

ACTION ITEM

CONTRACT ID	Board of Governors Meeting Minutes May 14, 2020
BUDGETED ITEM	N/A
CONTRACT AMOUNT	N/A
PURPOSE / SCOPE	Review of the May 14, 2020 Board of Governors Meeting Minutes to provide opportunity for corrections and historical accuracy.
CONTRACT TERM(S)	N/A
PROCUREMENT METHOD	N/A
RECOMMENDATION	Staff recommends the Board of Governors review and approve the May 14, 2020 Board of Governors Meeting minutes.
CONTACTS	Barry Gilway, President/CEO and Executive Director Barbara Walker, Senior Executive Assistant and Board Secretary

CITIZENS PROPERTY INSURANCE CORPORATION

**MINUTES OF THE
BOARD OF GOVERNORS MEETING
Thursday, May 14, 2020**

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened telephonically on May 14, 2020 at 11:00 a.m. (EST).

The following members of the Board were present:

Bo Rivard, Chair
Bette Brown
Blake Capps
Marc Dunbar
Reynolds Henderson
James Holton
Carlos Lopez-Cantera
John Wortman

The following Citizens staff members were present:

Barry Gilway
Jennifer Montero
Kelly Booten
Jay Adams
Joe Martins
Violet Bloom
Christine Ashburn
Dan Sumner
Jeremy Pope
Andrew Woodward
Barbara Walker
Bonnie Gilliland
David Woodruff
Ray Norris
Andrew Woodward
Stephen Guth
Mark Kagy
Brian Weaver

The following people were present:

Kapil Bahtia
Adam Schwebach
Ken Vincent

Call Meeting to Order

Barbara Walker: Meeting was convened with roll call.

Roll call: Chair Bo Rivard, Bette Brown, Blake Capps, Marc Dunbar, Reynolds Henderson, Jim Holton, Carlos Lopez-Cantera, and John Wortman.

Barbara Walker: Mr. Chair, you have a quorum. For the record, you have no formal speaker requests.

1. Chairman's Report

Chairman Rivard: Good morning, everyone, and thank you for being on the call. I wish things were different and we could be together in the same place. I want to thank Barry, Barbara, and the entire team for doing a great job getting us the materials in advance of this meeting so we can be prepared. It is an important meeting that we are going to have today. The original purpose of this meeting is to deal with the reinsurance. The market conditions are always a challenge and even more of a challenge this year. It is extremely important we all have an understanding of where we are on those issues and giving Jennifer Montero the direction she needs to move forward with hurricane season being a few weeks away. I'd like to thank the employees at Citizens who have done a great job adapting to the COVID-19 response and having to work remotely and still get the job done. I think everyone is doing the best that they can. Speaking of COVID-19, I want Kelly Booten to update us related to COVID-19. Given some of the Board decisions made at the last Board meeting, I want her to walk us through some of the updates she has been providing us by email.

Kelly Booten: Good morning. Our business continuity crisis management and catastrophe (CAT) response, planning, testing, and implementation have been the backbone of our COVID-19 response. Many actions have been accomplished in response of this pandemic with employee safety and security as well as productivity as the center of the response as well as our policyholders. We have worked with agents, vendors, stakeholders, and many others to ensure that we do not miss a beat and every Citizens department has played a vital role in making this happen. Today I'm going to provide a summary of the weekly COVID-19 reports you've received. There were six reports dating from April 6 to May 11. There were eight items brought to the Board's attention, seven for Board awareness and one change to Board approved agency standards. There were five items documented via letter to the Board to include policyholder related underwriting practices – there are two memos for that: claims inspection practices, the emergency family and medical leave expansion, and emergency paid sick leave act and the emergency standards already mentioned. There were no contracting purchasing actions significant enough to require a memo; although, there were two that were reported: a contract amendment to the Mueller Services contract for the addition of virtual property inspections. The estimated contract spend is \$22,500. There is the purchase of masks from the North Carolina Joint Underwriting Association at an estimated cost of \$10,000 plus shipping. There were other miscellaneous contracted purchasing expenses attached to the COVID-19 project code of approximately \$40,000 predominantly for IT equipment, facilities cleaning supplies, and other miscellaneous protective equipment. As we continue to plan for hurricane season in the COVID-

19 era improved distributed environment that we are working in and adjust our facility requirements to address social distancing norms upon the return to the office, we anticipate additional expenditures such as network infrastructure and employee and facility related items but none of them to be significant. That concludes my report.

Chair Rivard: Before we jump into the reinsurance report, just for purposes of how we might make this meeting run smoothly, I thought that if we try to hold the questions that any of the Board members have until the end of the presentation, I thought that might help make things run smoother. Also, since we're not in the room together and I can't see anyone trying to raise a hand, I intend to do almost like a roll call after the presentation is over. I thought that'll give us a little more order to the meeting.

2. Chief Financial Officer Report

a. Action Item: 2020 Risk Transfer Program

Jennifer Montero: I'm going to provide an overview of the program and walk you through the layer charts. Citizens' enabling statute requires it to make its best effort to procure catastrophe reinsurance to cover a 1 in 100-year storm in the private market at reasonable rates. The analysis to purchase reinsurance coverage is evaluated by staff each year and a recommendation is made to the Board. Citizens reinsurance strategy has been to eliminate the potential of assessments in a 1 in 100-year storm, which was accomplished in 2015, preserve surplus, use aggregate coverage to protect the impact of multiple storms, protect the commercial nonresidential (CNR) exposure which does not have CAT Fund coverage, use multi-year coverage when available, and to optimize both the traditional and capital markets. The risk transfer program that we are proposing today accomplishes all of these goals within our strategy. The Florida reinsurance market has been hardening at a rapid rate. The substantial loss development during Hurricane Irma, which increased reinsurance exposure well beyond the initial ultimate loss reported. The insurance industry incurred approximately \$19B of losses from Hurricanes Irma and Michael, and that number is projected to grow to approximately \$20B. Globally, there were more than \$200B of insured losses in 2017 and 2018. Reinsurers are operating with an increased cost in capital as increase in retrocession costs and higher return expectations from third party capital providers due to a widening spread of alternative markets such as capital bond markets as well as proactively trying to manage their risks to COVID-19 claims. Due to these factors, price increases are in the range of 20% to 30% on average and 50% to 100% in extreme cases. Staff has worked extensively with Citizens co-brokers Willis Re and Guy Carpenter and Citizens Financial Advisor Raymond James to evaluate available options relating to the structure, terms, pricing, and other relevant matters in structuring the 2020 traditional risk transfer program. We met with a number of global traditional reinsurance markets over the last three months to market Citizens risk transfer program. Additionally, we worked with our capital markets financing team – Citibank, Bank of America, and Raymond James – to structure Everglades Re CAT Bond. We conducted a telephonic global road show over a two-week period and spoke with numerous investors. The benefit of transferring risk into capital markets includes diversification of Citizens Risk Transfer Program while providing collateralized multi-storm aggregate protection at a fixed cost. If you turn to the layer charts in the Coastal Account, Citizens plans to transfer exposure in the amount of approximately \$1.4B to the global reinsurance and capital markets in 2020 for the Coastal

Account, which includes \$400M existing risk transfer from 2018 that remains in place for the 2020 season. This includes \$150M in multi-year coverage traditional reinsurance and \$250M in capital markets risk transfer through Everglades Re. Based on the proposed 2020 Risk Transfer Program, the total amount of surplus exposed for a 1 in 100-year event in the Coastal Account would be approximately 27% as compared to 28% in 2019. The proposed 2020 risk transfer layers in the Coastal Account are as follows:

- Layer 1 of this program is referred to as the sliver layer and will sit alongside the Florida Hurricane CAT Fund (FHCF). It provides approximately \$102M of annual, per occurrence coverage which covers personal residential and commercial residential losses and would work in tandem with the mandatory coverage provided by the FHCF to include the co-payment of the 10% of losses not covered by the FHCF. This layer will be placed in the traditional market.
- Layer 2 will sit above the sliver layer and the FHCF. This multi-year, aggregate layer provides \$900M of coverage of personal residential and commercial residential losses. This includes the \$400M of renewing coverage placed in 2018. The new placement of \$500M will be split between the traditional and capital markets, based on market conditions.
- Layer 3 of this program will sit above the multi-year aggregate layer and covers annual, aggregate personal residential and commercial residential losses. This layer provides \$350M of single year coverage and it will be placed in the traditional market.
- Layer 4 of this program would provide \$54M of annual per occurrence coverage for CNR losses not covered by other layers of the program and for which Citizens has no FHCF coverage. This layer will be placed in the traditional market.

Citizens also plans to transfer approximately \$300M of exposure in the Personal Lines Account (PLA). Based on the proposed 2020 risk transfer program, the total amount of surplus exposed for a 1 in 100-year event in the PLA will be approximately 57% compared to 58% in 2019. The proposed 2020 risk transfer layers in the PLA are as follows:

- Layer 1 of this program is referred to as the wrap layer and will sit alongside and above the FHCF. It provides approximately \$175M of annual, per occurrence coverage which covers personal residential losses and would work in tandem with the mandatory coverage provided by the FHCF to include the co-payment of the 10% of losses not covered by the FHCF. This layer will be placed in the traditional market.
- Layer 2 will sit above the wrap layer and the FHCF. This multi-year, aggregate layer provides approximately \$125M of coverage of personal residential losses. This placement will provide multi-year, aggregate coverage. This layer will be placed in the capital markets.

This proposed risk transfer program will result in a combined 2020 traditional reinsurance in capital markets risk transfer market program of approximately \$1.7B of coverage, which is approximately \$250M more than the \$1.45B placed in 2019 at a cost not to exceed \$145M. The increase in the 2020 placement is primarily due to partial layers in 2019 that are to soon be fully placed in 2020 and the addition of the projected CAT Bond of \$125M to maintain the same level of surplus protection in the PLA.

Chair Rivard: Gov. Brown, do you have any questions?

Bette Brown: No questions.

Chair Rivard: Gov. Capps, do you have any questions?

Blake Capps: Yes. It has to do with the level of competition among reinsurers. Any time your prices are jumping substantially and significantly, you always want to know your options. How many competitors are out there? Can you give some general comments on how many options you usually have for the various layers?

Jennifer Montero: On the traditional side, we go out with quotes and this year we had approximately seven to eight companies that came back with different quotes for the various layers. With those quotes is that we evaluate them and do our internal analysis with our financial advisor and brokers, and based off the quotes and the market conditions, we then come up with what we think are the best and most fair order terms. We will then go to market with each layer order term price that we think is appropriate for that particular layer. Each reinsurer, then, will have the option to participate in our program as that particular rate online. That layer of reinsurers is much higher than seven or eight that quoted. That could be up to 30 or 50 different reinsurers on our program.

Blake Capps: So, with every one of those layers, did you have at least a few options to choose from?

Jennifer Montero: Absolutely.

Blake Capps: So, there is some level of competition. Good.

Jennifer Montero: Absolutely.

Chair Rivard: Gov. Dunbar, do you have any questions?

Marc Dunbar: Yes. It is more about understanding process. What if we voted this down today, and we choose not to go with this program practically speaking?

Jennifer Montero: The only coverage we'd have is the FHCF which is required by statute and we would have the two layers in the Coastal Account for the multi-year. But then we'd have to use our surplus. We would eat up our surplus.

Marc Dunbar: Just so I understand practically speaking, we don't have the ability to go back to market with revise pricing or anything like that? This is all we can get from the market right now? If one changes things, it will be closed because June 1 is coming?

Jennifer Montero: We have not gone out with firm order terms. We have not closed or even priced the bonds. We don't do any of that until we get your approval. The traditional market – they were two weeks late in giving us our quote. It would be tight to go back and redo another program if this one wasn't something you'd want to vote on.

Marc Dunbar: If we just, from a process standpoint, backed this up to the March meeting, would it give you more time in the market to have flexibility if the Board had a different direction. I'm assuming back in March you knew what plan you want.

Jennifer Montero: We do but the reinsurers are not necessarily willing to quote then or give authorizations. There are two big renewal dates: January 1 and June 1. Most of the Florida market is June 1, which is why this is the timing. March would probably be too early. The reinsurers would not want to commit that early based on how the market could change before June 1.

Marc Dunbar: What's the fiscal savings? If we choose to say "no reinsurance" this year, obviously we're not paying for that so what is the fiscal savings we would be risking against going bare and using our surplus in the event of a storm?

Jennifer Montero: For the Coastal Account, we would be exposing only 27% of our surplus and if we went bare we would be exposing more around 80% of our surplus in the 1 in 100-year event. In the PLA, where we are exposing around 50% now, we would be exposing around 80% or higher of our surplus. For the PLA, we would have only FHCF coverage.

Marc Dunbar: I'm just talking about dollars. How much are we spending?

Jennifer Montero: We are asking to not exceed \$145M for all of the private reinsurance.

Marc Dunbar: Right. So it would be save \$145M but put roughly \$5.5B of risk . . . am I close?

Jennifer Montero: That's close. Yes. Our total PML in a 1 in 100-year event is over \$5B.

Marc Dunbar: That's what I was trying to understand. Thank you.

Chair Rivard: I want to go back to Gov. Brown. I think she was trying to ask a question.

Bette Brown: I noticed that you have several layers that are two-year rates. I think that's great given the information you've talked about and the information provided about the rate increases for insurance. Is it possible that you can negotiate two-year rates going forward?

Jennifer Montero: The CAT Bond in the Coastal and in the PLA are three-year deals, multi-year. The traditional market where the \$900M layer where we have the 2018 carryover – that is going to be split between the CAT Bond and the traditional market. The traditional market did not quote multi-year this year. They only quoted single year, which we were willing to accept because we need the capacity. There is not a whole lot of capacity out there. The reinsurers are seeing the market prices rising and they don't want to lock into multi-year if they think they can make more money off of us next year. That is why we were trying to get as much multi-year as we can. We have a renewal that is coming up and the CAT Bond. We are still going out with firm order terms for single year or multi-year but so far the feedback we have gotten is that single-year is all that the traditional market wants to do this year.

Bette Brown: Thank you.

Chair Rivard: Gov. Henderson, do you have questions?

Reynolds Henderson: I don't have any. Thank you.

Chair Rivard: Gov. Holton?

James Holton: First, I'd like to say, Jennifer, great job in the competitive market. You guys have done a phenomenal job with the rate structures that are out there now. Given the shrinking capacity of the reinsurance markets, are we as Citizens putting some of the other carriers in jeopardy of having to have higher rates due to our size and buys?

Jennifer Montero: No, I don't think that's true. The price that we are paying also has to do with who we are as each individual company. Last year for those companies, they had a lot of Irma creep and development. They got very large rate increases last year – 30% to 40% plus. This year with the unknown COVID claims, the retrocession, etc., everyone got hit again this year 20-30%. Our rates are based on the lower rate increase we got last year. Ours was closer to 10% to 12% and not 20% to 30%. Our rates are lower because of who we are. This is enough capacity at the right rate. I think a lot of the other companies are having high rates because due to their response to Irma and other behaviors rather than capacity.

Barry Gilway: The only add that I would make is that this was a very difficult balancing act this year relative to capacity versus price. The position we took is in many layers that we could have generated more interest and capacity at a higher price. We recognize that we had to draw a significant hard line relative to what the maximum rate online we would pay in a couple areas. As Jennifer indicated, we are walking away from some areas of coverage simply because the price the market is asking is way too high from our perspective. If we were to pay those prices, then I think your concern would be right on. If we paid those prices, then I think it would impact the private market pricing.

James Holton: Thank you.

Chair Rivard: Gov. Lopez-Cantera, do you have any questions?

Carlos Lopez-Cantera: I was curious as to whether or not a representative from the brokers is on the call that I can ask a question of.

Jennifer Montero: Most likely. Adam, Ken or Kevin? I don't know if they have a speaking line. I know they are listening because they want to release their firm order terms as soon as we're done. But, I don't know if they have a speaking line.

Barbara Walker: I can make sure they get a speaking line and contact them right away.

Jennifer Montero: I have Adam's line right here. He just texted me. He's on.

Chair Rivard: In the meantime, Gov. Lopez-Cantera, do you have any other questions you'd like to ask Jennifer?

Gov. Lopez-Cantera: No. I was able to reach Jennifer and Barry yesterday. They were very helpful and I appreciate the efforts. It is not easy.

Chair Rivard: Thank you for taking the time to do that. All the governors – everyone is busy but I know that the team reached out to be available to answer any questions beforehand. Thank you, governors, taking the time. I'm going to move to Gov. Wortman to see if you have questions for Jennifer and come back to Gov. Lopez-Cantera's questions.

John Wortman: I'd like to say that, Jennifer, you guys have done a great job with the layer charts. I think it makes great sense. I would be a little nervous because of possible exposure increases to Citizens because of the impact of the reinsurance market on the standard market. I think without question there will be some companies going away because they don't want to pay the reinsurance costs or the Office of Insurance Regulation (OIR) makes them go away because they can't get the capital to support their business. What that would mean is an exposure increase to Citizens and I think we ought to be aware of that and make sure to take that action when it comes. Secondly, the increased reinsurance costs are going to cause a needed rate increase. We need to make sure the actuaries are working hard to understand the impact of this reinsurance price increase for our need for rate. Does it make any sense about combining the three accounts – the Coastal, PLA, and Commercial Lines Account (CLA) for reinsurance purposes? I don't think it is possible to think about this year but it is something we might want to look at in the future.

Jennifer Montero: We definitely are working on that. We are waiting for the last of the outstanding bonds; which has been the problem of being able to combine the accounts. We are looking at being able to do that. The last ones mature in June 2025 but we can legally defease them before that but it is definitely on our radar. In fact, in the CAT Bond that we are doing now, one of the things in there is to call the bond in the last year if we are able to combine the accounts.

John Wortman: Great.

Chair Rivard: If there are no more questions from Gov. Wortman, can we get back to Gov. Lopez-Cantera's questions for the brokers if they are available now.

Jennifer Montero: Adam Schwebach should be able to speak.

Adam Schwebach from Willis Re: Yes, I'm here.

Carlos Lopez-Cantera: I'm sure you have private insurers you do reinsurance for. I'm curious whether or not you placed coverage for private carriers at any point earlier this year?

Adam Schwebach: Personally, and I can only speak for myself and from the view of the Florida market in general, I have not and I do not know of any other companies that places a significant amount of reinsurance prior to the June 1 renewal this year.

Carlos Lopez-Cantera: When you say “a significant amount,” there was reinsurance that was able to be procured earlier in the year?

Adam Schwebach: Honestly, I don’t have a view towards anybody that did nor did not. No clients I have dealt with have placed anything prior to June 1. Everyone is currently in the market looking for reinsurance.

Carlos Lopez-Cantera: So, there was no ability to notice any trends in increased rates as the year progressed?

Adam Schwebach: A view toward the reinsurance pricing is something we keep an eye on throughout the year but it is something we’d talk to Citizens about in our pre-renewal discussions. We typically give a view at that point in time. The one factor that I don’t think anyone could have expected was the impact the COVID crisis had on reinsurers and the pricing levels that came out of that.

Carlos Lopez-Cantera: Didn’t Jennifer mention previously on the call that there was something placed in March when Gov. Dunbar was asking these questions?

Jennifer Montero: Gov. Dunbar asked if we could have gone to the March meeting to approve reinsurance, and I said that would have been too early. We would need reinsurers to be able to quote and that doesn’t happen until late March/early April/May. They were two weeks behind to get our quotes at the end of April and we got them late April through May 12. Normally we get those earlier. Reinsurers this year and kind of last year made the timeline. If they refuse to quote, you’d have to wait until they show their cards until you know where to go.

Carlos Lopez-Cantera: The reason I’m asking is that based on a call I had with Barry and Jennifer yesterday - absent COVID if there was an opportunity to go into market earlier in the year. If there was a trend of the rates going up maybe in our March meeting we could get an update on reinsurance rates and on what’s going on in that market. It could better inform us into our decision as far as purchasing if there is an opportunity to save money by going earlier. Obviously, we’d be in favor of saving money. I appreciate everyone’s input.

Jennifer Montero: We do have co-brokers. I have Ken Vincent on the line as well if you want his perspective. He’s from Guy Carpenter.

Ken Vincent: Guy Carpenter has placements throughout the year, but as mentioned, the primary placements are January 1 and June 1. The team at Guy Carpenter that works on Citizens to my knowledge has not been involved in prior June 1 placements in the February/March timeframe.

Carlos Lopez-Cantera: Non-Citizens – for private carriers. Were there any placements earlier in the year?

Ken Vincent: There may have been some. When we say “placements,” there haven’t been full placements. There may have been private carriers that place partial layers or small amount of

limits to replace some of the expiring limit that they have coming off their program. But, I don't know any specifics on those placements.

Chair Rivard: I'd like to thank both gentlemen who joined us on the line to answer those questions. We appreciate all that you do. As to the points raised by Governor Lopez-Cantera, I think, Jennifer and Barry, looking forward, if there are opportunities to do anything earlier where we can realize some savings, I'm sure you would be happy to bring that to us earlier next year. But, it sounds like this year, even more so than years past, that there has been a delay and it is down to the wire in getting this done. We can appreciate being a public body like we are that you are not as nimble as perhaps some of these private companies that can go out there and price and negotiate on the fly. We do have to have a meeting like this to authorize you, so it makes it tough as well. It is a balancing act that we need to do it early enough so the Board can be informed and to offer advice if we want to do something different structurally. But, also, you need the opportunity to negotiate with the reinsurers and work with the rates down to the last minute. It is tricky business but certainly very, very important. Governor Dunbar's point is a great one. If you look at what we are spending versus what we are protecting with that spend, it is eye opening. To think about exposing that surplus is daunting. Are there any other questions?

Carlos Lopez-Cantera: I have one final question. Just for clarification for the Board and for anyone who is listening, what would be a ballpark of increase in cost in a dollar amount for Citizens for reinsurance this year over last year?

Jennifer Montero: Last year's cost was \$97.7M for the placement in the PLA and Coastal Account. This year we're asking the Board for a number not to exceed \$145M.

John Wortman made the motion for the Board to approve the 2020 Risk Transfer Program recommendation to purchase traditional and capital markets risk transfer at a cost not to exceed the amount of \$145 million in the Coastal Account and the Personal Lines Account and to authorize staff to take any appropriate or necessary action consistent with this Action Item. Reynolds Henderson seconded the motion. All were in favor of the motion. Motion carries.

b. Action Item: Tropical Cyclone Forecasting Services

Jennifer Montero: The action item is the continuation of Tropical Cyclone Forecasting Services. On January 22, 2020, Citizens released Request for Proposals No 20-0003 for Tropical Cyclone Forecasting Services. Three vendors submitted proposals and were moved forward to evaluations and system demonstrations. At a Public Meeting held on April 15, 2020, CFAN Holdings LLC was determined to offer the best value for Citizens. CFAN Holdings is Citizens' current vendor for these services and has been meeting all expectations. CFAN Holdings also offered the lowest price of the three vendors who submitted proposals. This Action Item seeks Board approval for Citizens to enter into a contract with CFAN Holdings LLC to provide a web-based data and visualization interface that provides complete tropical cyclone forecast and post-storm data, within an agreed upon timeframe, regarding Atlantic tropical cyclones. These services have been provided to Citizens by this vendor for the past two years and are needed by Citizens' Corporate Analytics Team to continue the advanced tracking of Atlantic tropical cyclones and allow for better estimations of impact to Citizens' policyholders, personnel and resources. These services are

proprietary to CFAN Holdings and not available to Citizens under other government agency contracts. The contract term is an initial three years with three one-year optional renewal periods (total six year contract term). The contract amount is \$269,000, representing annual fees of \$60,000 in Year 1, \$40,000 in Years 2-3, and annual fees of \$43,000 in Optional Renewal Years 4-6.

Chair Rivard: Gov. Brown, any questions?

Bette Brown: No questions.

Chair Rivard: Gov. Blake Capps, any questions?

Blake Capps: Yes. I'm curious, Jennifer, as to why you're the one representing this particular type of action item. This seems like the type of thing Jay Adams and Claims would be normally dealing with. Not a big deal. I'm just curious.

Jennifer Montero: The Corporate Analytics team, which is the one that does all of the Geospatial, GIS, etc., and they fall under Financial Services. They report to me; this is my team. We support Claims but doing a lot of these back office type things. We do all the CAT modeling. So when a storm is coming, it is the Corporate Analytics team that does all that modeling so that we can get an idea of where the storm is going to come in and then our GIS team know all of our exposure. They can take that map to overlap it place it over our exposure and share it with the Claims team. They use that information to know where to put out the CRCs. I'm presenting it because it is my team.

Blake Capps: Very good. Thank you.

Chair Rivard: Governor Dunbar?

Marc Dunbar: The agenda item says the services have been provided for the vendor for the past two years. Was the contract a two-year contract?

Jennifer Montero: No, it was a single-year contract. We used them after Hurricane Michael. We tried them out because we thought it was a product we could use for Michael and we used it for Dorian. Now we want to get into a multi-year because we want to use them all the time.

Marc Dunbar: Got it. Thanks a lot.

Chair Rivard: Governor Henderson?

Reynolds Henderson: No question. Thank you.

Chair Rivard: Governor Holton?

James Holton: No questions. Thank you.

Chair Rivard: Governor Lopez-Cantera?

Carlos Lopez-Cantera: No questions. Thank you.

Chair Rivard: Governor Wortman?

John Wortman: No questions. I just think there is an extra two in the dollar amount under A.

Jennifer Montero: You're correct. It is corrected on the revised document. Thank you for that.

Marc Dunbar made the motion for the Board to approve a Tropical Cyclone Forecasting Services contract with CFAN Holdings LLC for an initial term of three years with three one-year renewals, in the total amount of \$269,000, as set forth in this Action Item and to authorize staff to take any appropriate or necessary action consistent with this Action Item. John Wortman seconded the motion. All were in favor. Motion carries.

3. Chief Human Resources Report

a. Action Item: Retirement Plan Financial Advisor

Violet Bloom: This action item seeks to secure Board approval to enter into a contract with a retirement plan financial advisor. The primary vendor recommended is SageView Advisory Group, LLC and the contingent vendor is AndCo Consulting, LLC. This action item was discussed and reviewed at the March Board meeting. The Board asked that we consider funding the cost from Citizens operating budget rather than plan participant accounts. In response to the Board's request, the Retirement Committee reviewed recent survey findings for the insurance reinsurance industry. The survey findings indicate the current trend is moving toward employers with similar size plans covering the costs rather than charging plan participants. In addition to the survey, the Retirement Committee took into consideration that the State of Florida covers the expense. The survey details are in the exhibit included with the action item. Based on this additional information and the Board's request, the Citizens Retirement Plan Committee recommends that Citizens pays the full amount of Retirement Plan Financial Advisor fees from the operating funds rather than from fees charged to plan participant accounts. This would change previous practice and result in an unbudgeted charge to the 2020 operating budget. Funding for subsequent years will be budgeted in the appropriate year. The contract amount and the remaining charges in the action item were reviewed in the March Board meeting. Would you like for me to continue and review them again or go straight to the recommendation?

Chair Rivard: I'm fine with you going to straight the recommendation. Let's go through questions. Governor Brown?

Bette Brown: No, sir.

Chair Rivard: Governor Capps?

Blake Capps: When I think of a financial advisor, I think of someone who is an advocate for my interests. I'm thinking of the history of how this traditionally was paid by the employees rather than by the company. I don't have a problem with the money. I don't think it is a large sum. Violet, do you see any conflict here where someone else is paying the bill and someone else is getting the benefits of the advocacy? If I were going to have anyone stand up for my interests, I would prefer to pay for them myself so that they are listening to me rather than to someone else. Can you explain why this was always paid by the employees in the past and what the philosophy of that was?

Violet Bloom: That's a good point. I think in the past it was common for it to be charged by planned participants, not only for Citizens but other organizations. But what we saw in this recent survey is that 57% of employers are covering the costs. The trend is moving toward employers covering the cost. To your point, it is a nominal fee and the service they provide, which is described in detail in the purpose in scope of the action item, is to advise the Retirement Committee to ensure that we are considering everything we should be in overseeing the plan, reviewing the investment options. So it is really providing a non-biased, third-party investment expert who advises the committee and ensures that the plans are in compliance with legislation. I do not see a conflict.

Blake Capps: Thank you.

Chair Rivard: Governor Dunbar?

Marc Dunbar: Thank you for looking back at this. I know this isn't a typical meeting, so we don't have minutes because we don't usually do these kinds of items. I appreciate you going back and looking at the issue I raised. I know that Governor Brown jumped in as well. I do wish I had the minutes. I do have a little bit of an issue though that I hope moving forward is not replicated. I specifically asked a question during the meeting about the fees because I knew the trend was going to employers paying for the fees and that was my advocacy. Violet, you told me that this was not the case. But, we asked for the study. You got the data and came back and corrected it. I appreciate you doing that. But I would ask in the future, because we rely on our staff to tell us factual information, and I think the minutes will reflect that the information was not correct. In the future, let's not speculate. Let's make sure we get the information, right? I knew that. Governor Brown knew that. And, I think we are doing right by our employees and not having them pay for these services. Thank you for that. I whole-heartedly support this agenda item.

Chair Rivard: Governor Henderson?

Reynolds Henderson: No questions. Thank you.

Chair Rivard: Governor Holton?

James Holton: No questions. Thanks.

Chair Rivard: Governor Lopez-Cantera?

Carlos Lopez-Cantera: No questions. Thank you.

Chair Rivard: Governor Wortman?

John Wortman: No questions.

Bette Brown made the motion to approve a contract with SageView Advisory Group, LLC as the primary vendor for Retirement Plan Financial Advisor services, for an initial term of five years and an optional renewal term of two years, in an amount not to exceed \$470,000, as set forth in this Action Item; approve a contingent contract with AndCo Consulting, LLC, with the same duration and amounts as the primary vendor contract, to be activated only if the primary vendor is unwilling or unable to perform, as described more fully in this Action Item; and authorize the Citizens Retirement Plan Committee and staff to take any appropriate or necessary action consistent with this Action Item. Marc Dunbar seconded the motion. All were in favor. Motion carries.

Chair Rivard: Barbara, do we have a set time for this meeting or do we keep rolling?

Barbara Walker: We can keep rolling. I noticed the time to convene but did not notice an end time.

4. Proposed Senior Manager Vice President, Customer Experience

Chair Rivard: I'm excited about this item. I think that when I was first put on this Board by CFO Patronis, one of the things we first talked about was making sure that Citizens has an emphasis and focus on the consumer experience. Understanding the backdrop for that is that we had just gone through Hurricane Michael. That was a very real event to go through and to see where the rubber meets the road is with consumers and the customers. That was one of the things we discussed prior to me coming on the Board. I know that the CFO and Governor Dunbar had the same conversations about that. I'm giving you some of this for background. Several months back, Governor Dunbar reached out to Barry about this issue about the possibility of elevating to create a position like this at the executive level. All that has been in the background and there had been discussions between Governor Dunbar and Barry and Barry and me. It is a good thing to focus on a customer experience. It is required under the Florida statute. I wanted to address upfront why we're dealing with this today. The purpose of this meeting originally was to allow us to give guidance to Jennifer and team on the reinsurance issue. With Steve Bitar recently resigning and creating that vacancy, the timing seemed to be doable from my perspective with the recommendation that Barry came up with . . . with Steve leaving, creating a vacancy, using that as an opportunity to add this new position if it's the will of the Board and to realign some of the responsibilities that had formerly been under Steve. I know you all had individual conversations with Barry leading up to this. I wanted to provide some of that backdrop with how we got here and why we're dealing with this today. When Barry first reached out to me about the proposal, there were still some weeks before this meeting. I felt like it made sense to push that information out that all the Board members to let those conversations to start happening to see if we can get comfortable at this meeting moving forward prior to the beginning of hurricane season. With Steve leaving, it's created some gaps there. Without more from me, I wanted to ask Barry to

present this item and give his perspective on this. I thought it would make sense that we do this in pieces. Sequentially, everyone has been informed prior to the meeting what we're looking at here. The first issue is if the Board wants to create a new position. If the position is going to be created, it'll require Board action. If we do choose to do that, then, making sure we understand the consequences of that if some of those responsibilities and where they shift to. Finally, how we want to fill the newly created position. Barry has his recommendation on that with Jeremy Pope. Jeremy has made himself available to all of us prior to today. I know I've spoken with Jeremy over the phone. I'm aware that he's available to any of the governors whoever chose to do so.

Barry Gilway: I would like to start out thanking all the Board members spending so much time with Violet Bloom and myself on individual calls so that we can surface and respond to any questions that you had regarding this new position Senior Manager Vice President of Customer Experience and the realignment opportunities this provides us in other areas of the organization to create an even more efficient and aligned organization. As indicated in the agenda, our discussion begins today with the proposal of a new position: VP Customer Experience – the logic for creating it. I'll then discuss the organizational implications and benefits of reassigning some of these responsibilities. Then, I'll present my recommendation of Jeremy in that role. The proposed senior management position requires Board approval. Due to the current success of this area of the business, its current structures stay primarily intact. The management of Citizens' call center, voice of the customer surveys, and management of our hurricane response center deployment is already aligned Senior Director Consumer and Policy Services. There will be one basic, but very effective, change to incorporate a small but very exceptional group of employees managed by Mary Mobley who currently resides within Christine Ashburn's organization. This organization adds the capability relative to written consumer complaints. The principle justification for this proposal is not to make a major change as it works so well today but to consolidate all the potential sources of consumer input. Combining these units will provide more refined intelligence on customer experience. Integrating the Senior Manager's position as part of the Executive Leadership Team (ELT) establishes more visibility to our customers. I wholeheartedly support the recommendation that both the Chairman and Marc Dunbar has made because I think this really creates major visibility in a critical area as we move forward. As we move forward into a more technologically advanced organization, this will provide better communication directly aligned with the organization and between teams. There will be more of a direct link between what the consumers are all facing and any actions required to respond to them effectively. In your Board document, you have a copy of a letter from the OIR, stating that they reviewed the recommendation and confirmed that this structure complies with Citizens' enabling statute 627.351(6)(k)2 that requires that a new Senior Manager position be engaged by the Board: "The corporation shall establish a unit or division responsible for receiving and responding to customer complaints, which unit or division is solely the responsibility of a senior manager of the Corporation." The Attorney General's Office provided written verification that they defer to OIR on these matters. At this point, I'll pause for questions on the first section.

Chair Rivard: We are not getting into questions pertaining to Jeremy specifically right now. We're dealing with creation of the role. Governor Brown?

Bette Brown: As the consumer rep for the Board, I can't say how happy I am that we're actually going to designate this position. I think it is a testament to how we treat our clients and continue to be available and respond. I think it is a good idea to do. It is unfortunate about Steve but it does open up an opportunity to focus more on the customer and have a representative to focus more on the customer. I appreciate that and I think it is a great idea.

Chair Rivard: Governor Capps?

Blake Capps: This position that we are going to call "Senior Manager Vice President, Customer Experience," are there private companies that have a position like this on their senior executive team?

Barry Gilway: In my 50 years in the business, I really do not believe I can identify a specific position that focuses entirely on the customer experience in the way that we have structured this. I think this puts us on the leading edge in terms of creating an intense focus on customer experience itself and the alignment of the needs and requirements of the customer and the ability to link those requirements to the departments and divisions that are responsible for responding to any of those complaints. I would say that this is not a "typical" part of an organization but I would also say that it probably puts us in a far better position and would allow us to do a better job to responding to any issues that are raised in any area regarding the customer and customer requirements.

Blake Capps: Right. I guess the private companies don't have this statute as well. That's how Citizens is different – being a government-run enterprise. It sounds like we need to be different in the marketplace than the private companies.

Barry Gilway: I would agree, sir.

Chair Rivard: Governor Dunbar?

Marc Dunbar: Thanks Barry for presenting it, this is the CFO's priority – to have folks who are consumer focused. For me, as many of you are already used to, I pour over our statutes and our Plan of Operations and our various policies and things to make sure that we are as compliant as possible and accountable. I appreciate the organization's willingness to take this on and to do what I believe is compliant with statute and what the CFO believes is compliant with statute. More importantly, from a consumer's standpoint, we have storm season coming and to know that there is a dedicated position that reports directly to the Board of Governors to deal with their complaints in the hope of continuing to provide top flight service to our consumers. It is certainly a priority of mine and of the CFO's. I appreciate it.

Chair Rivard: Governor Henderson?

Reynolds Henderson: I have no questions. I love this position and I think it is great idea. I'm very supportive of it.

Chair Rivard: Governor Holton?

James Holton: No questions. I like to echo that past comment. I'm very supportive of this. I think it is especially important against the backdrop of the national crisis we're in now where insurance companies are pitted against consumers. I think Citizens in our space leads the nation in sharing that we are there for the consumer. I wholeheartedly support this motion.

Chair Rivard: Governor Lopez-Cantera?

Carlos Lopez-Cantera: Procedurally, this item we're taking up right now – is it only to create the Senior VP position or is it also to do the other executive changes of the executive team – the creation of the COO position and the other changes we were sent earlier in the month in that org chart?

Chair Rivard: Where we are right now, in my mind, as far as procedurally, we are only talking about the issue of creating this new position – not who would fill it and not what happens with the other responsibilities that are proposed to be shifted. I'm trying to bite this thing off in smaller pieces. There isn't a motion on the table. We are just going through questions and comments as to this position.

Carlos Lopez-Cantera: So, we are strictly on the creation of this statutorily required position and nothing else?

Chair Rivard: Correct.

Carlos Lopez-Cantera: Okay. Then I do have a couple of questions. First of all I see the letter from the OIR that this item would bring us into compliance with the statute. Does that mean we were not in compliance with statute before today's meeting?

Barry Gilway: We chose to get the OIR formal letter regarding the compliance with statute relative to the proposed structure. We have not asked for a specific written authorization from OIR and finding as to whether we were in compliance with statute previously. Given that the organizational structure is fundamentally the same as when the structure resided under Christine Ashburn as the senior manager, then we have verbal discussion with OIR that the prior organizational structure would have been in compliance with statute. We do not have that formalized in a letter from the OIR or the AGs Office. As you and I have discussed in a meeting, I thought that was something of a moot point given that we are proposing this new position and that the new position is in compliance.

Chair Rivard: For clarification, the letter doesn't say that it brings us into compliance. It concurs that the described position and responsibilities meet the requirements of Section 627.351. It doesn't give an opinion one way or the other of the status quo but I want to clarify that.

Carlos Lopez-Cantera: The only reason why I ask is that there is oversight with this Board and this organization via the legislature and the executive branch. I did not know if this would lead to questions later on whether or not Citizens had been operating outside of statute or not within statute and could that lead to other questions. Are we compliant with every other portion of the

statute? I have another question. How did we arrive at the proposed salary? First, what is the proposed salary of this position?

Barry Gilway: We have not, in the past, discussed openly compensation levels of employees in public meetings. The compensation for each of these executive leadership positions is created from a range utilizing three independent organizations to establish an overall salary range for that position. Within that range, a recommendation is made by myself and Violet Bloom, and per statute, the Chair. The Chair has the authority, and in fact the requirement to review every compensation change for every senior manager and approve that change before we move forward.

Carlos Lopez-Cantera: What is the proposed salary of this position? It is a public record, is it not?

Barry Gilway: Given that we have not approved this position and we have a candidate for this position, I would be more than happy to have Violet give you the salary. However, we have not even had an opportunity, yet, to discuss any compensation changes with any incumbent in this position. I'll defer to you.

Carlos Lopez-Cantera: I'd like it on the record. What is the proposed salary for this position?

Barry Gilway: Violet, do you have the proposed salary for this position?

Violet Bloom: I do and I have the market information if you'd like that. The proposed salary is \$232,162.

Carlos Lopez-Cantera: And, when you say you have the market information, what are you referring to?

Violet Bloom: The information from National Salary Surveys that we use for market comparison purposes – the base salary is \$235,400. The total compensation base plus bonus from a market perspective is \$305,000.

Carlos Lopez-Cantera: Didn't Governor Capps ask earlier whether there were any similar positions in other insurance companies, and didn't you say, Barry, that this is atypical probably because we are a government-run insurance company? It is defined in statute that this isn't typical. Earlier you said that this position did not exist, so how do we compare it against the private market to determine the salary?

Barry Gilway: There is no position within Citizens that can be compared directly to any position in the marketplace. We are truly are a unique company. We have positions like this one that really contain multiple responsibilities. When we take a look at this position as an example, there is a call center capability here because he manages a complete call center. There is a first notice of loss (FNOL) capability that is managed by this position. There is a voice of the customer and survey information that is managed. There is a catastrophe response component that is managed. Those responsibilities do not exist anywhere to the best of my knowledge in the industry on a combined basis. When Violet and the HR team do a comparison, they will take the varying

responsibilities and evaluate what that combination of responsibilities would look like a comparative basis using the comparative techniques available to them. There is no direct comparison for this position or any other position. But we can tell you that on an overall basis that the compensation level that we pay for Citizens executives Grade 14 and above is significantly lower in terms of total compensation of any relative position in the industry.

Violet Bloom: When we compare the survey jobs, we compare as best as we possibly can. While other insurance organizations have a VP of Customer Experience or Customer Service, they are not unique like the Citizens job so we make the best comparison possible for these purposes.

Marc Dunbar: May I make a couple of comments since I am the one that birthed this thing. One, I'm assuming that when we go out to interview people, we have ranges. We are not deciding we're paying this position \$232,000. So, I'm asking for validation that all of these positions come with ranges. Second, because of the issue as it relates to uniqueness because of statute using the phrase "solely" or "only" dedicated to this, that is what lead to me being concerned knowing that Christine did a lot of other functions. I think the idea is to have someone solely dedicated to consumer folks. We go out and find the best candidate and set a range on it. I hope we don't get bogged down on a number that's coming from the closest comparable position, recognizing that it is a unique position that other insurance companies do not have. Probably, it is a position that doesn't take on the scope that Christine is currently taking on in her position where she's managing legislative affairs as well as this unit. So I hope that while this number out there is on the record as being what the average was of VP of Customer Experience for another private insurance company that it doesn't marry the Board or Violet or Barry to interviewing candidates with a range that could be somewhere between – that's the midpoint, arguably. I hope for clarification that it certainly was not my intention and advocating for this item to create a relatively small unit within the organization a significant paid position.

Barry Gilway: The position as described does incorporate multiple functions. The commonalities, whether they be FNOL (First Notice of Loss processing), Voice of the Customer, CRC implementation – all of them have one common element and the commonality is that they are a source for customer complaints and input. It is an extensive organization. The total number of employees is in the 100 range. This position also requires the management of a substantial outsource capability in the event of a hurricane. That 100-employees can jump to 300 to 400 employees that are managed by this position using outside vendors to provide the support. As we had to in Hurricane Irma.

Marc Dunbar: May I have a follow up question?

Chair Rivard: Yes. After this question, I'd like to, if we can, get to the responsibilities that would shift under this proposal. I am trying to keep these things separate. I think in order for us to make an informed decision on whether we want to create this position then we need to hear from Barry on what that means for the other responsibilities and where those would go.

Marc Dunbar: Barry, I know we have had extensive back-and-forth about this. Maybe I'm misunderstanding our prior conversations on this issue. I was told that Christine was managing a relatively small unit dealing with consumer complaints, and as a result, there wasn't need for a

dedicated position over it. Now, this position is now morphing into a significantly larger position. What I thought we talked about – and I’m trying to read in between the conversations we’ve had about the overall reorganization – what you just said isn’t consistent with what we talked prior. Maybe I misunderstood. I don’t want the statute to get lost in the overall reorg. The statute says, “The corporation shall establish a unit or division responsible for receiving and responding to consumer complaints, which unit or division is solely the responsibility of a senior manager of the Corporation.” Making sure that we are staying tight with the position, I wholeheartedly advocate for it. I just don’t want us to lose this consumer-facing position because of the reorg.

Barry Gilway: That is exactly why we did approach the OIR and the AGs Office to determine whether this proposed organization structure – even including broadening this structure to include the FNOL, etc. – complies with statute. We did receive a formal letter from the OIR that indicates the position as proposed does comply with the Citizens enabling statute. We have a letter from the AGs Office who also orders this area through compliance that also defers in writing the decision as to compliance with statute from the AGs Office to the OIR. I do understand your concern. Frankly, I think while this expands the overall role from simply a unit that handles written consumer complaints, this now incorporates any complaints from any source relative to the consumer across the organization. While it is broader, it is compliant with statute. Frankly, I think it is totally consistent with the CFO’s requirement. In fact, I think if you limit the role to simply written consumer complaints, I don’t believe you’re going to get as broad a picture of the complaints you’re getting from the Claims organization, or raised through the Voice of the Customer survey data, all of those are solid sources for customer complaints, and the integration of all of these sources.....

Marc Dunbar: There is nothing in these documents provided in our exchanges that told me that FNOL was going to be under this position. I understand this logic and I’m following you. This is just all new information that I’m just getting now. This is an important position to be created and (inaudible).

Barry Gilway: Governor Dunbar, just one comment. We do specifically state within the document that you were provided in your Board book under the Executive Summary, we do list the areas that were being proposed, specifically under this position.

Marc Dunbar: Where?

Barry Gilway: If you go to the Executive Summary (inaudible)

Marc Dunbar: . . . okay, I’m looking at it.

Barry Gilway: “In addition, consolidating the sources of consumer input, the proposed Customer Experience Division would have more refined intelligence on the Customer Experience than only addressing written consumer complaints. The call center and Voice of the Customer surveys are key sources of consumer intelligence, but do not all meet the current definition of written consumer complaints under Citizens’ corporate policies.” We basically outline in there that there are broader areas that are integrated.

Marc Dunbar: Barry, let's agree that FNOL is not in this document. I hear what you are saying, but it is not in this document. That's why I was surprised when you said that whole unit is coming underneath. I didn't know that, and I want to make sure that is clear.

Barry Gilway: I was incorporating that under the definition of "Call Center."

Chair Rivard: I'd like to move forward if we can. It might be helpful in the context overall of the reorganization that is being proposed. We have now heard what this position is proposed to include. I think it would be good for Barry to explain what it will not include and those functions that were under Steve Bitar and what the proposal is to deal with those. I would like to do that if the Board is okay with that, so Barry?

Carlos Lopez-Cantera: I never got to finish my question.

Chair Rivard: We will come back to it. I think the context might be helpful if we can hear about what the other responsibilities – where they are going to go. If you don't mind, I'll come back to you for any other questions you have.

Barry Gilway: In order to create a unit dedicated to the consumer experience, the responsibilities previously reporting to the Chief - Underwriting and Agency Services, Steve Bitar, that are not directly consumer related, will be transferred to Kelly Booten, Chief of Systems and Operations. This is not a new senior manager position or a new role but a realignment of responsibilities with a more complex scope under the definition of Chief Operating Officer. Kelly's organization is already responsible for bringing together the overall strategy of the organization and for transitioning that strategy into the operating plan and programs that can be supported by technology advancements. The transition to a highly automated environment and our self-service model requires the flawless integration between information technology, underwriting, claims, and agency management. This reassignment in Kelly's role allows for a more effective integration under one executive. Kelly's technology background and broad understanding of virtually every aspect of this business will well serve the corporation and all policyholders. Kelly will retain leadership oversight for her current responsibilities as Chief of Systems and Operations, with one exception. The Facilities Management and Real Estate function will report to the Chief of Human Resources, Violet Bloom, bringing all employee related functions under one executive. COVID-19 has clearly forced change in both the remote work opportunities and what we will be providing to employees. It will require major physical changes in the physical environment to maintain social distancing. All of these are employee related. This is obviously the right time to make this realignment, and we are establishing that balance between remote work options and providing employees a safe physical location for returning to work. The new executive structure accomplishes the following:

- Creates a Senior Management position reporting to the CEO that is focused on customer needs and results in the continuation of service levels that customers and claimants have come to expect from Citizens and creates far better alignment and integration of technology into the Underwriting and Agency Management process
- Creates additional efficiencies, salary savings, and capitalizes on the strength and talent of our current senior leadership. The salary savings for these moves would about to \$277,129.

- Supports business continuity and provides for a more seamless transition as we manage through COVID-19 and into the 2020 Hurricane Season (three weeks away).

Chair Rivard: Governor Brown, do you have questions or comments as to that part of the presentation?

Bette Brown: I understand the Board's role in approving a position. I'm very much a proponent of letting the management that runs the day-to-day operations of a company, especially one this size and this complicated. I give them a lot of space to make the right decisions because they are there every day and they know the people they are working with and they know the job that needs to be done. Although I have talked to Barry in detail about all of this and questioned a few things – it is very important to make sure that we don't write the rules. We need to stamp and approve. It is important to ask the questions, but when you're not there every day to micromanage those decisions . . . so I caution us to trust to some degree the senior people to run this company every day to do it the right way. They have been doing it the right way and been doing a great job. I lay that out there.

Chair Rivard: Governor Capps?

Blake Capps: The OIR letter that we got – could you comment a little bit on why we felt the need to consult them on the matter?

Barry Gilway: The process that we use is initially, as Governor Dunbar indicated, in his estimation and his interpretation that the current organization structure that we had in place relative to statute was not in compliance. In discussions with both Governor Dunbar and other Board members, it was proposed that as we move forward then we reach out to the OIR to make sure, given the fact that they have been auditing this statute for the last fourteen years. Then, it was suggested that we reach out and confirm in writing that this new organization would comply with statute. Frankly, I think that is an excellent idea given the issue that was raised that there is a potential the current organization was not in compliance. We reached out not only to the OIR at the specific recommendation of Governor Lopez-Cantera and we reached out to the AG's Office to get written confirmation that if they had a different opinion, then we'd like to hear it. They provided us with written confirmation that in matters such as these they defer it to OIR. It is a matter of making absolutely sure as we move forward that we have no issues relative to compliance with statute.

Blake Capps: Very good. Thank you.

Chair Rivard: Governor Dunbar?

Marc Dunbar: I'm good. Thanks.

Chair Rivard: Governor Henderson?

Reynolds Henderson: I'm good. Thanks.

Chair Rivard: Governor Holton?

James Holton: No questions. Thanks.

Chair Rivard: Governor Lopez-Cantera? Feel free to ask the question you wanted to ask earlier.

Carlos Lopez Cantera: I want to preface all the questions with the following statement: I'm not asking any of these questions because of any doubts I have of any of the individuals who currently work at Citizens. I am asking these questions because of the oversight role that I believe we have and fiduciary responsibilities not only to our appointing officers but also to the citizens of the state of Florida who we are ultimately accountable to. The question I want to ask earlier when we were talking about the comparison of this job as it relates to compensation – have we looked at any customer service type positions within the state government because we are more of a state agency than we are a private insurance company? Are there any similar positions within the state government, and if so, and I know there are, what are the salary comparisons as to what we're proposing versus those similar positions within the state government?

Barry Gilway: I'm going to make an initial comment and then turn it over to Violet Bloom. In the Florida marketplace, there is not a significant amount of talent. When we compete in the marketplace for talent, we compete directly with the Florida domestic market. That is true for underwriting positions, call center positions, and claims and claims management positions. When we do comparisons, we focus primarily on the private marketplace. The issue of course is what we are seeing. When you have a Steve Bitar who had reached the highest level he could reach within the Citizens organization, the move is to move outside of the organization for substantially higher compensation opportunities. My answer would be that we don't compete with state government. We compete directly with the private insurance industry marketplace. That's the basis for our comparisons. With that, I'll turn it over to Violet for additional comments.

Carlos Lopez Cantera: I need to take a little exception with one of the things you said. As the former Lt. Governor of this state, elected statewide with Governor Scott, I can tell you without hesitation having travelled every corner of this state that there is a lot of talent in Florida. To say on the record that there is not a lot of talent in Florida, I take exception to that because we do have a lot of talent with Florida.

Chair Rivard: I think, if it was unartfully said, the point Barry is trying to make is that the talent that is out there is competitive with other insurance companies. Listen, we are a unique creature in that we are government but also an insurance company. I think if you take the overall comments made by Barry, I completely agree with what he said. We are not competing with state agencies for a lot of these jobs. Not that there isn't a lot of talent at other state agencies. Before I voluntarily served on this Board, I served on another agency Board. I have never been elected like you have, Governor Lopez-Cantera, but we are familiar with the other agencies. There are certainly a lot of really good, talented people out there. I don't want to speak for the CEO but I know him. That is not what he intended. What he intended to say, and I think what he did say, is that the reality of the situation is that for the senior executives we deal with at this company, they are constantly being approached by other insurance companies. We have no way of competing with them on total compensation packages as we have discussed at prior meetings.

So, what we have to do is be as competitive as we can within the construct that we are also government. There are limitations on that and there are certain things we cannot do in terms of incentive packages. I would like to see if we can ratchet things down a notch. I don't think anyone is trying to insult the talent pool of Florida. All of your questions about the proposed salaries are being answered. I just think that we need to try to be respectful of each other in the way we are saying things and asking questions, in my opinion. But, please proceed.

Barry Gilway: My position simply was the competition for insurance talent in Florida is highly competitive. Governor Lopez Cantera, there was no inference meant at all relative to the lack of talent in the Florida marketplace. If you take a look at Citizens population alone, in all of my years in this business, I have never seen a more dedicated management team and employee group – not in 50 years working in this industry. They are all citizens of Florida and highly talented individuals who work their buns off. There is no criticism of the talent that is available. I will tell you that we have the most committed, talented individuals working on behalf of Floridians. No offense meant. I am well aware of the talent out there. It is just very competitive.

Carlos Lopez Cantera: Understood. We will just chock that up to miscommunication. I do have other questions as it relates to the new position and to the other job changes described in the org chart. Was there any process or intention to advertise and give opportunity to current employees of Citizens or any member of the public who would want to submit a resume to be considered for this new position and potentially any other position that is being created today?

Barry Gilway: My response to that is we have a group of highly talented individuals within the overall Citizens organization. One of the benefits that we do provide is that we have probably the most highly sought-after leadership and development programs that could be offered to employees. That is why we have a voluntary turnover of 8.5% compared to an industry turnover rate of 12.5%. We have a tremendous leadership development program. In this situation, while we have the option of posting the position, we have current talented and uniquely experienced individuals that qualify perfectly for the roles that we are defining. We did not believe it was necessary or appropriate at this point to try to reach out for interest and post a job where we have internal talent that is already operating at an extraordinary level. We always have the option of posting the position. In this case, we did not post the position because I know we have the perfect candidate to fulfill these roles. It is a very unique role with very broad responsibilities. I'm not sure the industry has anyone available to fit the combination of skills and talent required to pull this one off.

Carlos Lopez Cantera: So that is a "no." No one within the organization has been given an opportunity to apply and nobody outside the organization will be given an opportunity to apply? Just yes or no?

Barry Gilway: You are correct.

Carlos Lopez Cantera: Barry, you mentioned that in the org chart that we were sent earlier in the month that there were several job changes described in the organization chart. Yet, the Board document today only reflects the Senior Vice President. But there are other changes that you eluded to those other responsibilities, specifically the creation of a COO position and some other

changes and responsibilities. How many overall job changes are occurring if we approve this item today?

Barry Gilway: I believe there are five or six different job changes that would operate at lower levels. I think we provided those charts earlier on in our individual discussions with you. But, again, any combination of these – the totality of all these changes result in excess of \$270,000 of salary savings.

Carlos Lopez Cantera: Now that you bring up salary savings, can you do the math on that?

Violet Bloom: I can. So, if you start with Steve Bitars salary and subtract the increases for the seven individuals who will receive an increase, the salary savings is \$214,829. Because this is a reduction of one FTE, there is also a tax and benefits savings which brings the total to over \$270,000 in savings.

Carlos Lopez Cantera: You mentioned increases in salary. Are all seven changes going to receive a salary increase?

Violet Bloom: That is correct.

Carlos Lopez Cantera: And, you are proposing Jeremy Pope as the Senior VP. What's his current salary?

Barry Gilway: Jeremy Pope would receive an increase of 15% over his current salary. My apologies, Jeremy, for not talking to you personally about this.

Carlos Lopez Cantera: And, how much of an increase for the COO position?

Barry Gilway: 18%.

Carlos Lopez Cantera: And, that would equate to what? Around \$66,000?

Violet Bloom: Let me do the math real quick.

Chair Rivard: Governor Lopez-Cantera, I have a question of you. Have you been provided this information prior to today or have you asked for it?

Carlos Lopez Cantera: Yes.

Chair Rivard: So, you have all this information?

Carlos Lopez-Cantera: Yes. And with your indulgence, Mr. Chair, I'll be happy to read it on the record so it is on the record. I don't know if it was shared with any of the other Board members, but I believe it is relevant.

Chair Rivard: We don't need for you to go through asking questions and you already have answers to them. If there is something you would like to get on the record, I welcome that.

Violet Bloom: Excuse me for interrupting and I mean it with due respect. I would like the Board to be aware if they are not that none of these changes or salary increases have been shared with the employees. So, they are hearing it in a Board setting. Very respectfully, but I want to make sure the Board is aware of that.

Chair Rivard: I appreciate those comments, and this is not how I would choose to do things. But we are all appointed to this Board and the information is being asked or is about to be presented. These are all public records, unless there is some reason it shouldn't be put on the record. That is the preference of Governor Lopez-Cantera. I am not aware of anything that would stop that from happening.

Violet Bloom: I understand. Thank you.

Carlos Lopez Cantera: It is not my intention to create an awkward situation. But we are a public entity and at the end of the day we are backed up by public dollars – taxpayer's dollars. We are a government organization. These salaries – these raises were not described anywhere in any of the documentation that was provided to the public. The public has the right to know that Citizens Insurance is going to be giving raises for one position in the amount of \$66,000, another position in the amount of \$28,000, another position in the amount of \$30,000, and another position in the amount of \$20,000, and a couple more. The only reason I brought this up – and I brought this up with Barry because I thought there needed to be more transparency considering that we're in a worldwide pandemic right now – our appointing officers are dealing with very, very difficult decisions right now. They're trying to deal with these large budgetary matters. They're trying to figure out if they'll be able to salvage the teacher salary increases, state employee salary increases, and we're about to pass an item that gives salary increases without any discussion or sharing of that information with the public. Not only that, we are not giving an opportunity to the world to apply and show that there is interest. There is a lot of job insecurity right now. 1.6 million people filed for unemployment in Florida. 660,000 people are receiving unemployment benefits right now. I just believe that it is our responsibility on behalf of our appointing officers who are making these difficult decisions – that these decisions today will have consequences – whether intended or unintended. I think it sends the wrong message to not have a competitive process for any of these positions, to not advertise it. Frankly, I would think that as a Board we would give some thought to – is there no person in the entire world – forget the state of Florida – in the entire world that has talent that may be interested in serving at Citizens? There is no opportunity for the public or any other professionals to make a case on bringing a different perspective or giving some new ideas to this organization? That it is all being done within? The salary increases are being proposed at the wrong time and sends the wrong message.

Chair Rivard: Thank you for your comments. I would like to make a few comments in that regard. I think that to characterize this as "just giving raises to people" might also – transparency is a good thing. We are a public Board. Neither I nor anyone is trying to hide anything with this. However, I would not characterize this as "handing out raises" to people for doing their job and continuing to do the job they are doing. In every case, there is additional responsibility that is being proposed

for these people. There would be increases for the increased work they would be tasked with and responsible for. So, I look at it, as far as our appointing officers and members of the state government paying attention to what we do, as an opportunity where we lost a senior person in Steve Bitar and we've taken this opportunity to do some reorganizing and achieve some efficiencies with the talented people we already have. Yes, some of those individuals will receive more money if this goes through than they did last year for doing more work and being more responsible for issues than they were responsible for in the past. And, to the organization and public dollars, we will achieve a net savings of \$270,000. Every one of us is appointed to this Board and we need to do the job in the way that we think is appropriate and see fit. There is nothing to hide here at all from my perspective. We may just have a different point of view on whether we are doing the right thing or the wrong thing if this moves forward. That's fair. But, I view this as we're achieving some efficiencies. We are using the talent that is already on the team that has been identified by our CEO and his team who might be capable of doing more work. And, if they get paid for doing more work, at least for me, I'm okay with that, especially, at the end of the day, we achieve a net savings. We just past the two-hour mark and we certainly need to get through all the questions as much as possible. But I would like to try to be respectful of everyone's time as well. I forgot to ask Governor Wortman if he has any questions for the reorganization and realignment if this new position is created.

John Wortman: I think the spreading of the work the way Barry and staff presented it makes sense. The net savings – while there are increases to do more work – the net result is a savings of over a quarter million dollars. At this point, I have no other questions.

Chair Rivard: What I would like to do now is, if it pleases the Board, if there are motions to create the position. Not fill the position but create the position as outlined. I know that is different than what's in the packet, but it makes sense to do these in two steps. I welcome any motions to that affect if there are any.

Carlos Lopez Cantera: If the motion is simply to create the Senior Vice President Position and only to create that position as it relates to any reorganization, then you will have my motion to approve that item.

Chair Rivard: Let me backup. I appreciate that. In my mind, and Barry feel free to jump in here, the creation of the new position also means – I would like to have a motion to create the position as proposed by Barry including the realignment of those responsibilities as proposed. So, I guess I didn't say it well the first time. I think it would make sense to move forward to creating the position and realigning those responsibilities as proposed. Basically, we will be doing everything but filling the position with Jeremy at this point.

John Wortman made the motion to create the Senior Manager position as proposed in the Executive Summary and to include the realignment of those responsibilities as proposed also in the Executive Summary. Bette Brown seconded the motion.

Carlos Lopez Cantera: May I ask for a clarification?

Chair Rivard: Yes, sir.

Carlos Lopez Cantera: Would this include the salary increases as part of this motion?

Chair Rivard: The Board does not vote on salary increases. It would include as proposed by Barry the creation of the new position, the realignment of those responsibilities to the individuals you are aware of, and if that passes, then Barry would work with those individuals. I, as the chairman, would be the one to sign off on the salary increases. If they accept the job and the additional responsibilities, I would be the one under the way we operate to approve or not approve the salaries. Is Dan on the line? Did I articulate that correctly?

Dan Sumner: Yes, sir. There are two different things. First, with regard to senior managers, 7G of the Plan of Operations says that the Executive Director will establish the compensation for all senior managers directly reporting to the Executive Director with the written concurrence of the Chair. With regard to the salaries of the individuals who are being reorganized and who are not senior managers, you have to really look – there is not a direct commentary in the Plan that says the Executive Director will be responsible for the day-to-day operations.

Chair Rivard: In other words, that does not require consent of the Chair.

Dan Sumner: That it is correct.

Chair Rivard: So, that's what we're talking about with this motion. We would approve the new position, approve all the realignments, and then Barry would follow up with me on salary increases that would need my approval.

Carlos Lopez Cantera: One more point of clarification. Are we creating a Chief Operating Officer today with this motion?

Chair Rivard: From my understanding, we are not creating a new position but that Kelly is being given more responsibilities. Barry has proposed retitling that position because she is taking on the responsibilities that would traditionally fall under that role as COO. Barry, is that accurate?

Barry Gilway: That is exactly correct. We are not creating a new position. We are re-aligning responsibilities utilizing the talent we already have within the organization as efficiently as we possibly can.

Chair Rivard: With those points of clarification, Governor Wortman, does your motion still stand?

John Wortman: Yes.

Chair Rivard: Governor Brown, does your second still stand?

Bette Brown: Yes.

Bette Brown, Blake Capps, Marc Dunbar¹, James Holton, Reynolds Henderson, John Wortman, and Bo Rivard voted for the motion. Carlos Lopez-Cantera² voted against the motion. Motion carries.

Chair Rivard: Barry, will you go through your recommendation to fill the newly created position, please?

Barry Gilway: As I indicated previously, Jeremy Pope is an excellent executive who currently provides the leadership in the areas covered by this new role and performing exceptionally well in this area as the Senior Director Consumer and Policy Services. This change incorporates the functions of a small group – and an excellent one – that focuses on written consumer complaints and adds this team to his current responsibilities. He has served in consumer related customer centric leadership roles for most of his 14 years with Citizens. He has demonstrated his passion for customer service both in daily and CAT operations and was a driving force for the Voice of Customer initiative that provides direct customer feedback in both the claims and underwriting area. He is well positioned to be recommended for new Senior Manager position, Vice President Customer Experience. I would offer that that this role is perfectly matched to his background and his exceptional performance as an executive. Several of you know Jeremy well from his work on the Consumer Services Committee. Several of you have taken the opportunity to speak with him directly regarding this position. He is extremely well qualified and I was very pleased during the individual meetings we held with all of the Board members to get the high praise I received regarding Jeremy's performance. I'm recommending Jeremy Pope to fill the new position.

Chair Rivard: Governor Brown, any questions or comments?

Bette Brown: I have worked with Jeremy with the consumer issues before over the last four or five years. I think he is very articulate and would be a good candidate for this position.

Chair Rivard: Governor Capps?

Blake Capps: No questions.

Chair Rivard: Governor Dunbar?

Marc Dunbar: No questions but I will make a motion when it is appropriate.

¹ Marc Dunbar: I want to explain something before we move on. I would ask that when you move forward with this that you reconsider these salary increases. Everyone in my law firm has cut their salaries and it is happening across the board. I just don't know if this is the right time. I will defer to management and you and I hope we keep the context from a salary standpoint. But, wholeheartedly yes in creating the position.

² Carlos Lopez-Cantera: For clarification, this is for all the changes, right?

Chair Rivard: Yes.

Carlos Lopez-Cantera: And no ability for anyone to apply for any of these positions?

Chair Rivard: That's correct.

Carlos Lopez-Cantera: Under that, I just cannot support it.

Chair Rivard: Governor Henderson?

Reynolds Henderson: No comment.

Chair Rivard: Governor Holton?

James Holton: No questions.

Chair Rivard: Governor Lopez-Cantera?

Carlos Lopez-Cantera: No questions. I would like the opportunity to debate.

Chair Rivard: Governor Wortman?

John Wortman: No questions.

Marc Dunbar: May I make a motion Mr. Chair? Out of deference to the Lt. Governor and his comments. This has nothing to do with Jeremy personally. He may be the most qualified. I would move that we advertise the position to allow him to interview and to see what the marketplace has. Put that step in and with abundance of caution if someone is out there, they can at least be considered and compete for the job in hopes of trying to get a unanimous motion from this Board today.

Carlos Lopez-Cantera: I will second that motion and call the question.

Marc Dunbar made the motion to advertise for the Senior Manager position. Carlos Lopez-Cantera seconded the motion.

Chair Rivard: If a motion was made and a second and a call for question has been made, what is the process?

Dan Sumner: First of all, a vote on the call to question requires a two-thirds vote to stop debate.

Chair Rivard: You know what? Let's call the question. It would call two-thirds majority of the Board if there are others who would like to continue debate. It would call two-thirds of the majority to end the debate and call the question.

Dan Sumner: That is correct.

Chair Rivard: Are there other Board members who would like to continue the debate?

[no response]

Marc Dunbar³ and Carlos Lopez-Cantera voted for the motion. Bette Brown, Blake Capps, James Holton, Reynolds Henderson, John Wortman, and Bo Rivard voted against the motion. The motion does not carry.

Governor Dunbar: Hold on, let me make sure what we are voting on. Bo, you said are there other members that want to debate and nobody said anything. Are we voting on the motion or the call to question?

Chair Rivard: That is a good clarification. We are voting on the motion that you made and that Governor Lopez-Cantera seconded. I want to make sure everyone knows what we are voting on. We are voting on the motion to advertise the position that was made by Governor Dunbar and seconded by Governor Lopez-Cantera. Just to be clear, Barbara please start over.

Chair Rivard: Are there any other motions?

Bette Brown made the motion to approve the recommendation to make Jeremy Pope as the new senior manager in the position of Vice President Customer Experience with direct reporting relationship to the CEO/Executive Director. Blake Capps seconded the motion. Bette Brown, Blake Capps, James Holton, Reynolds Henderson⁴, John Wortman, and Bo Rivard voted for the motion. Marc Dunbar and Carlos Lopez-Cantera⁵ voted against for the motion. The motion carries.

Chair Rivard: Thank you for the work that went into this. With Steve leaving, we've taken the opportunity to do some things that will hopefully work well. I'm proud that we are achieving some efficiencies there. There are some net savings with these salaries. I appreciate the perspective of all the Board members and the desire to go and advertise certain positions is very reasonable. I think it is also reasonable as Governor Brown made some comments that we have a CEO who we entrust to run the company. It is reasonable to be deferential to his recommendations on items like this. There is not a right way or a wrong way in my opinion in doing it, so I welcome all the perspectives the Board members bring. That is what makes us a Board. I appreciate the time everyone spends volunteering for this Board and preparing for these meetings. The only other thing we have on the agenda is if there is any new business.

New Business

Meeting adjourned.

³ Governor Dunbar: Requested clarification.

⁴ Reynolds Henderson: I want to add that we are coming into hurricane season and I think we have a great team. I think strongly that upsetting the applecart is not the right time, so yes.

⁵ Carlos Lopez-Cantera: I had intended a debate. Nothing against Jeremy. I just think anyone who is going to be paid \$232,000 for a position that is being created should go to the marketplace and any organization should see what talent could potentially be out there. With that, I have to vote no.