because they typically, like I said, don't dispute anything. They let the process play out and then they will file suit six plus months after that.

Governor Capps: Okay, very good. Thank you.

Jay Adams: You are welcome.

5. Non-weather Water, Managed Repair Program, and Assignment of Benefits Update

Michael Carver: Good morning, Chairman Kastroll and committee members. It's my pleasure to give you an update on non-weather water claims, the Managed Repair Program and the Assignment of Benefits initiative resulting from House Bill 7065 that was made effective on July 1 of this year. Non weather water claims continue to be a significant part of all claims received at Citizens. In fact, non-weather water claims represent about 50 percent of all claims received and require a great deal of resourcing due to the volume. And in fact, a good majority are public adjuster and attorney represented. Just to give an example, from January 2018 to September 2018, we received 7,459 non-weather water claims. For the same period in 2019, we received 7,873, which is an increase in non-weather water claims of 414 claims or 5.5 percent. So the claim volume year over year has been very consistent and the average non-weather water claims received each month in this year has been about 875 a month compared to 828 a month for the same period in

2018. While it is still too early to make any solid claim volume predictions going forward, in the short run the overall rate of growth may be slowing due to a few factors. One is the 2018 homeowner three and dwelling policy three product language changes, but this hasn't been proved out as of yet. We do anticipate having more information as to the trend line as we get going in 2020.

As you may recall in the previous committee report the policy language placed a \$10,000 sub limit on non-weather water claims. So the sub limit can revert back to full coverage A limit if the policyholder chooses to engage in the Managed Repair Program. The annual renewal cycle has completed for all HO3 and DP3 policies and those policies now contain this new language. But we should have a much better indication of the actual impacts of the language change as we progress through 2020.

And my next topic to discuss is the Citizens Managed Repair program, called MRP. I am very pleased to report that we continue to experience increased adoption rates in that program. Adoption rates in 2019 for the free emergency water restoration service is averaging 36 percent which is up from about 20 percent which is up from about 27 percent in 2018. So there continues to be a very popular service for our policyholders and it is becoming increasingly popular as we continue to offer this service at first notice of loss.

I am also very pleased to report that our customers are increasingly opting into the permanent repair portion of the Managed Repair Program. In fact, the adoption rate in 2018 was about nine percent, and this has increased to an average of 18 percent in 2019. What is interesting in the last few months, June, July, August of 2019, the average adoption rate is 31 percent. So when you look at it went from nine, increased to 18 and the last few months of this year, up to 31 percent and we expect this trend to continue into 2020. We also survey our customers around the program. I am also very pleased that over 85 percent of our customers on average are satisfied with our services through the Managed Repair Program.

And I would also like to report to the committee the progress we have made at Citizens around the Assignment of Benefits Legislation, House Bill 7065 which became effective on July 1 of this year. On July 1 we stood up a new team of claim professionals to receive, review and manage assignment of benefit agreements. This team is responsible for determining if the assignment agreements meet the requirements of the new AOB legislation and to capture the necessary information that meets the legislation's reporting requirements. Total AOB agreements received since July 1 have been fairly robust at 2,064 agreements. Of this total, of the 2,000 plus agreements received, 32 were compliant, 19 percent were non-compliant, and 44 percent were received prior to July 1, which would be non-compliant agreement. The water cause of loss represents 50 percent of all agreements with wind being a close second at 48 percent. So out of all agreements received out of the 2,064 agreements received, for the most part the 50 percent are going to be close tied to water mitigation and 48 percent are going to be tied to wind losses, wind loss services, or wind mitigation. Emergency repairs are 68 percent of all agreements received. The compliance rate is steadily increasing as vendors that submit agreements adapt to the new legislation. So month over month we are seeing an overall increase in compliant agreements. However, I think the good news is that we are seeing a decrease in the number of overall assignments received. So the trend line is declining, which I think is part of what the new legislation was attempting to do. For example, at the the start of

July 1 we received 23 assignment agreements per day which has decreased in October to 12 assignments per day. This is a 48 percent reduction in agreements received in four months which is an overall indication of the impact of the new AOB legislation which we will know a little bit more as we move into the future, but all initial indications are positive for Citizens. And that concludes my report, Mr. Chairman and Governors, and I will be happy to answer any questions that you may have.

Chairman Kastroll: Thank you, Mike. Mike, I have just a statement. The Managed Repair Program that was started and implemented and is at roughly 30 percent, is such a good program. It is so helpful to ensure that at a time of loss, and if any of you all, and I have experienced a water loss or a loss, you just don't know what to do. It's almost like you are a deer in headlights. To have a program in place where the insurance company can help you get some action going to preserve your house or your commercial building is a very good program. And usually the data shows that insurance companies that have this have higher claims closing ratios, higher satisfaction from their policyholders. So thank you for championing that program. Thank you for everybody at Citizens for getting this going.

Michael Carver: Thank you.

Chairman Kastroll: Any questions for Mike?

Jon Palmquist: Mike, you said that the AOB trend line is decreasing which is what I think is what we expected. But if I heard you correctly you said you noticed a change in the trend of non-weather water claims. Have you noticed, it may be too soon to say, but have you noticed any correlation to the trends of the non-weather water to the AOB? Does that make sense?

Michael Carver: I am sorry, say that again.

Jon Palmquist: Have you noticed any correlation in the rate of claims non-weather water and AOB?

Michael Carver: Well, we continue to see robust reporting around non-weather water claims. I mean, if you compare the same period last year to this year, we are up about 414 claims. But I can say that we have had several months in the last several months we would typically be getting 900 to 950 non-weather water claims and, you know, that decreased to about 830. So we have seen a decrease to some extent over the last few months of non-weather water claims. I think it is really just too early to tell what the AOB impact is having on the non-weather water volume. We had seen a significant decrease in non-weather water claims related to AOB. However we have seen a reduction in total agreements which typically drives the next step. It drives quite a bit of litigation around the AOB agreements. And what we are finding is we are also getting, you know, part of the legislation was the notice of intent to litigate. We received about 23 of those since July 1. We have responded within time frames on all of those, and to my knowledge we have not received any suits around those. So I think, I think it is performing as expected. It is just still a little too early.

Jay Adams: We have got a couple of different initiatives going on side by side that really makes determining what is going on with our non-weather water claims hard for us to

figure out. So effective August 1, 2019, all of our product language changes for the sub limit went into effect for our entire book of business. So now any claims that are reported theoretically should only come in under the new product language which maximizes \$10,000 to insure unless they go into the Managed Repair Program. I do believe we have seen a pretty significant decline in the AOB claims. When we do have AOBs they seem to be more willing to settle based on what the policy says they are entitled to. So those are all positive trends.

However, our non-weather water claims continue to fluctuate. Some months it is down, some months it is up. We believe that Hurricane Irma has filled the gap for many of these non-weather water claims over the last 18 months. So as Irma starts to wind down we anticipate we might see some more non-weather water claims. But again, we don't know what the product language change and the AOB change affect will have in this space as well. So we really don't know what to expect going forward.

Jon Palmquist: Okay, thank you for the clarification. Is this something that you think at some point in time you will be able to report back to the committee?

Jay Adams: Absolutely. Yes, we have significant data that we can report from an assignment of benefits perspective, and I am going to do a presentation at the full Board of Governors meeting on our dashboards for assignment of benefits just to give a sense of what data we are collecting that does show that the AOB legislation is having a positive impact.

Jon Palmquist: Okay. Thank you, Jay, thank you, Mike.

Jay Adams: Sure.

6. Vendor Update

Greg Rowe: I have three items to present to you today and as you said they are behind tab six on your documentation. The first of which is for Roof and Property Reporting Services. This action item is requesting approval to enter into a contract with Eagleview Technologies for roof and property reporting services. These reports provide automated measurements for roofs, and those integrate in our estimating platform called Xactimate. These reports provide accurate roof measurements which expedites the adjuster's inspection and accuracy of their estimates. Obviously, it is very critical that we have these reports in a catastrophe response. Previously we had these reports provided by Xactware through our contract with them. However, on October 18 there was a Federal Infringement lawsuit recently found against Xactware in favor of Eagleview Technologies. And by court order Xactware is no longer able to provide this reporting for any and all clients. So in response to this court order we needed to continue to obtain these reports. We moved forward with a single source solution with Eagleview Technologies which absolutely does result in an increased cost. So at this time we are continuing to evaluate our options with respect to Xactware for those additional costs. At this time Eagleview is the only other service able to provide these roof and property reports, the only one that is integrated with this Xactware. So again with the single source solution we procured these services for three years as to not have any disruption for these services as we move forward with our catastrophe plan. With that, Mr. Chairman, are there any questions before I move to the recommendation for this action item?

Governor Lopez-Cantera: You mentioned additional options for the additional costs as far as Xactware is concerned. You didn't expand on that at all. Do you mean like since their contract included these services and for whatever reason they lost that litigation, that is their problem, but that is now an additional cost to us. Are you saying we may seek these additional costs from them?

Jay Adams: This is all brand new; this just happened. We are absolutely working with them to assess what is going to happen to them in the future. And until they have a better understanding of the conclusion of this litigation they are under, we are kind of in a holding pattern. We do significant amounts of business in Claims and in Underwriting through the parent company Verisk. And what we want to do is make sure we maintain a good partnership. However, we have put them on notice about the liquidated damages section of the contract and we have asked them to respond. And their response has been so far, can you give us a little more time because we are still in the midst of litigation and I assume they may be under some type of gag order and can't discuss it. To date we have not incurred any additional costs. We leverage this contract specifically in a catastrophe. And what that does is gives us more productivity out of the Independent Adjusting group when we leverage this technology. Until we have a catastrophe, we really won't incur any additional costs. Our thoughts are today what we would do is, we would do a true up at the end of each year until and unless they come back with some other solution that reengages Geomni with us in our original contract.

Governor Lopez-Cantera: And what stage of litigation are they in? Have they already gone through an appeals or is this just like the first stage of litigation that they had with Xactimate?

Jay Adams: We are really not sure what is in process with those folks. The court did make the order that they had to cease and desist operating with all their business partners at the date that Greg mentioned. Beyond that we don't know anything that is continuing ongoing with them. They have not been willing to share that.

Governor Lopez-Cantera: If we have so many unanswered questions, why would we commit to a three-year contract? Why wouldn't we just do a one year contract with two, one year renewals or options to renew on our side since we would be committing to potentially \$4.2 million, but in the dark?

Jay Adams: We don't commit to provide any level of work to these folks. This is just asking the Board for a total amount that we could incur if we underwent another catastrophe. And as I said, since we have undertaken this new contract we have not had any catastrophe activity. We have not sent any report or work through Eagleview Technologies. So we get charged as we use it. We are not committed to paying them \$4.2 million. We are asking to spend that if we needed to.

Governor Lopez-Cantera: Right.

Chairman Kastroll: This is a budgeted item, correct?

Jay Adams: It is, in the fact that we had budgeted and gotten Board approval under the Geomni contract that does the same thing. So really this is just tagging those monies over into this contract.

Chairman Kastroll: Okay, just to clarify. The dollar amount is a budgeted item, correct?

Jay Adams: It is.

Chairman Kastroll: Okay, thank you. Carlos, I am sorry to interrupt you. Any other questions?

Governor Lopez-Cantera: No, thank you.

Chairman Kastroll: Okay. Greg, go ahead, please proceed.

Greg Rowe: Thank you, Mr. Chairman. At this time staff recommends that Citizens Claims Committee approve and recommends to the Board of Governors, approve the recommended action to contract with Eagleview Technologies for a three-year period for roof and property reporting services for an amount not to exceed \$4,208,300. And also authorize staff to take any appropriate or necessary action consistent with this action item.

Chairman Kastroll: Okay. Jay, a quick question. This is an item that needs to be voted on, correct?

Jay Adams: Chairman, what we are asking for here is for the Claims committee to approve to move this to the Board and the Board would be the one that actually grants the authority.

Chairman Kastroll: Correct, okay, all right. So do I have a motion?

Governor Capps: Mr. Chairman, this is Blake Capps, I will make the motion to approve.

Chairman Kastroll: Okay. A second?

Jon Palmquist: Second, this is Jon, I will second it.

Chairman Kastroll: Thanks, Jon. It is so moved and seconded. Any discussion?

Governor Lopez-Cantera: Yes, I would like to chime in here. I don't feel comfortable recommending at this time. I do feel comfortable sending it to the Board for discussion, but I can't vote to approve it because there are so many unanswered questions as far as the litigation and the underlying contract that Citizens already has. And maybe it is just because I am new and I don't have the institutional knowledge. So I feel comfortable recommending that it go to the Board for discussion, but not with the recommendation for approval. That is my position.

Chairman Kastroll: Okay. A quick question. I don't know if our attorney is on the line. Do we have an abstain option in the voting process?

Dan Sumner: Normally in a Sunshine committee like this, you cannot abstain unless you have a conflict. Their obligation is to vote yes or no. What I would say though is again, one of the things that might be part of this discussion here is that this is a contract for discretionary usage. We might have instructions that to the extent that the product became available again with Geomni through either settlement or litigation, that we would not use a higher cost product, and that we would go with the lower cost that was available. And that way obviously to the extent that hopefully these two parties can work something out where we can go back to our original contract. This contract would become dormant, but we would have it in the event that this continues to stay pending with no resolution which is very possible for an extended period of time, that we would have this because we either have to go back to Geomni or we go to Eagleview because no one else has this product that is compatible. We can add that as part of the recommendation easily.

Jon Palmquist: Mr. Chairman, may I ask a question, please, that may help clarify this a little bit as well?

Chairman Kastroll: Jon, go ahead, great.

Jon Palmquist: Yes, full disclosure, I am in the insurance industry and familiar with these procedures and also run the Cat program and have run a catastrophe management program vendors for years. Greg, can you discuss a couple of points here, the non-exclusive nature of the agreement, that it is a variable agreement meaning that no money is paid unless the product is used, and that there is no other alternative, and thus without this contract Citizens is at a significant disadvantage to the rest of the marketplace?

Greg Rowe: Absolutely. We did reach out and have conversations when we were made aware through Xactware that they were not allowed to offer these services anymore. And part of those conversations with them was asking for guidance as to what should we do. What is the next step for us because we certainly can't go without these services. Xactware themselves recommended Eagleview, because that is the only vendor that they currently have integrated with their estimating platform, and it is the only vendor that has the technology to provide the services required. So we really utilized our existing relationship with Xactware to move forward with Eagleview and we have that integration in place today. We have not lost that. In respect to one of the other points of conversation to what Dan had mentioned. We have not terminated any contract with Geomni. So in the event something changes and litigation may go the other way, we certainly still have that contract in place with them at a lower rate per report. And we have also built into the existing contract with Eagleview, is if they have a parting of ways and they lose that integration piece with the Xactware platform, that we would exit that contract immediately, because that is paramount for this program. So maybe that clarifies things a little bit more.

Chairman Kastroll: Okay. Thank you. Thank you for your inputs. Carlos, there has been a second, so we do have to vote on this. By voting on this yes or no, it will go to the Board and I am sure Jay will provide or Greg will provide at the Board some additional comments on this. So you can always vote one way now and a different way at the Board level as well. So that is always an option.

A motion was made by Jon Palmquist and seconded by Governor Capps to approve and recommend Board approval of the Roof and Property Reporting Services

Action Item, SS19-2005. Chairman Kastroll, Governor Capps, and Jon Palmquist were in favor. Governor Lopez-Cantera opposed. Motion carried.

A motion was made by Chairman Kastroll and seconded by Governor Capps to extend the meeting to 11:20 a.m. All were in favor. Motion Carried.

Greg Rowe: I will move on to the next item, it is the consent item under the Contractor Managed Repair Program. So for this program, Mike Carver spoke to it earlier. There is really two components that comprise the services that are offered under the program. One, is the emergency water removal service, and that is just obviously if an insured needs water removed from their home we send out somebody and they perform that remediation. That is the first service. The second service that they can take advantage of under the program is permanent repairs. So for this particular consent item, for the permanent repair component, we have built into the contract that if the contractor goes out writes an estimate, performs services under the program, spends time with the insured explaining things and the insured just chooses not to participate in the program, there are contractual allowances within this to pay them a fee that is based upon the estimate, the size of the estimate that they write. What we found is that we do not have that same contractual obligation or agreement for the emergency water repair services. So what often happens is at first notice of loss or sometimes thereafter, the policyholder and/or their representative request that they would like a water remediation company out to their home. Upon arrival either they may not be allowed in the home, no one is home and they just aren't able to facilitate those services, and often this is after hours, 2:00, 3:00 in the morning. So when they go out and they send their crews out there, again, nothing was in the contract for them to receive these funds. So for these particular item what we are seeking to do is to compensate them a \$325 allowance if they are requested to go out to one of our policyholders' property, but unable to perform services. And so that is the gist of this particular Consent Item.

Jay Adams: There is no increase, we are not asking for any increase spend for this contract for this fee.

Greg Rowe: That is correct, yes. This doesn't increase the spend that was previously approved in the amount of \$15 million back in 2016. So Mr. Chairman, are there any questions on this before I move to the recommendation?

Chairman Kastroll: I do not have any questions. Please proceed.

Greg Rowe: Okay, thank you. So at this time staff recommends that Citizens Claims Committee approve and recommend to the Board of Governors that we approve the amendment to the current contract for the Contractor Managed Repair Program under ITN 15-0011 for the Contractor Managed Repair Services Program to include a \$325 compensation resulting from each emergency water mitigation services not being contracted, and authorize staff to take any appropriate or necessary actions consistent with this consent item.

A motion was made by Governor Lopez-Cantera and seconded by Governor Capps and to approve and recommend Board approval of the Contractor Managed Repair Program Consent Item, ITN 15-0011. All were in favor. Motion carried.

Greg Rowe: Thank you, Mr. Chairman. So this last Consent Item actually involves five programs. I will briefly run through those. Those are Independent Adjusting Services – Non-Litigated/Catastrophe, Independent Adjusting Services – Catastrophe, Fast Track Adjusting Services, Field Inspection Services, and Commercial Adjusting Services. So all of these services that I have just mentioned involve independent adjusting resources, and those are the resources obviously that we utilize in both Cat and Non-Cat to go out and handle our claims for us. So for this particular Consent Item, all of the recommendations will obviously incorporate these five contracts. This consent item does not increase the spend. So the \$343,900,000, that is just a cumulative total of those five individual contracts. So it does not increase the spend. And what we are seeking for this particular consent item, at this time as you mentioned earlier, there is a high volume of litigation that we see in Citizens. And with those, we utilize these resources because they were the ones that went out to the homes, they have done the inspections, they were handling the claims on Citizens' behalf. Many times they are called in as fact witnesses on Citizens claim matters and there is some degree of frequency that we have seen in this space. At this time within the contract again, similar to the prior item, there is nothing within the contract that outlines how we pay those individuals if they are fact witnesses on one of our Citizens matters. And there has been an increase that we have seen for some of these individuals that their requests in terms of compensation is just not reasonable. So what we are seeking to do is to amend the contract to allow for a \$525 flat rate in preparation, attendance at a civil proceeding as a fact witness, and then another \$525 per day for any time spent traveling to and from testifying in these particular proceedings. So again, we would just like to amend the contract to include some rates, and they do not increase the spend of the contract and I think we know that they will certainly provide a cost savings, in that we now have guidelines associated with those and we can forecast the projected costs associated with any fact witnesses that we would need to utilize in a particular case. So Mr. Chairman, are there any questions before I move forward with the recommendation?

Chairman Kastroll: I do not have any questions.

Governor Capps: I have one.

Governor Capps: Are there any exceptions to the \$525 number, like I was trying to think, is it something we are trying to get opposing counsel and opposing witnesses to agree to in a contract ahead of time? Like say opposing counsel has witnesses and, you know, they had to fly somebody in from another state or something and they are claiming that the cost of having this witness is much more than \$525, like how would we deal with that?

Elaina Paskalakis: It does not relate to opposing counsel in any way. This is about independent adjusters that we have used to adjust our claims that a year or two later in litigation when we may need them for litigation, it is about asking them to come in and appear either at deposition, maybe a trial, to be able to present Citizens' position on their adjustment. So this is us compensating them for their time. If they are still associated with Citizens in some way, like deployed to Citizens, let's say they could even be a litigation adjuster who had previously served as a Cat adjuster. We are going to pay them their rate regardless of the type of work they're doing for us. What this is really geared at are those people no longer deployed to Citizens, that we are asking them to come in and testify on

our behalf in support of our position, and we are looking for a new way to compensate them, because this contract will address that specifically. So it really has nothing to do or related to opposing counsel. This is Citizens trying to present our position and our defense in a litigated matter. Does that answer your question?

Governor Capps: Yes, very good, thank you.

Chairman Kastroll: Thank you. Okay, no further questions, can you please read the recommendation?

Greg Rowe: Yes, Mr. Chairman. Staff recommends that Citizens Claims Committee approve and recommend to the Board of Governors, approve the contract amendments to the contracts listed above adding a flat fee of \$525 for time spent preparing for attendance at a civil proceeding, approve the contract amendment to add a flat fee of \$525 per day to be paid for time spent traveling to and from and testifying at a civil proceeding, and authorize staff to take any appropriate or necessary actions consistent with this consent item.

A motion was made by Jon Palmquist and seconded by Governor Capps to approve and recommend Board approval of Independent Adjusting Services – Non-Litigated/Catastrophe, RFP 17-0006; Independent Adjusting Services – Catastrophe RFPs 17-0020, 18-0027; Fast Track Adjusting Services RFP 18-0025; Field Inspection Services RFP 18-0023; and Commercial Adjusting Services RFP 15-0018 Consent Item. All were in favor. Motion carried.

7. Addendums

Chairman Kastroll: There are two addendums in this that are for informational purposes only. They are actually very exciting addendums that I encourage you to read on your own. I wish we could get a reality television TV show, a Citizens reality TV show on these recovery cases and the Special Investigative Units, because it is a lot of action packed drama and everybody is doing a great job of digging out the people that are trying to rip off the taxpayers money of Florida. So thank you for all of your work in that, and please read it at your leisure.

8. New Business

Chairman Kastroll: Are there any new business items anybody would like to bring to the Claims Committee? Okay, thank you. If there are no new business items, I would like to thank everybody and would like to make a motion to go ahead and adjourn.

A motion was made by and seconded by to adjourn. All were in favor. Motion carried.

[Meeting adjourned]