

# ACTION ITEM

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Claims Committee Meeting, September 8, 2020  
Board of Governors Meeting, September 23, 2020

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|---|--|
| <input type="checkbox"/> Contract – New                         | <input checked="" type="checkbox"/> Committee or Board Minutes |
| <input type="checkbox"/> Contract – Amendment of Contract Terms | <input type="checkbox"/> Product Changes                       |
| <input type="checkbox"/> Contract – Additional Spend            | <input type="checkbox"/> Other _____                           |

|                           |   |
|---------------------------|---|
| <b>Contract ID</b>        | Claims Committee Meeting Minutes<br>June 1, 2020  |
| <b>Budgeted Item</b>      | <input type="checkbox"/> Yes<br><input checked="" type="checkbox"/> No – N/A  |
| <b>Procurement Method</b> | N/A   |
| <b>Contract Amount</b>    | N/A   |
| <b>Contract Term(s)</b>   | N/A   |
| <b>Purpose/Scope</b>      | Review of the June 1, 2020 Claims Committee Meeting Minutes to provide opportunity for corrections and historical accuracy. |
| <b>Recommendation</b>     | Staff recommends the review and approval of the June 1, 2020 Claims Committee Meeting minutes.                              |
| <b>CONTACTS</b>           | Jay Adams, Chief Claims Officer   |

## CITIZENS PROPERTY INSURANCE CORPORATION

### MINUTES OF THE CLAIMS COMMITTEE MEETING Monday, June 1, 2020

The Claims Committee of Citizens Property Insurance Corporation (Citizens) convened telephonically on Monday, June 1, 2020 at 1:00 p.m. Eastern.

**The following members of the Claims Committee were present telephonically:**

Will Kastroll, Chairman  
Blake Capps  
Jim Holton  
Carlos Lopez-Cantera  
Jon Palmquist  
Jay Adams, Staff

#### **1. Approval of Prior Meeting's Minutes (March 12, 2020)**

**Chairman Kastroll:** I would like to welcome you to our Claims Committee meeting and also welcome you to the first day of hurricane season. I know everybody is excited about the upcoming season, and I've always relied on my awesome mother's advice throughout life, and she has always told me to reduce stress and anxiety have a proper plan. And this committee is the foundation or the skeleton of Citizens in the sense that we actually are the ones that are paying the claims of this great company. We have a proper plan in place, and we continue to have a proper plan in place with the help of this great Claims Committee and the Claims employees at Citizens. There is a little bit of trepidation with the upcoming hurricane season as every Floridian goes through, but I am very confident that our plan that we have in place will weather all storms that we will go through.

The first order of business is the approval of prior meetings' Minutes. Do I have a motion to approve the Minutes of the prior meeting?

**A motion was made by Governor Holton and seconded by Governor Capps to approve the March 12, 2020 minutes. All were in favor. Motion carried.**

#### **2. Strategic Update**

**Jay Adams:** Typically, we give you a strategic report with important highlights and such in it. And I would like to use my time today to really talk about what does this committee want to see going forward? We have historically provided this new committee a Catastrophe Update, a Claims Litigation Update, and then an update around the Assignment of Benefits (AOB) issues and our Managed Repair Program (MRP). And I wanted to just make sure that we were providing the appropriate level of information that this committee would like. And I would just like to open for discussion, is there anything that you would like to see different about what we present to this committee?

**Chairman Kastroll:** What is very helpful, and you recently changed this, and thank you for it, is getting the information to us a couple of weeks prior to the Board meetings. We have time to read it, digest it, assimilate it and structure our comments for the Board meeting or ask questions prior to the Board meeting. So thank you for doing that. That is the only thing that I wanted to see, and it has changed. So thank you.

**Jay Adams:** Thank you. You can thank Shari Hamilton for that.

**Shari Hamilton:** Thank you.

**Jay Adams:** If there are no other recommendations, then what we will do is we will continue to follow this same outline. If we have any emerging issues or trends that change that we feel that this committee needs to be aware of, what we will do is we will just move those into the agenda items for the future. And with that, that would conclude the discussion that I wanted to have.

### **3. 2020 Catastrophe Preparation and Testing Update**

**Craig Sakraida:** I want to go through, in tab number three of your materials, some of the changes we have had to put in place for catastrophe preparation and readiness considering that we are under COVID-19. With the COVID-19 protocols in place and the potential for a response to a hurricane becoming more of a reality with the start of the hurricane season today, several actions have taken place to ensure we are prepared and ready to respond. Overall analysis of dependencies on resources, physical office space at the TIAA Bank Building in Jacksonville, and technology associated with effectively executing our catastrophe response plan has been conducted. We have different layers of the response that include vendor hosted sites for Fast Track, our Field Inspection Services, Task Adjusters and Commercial and Large Loss Desk and Field Adjusters.

In a catastrophe response, the Jacksonville office serves two main functions: Desk Adjuster orientation and onboarding, and the Resolution unit. Our plan is heavily focused on customer communication through the Resolution Unit that is housed on the fifth floor of the Jacksonville office. This unit receives phone calls for customer inquiries through the call center to answer basic claim questions, resolve settlement issues and escalates more complex issues to the appropriate Citizens oversight for proper routing and handling. With the current restrictions and potential impacts of the COVID-19 safety protocols we would only be able to leverage enough resources on the fifth floor to respond to an approximately 35,000 claims event. Any event that would exceed 35,000 claims would require leveraging an additional workflow with virtual adjusters off site. Managing two distinctly different workflows is not preferred. Based on our claims volume analysis and wanting to maintain a single workflow, solutions are being investigated for having a single workflow of virtual adjusters offsite with an emphasis on the phone system and virtual onboarding of these adjusters.

Our vendor firm partners, and the respective Independent Adjusters have been requesting to move to a remote environment for some time. The Independent Adjuster firms believe that they can provide better resources to respond to a catastrophe event in a remote environment, as many of the Independent Adjusters do not want to temporarily relocate to the catastrophe location and incur additional expenses. By allowing them to work remotely we will have additional options for resources that we have not had in the past, and we believe that they will be more engaged and willing to provide support for a longer term, thus reducing the turnover we typically experience.

This solution also provides the benefit of not having to wait until the event has exited Florida to start the deployment of resources and will improve the time to start handling

claims. We have the reporting in place to monitor and measure the effectiveness of virtual adjusters and can leverage new technology through our Power BI platform to more effectively manage resources in a remote environment. Citizens' phone system reporting is robust and already in place to manage phone call times and associated metrics around compliance to preset standards for the Resolution Unit.

The only significant issue that has prevented us from moving to a remote/virtual environment is the phone system for the Resolution Unit. Our Information Technology partners are working on a solution that involves a softphone or computer-based phone system that will allow the calls to the Resolution Unit to be rerouted to Independent Adjusters while they are offsite. Testing is currently being conducted with two groups of employees to ensure the phone routing will be configurable to our needs and be able to handle the incoming volume. Analysis will be completed, and a recommendation will be sent to the Claims and Executive Leadership Team (ELT) in mid-June. If this solution is not viable, we have alternate plans in place with our Call Center vendors. This alternate plan will create a tier two escalation approach that involves the Call Center taking the call from the insured and advising them the claims Adjuster will call them back. The Call Center will create messaging through ClaimCenter® which will automate the message and a call back to the policyholder by the Resolution Unit. Although the alternative workflow is not as efficient as a cell phone solution, we feel confident that we will provide the same level of customer service to our policyholders.

Traditionally, Citizens has required the Independent Adjuster resources to complete their check in and orientation in Jacksonville at the TIAA bank location. We have revised our processes and have communications ready for our Independent Adjuster resources for a virtual orientation and check-in online instead of in person. This new process will not impact our goals for onboarding the number of resources needed and may improve efficiencies of eliminating the potential issue for waiting to open the Jacksonville office. This is where we feel that we will improve the timeframe that the remote resources can start handling claims and assisting our customers.

At the direction of Chief Claims Officer, Jay Adams, a small tactical group of Cat Operation members, Claims Vendor Systems and Information Technology personnel were convened to assess some of the technical changes that need to occur to support the virtual workflow. This group meets weekly and will engage other key members of Citizens to provide information for strategic analysis on the risks associated with the changes and to ensure that Citizens is prepared to respond to a catastrophic event while under the COVID-19 restrictions. As we continue to report every year, Citizens' catastrophe plan is an enterprise-wide plan where all divisions engage in the catastrophe preparation. There is no difference this year, with the only change being that all divisions are currently evaluating any changes that they may need to make in order to comply with COVID-19 restrictions.

The Executive Leadership Team continues to place a great emphasis on catastrophe planning and readiness across the enterprise to make sure that is Citizens is ready to respond and assist our customers during this trying time. Every catastrophe response brings its on challenges and Citizens is prepared to respond and adapt to those challenges as they may occur. The catastrophe plan has been designed to be flexible and adaptable in order to allow the enterprise to respond to the comprehensive team to any challenges

faced by engaging the ELT, as well as respective divisions to come together quickly to resolve emerging issues. Our focus is always to be responsive to our customers in their greatest time of need and the catastrophe plan will continue to evolve until we have reached that goal.

Here are some items on the catastrophe testing update. We were in the middle of catastrophe testing for the 2020 Atlantic hurricane season when the COVID-19 protocols were established. We evaluated each test that was not completed and the potential impact if we were not able to complete prior to a response in 2020. Some testing will be completed that does not involve group gatherings and will be documented in the 2020 catastrophe testing summary. The main testing that was not completed and postponed was the First Notice of Loss (FNOL) call center stress test and the Catastrophe Response Center (CRC) readiness event. Our partners at the Customer Care Center are in constant communication with the Call Center vendors and have confidence that in event that we cannot test, they can meet the needs in a response. Some of the CRC testing has been modified and we have a seasoned team with deployments in three of the last four years responding to hurricanes. All equipment associated with the CRC is updated and ready for use in the field along with new policies and procedures to comply with COVID-19 protocols for both employees and customers. We have just completed the check processing test and have the upcoming system load and stress test that will be reported in early June. We are on target with testing and readiness to this point and there are not any significant issues that would preclude us from effectively responding to a catastrophe in 2020.

Chairman Kastroll, that concludes my update. I gladly will take any questions or comments.

**Chairman Kastroll:** Thank you, Craig. Any questions from anybody?

**Governor Capps:** When I read this report, I see terms like virtual adjusters, virtual environment and remote resources. Those are kind of like some buzz words that popped out to me. Now this would not prevent initial on-site inspections, right? We are still doing that, correct?

**Craig Sakraida:** Correct, Governor. What really this was focused on was the deployment at the TIAA Bank Building in Jacksonville. When the term, "virtual adjuster" is used, really, they're doing the same job they would be in Jacksonville on the back end of processing the payments, answering questions. They would just be doing that from a remote location. The services that are provided by our Field Task Adjuster and Inspection Services would still be on-site available for a hurricane, just abiding by any protocols that are in place for the safety of the adjusters and the customers.

**Governor Capps:** Very good, thanks so much. That is all I have.

**Mr. Palmquist:** Craig, are the Cat vendors that you have discussed this with so far responding to the idea of providing a remote work force, and how will they manage that?

**Craig Sakraida:** They have responded in a positive manner. As mentioned earlier in the update, they have really been asking for this. We just have not had the phone system to

support it. So realistically they can save a lot of costs and attract more adjusters because they do not have to travel to Jacksonville and spend money for temporary housing and items like that. The vendors we have spoken with through Greg Rowe's team have been very responsive and receptive. And we have all of the reporting necessary to effectively manage them as far as what they're doing during the day, their call times and the closings of the claims. We feel confident that this can work.

**Mr. Palmquist:** Okay, very well. Thank you.

**Chairman Kastroll:** I think we had one more question?

**Jay Adams:** I would like to ask Craig to respond to a question about, do you believe that COVID-19 will reduce the amount of Independent Adjusters that are willing to come to Citizens in Florida to respond to a catastrophe?

**Craig Sakraida:** In the vendors we have spoken with and just my personal experience, I don't think there will be a challenge getting adjusters to come to Florida to adjust claims. There is always a need. It is a hungry market of people that need employment. Naturally, they travel doing storms. And what we have seen so far is very little impact of inspections. You know, on some of the older claims there may be some delays, but for the new losses, there have not been any issues. The vendors that we have spoken with have not suggested that there will be any challenges getting adjusters here to work the storm claims.

**Jay Adams:** Thank you.

**Chairman Kastroll:** Okay, it seems like we have no further questions for Craig. Craig, I would like to make a comment. As we have all been watching so many documentaries the last few months, many of them have been sports related and highlighting some of the great athletes, and they all illustrate how practice should be just as hard as the actual game. And it is always nice to hear you guys, specifically your team always practicing, always having drills to see if the system works. When there is a problem or a catastrophe, the system has been tested. Thank you for testing that and thank you to your team as well.

**Craig Sakraida:** Thank you, Chairman, I appreciate it. It truly is a team and a organizational wide effort from many different levels.

#### **4. Claims Litigation Update**

**Elaina Paskalakis:** I would like to provide just a brief overview of the report, hitting the highlights. This report centers on claims litigation for January 1, 2020 through the end of April of this year. During that time, we have seen that with both new incoming suits and with our pending volume of lawsuits, we have experienced a reduction in both. For the new incoming suits for this period of time we have received 2,267 new lawsuits. That gives us an average of 567 lawsuits per month, which is actually a 32 percent decrease as compared to this time last year.

In regard to the pending volume of lawsuits, we have experienced a 15 percent decrease in that volume as compared to the same time last year. We have continued to see similar

trends with the new lawsuits that we have received than we have experienced in past years. The vast majority of our new incoming lawsuits arise out of the tri-county area. They represent 86 percent of all new suits. In over 50 percent of the new lawsuits, the insured has been represented at the time of First Notice of Loss and that is the time when the claim is first reported prior to the suit. We have seen in over 50 percent of the lawsuits that we have received, that the insured was already represented at the time that they first reported the claim.

In almost half of the new lawsuits the insured did not dispute Citizens' position or adjustment of the claim in any way prior to the lawsuit. So we adjusted the claim with the insured, we provided what either our claim decision or adjustment decision was, and then we heard nothing from the insured in terms of any disagreement or displeasure, and the next thing is that we receive a lawsuit and that is the first notice that they had any type of dispute.

Overall, our catastrophe related lawsuits continue to be the leading cause of loss for both the new incoming lawsuits and the pending lawsuits. Nearly one half of our new incoming lawsuits in 2020 have been catastrophe related losses and that is 47 percent, and 44 percent of our pending lawsuits remain catastrophe lawsuits. I will say that overall, the receipt of new catastrophe related lawsuits has certainly been trending down as we get years past Hurricane Irma.

In terms of other causes of litigation, such as AOB, we have seen that the distribution of the new incoming lawsuits for AOB related matters has declined by 13 percent. We believe this is attributable to the statutory changes. We are also seeing that non-weather water related causes of loss, the lawsuits coming out of those have increased by nine percent, and we believe this is what we are considering returning to pre-Irma levels, and we see the rise in the non-weather water lawsuits in the absence of any intervening Cat loss. And that concludes my summary of the litigation update for today. I certainly welcome any questions you may have.

**Chairman Kastroll:** Thank you, Elaina. Any questions?

**Governor Holton:** I just wanted to get kind of a general handle on a little bit of a different topic. I have been reading a lot about high attorney's fee awards especially due to the multiplier down in the tri-county area, and I wanted to see if Citizens has evolved a policy on which of those to appeal. I mean, it is not appropriate to get into any specific cases, but we have all been reading the papers about cases where the underlying claim was a \$50,000 claim and you get an attorney fee award for three, four times to a half \$1 million. Can you comment a little bit on that and just tell me if there is a discussion ongoing about appealing some of these cases by the circuit courts?

**Elaina Paskalakis:** Certainly, Governor Holton. This has been a topic that we have actually been reviewing since I started with Citizens. It has always been an ongoing topic. It has certainly seemed to garner far more attention in the last couple of years, and we do have ongoing discussions on this. We actively consider for appeal all attorney fee awards, in that we review them all with our in-house counsel, as well as our outside counsel, to see if there are any factors or grounds for appeal or evaluation if it was reasonable. So

that is something that is ongoing with every attorney fee award that we have. We are also actively monitoring all of the fee awards that involve a multiplier.

**Governor Holton:** Right.

**Elaina Paskalakis:** We track them, and we have actively appealed. And each one as you know, each one is on its own individual factors because the attorney fee statute in Florida, you know, it doesn't prescribe any method for the award of fees other than a reasonable fee, and then with the overlay of the multiplier and some of the recent changes in Florida law in the way that Florida is approaching the application of the multiplier. So yes, that is something that we are very actively involved with.

**Governor Holton:** With the Chairman's permission I would like to see potentially like a summary at some of these meetings of cases that have had a large loadstar multiplier award and what has been done and just kind of a summary of what has happened in some of these recent cases, because the good news from my perspective is you are seeing a lot of the DCAs overturn these awards and you are potentially seeing legislative reform coming up in next session on changing some of these things led by Senator Brandes. So if you could, it would be helpful to the committee, again, with the Chairman's permission, to kind of summarize some of these things that Citizens has encountered and give us an update on whether they are appealed or whether you decided not to appeal, I think that would be helpful.

**Elaina Paskalakis:** Absolutely. We can absolutely accommodate that and provide you with the information.

**Governor Holton:** Okay, thank you, Chairman.

**Chairman Kastroll:** Okay, any other questions for Elaina?

**Governor Capps:** Elaina, soon we will be approaching the three-year mark since Hurricane Irma, I do believe. I think it was in September of 2017, right?

**Elaina Paskalakis:** Yes.

**Governor Capps:** And hurricane claims die after three years, right? I think you can't file a claim after three years, if I am not mistaken. What I was curious about is if you have the number of Irma claims that are still outstanding? And first of all, how many there are, and then also I suppose what that would mean is anything tied to Hurricane Irma that comes in after September of 2020 would mean that it is not covered. Is that true?

**Elaina Paskalakis:** Yes. I will have to defer to Craig Sakraida on the claim numbers for Hurricane Irma claims. But yes, we actually anticipate that we may see, although we have seen a decline in the lawsuits coming in related to Hurricane Irma, we do anticipate that we will start to see a bit of a spike absent another intervening catastrophe in the Irma claims as they come in to try to get ahead of the both statutory and perceived limitations. But as far as the claims numbers I will have to defer to Craig Sakraida.



**Jay Adams:** We have received about 1,750 Irma related claims from January 1 through the end of April. We are averaging somewhere around about 425 of these a month, month over month.

**Governor Capps:** Okay. So those are in play I guess, but the ones that come in after?

**Jay Adams:** Those would be new First Notice of Loss claims.

**Governor Capps:** Right. Yes, it is interesting to see how many of those delayed cases still come in even at this late juncture as we are approaching that cutoff.

**Jay Adams:** Correct. It has averaged 425 year to date.

**Governor Capps:** Okay. Interesting. Thanks so much.

**Jay Adams:** Sure.

**Chairman Kastroll:** Okay, thank you, Elaina, I appreciate the report.

**Elaina Paskalakis:** Thank you.

#### **5. Non-Weather Water Claims, Managed Repair Program, and Assignment of Benefits Update**

**Michael Carver:** My responsibilities include non-weather water, Managed Repair Program, and Assignments of Benefits at Citizens. I have to report that we continue to see some pretty strong reporting around non-weather water claims. In fact, they continue to represent about 50 percent of all of the First Notice of Loss claims at Citizens. And as you may recall in previous reports on product language changes, we placed a \$10,000 sub limit on non-weather water losses, which includes a one-year renewal cycle as of August 2019. But as you can see in the graph below, we really haven't seen any significant reduction in volume from non-weather water claims. In fact, if you look at the graphs in the monthly average in 2019 was almost 900 claims, and although we have some variations throughout the year, typically we would see 850 to 900 claims is pretty standard. You get into January 2020, February 2020, we are still seeing 900 claims reported, and we think the reduction from March and April is most likely due to COVID-19. Folks are just nervous about folks being out at their homes and doing the inspections. So we think that is related to that reduction for March and April.

The distribution of non-weather water claims for the most part follows our policy distribution, which 90 percent of all of our claims reported as you can imagine are in the tri-county area and Tampa. The distribution of claims for non-weather water has remained consistent for quite some time now and that is where the bulk of our resources are located in tri-county and Tampa.

I will move on to the Emergency Water Removal Service (EWRS) that we offer. This is a service that you all know that we offer customers free of charge, whether the claim is covered or not. But this service is offered at First Notice of Loss to policyholders who are insured under a HO-3 or DP-3 policy form.

We continue to see some growth in that program. It is a pretty popular program for our customers. And the good news is, if we can get out there right after a water loss and get the water removed, we do see a reduction in average claim paid. Just to give an example, the acceptance rate has increased from 39 percent in 2019 to 41 percent. So we are seeing some fairly steady increases in that program, and I think that when we offer it at First Notice of Loss it gives us, like I said, a chance to get out there and get the water removed to mitigate loss. To give you an example, the average paid amount for in-program EWRS is \$1,572 compared to customers that do not accept the program at First Notice of Loss. We typically see that average to be somewhere around \$2,600 as opposed to \$1,572. Then the other part of the program includes the permanent repairs portion, the Managed Repair Program, and this option is offered to all HO-3 and DP-3 policyholders who choose to have a Contractor Connection network contractor make the repairs. In lieu of that \$10,000 water sub limit, as we have seen with the free water removal service that we offer, the actual permanent repairs portion of our program is also continuing to expand its increased acceptance rate by customers. And as you can see in the graph below, we went from 24 percent in 2019, jumped to 29 percent so far in 2020, and I anticipate that to continue to increase. We have made some changes around that program as far as scope of the work and the customer service piece of it. So, I think that would continue to increase over time.

The other thing I want to talk about is Assignment of Benefits. As previously reported to the committee, several steps have been taken at Citizens to respond to the Assignment of Benefits legislation. In fact, we put a team of five folks in that team and they handle all of the Assignment of Benefits that come through. They look at contracts, they look through it to make sure they are compliant or if they're not compliant, we basically respond via letter. But since the passing of the Bill, we diligently work to determine the impact to the new legislation and to help curve Assignment of Benefits abuse in the marketplace. We have seen a reduction in number of assignment agreements. Wind represents 47 percent of all the agreements, non-weather water 44 percent, and then weather-related water seven percent. So most all agreements that come through are either wind related or non-weather water related, but we have seen a reduction in the agreements which is depicted in the next graph. We have seen a 22 percent decrease when we look at the AOBs received so far this year and then the monthly average for last year. And the interesting thing is even though we have seen a decrease in agreements as the next graph depicts, the compliance rate as you can imagine went up. So the compliance rate went up 31 percent when you compare the agreements received in 2019 from July 1, when the new legislation went into effect to year-to-date 2020. So obviously many of the AOB service providers, they became more and more compliant as we went through the year. And then here is just a chart depicting where the AOBs are coming from. 44 percent non-weather, 47 percent wind agreement. So most of those agreements that we receive would be non-weather water or wind. And with that, that is the update for my areas of responsibility, and I will be glad to answer any questions.

**Chairman Kastroll:** Thank you, Michael, any questions?

**Mr. Palmquist:** I had a quick question for you. How do you measure the customer satisfaction on the Managed Repair Program?

**Michael Carver:** We survey our customers. Once they are involved with the Managed Repair Program, we have a survey team that surveys our customers and they do a random sampling of customers around not only our water mitigation program or water removal program, but also the Managed Repair Program. And we get those results each and every month.

**Mr. Palmquist:** Do you have a sense of, and can you share those results, if not now, perhaps at the next meeting?

**Michael Carver:** Yes, I would be happy to do that, Governor. Typically, what we find is ~~we find~~ seven to eight of ten customers are very satisfied with the program. You know, once in a while we get a customer that is not happy with possibly a contractor or what-have-you, we also put quality assurances around those. When we get a bad survey or if we get a customer not satisfied with the program, we definitely put quality control around it. We have our Quality Assurance Team go out and meet with that contractor, because they typically tend to track with their quality assurance scores which we keep on a regular basis. But yes, I will be glad to provide more information around that to the committee.

**Jay Adams:** We really look at, when we do these surveys, what did you think about Citizens, what did you think about Contractor Connection, but we ask them the real question, would you reuse this program again in the future? And year-to-date our number in that category is about 80 percent say that they would reuse the program. And Mike alluded to, we have made some substantial changes in the foundation of this program, how it is sold, monitored and measured as we move forward that I believe will continue to help even improve those results where we will be able to have a much higher rate. We are trying to really focus on the customer and the customer experience as we move through this.

**Mr. Palmquist:** That sounds great, Jay, thank you very much.

**Jay Adams:** Thank you.

**Chairman Kastroll:** Okay, any other questions?

**Governor Capps:** Michael, I am reading on page three down at the bottom of the page “since the passing of HB 7065 we have experienced a reduction in the number of assignment agreements with wind representing 47 percent, non-weather water representing 44 percent, and weather-related water representing seven percent”. Basically, what I am getting at is, you know, when this legislation was passed, I think the word on the street was that AOB was dead in Florida. That it was going to basically put AOB contractor people out of business, you know, with AOB agreements pretty much. And how much of a reduction has actually happened? Give me two or three characteristics of the new AOB rules that seem to be the most effective things that have reduced AOB claims.

**Jay Adams:** Michael, can I respond first and then let you pick it up from there?

**Michael Carver:** Absolutely.

**Jay Adams:** I think one thing that is important to understand is we are monitoring and measuring every AOB that comes through the door. We have received about 1,400 new Assignment of Benefits year-to-date, and of those 642 are related to prior hurricanes. So that would be from Irma and Michael. We are seeing a significant reduction in the overall current volume of Assignment of Benefits. We are still working a significant backlog of those First Notices of Losses that are coming in that I spoke about, about 425 a month. A great deal of those come in with an Assignment of Benefit attached during the First Notice of Loss. And that is ultimately skewing what the AOB results look like. And I will turn it over to you, Mike.

**Barry Gilway:** Can I add one more comment?

**Jay Adams:** Sure.

**Barry Gilway:** I will be sharing some information on the industry results relative to AOB at the Board meeting. But there is an interesting statistic when you take a look at the top 20 carriers in the state and you take a look at the percentage of cases, litigation that are associated with AOB. If you take a look at mid-year, that number is in the 35 percent range of all cases were AOB. By the time you get to the end of 2019, that number for the industry had increased to 45 percent. If you take a look at the first quarter of 2020, that had dropped all the way down to 25 percent. So there is absolutely no question when you take a look at the overall industry results and the AOB litigation for the industry, that 7065 has a pretty profound impact. I will turn it back to you, Mike.

**Michael Carver:** Thank you, Barry, I appreciate that. Now I can point out a few things that we have seen in the AOB team and in the documents that we have been receiving. So we have noticed that some of the AOB service providers that we for the most part I would say, the culprits, the bad players I guess you can say, some of those are no longer involved with AOB. So we have seen a reduction. And I think some of that reduction is some service providers are saying it's just too risky because now I have got skin in the game from a litigation perspective. And some of them have dropped out and we don't see those vendors or service providers any longer. The other thing that I can mention is that we have been able to successfully negotiate with vendors because we have more leverage now with the new legislation. So where they would send us a bill in the past and the product language also helped with this. But to give an example, let's say that a vendor wants to bill us \$3,000 for a service that should cost \$900 and we negotiate that to what we think we owe for that service, we are a lot more successful now with that legislation. And the third thing I wanted to mention is we are seeing more and more attorneys advertising, hey, don't worry about an AOB company, sign up with me first and we will go ahead and take care of your compensation for services. So that is another strategy that we have seen out there. But for the most part I think the legislation is working fairly well.

**Governor Capps:** You mention skin in the game, and I take that to mean that contractors could end up having to pay some of their own attorney's fees. Is that what you are referring to there?

**Michael Carver:** That is exactly right.

**Governor Capps:** Right. And would you say, if you had to identify the biggest cause for a change in the way the new AOB rules are working out, that one is probably the single most important one, that is reducing AOB claims?

**Michael Carver:** I would say that is true.

**Governor Capps:** Okay, very good, very good. Okay, that is good enough. Thanks so much.

**Michael Carver:** Thank you.

## **6. Vendor Update**

**Greg Rowe:** The first Consent Item I have for you today is for Adjusted Compensation for Catastrophe Deployments. This will impact four of our existing contracts as referenced on the Consent Item. For our normal catastrophe operations, we partner with Independent Adjusting firms and they provide our resources to perform field inspections and the in-office Desk Adjusters that Craig spoke to earlier that basically handles and process the adjusting of claims. For those in-office Desk Adjusters we request a defined number of resources based on our claim projections. And the daily rates for catastrophe deployments are contractually higher per adjuster and per day than the normal daily rates for our standard non-catastrophe deployments. This primarily is due to the number of hours that we are asking them to work, which is 12 instead of 10 under normal circumstances, but also and primarily due to the increased demand of adjusting resources during a Cat event. So once we request these resources in preparation for any impending hurricane landfall, under the current contract we are obligated to pay them a higher rate and guarantee seven days compensation at the higher rate.

After Hurricane Dorian, where we were watching it and we weren't exactly sure if it was going to hit or not, we took a look at that plan and really determined that an additional catastrophe-related deployment option would be beneficial both in terms of securing resources in preparation for a hurricane event and as a cost savings measure for Citizens when we were trying to determine how many resources we may need.

So we are seeking at this time approval to amend these four contracts listed on the Consent Item to add a new deployment option which we are calling a pre-catastrophe deployment. And this new deployment option would still allow us to bring in a core group of Desk Adjusters ahead of an event so we obtain those vital resources that we need when claim number is still uncertain, but the primary focus would be to provide cost savings as the amendment would call for the adjusters under this new deployment option to only work a 10-hour day and be paid the standard rate in lieu of the increased 12-hour day rate, because we just don't have the claim volume to necessitate that level of work at the time. The pre-cat deployment also includes the seven-day compensation guarantee for those adjusters deployed. In the event the storm does not impact Florida and their services are no longer needed, they will still be paid for the seven days of work as our existing contract has.

And then the second part of this amendment is for our field resources, the folks that actually go out and do the on-site inspections at the loss locations. What we see is we have another situation where a Field Adjuster, a current deployment, we guarantee per

the contract a seven-day compensation at the day rate for the first seven days of their deployment, in addition to compensation based on the gross claim amount of each claim adjusted regardless of when they are deployed. And really that was to get in line with other carriers, so we are not battling for resources or behind the other carriers when they are able to offer bonuses and things along those lines to attract those field resources. So we didn't want to give that up.

But what this amendment really does, the key component to it is, as we move forward in an event there are situations where we still need to deploy new resources, but it may be three weeks or four weeks after landfall. So what this amendment seeks to do is limit the daily rate compensation, that seven-day guarantee, to only those Field Adjuster deployments commencing within the first 28 days of the catastrophe response. And after 28 days the contract would only allow compensation based on the pure gross claim amount for the claims they actually handle and not the seven-day compensation day rate.

And this amendment is not requesting any additional funds and Citizens anticipates that this new deployment pre-cat option will certainly provide benefits in the form of an overall cost savings to the organization and truly an increased operational efficiency as it relates to the catastrophe deployment strategy. Mr. Chairman, I know I said a mouthful. There is a lot of information. I will pause there before moving to the recommendation to see if there are any questions.

**Chairman Kastroll:** Any questions for Greg? Greg, please proceed.

**Greg Rowe:** All right, thank you, Mr. Chairman. At this time the staff recommends that Citizens' Claim Committee approve and recommend to the Board, approve the recommended contract amendment to the amendment to Independent Adjusting Services – Non-Litigated/Catastrophe, RFP 17-0006; Independent Adjusting Services – Catastrophe, RFPs 17-0020, 18-0027; and Commercial Adjusting Services, RFP 15-0018 for the remaining base contract term and all renewals, to add a Pre-Catastrophe Deployment option and revise compensation for Catastrophe Deployment; and authorize staff to take any appropriate or necessary actions consistent with this Consent Item.

**Chairman Kastroll:** Thank you, Greg. Jay, we need a motion for that, correct?

**Jay Adams:** Yes, sir, we would like this committee to approve to put this on the Board of Governors' Consent Item list for the June meeting.

**Chairman Kastroll:** Okay. Do I have a motion for that?

**A motion was made by Governor Holton and seconded by Governor Capps to approve and recommend Board approval of the Consent Item for Independent Adjusting Services–Non-Litigated/Catastrophe, RFP 17-0006; Independent Adjusting Services – Catastrophe, RFPs 17-0020, 18-0027; and Commercial Adjusting Services, RFP 15-0018. All were in favor. Motion carried.**

**Chairman Kastroll:** Greg, do you still have the two other items that you want to review?

**Greg Rowe:** Yes, Mr. Chairman, I have one more, and then the third one I will speak to that one. It's actually removed, but I can speak to that, but I can certainly move into the Claim Estimate Mobile App Consent Item if you are ready.

**Chairman Kastroll:** Great. Thank you.

**Greg Rowe:** All right, thanks, Mr. Chairman. So again, this Consent Item is for our Claims Estimate Mobile App which would amend our contract with Xactware Solutions. So as Craig spoke to earlier, we have a variety of strategies when looking at our catastrophe response and one of the strategic programs we leverage is called our Field Inspection Program. And in this program, we leverage a large number of contracted Field Inspectors, most of whom are new to inspecting losses for Citizens and some of whom are new to performing adjusting services in general. These inspectors are utilized for low severity claims to provide a general scope of the damages, and while they have to have an Adjuster License or Emergency Adjuster License in accordance with our Florida regulatory requirements, they are not required or really expected to have much experience adjusting claims. After Irma and Michael for this particular program, we found the biggest challenge was the process of them creating an estimate of damages based on their field inspection as they're not really experienced utilizing the estimate software we utilize which is called Xactmate. In order to ensure that they can produce an accurate estimate based on their inspection, we are requesting approval to amend the existing Xactware contract to enable usage of a new customized Xactware Claims Mobile App. This app can be used on a tablet or smart phone, and it streamlines the estimate preparation process for these Field Inspectors and will enable Citizens to provide real time guidance and controls around how an estimate is prepared and submitted.

This app really guides these inspectors through the inspection in a way that can better ensure adherence to Citizens' claims handling guidelines, and provide on the back end an accurate damage of the property. So at a high level, basically they receive the assignment, they have a series of questions they have to answer based upon what damages they are seeing, and they either answer yes or no or enter in some basic measurements and take photographs of the damage, and then based upon how they answer and the measurements provided with this app, they can submit all of that information and it goes up into the Xactimate software, which again is the estimating software, and creates an estimate based upon what they have entered. This increase spend really is requested based upon the per assignment transaction fee associated with the utilization of this new app. With that again, Mr. Chairman, I will pause there and entertain any questions before I move to the recommendation.

**Chairman Kastroll:** Thank you. Any questions?

**Governor Lopez-Cantera:** Yes, so I am trying to understand why this was not contemplated in the original contract?

**Greg Rowe:** Yes, Governor, so we do have in the existing contract with the firms participating in the program, have to utilize a software to facilitate the inspection and generate an estimate. The software that they leveraged from another third-party vendor just did not work. They had to be online when utilizing it and this was not anything that we have a contract with at Citizens, but they had to be online, they had to have wifi and it had

all kinds of issues. So once we saw that, again, based upon utilizing this program, we desired and met with Xactimate to again customize an app that we can use specifically for this program. It certainly was entertained, but at the time it wasn't entertained that a specific app would be built specific for this, because there were some on the marketplace. But again, based on our experience and Craig's team was heavily engaged in that testing during the event, it just did not work at all.

**Jay Adams:** This is Jay Adams. I would like to add to that. After each catastrophe we do a pretty significant debrief and we look at all the claims handling across all the different methodologies that we employ or deploy for that particular catastrophe. And we came back and we saw that this Field Inspection Services group was really struggling in the space of providing accurate scopes and estimates. And the tool that Greg mentioned that they were trying to use really didn't involve Citizens enough to be able to produce customization so that they could get the information correct. After Hurricane Irma we started discussing with Xactware what our needs were, and we partnered with them to build a brand-new tool that integrates right into their estimating platform. Once that Field Inspector enters all the appropriate information, which is 100 percent customized by Citizens, so we helped them develop the scope by asking the appropriate questions. It then converts that right into an Xactimate estimate and then it is submitted back to Citizens.

**Governor Lopez-Cantera:** So, if we help them build this app, could it be something that they then market or sell or monetize to other insurance companies or other public insurers?

**Jay Adams:** Well, when I say we helped them build it, they did 100 percent of the development. What Citizens did is provided a scope of what we needed to have happen in order to fill the gap that we had seen through our debrief sessions. Xactware is likely to offer this to other carriers in the future would be my guess.

**Governor Lopez-Cantera:** Understood. This isn't the same company that we had that issue with the litigation, is it?

**Jay Adams:** Are you speaking about the Geomni contract for the aerial imaging?

**Governor Lopez-Cantera:** Yes. Is this the same one or is this a different company?

**Jay Adams:** They are all contained under the Verisk brand, so yes.

**Governor Lopez-Cantera:** They are related?

**Jay Adams:** They are all under the Verisk brand.

**Governor Lopez-Cantera:** Is that a yes?

**Jay Adams:** Yes.



**Governor Lopez-Cantera:** Okay. So it is the same company that had that litigation issue that cost us more money in the previous Board meeting that we had to approve, and now we are going to give them another 1.5 million dollars?

**Jay Adams:** We have not incurred any liquidated damages, because we have not had an event to utilize the other contract we had to execute.

**Governor Lopez-Cantera:** Right because we have not had any storms yet.

**Jay Adams:** Correct.

**Governor Lopez-Cantera:** And God forbid we have any this year, but there is the potential for increased cost and expense with this company because of that shortcoming of this issue with that other company that had that claim against them for IP, and then now a product that we were under contract with them did not meet our needs, and so we are paying another 1.5 million dollars so that it meets our needs. Is that a fair characterization?

**Jay Adams:** Governor, what I would tell you and prefer not to discuss it in an open forum, be glad to have a conversation with you. We are still pursuing and negotiating on a remedy for the shortfall that came in the Geomni contract. And if we need any more detail, I would ask Dan Sumner to speak up.

**Governor Lopez-Cantera:** Is Dan on the phone?

**Dan Sumner:** Yes, I am. Good afternoon, Governor Lopez-Cantera. We are in a renewal of the Geomni/Xactware contract. There are indemnification provisions which we assert carry over with regard to our Geomni purchase. To the extent we have liquidated damages, we are very much of the opinion that we still have remedies with regard to liquidated damages. That is not something that has occurred yet, but we do not believe that we have compromised our indemnification rights at this point at all and still have those rights under the renewal contract.

**Governor Lopez-Cantera:** Understood. Thank you. Thank you, Mr. Chairman.

**Chairman Kastroll:** Thank you, Carlos. Please proceed with your recommendation, Greg.

**Greg Rowe:** All right, thank you, Mr. Chairman. At this time staff recommends that Citizens' Claims Committee approve and recommends to the Board, approve the recommended amendment to add the required per usage fee for the Claims Estimate Mobile App, for the length of the remaining contract renewal periods for Property Loss Estimating Services, ITN 14-0006; approve the recommended increase of the total contract spend authority by \$1,500,000, to a total of \$16,735,000; and authorize staff to take any appropriate or necessary action consistent with this Consent Item.

**Chairman Kastroll:** Thank you. Do I have a motion to approve?

**A motion was made by Governor Capps and seconded by Jon Palmquist to approve and recommend Board approval of Consent Item for Property Loss Estimating Services, ITN 14-0006. All were in favor. Motion carried.**

**Chairman Kastroll:** Greg, do you have one other item on here or were those two blended together?

**Greg Rowe:** No, Mr. Chair, we did have a third one that was on the agenda for the Benchmark for Xactanalysis. There was a third Consent Item.

**Chairman Kastroll:** Yes.

**Greg Rowe:** We removed that, and I can provide a little bit of detail if you would like.

**Chairman Kastroll:** No, that is okay. I am sure when you want to put it back on or want to update us on it, we will consider that.

**Greg Rowe:** Okay. Thank you, Mr. Chairman, that concludes my information.

**Chairman Kastroll:** Thank you, Greg, nice job.

## **7. Addendums**

**Chairman Kastroll:** Okay, on to the addendums, my favorite time and I wish we could spend a whole hour on this, but we are not. It is just going to be one minute. I do love and I wish we had a virtual reality TV program on this, because I think it would be very profitable and successful. But the Recovery Cases of Interest, if you turn to tab seven you can see a few of those, and I am just going to highlight a few of them on there, because we do have a couple bad actors in the state of Florida. And I say, a couple, because the majority of Floridians and policyholders are genuine, honest and caring people who just want to get made whole by their losses. But we are an insurance company and there are always some bad actors who try to infect our policy and our claims. And so we have people going out there and going after them. And you can see that we have a couple of cases to highlight. A water loss where we recovered \$23,000 dollars. Another water loss where we recovered \$25,000. Fire loss, \$54,000. And then the SIU unit on the back page, page 2, had a major case of fraud of 229 personal line risks where a vendor came in and took stock photos. They didn't even take the time or effort to cut and paste individual photos. We got him, which was wonderful, and just a couple other cases if you read down the list. You know, these guys, these bad actors try to flow like electricity, the path of least resistance and we don't resist. And so, the more that these guys make their cases and make them public, the less fraud we will have. So, I appreciate all of their efforts and the Claims Committee efforts for funding these kind of projects. So, thank you. Any questions on the addendums?

## **8. New Business**

**Chairman Kastroll:** Okay, on to new business. Are there any new business items that anybody would like to talk about? I have one item and it is just a thank you to Jay and his team for being flexible and creative and empathetic to policyholders, fellow co-workers and vendors during the coronavirus time. It has not been an easy time for anybody and with such a large organization that is scrutinized and looked at carefully, and it should be scrutinized and looked at carefully, it is a public entity, I appreciate their effort and everything that they have done during this trying time. There is no manual, I don't know of a manual for this. Hurricanes prepare us, but that is a weather type of action that happens

and then moves away. This sort of lingered and lingered and is lingering. Thank you all for doing such a wonderful job, and I would like to thank my fellow Claims Committee members for being supportive to them and to us during this time.

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

[Meeting adjourned]

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