

CITIZENS PROPERTY INSURANCE CORPORATION

**MINUTES OF THE
ACTUARIAL AND UNDERWRITING COMMITTEE MEETING
Thursday, June 18, 2020**

The Actuarial and Underwriting Committee (A&U) of Citizens Property Insurance Corporation (Citizens) convened telephonically on Thursday, June 18, 2020 at 1:00 om (EDT).

The following members of the A&U were present telephonically:

John Wortman
Reynolds Henderson
William Kastroll
Fred Strauss

The following Citizens staff members were present telephonically:

Barry Gilway
Jennifer Montero
Barbara Walker
Dan Sumner

Call Meeting to Order

Barbara Walker: Good afternoon and welcome to Citizens June 18th, 2020 Actuarial and Underwriting Committee meeting. This is noticed in the Florida Administrative Register to convene at 1:00 p.m. If you are not speaking on today's call, please press star 6 to mute your line and pound 6 to un-mute your line. We ask that you do not place this call on hold. Citizens' Board and committee meeting recordings and transcribed Minutes are available at our website. Thank you for identifying yourself prior to addressing our committee. Chairman, would you like for me to convene with roll call?

Chairman Wortman: That would be great.

Barbara Walker: Thank you. Chairman Wortman.

Chairman Wortman: Present.

Barbara Walker: Governor Henderson.

Governor Henderson: Present.

Barbara Walker: Governor Kastroll.

Governor Kastroll: Present.

Barbara Walker: Fred Strauss.

Mr. Strauss: Present.

Barbara Walker: Chairman, you have a full quorum.

1. Approval of Prior Meeting's Minutes

Chairman Wortman: Thank you. And all right, well again, we will call the meeting to order and the first item on the agenda is approval of the March 10th, 2020 meeting Minutes. **Are there any comments or suggestion on the Minutes or do I have a motion to approve?**

Mr. Strauss: **Motion to approve.**

Governor Henderson: **Okay, I second, Reynolds Henderson.**

Chairman Wortman: **We have a motion to approve and a second. Any discussion? Hearing none, all in favor signify by saying aye. (Chorus of ayes.) Opposed, nay. The Minutes are approved.**

The second item on the agenda is the Chief Financial Officer report and I will turn the floor over to Jennifer Montero. Jennifer.

2. Chief Financial Officer Report

a. Rate Comparison Services

Jennifer Montero: Thank you, Mr. Chairman. Behind tab two you will find an action item and an executive summary for rate comparison services. Citizens is requesting approval to enter into a contract with Milliman, Inc. for rate comparison services. These services are a web-based software solution that is used to evaluate and report on the competitiveness of Citizens' rates in Florida. The service performs this comparison by evaluating the rate for Citizens' policy data portfolio and comparing them to the rates of individual Florida property insurers. These services provide charts, maps and data output that are easy digestible. It allows for Citizens' corporate analytics team to easily decipher our rating position and professionally present our status.

Citizens initially purchased these services in 2018 when Citizens' Board of Governors requested a competitive rate comparison to be provided at the December meeting. Citizens began performing this rate comparison annually to understand Citizens place in the market. This requested contract was negotiated on best terms and conditions after issuing request for proposal number 20-0004 for rate comparison services on March 19th, 2020. Milliman, Inc. was the only vendor to submit a proposal under the RFP. Citizens' staff determined that negotiation on best terms and conditions with Milliman was in the best interest of Citizens and the state pursuant to Statute 287.057 of the Florida Statutes. It is not expected that resoliciting at this time would yield additional vendors willing to participate in a competitive solicitation. The contract includes an initial two-year term

and three one year renewal terms. The total amount of the contract is not to exceed \$135,000, including renewals. And Mr. Chairman, I will pause there to see if there are any questions before I read the final recommendation and the action item.

Chairman Wortman: Are there any questions from the committee members?

Governor Henderson: Yes, Chairman, this is Reynolds Henderson. So do we have any kind of graphic showing kind of this data over the past years that we have used this service?

Jennifer Montero: Yes, we have charts, maps, and data output from all of the rate comparison services.

Governor Henderson: Great. Okay. Could you just send me that after the call when you have a chance? ¹

Jennifer Montero: Sure, happy to.

Chairman Wortman: Any other questions, comments? Hearing none, is there a motion? Do I hear a motion?

Jennifer Montero: Mr. Chairman, I have to read the actual recommendation. I haven't done that yet.

Chairman Wortman: Okay, I am sorry, I am sorry, go ahead, Jennifer.

Jennifer Montero: No problem. **On the action item the recommendation is staff recommends that the Actuarial and Underwriting Committee A: approve and recommend that the Board of Governors approve a contract with Milliman, Inc. for an initial term of two years, with three one year renewals, for a total amount not to exceed \$135,000 as set forth in this action item. And B: authorize staff to take appropriate or necessary action consistent with this action item.**

Chairman Wortman: **Thank you. Do I hear a motion?**

Mr. Strauss: **Mr. Chairman, this is Fred Strauss. I will make the motion to approve the recommendation that Jennifer just read.**

Chairman Wortman: Thank you.

Governor Henderson: **I second.**

Chairman Wortman: **We have a motion and a second. Any discussion? Discussion? Hearing none, we will call the question. All in favor signify by saying aye.**

(Chorus of ayes.)

¹ Jennifer Montero supplied data output to Governor Henderson on 6/18/20

Chairman Wortman: **Opposed. (None) Motion carries**, thank you, Jennifer.

Jennifer Montero: Thank you, Mr. Chairman.

Chairman Wortman: Is there anything else you want to comment on your report?

Jennifer Montero: That completes my report, Mr. Chairman, thank you.

Chairman Wortman: Thank you, Jennifer. We will move to the third item on the agenda. That is the Customer Experience report by Jeremy Pope with one business issue there.

3. Vice President of Customer Experience Report

a. Business Process Outsourcing (BPO) – Inbound & Outbound Call center Services

Jeremy Pope: Thank you, Chairman Wortman, and good afternoon to you and the committee. For the record, my name is Jeremy Pope, Vice-President of Customer Experience. The materials I will be referencing are located in tab 3A. And the discussion I would like to bring forward today to this committee is related to our BPO Inbound and Outbound Call Center Services contracts. Citizens relies heavily on these essential outsource services for scalability, task stream response and overall business continuity needs. Before I get into the details on today's consent item, I will be seeking approval on, I would like to provide some background for the committee.

Back in 2017, Citizens issued an Invitation to Negotiate solicitation and awarded nine vendors across five different call types. Citizens executed contracts with seven of the nine awarded vendors where full terms and conditions were agreed upon by all parties. Primary intended award statuses were also assigned to set appropriate expectations for all vendors regarding active assigned work upon the immediate execution of the contracts. When we originally went to market with this solicitation back in 2017, Citizens' intent and strategy was to attract and award as many vendors as we could to ultimately have a greater amount of scalability and overall business continuity amongst our vendors. Historically such a model has preserved a strong performance driven landscape amongst vendors once they are on contract with Citizens. There are no minimums or maximum volume guarantees associated with any of the call center services contracts. Such services are essentially on demand. Citizens' invoice phone calls which are answered by fully trained customer service professionals. The total approved contract spend for the Inbound and Outbound Call Center Services was \$47,850,803 and that is amongst seven vendors should we utilize the services. The contract includes a five-year base term and also a one three-year renewal, in addition to a one two-year renewal at Citizens' discretion to execute.

For the purposes of our discussion the consent item being brought forth today requires some pricing adjustments only pertaining to two of the five call types, which would be our First Notice of Loss (FNOL) claim inquiry call types and also our Tier I call types. The panel of vendors awarded for these call types are listed in the Executive Summary as part of today's meeting materials. We have a total of five awarded vendors for the FNOL claim inquiry call type, and a total of four awarded vendors for the Tier I call type. To refresh this committee on previous activities surrounding pricing adjustments with the BPO Inbound and Outbound Call Center Services

contracts, back in February of this year Y&Y Holdings, also known as Agility Marketing, provided formal notification that a pricing adjustment would be needed due to wage and benefits compensation and also health care costs and compliance costs. Y&Y Holdings is an active primary awarded vendor supporting FNOL and claims inquiry calls in addition to being a primary awarded vendor for CAT response calls and also a contingent vendor supporting Tier I call types. Citizens presented a consent item which was approved during the March 4th Governors meeting requesting a temporary pricing adjustment through June 30th of this year. Per the March consent item, we committed to this committee and to the Board of Governors that Citizens would seek to identify more favorable pricing through an awarded contingent vendor voted to provide the essential call center services we must have to support stable customer experience for our policyholders.

Under the advisement of our legal team Citizens engaged all contingent vendors in order to be fair and equitable in validating pricing along with the existing contractors. In addition to Y&Y Holdings, two additional requests for pricing adjustments surfaced from MacNeill Group, Incorporated and Faneuil, Incorporated. These additional vendors stated their existing contract rate was not sufficient to offset their operational expenses. Some of the justifications are articulated from the vendors related to the increased pricing included challenges, such as a decrease in call volume in conjunction with changes in overall business models, along with increases in technology cost due to COVID-19. Such challenges have resulted in declining revenue for these vendors to offset overall expenses. The vendors state the negative impacts of unforeseen market conditions while maintaining the existing contract rate has resulted in a loss of the Citizens program, and those were from the vendors that were activated. To help realize the position of each vendor once we engaged in the discussions regarding overall interest and capacity for the Citizens program, in regards to the FNOL claims inquiry call types, two of our five vendors on contract have formally requested a pricing adjustment which is Y&Y Holdings and Faneuil. The remaining three vendors on contract either do not have any capacity to support at this time or they currently have limited capacity to scale should we need to ramp up support. For the Tier I call site, two of the four vendors on contract have formally requested a pricing adjustment. The remaining two vendors on contracts are not requesting a pricing increase and do not have any capacity of supports at this time or contend they have limited capacity to service scale to this account.

As outlined in both the consent item as well as the Executive Summary, the requested pricing increases for each vendor are listed as follows, and you will hear a range, and this range that I give you is based on the following discounts that are baked into the pricing that we have always had historically and will hear in the future as well. Y&Y Holdings for FNOLs is requesting to go from a pricing increase from \$5.21 to \$5.50 a call, to \$8.90 to \$9.40 a call which is roughly around a 71% increase. Faneuil, Incorporated is requesting to increase pricing from \$4.55 to \$5.07 a call to \$10.60 to \$11.25 a call, which is approximately 122% increase. For the Tier I call types, Y&Y Holdings is requesting to go from \$3.95 to \$4.17 price per call to \$8.40 to \$8.87, which is approximately 101% increase, and MacNeill Group, Incorporated, requesting to move the current per call pricing from \$5.00 to \$5.50 to \$6.15, \$6.65. So that is around a 21% increase. I would like to make this committee aware, once the formal price increase surface from three vendors, Citizens' staff members met with each vendor individually to better understand the competitive price justification and really to confirm business challenges. In addition, as part of the discussions with each vendor, Citizens' staff took the following action. We attempted to negotiate with

vendors in the pricing increases brought forward. Staff also reviewed the formal process on pricing adjustments which requires formal approval for an amendment to occur with the contracts. And we also took time to better understand each vendor's position should pricing adjustments not be approved as outlined. Once Citizens' staff concluded discussions with each vendor around the proposed pricing increases, due diligence efforts were then formed internally to better determine if such proposed pricing was appropriate and/or acceptable as outlined by each vendor. When embarking on pricing adjustments to contracts which have already been executed, the State of Florida and Department of Management Services provides guidance and Purchasing form PUR 1000 as to when pricing adjustments are allowed in state contracts.

The provision is as follows. Equitable adjustments: The state may at sole discretion make an equitable adjustment in the contract terms or pricing if the pricing or availability of supply is affected by extreme and unforeseen volatility in the marketplace. That is by circumstances that satisfy four current levels of criteria. Consumer and Policy Services staff partnered with Citizens' Vendor Management office to validate the vendors' claims of market volatility and unforeseen increases in operating costs warrant a pricing adjustment. Initial discussions occurred with each vendor individually to determine the rationale behind the request. In review with independent industry resources which included a Gardner analyst with business process outsourcing expertise as well as the Florida based call center consulting firm, Citizens believes that market volatility has increased across multiple areas since vendors originally submitted pricing approximately 32 months ago. Each vendor provided detailed explanations in market based information to support their positions, including data and employee wages. The vendor responses to the four part PUR 1000 criteria are outlined within the Executive Summary.

However, I would like to recap vendor responses and overall justification to support the four part PUR 1000 criteria to support an equitable adjustment within the contract. Related to market volatility vendors formally responded as follows. Wage increases related to rising healthcare costs and state minimum wage regulation were unknown when contract pricing was submitted. Multiple new competitors within the region impacting staff recruitment and retention. Increases in technology costs for supporting remote staff and a business model not previously considered. Fixed costs remain unchanged while technology costs have increased across the geographical region in supporting remote staff. Increased pressure on vendors to accommodate flexible staff schedules requiring additional staff to handle Citizens' lower volume. Wage increases in retention rate of trained staff, cost of returning and retaining staff remotely, coupled with lower call volume resulted in an operating loss. In wage increases affecting retention rate of trained staff impacting the ability to provide services while meeting contractual key performance indicators set forth by Citizens. So, based on the collaborative efforts with Citizens' legal team, our Vendor Management office and the business unit, we have confirmed the price adjustments we received from the vendors do in fact support an equitable adjustment based on the State of Florida purchasing form, PUR 1000 criteria.

At this time, I would also like to bring awareness to this committee the additional research and intelligence we discovered through our due diligent efforts. While reviewing the application of the State of Florida purchasing form PUR 1000 criteria for the vendor pricing adjustment request, the VMO also researched to see if there were any comparable state or industry contracts that we could leverage. The VMOs did find Florida State contracts for example within the Department of Economic Opportunity, the Florida Virtual School and Department of Health. While these contracts are applicable to call servicing, the specific call types and agreements were not directly

relatable to Citizens, such as in comparison to Citizens' lower call volumes, high speed of answer requirement, longer call handling time, pricing models and overall call complexity. However, the VMO was able to obtain information from the Texas Windstorm Insurance Association, also known as TWIA which is a contract similar to Citizens in scope, call type and services. The contract encompasses FNOL claim inquiry calls which are serviced 24 by 7 and addresses CAT response scalability while utilizing the same exact policy systems that Citizens uses, which is the Guidewire application. TWIA's represents a very close contractual comparison given the similarity of services provided in policyholder support and catastrophe response. TWIA's per call rate is in line with what is being presented by Citizens' vendors for calls with a similar average handling time in overall complexity. In addition, Louisiana Citizens corporation also has a per call rate in line with the proposed pricing being requested by Citizens' vendors. Chairman Wortman, what we are wanting to do, I want to explain the recommendation. Based on the market intelligence, based on our due diligence efforts our recommendation is to move forward with the price increases. However, we are asking this committee and the Board, we would like to come back after 18 months. And the reason for that is we feel because we have some validation that there has been market disruption, we would like to go back to market. In fact, earlier this week we actually posted a request for information to help us with some of that pre work. And what we want to do is to spend our time trying to look at this account and making it as attractive as possible in hopes to be able to solicit as many vendors as possible to Citizens that bring us the value that we so desperately need for our essential services, but also ensure that it is reasonably priced.

For us, we may go to market and we may come back and we may find that what we have presented today is the best truly condition in pricing, and we feel going back to market would be the most responsible thing to do. And then we may find even if we find a better pricing, obviously that will be possible, but even if we don't find better pricing to come back, we are in hopes that we will can at least still be able to solicit better terms and conditions than what we have today. So that is the intent of and where the 18-month timeline comes into play and why we are requesting this Board, for this committee and for the Board eventually for us to go and come back and present our findings. I can tell you, when the pricing increases initially came to us we didn't know, we had the one surface and then two additional surfaces, until we started to meet with some of our industry analysts and then when we received some of the validation from the vendors, that is what gave us a comfort level. But I can tell you one of the vendors in particular that has requested a price increase, they have been a strategic partner with Citizens for actually 25 years, 25 years. So, it really goes back to JUA days. They have never requested a pricing increase before. None of the vendors necessarily wanted to come forward with price increases, that was what was articulated to us. They basically told us that this was a dire need for them to be able to move forward. The vendor that has been with us for over 25 years, they are a Florida domiciled organization down in south Florida, employing 277 Floridians and that's all they employ actually. And again, they were very clear to us, they look at the comprehensive relationship. So in part of our discussions with these vendors, and I explained, we asked them if we are unable to get the pricing approved, out of these three vendors, two are activated today and both of those vendors within the appropriate notice would not be able to support the account. One vendor in particular told us it would be a 45-day notice, if you will. The other vendor that is requesting a price increase, they're not activated today. So this was part of our due diligence efforts to really try to look for transition services and we went back to them, that is where the deep discussion on what was contracted originally about two and-a-half years ago if you will, is just not working for them because their entire model has changed and various other dynamics which would not be

advantageous for them to take on the business. I just wanted this committee to understand the dire need that these vendors have expressed to us. The due diligence that we did so far before bringing this recommendation to this committee, and then what our plans are over the next 18 months, which would be to go back to market to see what else we did find in hopes of better, potentially better pricing. We are not sure if that will occur or not, but the terms of conditions which would support a greater value than what we have today. I will pause there and see if there are any questions.

Chairman Wortman: Any questions from the committee?

Governor Henderson: Yes, Mr. Chair, this is Reynolds Henderson. Jeremy are all these -- I mean, if you look at MacNeill Group, their pricing change seems fairly reasonable. If you look at, I want to go through it, if you look at, let's see what it is, the Faneuil, Inc., theirs is insanely high. I mean, can you just because I am a newer Board member. Can you explain to me the difference between these groups? I just can't really understand why there is this variance in, you know, variation and pricing changes and that is just extremely high. I mean, I just have a hard time with this.

Jeremy Pope: Yes, fair question, Governor Henderson. So, each one of these vendors, they do have a unique skill set and business model. For example, we really have so many different vendors that are on so many different call types. When it comes to CAT response and our FNOL call types, those are really requiring a 24 by 7 shop operation. Also, the great thing of that is the ability to scale significantly by request. So, let's talk about Faneuil since you brought that one up. That one in particular, they're only contracted for the FNOL CAT for us. They have the infrastructure to be able to ramp up quickly. In fact, in February of this year, they signed a contract with Department of Economic Opportunity for the unemployment calls. We were looking at that contract, too, for a number of reasons. One, if we had any opportunity to piggyback on that contract which we don't, because it is considered emergency procurement, but also it expires very early of next year. When we look at some of the detail on that contract, it's a totally different pricing model. It is more of a sort of per call basis. It gets into more of a call per hour per representative. That would cost significantly a lot more for us because our volume is so low. So, to answer your question with them in particular, they were the ramp up ability. MacNeill for example, does not. They are experts in the property and casualty industry. In fact, that is the only line of business or industry that they serve.

Faneuil provides services to all different industries. So again, they are more of a contact center. I would say MacNeill is a more specialized contact center that doesn't necessarily have ramp up capabilities we would need with CAT, but they absolutely do for our Tier I and Tier II call types that we have on contract. That is why when we make the award to these vendors for what we consider a primary pretty much staff ranked, and this was part of the solicitation we did back in 2017. The staff ranked these vendors. Really it was kind of who is bringing the best in value. Pricing is obviously a big component to that, but then skill, abilities and so forth and the industry experience helps us. And more important to be honest with you included in these call types, so our Tier I and Tier II call types, we need that skill level. When it comes to the CAT FNOL piece, honestly the FNOL component is pretty simplistic. They all have different business models. I can tell you back when Faneuil bid on this business, we typically attract a lot of calls from boutiques and BPO providers, because our count without having a significant storm event, it is relatively

small. I can tell you that the big call center players out there, they joined our previous conference before. It is just we do not have the volume. It was different back in 2012. We didn't have this issue. We actually had vendors competing even while they were on contracts, fighting for business in a good way. We want to make sure of value and so forth, but that is not the case because of our PIP count being so low. And then we also have been successful with our self-service efforts across the organization as well, reducing contact where we can and so forth. So that is why I will tell you we went to Faneuil, they changed the whole model. There is just no way, we are looking for bigger accounts now. We realize, you know, we went under contract two and a half years ago, but based on where we are today, this will just not make sense for us. I will tell you MacNeill, they are looking at too, and I agree with your comment. You see a 21% increase compared to the others, but they are looking at the comprehensive relationship. There are seven services in essence that they are contracted with Citizens today. They do a lot of our underwriting work with Kelly Booten's shop. They do a lot of different phone types and underwriting analyst with the call center. So for them, they were very clear with us, we kind of looked at the entire picture and we looked at one service channel where we are just, we are not, the Citizens program is not as profitable as it needs to be and in some cases we are seeing losses. They tried to have minimal impact. They said before they approached us because they have had such a longstanding relationship with us. And I will tell you that is one of the reasons MacNeill is very activated today and that is the reason. As far as the Agility, you know, they have basically, they have gone under organizational changes as well. I can tell you they are having some multiple challenges in regard to recruitments and so forth. But what I will share with you also is some of the other vendors, while they didn't change their price, for example, with, let's see, with Blue Cod for example, they're already at \$8.65 a call on the First Notice of Loss claim inquiry. That was the price they came in when we executed our contract. We haven't activated with them that call type. They have limited scale, but their pricing is already there. I will tell you looking at the increases being brought forward today; they do look large and they are large compared to another vendors that we have on contract that is pretty much in line. But then more importantly what we get back with our industry research and comparing with the other like I said the Louisiana, system Louisiana and TWIA, those were different lines than what these vendors are requesting to bring their pricing up to. So that is why we have somewhat of a comfort level to at least do a temporary price increase while we try to go back to market. Governor Henderson, does that answer your question?

Governor Henderson: Yes, it helps. I mean, I guess, we are talking about, what is the percentage Tier I, Tier II versus FNOL calls? I mean, just roughly. I mean, I am trying to understand. If you are talking about, you know, this kind of raise but you have five percent overall, I mean, it is kind of okay more to me, but if you are talking about a hefty percentage, I just have a hard time with it.

Jeremy Pope: When we looked at our entire outsource call volume, with these two call types, FNOL claim inquiry and the Tier I call type, that represents 63% of the calls that Citizens outsources today. So, the majority of the calls are not FNOL. The majority of our calls are Tier I when we look at what we outsource. So primarily to your point, the biggest driver of what we will see from a cost perspective will come from the MacNeill. Assuming that we stay with MacNeill as the primary vendor, will come from the MacNeill call center outsource, because that is the majority. Because I will tell you out of the 63%, roughly 45% are routed to MacNeill for Tier I. So now that looks different when a CAT hit, of course, but when a CAT hits we do have some specialized pricing that goes into effect. That is essentially a totally different market to make sure that we have guaranteed resources to be available to our policyholders. So that looks a little bit different.

Chairman Wortman: Do you have any other questions, comments?

Governor Henderson: One more question, Mr. Chair, and then I will be done right now. But so do we have the ability to go into a month to month on FNOL side of this?

Jeremy Pope: So essentially when we say month to month, not the way the group is set up to accept any type of guaranteed volume or fixed invoices; Citizens is under no obligation to route any work to any vendor at any point of the contract. We have the ability at any point where we can shut off call volume. So again, while the premium quality pricing increases Faneuil today is not going to activate. We don't even have enough volume to route to Faneuil for example. We just need to keep our business continuity with these vendors when this happens it is advantageous to keep the same number of vendors on deck today especially after receiving validation that this spike is in line with what we are seeing in the market right now without going through the formal solicitation. When you say month to month, to be honest with you, because there is no minimums or maximum volumes, especially with any of these contracts, there is no obligation for Citizens to pay anything out. We also can walk away from the contract at any time as well, but with the appropriate notes. Citizens has that ability at any point as well. Because these contracts are not impacted until we actually utilize the service. To us it is advantageous to keep as many on deck as needed.

Governor Henderson: Okay, so just to clarify. We have the ability, you know, I mean, we certainly have to need some in place, but we have the ability. We don't have to wait out an 18-month contract to renegotiate something if we can get a better deal.

Jeremy Pope: No, no, absolutely, not at all.

Governor Henderson: All right.

Jeremy Pope: Governor, just for clarity, we get an 18-month timeline. That is on average it usually takes us about a year to execute a formal solicitation from end to end. It may not take us that long because we have a lot of this already built, but we didn't want to rush this because from our perspective we don't want to come back to this Board perhaps in two years from now to say we are in the same situation, because we just want to take some time to really look at how attractive can we make this business with what we have already with the numbers that we know. We know there is some market activity that is going on out there, but we also want to be realistic to these vendors. Every time we do a solicitation, we have pre-bid conferences. We go over all historical volumes. We are as transparent as possible so they understand that when we are quoting volumes, you may get none of this, you may get a percent of this. It's just really when we need you and we are also looking again to always solidify the best size to the organization. So as clear as I believe we truly have been with what we post and then the vendors that we meet at demonstrations and negotiations, unfortunately a number of dynamics occur sometimes. We have run into sales teams that are bidding on the business then it gets to the ops teams and finance and sometimes you have disagreement or long terms or things change within their business model or because some of these vendors have been contingent for so long. We refresh the relationship, we reach out to them, but honestly if they're not putting any investment into

Citizens and we are not sending them any business, but they are on contract, they don't think of us. So that is where we think when we start to have some of these active conversations to talk about, hey, if we transition services, want to validate your pricing, that is what happened. That is what sparked some of the discussions and our due diligence efforts from the March consent item. But we can cancel at any time. So if we find that for some reason we executed this contract 12 months from now we will do that and it is a good time for us to move to the new agreements if we find better agreements, we absolutely can do that.

Governor Henderson: Thank you.

Chairman Wortman: Any other questions, comments? I just have a statement and a question. My statement is, I think a sudden increase of more than double your cost in the middle of a contract is pretty unreasonable. That is just my thought that that seems awfully steep. And my question is, and you have answered part of it, Jeremy, but do we need to take 18 months? How about taking a month or two to find out what is out there?

Jeremy Pope: We have started the RFI. We have planned to kick off the formal efforts for a new solicitation which are actually already in our pipeline.

Chairman Wortman: Oh, that is good.

Jeremy Pope: We will get back to this and we definitely will try to expedite it. But again, we may go to market and we may, you know, we are hoping we can obtain better pricing, we may not. But I think it is still worth us getting as creative as we can to see where we can make this business even more attractive and solicit as many qualified vendors as possible, while preserving the best value to Citizens which is in-line with the market. Unfortunately what we find is we don't have a BPO provider out there that we have been able to find or attract that can handle everything for us that has the property and casualty industry and also has the ramp up ability. Those skills or those competencies if you will, seem to be split across the industry where you have these major big contact centers that can do the ramp up, but they don't have any PNC. And then you have these PNC experts like MacNeill in south Florida who are very well versed in the Florida market and also the industry, but they don't have the ramp up. If we were able to find a BPO provider for example that could do it all, I think that would help us with our buying power a little bit because of our current call count and the reduction in calls, we are just not seeing it. And I will tell you just within the past year, from April 2018 to present we have seen a reduction of 18% in our Tier I call types, and in FNOL we have seen a reduction around 73% within approximately two years. And that is really just around -- I mean, as you can imagine the Irma claims and so forth dropping off. All these vendors know, we send them the timelines, we give them forecasts, they have all said they understood that and then the volumes have actually dropped and I think it has caused challenges along with some of the market dynamics some of the vendors have been running through. I will tell you, the analysts that we spoke with, one of the Gardner analyst, he shared something interesting with us that what he is finding in the BPO space, COVID for example, I mean, that just happened, we are still in the midst of it, but that caused a collapse of our foreign markets about outsource when it comes to some of the call center work. So, what has happened is a lot of the companies are utilizing resources domestically. So, there is that competition, and then they're running into issues with some of the government stimulus programs that are out there right now. While unemployment rates are high, they're not attracting the talent to come and actually work.

They are having to bump up wages more than they thought they would. That is just another dynamic that is thrown in the mix. So we are hopeful and we were kind of going over our recommendations with this analyst that we spoke with, both with Gardner and also the Florida based call center consulting firm, just kind of talking to them, here is what we are thinking, and they both agreed that was the right approach because they said, we don't see any reduction when it comes to pricing in the contact center space over the next, they said at least 12 months. And they said depending on what companies do with the remote workforce and so forth, we could see some savings, but it is too early to tell. So I think our solicitation efforts are well timed to try to build something that, you know, with where we are headed in the workforce, but then also try to keep the vehicles as flexible as possible for any unforeseen challenges or changes that we may experience in the future so we don't again have to come back to the committee or the Board for pricing adjustments.

Chairman Wortman: Any other questions, comments? You know, it's just kind of interesting, too, when the request for the price increase comes on the opening day of hurricane season, but anyway. With that, do you want to go to the recommendation?

Jeremy Pope: Sure, thank you, Chairman Wortman. **Staff recommends that the Citizens' Actuary and Underwriting Committee approve and recommend to Citizens' Board of Governors, A: approve the contract amendments for pricing adjustments as follows. Y&Y Holdings, also known as Agility Marketing for FNOL claim inquiries price per call range of \$8.90 to \$9.40, and Tier I price for call range from \$8.40 to \$8.87. MacNeill Group, Incorporated for Tier I price per call range is \$6.15 to \$6.65, and Faneuil Corporation for FNOL claim inquiry price per call range of \$10.60 to \$11.25, resulting in additional cost ranging between \$451,172.88 to \$1,122,002.16 over the next 18 months as further set forth in this consent item. B: authorize staff to take any appropriate or necessary consistent actions with this consent item.**

Chairman Wortman: Questions, comments on the recommendation anybody? I just had one question. To come up with the 18-month increase in expenditures, how did you do that?

Jeremy Pope: Yes. That is a fair question. So what we looked at, obviously the impact is based on a forecast and we are looking at historical data that we have where we can predict what call rates will be. So that \$451,000 is really the baseline minimal impact that we see. And then really the maximum impact we are looking at the \$1,122,002.16 numbers that I quoted there. It really depends, we put several scenarios built in there. So we are going to look because anytime we have a pricing increase, you know, is there anything that we could potentially insource that we weren't insourcing. That is part of that range. Also, there are several other vendors that, we mentioned that we have on contract today. We want to have continued conversations and try to figure out various modeling that again, we can really obtain the best value back to Citizens. I don't expect we will hit that \$1,122,002.00 million that I quoted, but if we're going to keep all these vendors on contract, we want to give the worst-case scenario to this Board.

Chairman Wortman: Okay, thank you. Any other questions, comments? Do I hear a motion?

Mr. Strauss: Mr. Chair, this is Fred Strauss. I want to thank first of all Jeremy and his team for all the work that they did in preparing for this. Certainly, it is not something that they had asked for or wished to see happen. Also applaud their efforts to continue to work diligently to work these

rates down into the future if possible. As such, I will make the recommendation that Jeremy read to us.

Chairman Wortman: Thank you, Fred. **We have a motion. Is there a second?**

Governor Kastroll: This is Will Kastroll, **I second.**

Chairman Wortman: **We have a motion and a second. Discussion. Hearing none, we will call the question. All in favor of staff's recommendation signify by saying aye.**

Governor Kastroll: **Aye.**

Chairman Wortman: All opposed nay.

Governor Henderson: **Nay, Reynolds Henderson.**

Chairman Wortman: **Let's have a roll call vote. Barbara, could we have a roll call vote?**

Barbara Walker: Yes, Chairman. Governor Henderson.

Governor Henderson: **Nay. Yes, I am here. Nay.**

Barbara Walker: Governor Kastroll.

Governor Kastroll: **Yes.**

Barbara Walker: Fred Strauss.

Mr. Strauss: **Yes.**

Barbara Walker: Chairman Wortman.

Chairman Wortman: **Yes.**

Barbara Walker: **Three to one vote, sir.**

Chairman Wortman: **Okay. Motion passes.** Any other comments, Jeremy?

Jeremy Pope: Yes, Chairman Wortman, thank you for the support. If I could, I would like to request if this committee agrees really an opportunity to outline and summarize this consent item to the Board ahead of the vote to approve all the other consent items during the June 24th meeting. While this consent item is not required to be brought forward to the Board like we would with a new action item, in the spirit of full transparency we would like the opportunity to ensure the Board is aware of the extensive effort made to validate the pricing adjustment and the due diligence exuded to ultimately support and recommend such increases to these essential outsource services we rely on so heavily. If at the point where Chairman Rivard solicits any

discussion and has a vote to approve all consent items, I would be willing and able to summarize this specific item with this committee's full support, of course.

Chairman Wortman: I think that would be wonderful, yes. Any comments or thoughts?

Mr. Strauss: It seems to make sense.

Chairman Wortman: Yes, I don't think we need a motion or anything, Jeremy. I would just say, yes, we will do it before the full Board.

Jeremy Pope: Excellent. Thank you, Chairman Wortman, that concludes my update.

4. Chief Operating Officer Report

a. 2020 Product Changes

Kelly Booten: Good afternoon committee members. Behind tab four you will find an action item and Executive Summary for the proposed 2020 product changes. These proposed changes are improvements requested by our agent community through the agent round table, by our claims department to strengthen language where needed, such as the Managed Repair Program and though research that the Citizens' product team has done in the normal course of improving our product language. And with that, I would like to turn it over to Scott Crozier to go through the details of the product changes.

Scott Crozier: Good afternoon, Chairman Wortman and committee members. For the record, this is Scott Crozier, vice-president of Underwriting Product Development. Karen Holt, Senior Director of Product Development is here to assist as we sent our proposed 2020 Product Changes. Staff proposes changes to coverage forms and supporting documents. And in the interest of time I can discuss the more critical changes or if you prefer, I can review the entire document. Do you have a preference, Chairman Wortman?

Chairman Wortman: Let's do the important changes and then we will look for comments on the other pieces when we finish that.

Scott Crozier: Terrific.

Chairman Wortman: Is that okay?

Scott Crozier: Yes, sir, thank you, Chairman Wortman. I am going to address the first product change that we propose, and that is number one, the evidence of insurance document. And this is going to respond to agents ongoing call for specific documents that satisfies the lenders during real estate closings. Currently agents manually create such forms. In our introduction of this evidence of insurance document it is going to simultaneously mitigate the risk of coverages being erroneously depicted while reducing agent effort in meeting this basic insurance need for our mutual customers. I am then going to skip down to a couple of policy form changes that we are proposing. And the second sub bullet to number one, we are proposing that we introduce a

requirement that participation in the Managed Repair (contractor network) Program, also referred to as MRP is contingent on the property being in a condition that does not impede or prevent a repair. Secondly, we are going to propose that we introduce policyholder program consent forms for the MRP to eliminate ambiguity for policyholder consent to participate in that program. Those are the key things I wish to highlight, Chairman Wortman. Pending any questions, I can go into further detail or may we proceed with reading our recommendation?

Chairman Wortman: Any questions? Hearing none, let's go to the recommendation.

Scott Crozier: Thank you. Staff recommends that the Actuarial and Underwriting Committee approve and recommend that the Board of Governors, A: approve the above proposals to update Citizens' policy contract forms and supporting documents. And B: authorize staff to take any appropriate or necessary action consistent with the product language June 2020 action item to include filing with the Office of Insurance Regulation, system change implementations, update the supporting documents or forms and other relative activities. Final changes may vary slightly depending on the guidance from the Office. That concludes my recommendation, Chairman Wortman.

Chairman Wortman: Thank you, Scott. Any other questions of Scott? You know, Scott, I just had one. Did you review this with the agent's counsel?

Scott Crozier: We did and they were very receptive of what they were hearing and thankful that we were taking some actions such as the evidence of insurance form as they have been requesting.

Chairman Wortman: That is great. Thank you. Any other questions, comments? Okay. In support of the recommendation, here we go. Why don't you just reread the recommendation real quick.

Scott Crozier: Okay. **Staff recommends that the Actuarial and Underwriting Committee approve and recommend that the Board of Governors, A: approve the above proposals to update Citizens' policy contract forms and supporting documents. And B: authorize staff to take any appropriate or necessary action consistent with the product changes, June 2020 action item to include filing with the Office of Insurance Regulation, system change implementations, update to supporting documents or forms and other relevant activities. Final changes may vary slightly depending on guidance from the Office of Insurance Regulation.**

Chairman Wortman: Any questions or comments or **do I hear a recommendation, a motion?**

Governor Henderson: **I will make a motion.**

Chairman Wortman: Okay, we have a motion to support staff's recommendation. **Do I hear a second?**

Mr. Strauss: **Second.**

Chairman Wortman: **We have a motion and a second. Discussion? Hearing none, we will call the question. All in favor of the motion to support staff's recommendation signify by saying**

aye.

(Chorus of ayes.)

Chairman Wortman: Opposed, nay. The motion carries. You are approved, Scott.

Scott Crozier: Thank you very much.

Chairman Wortman: Kelly, anything else you would like to add?

Kelly Booten: No, that concludes our report, thank you.

Chairman Wortman: Okay, next on the agenda, is there any new business to come before the committee? Hearing none, I would call for a motion for adjournment?

Governor Henderson: So moved, Reynolds Henderson.

Chairman Wortman: We have a motion for adjournment. Is there a second?

Mr. Strauss: Second, Fred Strauss.

Chairman Wortman: Fred, thank you. All in favor say aye.

Mr. Strauss: Aye.

Governor Henderson: Aye.

Chairman Wortman: Opposed, nay. The meeting is adjourned. And thank you committee for your time and efforts and thank you for staff for your support and background work as we went through the agenda. Thank you, much.

(Whereupon, the meeting was adjourned.)