

# ACTION ITEM

- Contract – New  Committee or Board Minutes  
 Contract – Amendment of Contract Terms  Product Changes  
 Contract – Additional Spend  Other Ratification

<b>CONTRACT ID</b>	<u>Ratification</u> of two Retirement Plan Action Items (Roth Account Option and CARES Act Option) due to dropped public line during the June 24, 2020 Citizens Board of Governors Meeting, and; <u>Approval</u> of June 24, 2020 Meeting Minutes
<b>BUDGETED ITEM</b>	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>	<p>During the board meeting the public phone connection dropped from 11:37 am to 11:43 am. Violet Bloom was discussing her action items and those topics required a vote. These two items were approved by the board but, due to the public line disconnect, they will be ratified and referenced at the September 2020 Board of Governors meeting. The Action Items in this section are attached for reference and ratification on September 23, 2020.</p> <p>Review of the June 24, 2020 Board of Governors Meeting Minutes to provide opportunity for corrections and historical accuracy.</p>
<b>RECOMMENDATION</b>	<p>Staff recommends the Board of Governors to:</p> <ul style="list-style-type: none"><li>a) Ratify the Action Item to Amend the Citizens Retirement Plan (Roth Account Option) that was originally approved during a public line disconnect during the June 24, 2020 meeting; and</li><li>b) Ratify the Action Item to Amend the Citizens Retirement Plan (CARES Act Option) that was originally approved during a public line disconnect during the June 24, 2020 meeting; and</li><li>c) Review and approve the June 24, 2020 Board of Governors Meeting Minutes as set forth in this Action Item.</li></ul>
<b>CONTACTS</b>	Barry Gilway, President/CEO and Executive Director Barbara Walker, Senior Executive Assistant and Board Secretary



**CITIZENS PROPERTY INSURANCE CORPORATION**

**MINUTES OF THE  
BOARD OF GOVERNORS MEETING  
Wednesday June 24, 2020**

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened telephonically on June 24, 2020 at 9:00 a.m. (EST).

**The following members of the Board were present:**

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

**The following Citizens staff members were present:**

Barry Gilway  
Jennifer Montero  
Kelly Booten  
Jay Adams  
Joe Martins  
Violet Bloom  
Christine Ashburn  
Dan Sumner  
Jeremy Pope  
Steven Woods  
Mark Kagy  
Brian Donovan  
Albert Del Castillo  
Scott Crozier  
Karen Holt  
Candace Bunker  
Robert Sellers  
Adam Marmelstein  
Jennifer Dilmore  
Barbara Walker  
Bonnie Gilliland  
David Woodruff

**The following people were present:**

### Call Meeting to Order

Barbara Walker: Good morning and welcome to Citizens June 24, 2020 Board of Governors meeting. This meeting is publicly noticed in the *Florida Administrative Register* and is recorded with transcribed minutes made available at our website. For procedural clarification, please state your name before speaking. Please do not put this call on hold. Press \*6 to mute your line and #6 to unmute your line. For the record, Chair Rivard, there are no requests that have been submitted to speak on today's Board teleconference. We will convene with roll call.

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

Barbara Record: Mr. Chair, you have a quorum.

Chair Rivard: Good morning, everyone. I appreciate you being on the call. Before we get started with the agenda, I thought I would mention that I at least thought it worked relatively well last time in terms of letting everyone have a chance to speak on items, and so I think what we'll do as we go through each item is that we'll let the staff make its presentations. We'll try to get all the way through that and then we'll have time for questions. I'll proceed with a roll call alphabetically with each of the board members so that everyone has a chance to ask questions and make comments. So, I hope that works okay for everyone. That's the game plan for today. I just got a text message from Barbara that we have Vice Chair Lopez-Cantera on the call. Welcome. With that we will get into the agenda.

#### **1. Approval of Prior Meetings' Minutes**

Chair Rivard: If you had a chance to review the minutes, I would entertain a motion to first approve the minutes from the March 25<sup>th</sup> meeting.

**Bette Brown made the motion to approve the March 25, 2020 minutes. John Wortman seconded the motions. All were in favor. Motion carries.**

Chair Rivard: Next we need to approve the minutes from the May 14<sup>th</sup> meeting.

**Bette Brown made the motion to approve the May 14, 2020 minutes. John Wortman seconded the motion. All were in favor. Motion carries.**

#### **2. Chairman's Report**

Chairman Rivard: As far as the Chairman's Report, I'll be very brief, but I just want to take this chance to thank all of the employees of Citizens, not just the leadership team, although, we certainly appreciate all their efforts. But, for all of the employees of Citizens, we understand that everyone is working through some unusual circumstances. These are challenging times to say the least. We appreciate that

everyone is still getting the job done for all our policyholders out there. And that's the name of the game here. We appreciate all the effort that is being made working from home and otherwise, especially now that we're in hurricane season. And, you know, as I think about what it is that we do as Board of Governors, you know, we rely on the great team of people to run this company to be prepared. And, it's in an industry, as we're going to hear today, there are lots of things that are beyond our control, whether it's the financial markets, whether it's the insurance markets, particularly, Barry is going to spend some time on that today. Certainly, hurricanes are predictable. And, so, we have a lot of things that we have no control over. But, for the things we do have control over, at least from where I sit, we are very confident that this is a well-run organization. The right decisions have been made leading up to this point. And so, despite all the unique circumstances that we're faced with right now, we are well-positioned to take care of our customers and take care of their claims should we need to do that. And so, those are really my only comments for the Chairman's Report. But, I just want to make sure that we try to keep that perspective, and as the Board of Governors, obviously, we get into lots of issues. We have different opinions from time to time. Sometimes, those opinions might be different from the opinions of our Executive Leadership Team (ELT). But, none of that should take away from the fact that we do recognize and appreciate all the hard work that the employees of Citizens perform every day to make sure we take care of our customers. That's my soapbox. I hope I did not go too long on that. With that, I'll turn it over to Barry for his report. Barry?

### **3. President's Report**

Barry Gilway: Thank you, Mr. Chairman and board members. I do have quite some material. I'll go over it relatively rapidly and then rely on questions at the end. My intent today is just really to provide a little more insight to what is happening in the market and hit on a couple areas that I think you might find interesting. I don't draw any conclusions in the report in terms of what the drivers are, but I'm just providing, you know, a little more perspective into some of the undercurrents, you know, regarding the changes in the industry. The property market in Florida is being impacted by a whole bunch of factors. It's clearly causing dislocation for Florida customers. Over the past eight years, we've been able to reduce Citizens' exposure from \$512B to a low of \$108B. As of today, that is now up to about \$119B. And our share of the residential market has dropped from 23% to 4%. The real key is that we reduced the assessment potential from \$11.6B in the event of a 1-100 year storm back in 2012 to \$0 today. We actually reached that \$0 in 2015. Depopulation in Citizens is driven by the exceptional profitability of the Florida market in 2013 to 2016. I reported on this before, but the market was extremely profitable in 2013 through 2016. And, without question, that really was the driver behind the significant amounts of depopulation, you know, that occurred during that period. It created a very highly competitive private market. For the past four years, our policy count has remained relatively stable in the 420K to 450K range really, as we return to a role as a residual market. So, the nature of our book change so that we're not competing for the quality risk that the private market was competing for and our books started to look very much like the residual market book of business very similar to the other major residual market plans like Massachusetts, Texas, and North Carolina. Given the current issues in the marketplace, it's changing. Once again, we're experiencing growth in the number of customers we serve. I'm going to refer to a few data points in the PDF that was provided. The PDF was provided in sequence, so, in order to follow, I would suggest, you know, reference the actual slides themselves as I go through because I'll be making some comments on a couple of these slides. So, it is important to convey what's happening in the market and it's impacting our customers and really consider a couple possible drivers behind the change in the growth pattern. So, the first slide. The first slide really refers

to the current growth that's occurring, and it attempts to forecast the estimated customer count by year-end. And, I do say "attempts" because there is a . . . although, we have brilliant people like Paul Kutter on staff, the reality is things are changing so rapidly that it's very hard to get a handle on the increase in volume that we'll be seeing. Referring to the daily information, we are growing today at the rate of around 3,000 new – net new – policies per week. And that's a little overstated because of some of the initiatives that we are putting in place to support our customers during COVID. But the reality is 2,500 to 3,000 net per week is a good estimate. It shows we're renewing a higher number of policies. Obviously, with market restrictions that makes sense compared with budget. And the new policies that we're writing are increasing. We think the overall impact for 2020 is estimated to increase from the original budget of around 1,000 policies to 517. By the way, this does include the 19K policies that we retained from the Florida Specialty liquidation, and the reason the base was lower simply is because we were moving in the right direction, and that's downward prior to the Florida Specialty liquidation. There are many factors driving the increased flow business into Citizens: the financial results of the overall industry for the past three years. I reviewed those in the March 25<sup>th</sup> board meeting. They showed in [20]17 and [20]18 about \$150M net income loss – the domestic industry – and about a \$340M loss in [20]19 for the industry. Through the first quarter of this year, by the way, the industry profitability is roughly flat for the domestic; it's about \$1.6M loss, so at least it's showing some improvement relative to last year. The increased risk transfer pricing, both in the traditional and catastrophe (CAT) bond market, had significant impact on availability on affordable reinsurance for domestic companies and affordable coverage for consumers. I do want to make a note – we are not aware of any company at this point that has not been able to complete their placement. If there is one, we're not aware but we are through the primary renewal period as we discussed at the last meeting. We're not aware of any companies that have not made their placement. It took a lot of last minute work on the part of a lot of companies and some late nights, I'm sure, to pull them in, but the bottom line is no one, to the best of our knowledge, is without coverage going into the storm season. The market, of course, hasn't seen the additional rate impact of reinsurance costs as most companies will be passing on these additional reinsurance costs, and Jennifer Montero will get into much more detail on the estimate of costs. But they'll be passing them on over the course of the next month or two, you know, in terms of an adjustment that they'll be forwarding to the Office of Insurance Regulation (OIR) asking for approval. It's fortunate at this point that Demotech has downgraded only one company, and, in fact, that company actually merged with another company. So, there really has not been any impact, you know, from Demotech. As you're well aware, we've reported on it in the past couple board meetings, Demotech, at one point, indicated a possible downgrade of 12 to 18 companies. Then, it dropped significantly, and then ultimately, they were able to come to agreements with companies to maintain their FSR (Financial Strength Rating). So, really, the driver here was companies changed their business models. So, either they changed their business models, which I'll get into, or they added to surplus in order to maintain their Demotech rating. As difficult in an environment where affordable capital is very limited clearly impacts to private company appetite for growth and even their ability to maintain their current portfolios, we'll see. The competitive position of Citizens in a market that's increasing pricing dramatically is an issue we'll be addressing in the September board meeting. There are some very interesting factors that we're seeing. I'm going to comment in a minute on Capital Preferred, and frankly, I expected to see of the 27K policies that were cancelled with Capital Preferred, I fully expected to see a significant percentage of those policies. As of this morning, I went online and, as of today, we have less than 1,000 of those policies that are bound. We may have a few more, given that this is the last week before that 6/29. That's good news and it does indicate that there's probably more market flexibility capacity than we were led to believe, particularly in the solo counties that I'll be referring to.

That's good news. We'll talk more about it in September in Jacksonville over competitive analysis of Citizens in the market. The solo counties are counties where we were the most competitive. In terms of companies writing business in SOLO counties, we were on average 25% lower than those companies. However, we are just not picking up that business. That business is not coming to us and it is being placed in alternative markets. Many companies are attempting to address their profitability problems, product pricing actions, or taking marketing actions. I outlined some of these market trends, you know, on slide number two. But, it really does run the gamut – complete shutdowns of states with new business, non-renewals in coastal areas, mandatory exclusions of wind coverage as stated on the second slide, huge changes by multiple companies in terms of lowering minimum age, only writing for homes less than 10 years old, and then, as I'll note in a minute, cancellation of agency appointments resulting in non-renewal of policies associated with specific agents. Then, of course, there are the pricing actions that are taking place. I did put a couple of specific examples only because they are very late reported items that hit the press. Federated, effective June 22<sup>nd</sup>, closes all new business in Monroe, Broward, Palm Beach, Miami-Dade, Orange, Osceola, Seminole, Lake and then Universal North America sent out a release saying that as of June 15<sup>th</sup> they're closing new business for Broward, Collier, Lee, Hillsborough, Lake Manatee, Miami-Dade, Orange, Osceola, Palm Beach, Pinellas, Sarasota, and Seminole. Now I do want to point out that that these are not the only companies that are making changes. We have an entire list of companies; I will say there are 20 to 30 companies that have made fairly significant changes in either their selection criteria or in terms of their appetite for writing new business. We haven't gone into all the detail. Some of them are public. Some of them have been obtained through agent contacts, so obviously, we're choosing not to publish those unless they were made public by the companies themselves. The major limitations on what's happening in the marketplace are capacity. However, these companies are restricting writings geographically through the OIR orders. We have talked in the past about Capital Preferred; the order was to cancel 27K policies effective 6/29. That was a surprise to the market for sure – all cancelled within one date. At the last meeting we clearly stated that we were totally supportive of the OIR decisions simply because I believe there are about 108K Capital Preferred policies, and I think it was a protection move to make sure that the balance of the Capital Preferred customers were well taken care of and had a secure market going into hurricane season. The business being accomplished through either placing limitations on new business and renewals, as I've been talking about, in select counties or by cancelling agency partnerships when agents have a high concentration of their business in unprofitable territories really forcing agencies to remarket their customers in a market with limited capacity. Now I want to switch my discussion and try to answer the question of why such a dramatic shift in business plans for so many companies in an area that was so recently considered a target market for so many companies. The actions are not restricted to SOLO counties (Seminole, Osceola, Lake, and Orange), but these counties serve as a good example of what is taking place. It's happening elsewhere, too, when you see subsequent charts. SOLO counties have been so profitable historically that Citizens writes very, very little business. In fact, it's less than 0.5% market share and less than 8,000 policies in all of these four counties combined. That is actually a lower market share than the market share we had in the Panhandle prior to Hurricane Michael. Jay [Adams] did an exceptional job of reviewing our litigation trends, and as you'll see, I don't attempt to repeat anything that Jay has, but as he's indicated, our litigation trends are heading in very much the right direction. Whether that holds up over time, I think, there are some questions. But certainly, our litigation trends are truly heading in the right direction. I want to switch to slide number three. Now, this is not new information. I've shared this information many times. Johnathan [Owen] has been providing this data hot off the press for a certain amount of time. We do follow the litigation trends, not only for Citizens but the industry for comparison purposes. Looking at slide number three, the overall litigation for

companies – by the way, this is not a Citizens document per say. It's a LSOP document that we draw from the State. I previously shared it. This just simply shows a continuation of the overall trend. It is slowing down, but it still shows the overall growth of property lawsuits from 27,416 in 2013 to 84,000 through 2019. Through the first five months of 2020, there have been 30,164 lawsuits. All I did was straight-lined that number. If you straight-line it, it comes to around 70K lawsuits by year end 2020. There is one thing worth noting on this slide, and that – I've been kind of a broken record on the impact that House Bill 7065 has had on the industry. And, looking at these May numbers year-to-date, clearly shows that the overall litigation – Assignment of Benefits (AOB) litigation – dropped dramatically, and not just for Citizens but for the entire industry. When you take a look at total AOB numbers and total AOB lawsuits and then you take a look at the percentage of those lawsuits compared to the total lawsuits, clearly there are some dramatic differences in the entire industry. Clearly, Citizens dropped from 34% of the lawsuits in the right-hand column down to 21.3% of the lawsuits from [20]19 to year-to-date. However, when you take a look at these, and you go through slide four, you'll see the increase in litigation by county. And, while Dade, for example, has solely been our focus because it consistently has been responsible for 89% to 90% of the lawsuits – Tri-County has – in the state . . . while Dade continues to increase from 10,759 to over 20K, and that's a 100% increase during this period, Tri-County has grown from 17,258 to 40,645. But the surprising numbers, and, I think, the reason – to give you some insight on this location, is that you take a look at Orange County. So, Orange County alone has increased from 1,578 to almost 7K. Everything is relative to size, but that's a 430% increase. Take a look at the combined four counties, the SOLO counties, that's a 518% increase from 2,162 to 11,214. We started talking as a board probably two or three years ago that we're seeing litigations spreading dramatically, and particularly heading north into the SOLO county area. This shows that the continuation of the spreading of what was once considered a Tri-County issue just simply continues. By the way, these SOLO counties are just one example. You can go into Duvall 7,025 to 20,277 increase and other examples that you'll see on this chart. This chart basically looks at the 2013 lawsuits by county and reflects on the 2019 lawsuits by county. And, very clearly, you can see the impacts of Michael, on the Panhandle, for example, when you take a look at the Panhandle counties. And, finally, what I've done here . . . so, slide five simply, and we won't spend a lot of time on, compares SOLO counties with Tri-County experience, showing the SOLO counties . . . it's just now they represent a higher percentage. It doesn't look like much on paper, but they're responsible now for 14% of all the lawsuits in the state, and then in [20]13, they were responsible for 8%. Companies are finding it difficult to keep up with the increased cost of litigation despite the significant rate increases. Finally, what I've done, and, again, you've seen these similar slides in the past, so the final two slides, actually there is only one slide, but I combined them on slide six. If you take a look at the two slides, this is Citizens only information. We don't have this information available for the industry. It includes two slides with Citizens information on both the difference in the cost of litigated claims versus non-litigated water claims and the increase in severity over time. Historically, our results have been consistent with industry information. So, this does represent, in my opinion, consistent information that you'll see throughout the industry. Slide six shows that the loss and loss adjustment expense (LAE) – so litigated claims – has increased from \$23,845 in 2012 to \$48,814 as of 3/31/2020. And then it compares the litigated claim costs to the non-litigated water claims. And there we show an increase from \$7,876 to \$10,097. It actually shows some improvement as, I think Jay had indicated in his claims report, year-over-year, but the bottom line is that the take home here is I think that litigated claim costs four times that of a non-litigated claim and that is why our claims team is so focused on reducing the litigated claims through some pretty innovative programs. Jay has talked about our Managed Repair Program (MRP) and the success we're having there. We have very slow but very productive growth in MRP, and really, the impact came from the



introduction of Jay's overall approach to the introduction of the appraisal program and the focus on the appraisal program. It's just simply showing in our litigation numbers that Jay reported on previously. So, I felt it was necessary to take you through these examples to show that when you have a deteriorating litigation environment and you couple that with significant increases in severity, it presents an almost impossible scenario for private companies to keep up with the required pricing and rates. We'll be talking about rates in the September meeting, but the reality is all companies are increasing rates; most companies are increasing rates fairly dramatically, and a good percentage of them are in the double-digit territory. We are seeing that this is exactly what is happening and contributing to Citizens' growth. Reinsurers are experiencing this deterioration through the loss development patterns along with some other areas that Jennifer Montero will be reporting on, and, of course, they are responding to these in their pricing models. I do want to point out that I am not suggesting this is the only driver or deteriorating litigation is the only driver of results. These are not. And, of course, the purpose of the Florida State University (FSU) study that you approved, and, by the way, it's very well underway, is to identify other additional opportunities to adjust the Citizens model and, of course, identify additional opportunities to improve the competitive environment within the overall marketplace. We may grow, you know, as a company – we'll grow as a company, but what we have to strive for is creating a far more competitive marketplace. And, what we're seeing from [20]13 to [20]16 is when the marketplace is competitive, Citizens will drop, and we'll drop back to residual market levels. It really is our hope that the FSU study will provide additional insight as to why litigation is increasing. These are the whys: why severity is increasing and the role of public adjusters and loss consultants, and so many more aspects the FSU study is looking at. In my opinion, it might provide some opportunity to look at legislative recommendations along with the potential changes in the Citizens Plan of Operations that might further define our role in the overall marketplace. This just gives you a very brief picture, Mr. Chairman, of what is occurring in the market or an aspect of it. I'll pause for questions, and then, I was going to turn it over to Kelly Booten to give us an update on COVID and Citizens' response to COVID-19 today. So, questions?

Chair Rivard: Thank you, Barry. I appreciate that. And, so, we'll just go through and just ask questions. Governor Brown, do you have questions or comments of Barry?

Bette Brown: I do not. Thank you.

Chair Rivard: Okay. Governor Capps?

Blake Capps: No questions.

Chair Rivard: Governor Dunbar?

Marc Dunbar: Sorry. I was on mute. Yeah, I just had a couple questions. Thanks for the presentation, Barry. That was very helpful, and as always, very informative. As it relates to the FSU study, do we have anything that we've received in terms of a preliminary draft or anything from them, particularly as it relates to legislative changes and recommended changes to our Plan of Operations?

Barry Gilway: No, sir. Very early days, we did review . . . in fact, we have in our hands now a first of what we call a Phase I draft. Sarah Harrell is the project manager. The professor working on it provided us with a very high-level initial draft. It did not, at this point, make any specific recommendations. That

would come, really, after further analysis. So basically, the Phase I simply focuses on the processes that they're using, the areas that they're reviewing. It was just for our review to make sure at least the criteria that we included, which are not only all-encompassing, they are going to be addressed within the study. There are no recommendations that have not been made, yet. We don't really expect them to provide us specific recommendations until the September timeframe.

Marc Dunbar: Okay. Mr. Chair, can I have a couple follow-ups?

Chair Rivard: Sure.

Marc Dunbar: So, I had a conference call with the Auditor General (AG) and OIR as we get ready for their audits in trying to make sure that we're not getting, you know, redundant information across and things like that. One of the things that OIR highlighted was that they're going to go through and look at the part of the normal process they go through as a partial Plan of Operation audit, and then the Audit Committee had a discussion. I guess it's a question for both you, Bo, and Barry that we and the Audit Committee were going to recommend to the board that we also do a look at some of the things in the Plan of Operation to possibly make some recommendations as well because the Plan of Operation hasn't been updated since 2013. So, I didn't know from a . . . it seems like we've got multiple groups that are going to be looking at things and I was hoping to talk about this at the end of the board meeting, but, Barry, how do you . . . and, when OIR comes in with their audit, when do we expect that, before session, or does that typically come in after session?

Barry Gilway: I know that Joe Martins is on the line, and he has both the dates of the . . . it will definitely be before session. But Joe Martins, I think, can probably give us the date for both the AG audit, which is beginning within a week or so, and the OIR audit – the Market Conduct Audit. So, Joe, do you have the dates of those audits?

Joe Martins: Thank you, Mr. Chairman. Mr. Gilway, both these audits would commence during Quarter Three around September, and it is expected that the OIR audit would complete in four months. So, in early 2021, we should see a report from the OIR. And the AG audit will take roughly around seven months to complete.

Marc Dunbar: Okay, so this is where I was going with that because, so if we have Senator Brandis that wants us to look at things, we have the FSU study that's looking at things, the Audit Committee and the external auditors are going to be looking at things, all of which are driving to possible recommended changes to our statutes and Plan of Operation. And, the Plan of Operation has to be adopted by the Financial Services Committee (FSC). I was just . . . I guess I was mainly giving the board a heads up that as we work through this we're going to get a lot of information probably in the fourth quarter of the year, first quarter of next, that it could have a bearing on, you know, what we are and what we are going to be in the marketplace moving forward. So, it's part question, part statement as to what's coming.

Barry Gilway: Yes. Governor Dunbar, you're making a very, very good point. I know there are multiple sources of information, and maybe we can discuss as a board how we want to accumulate that information and report to the board so that the board can understand all the evaluations and the feedback from all the evaluations. And, from a timely standpoint decide basically on those aspects of those various reports they want to act on. So, I think your point is extremely well made, and I think we

need a more formal process to take a look at all of the input that we are going to be getting from these various sources and incorporate all that input to come up with a solid set of, you know, recommendations or at least observations for discussion with the board.

Marc Dunbar: Barry, I couldn't find the old board minutes, but how, in 2013, how did the revisions to the Plan of Operation . . . how did they flow through? Was it something the Executive Committee looked at and brought to the board and then the board . . . because I saw from the Cabinet minutes that the . . . we recommended Plan of Operation revisions – the Cabinet as the FSC and they adopted them. So, did it flow through the Executive Committee? Do you know how that worked?

Barry Gilway: At that point in time, Governor Dunbar, we really did not have an Executive Committee that was functioning as such.

Mark Dunbar: Okay.

Barry Gilway: So, it did not flow through the Executive Committee. It did flow through the board. The primary difference is, as you know, the major impact was the Clearinghouse approval in [20]13.

Marc Dunbar: Right.

Barry Gilway: You know, my presentation of the Clearinghouse. So, that was the primary focus. There were some additional changes, but the primary focus was the adoption and approval of the overall Clearinghouse program.

Marc Dunbar: Okay.

Barry Gilway: I think the Board . . . my recollection, Governor, is the board approved the recommendations. They were made to the OIR, and the OIR proposed Plan of Operation changes to the FSC. I presented those changes to the FSC sometime in 2013, and they were approved.

Marc Dunbar: Okay. Just one last question, and I just don't know if it's happened or not. Have we rounded out the Executive Committee yet, Chair?

Chair Rivard: No, but I can do that. We can do that. That's on me. We'll take care of that.

Marc Dunbar: Okay, cool. That's all my questions. Thank you, Mr. Chair. Thanks, Barry.

Barry Gilway: Thank you.

Chair Rivard: Okay. Governor Henderson, do you have any questions?

Reynolds Henderson: Just a comment. I'm hopeful that this FSU study will tell us what we need to know about litigation, and I'm very excited to see those results. But, after that, I hope we'll have a communication plan to disseminate this information to everyone so everyone knows what the heck is going on because, you know, I think if we decide to go with market rates, you know, and change those

rates, everybody to understand why we need to do this. I just think this is very important. So, that's the only comment I've got. Thank you.

Chair Rivard: Thank you. Governor Holton, any questions or comments?

James Holton: Yes, I just have a brief request for Barry. I know he's going to discuss overall Citizens competitiveness and rate filings in the September meeting and part of that will be Senator Brandis' suggestion of applying the cap to renewal business and not necessarily to new business. Kind of pursuant to that, I know there was a legal pending that the senator had provided a letter to you and you sent on to us. I would like to see an update and I think it was done by the Radley Thomas law firm. And maybe Dan [Sumner] or the law firm itself could see if there is anything statutory or case law changes that would impact their initial recommendations there in the eight years since the last report was drafted. Is that doable prior to the September meeting?

Barry Gilway: I'm sure it is, Governor Holton. I believe that was in 2012 opinion.

James Holton: Yeah, I think in 2012. I think you're right.

Barry Gilway: Yeah, I don't believe there is any question that we can get . . . we are going to do a very, very comprehensive dive into all of the implications associated with, you know, Senator Brandis' recommendations. I think part of that has to be an outside counsel opinion. Dan, do you want to comment on that?

Dan Sumner: Yes, Dan Sumner for the record. We can absolutely get an update on that and make sure all the research is up to date. That will not be a problem by September, Governor Holton.

James Holton: Okay, great. I just additionally, too, that I hope the board would make an informed decision on that proposal that we have some fairly updated rate comparisons between Citizens, you know, and filings and the filings for the private companies out there as well as some LAE comparisons to look across the board how Citizens' rates and loss ratios compare vis a vis the private sector.

Barry Gilway: Governor Holton, we will and we're delaying at this point because there are two areas. We do have a very comprehensive study that has been completed already, but frankly, I think the date on that is November of last year. What we're attempting to do, and as you're aware the board approved, the rate comparison procurement . . .

James Holton: Right.

Barry Gilway: . . . at the last meeting. So, what we'll be doing with the Milliman is...we want to hold off until any rates relative to reinsurance – increased reinsurance charges incorporated – and also we have a lot of effective dates for rates that are, as I indicated earlier, are double digit rates, some significant in excess of 30% in one and 28%, 29% in another. So, we want to give those rates time to incorporate into the study. So, we'll have a much more current look at Citizens compared with the private market. But, yes, I think we'll have a very comprehensive study and want to make it as timely as possible that we have real good picture of the latest impact the rates are having in the overall marketplace.

James Holton: Yeah, that's precisely what I was asking for because I know there's been such a disparity over the last couple years and so forth given the factors you've articulated this morning. But, I think, the latest, up to date is the most appropriate. Yeah, my request is basically to get those metrics that are appropriate in order to fully evaluate Senator Brandis' proposal.

Barry Gilway: Yes, sir.

James Holton: Thank you, Chair.

Chair Rivard: Governor Kastroll, do you have any questions or comments?

Will Kastroll: No thank you.

Chair Rivard: Okay. Governor Lopez-Cantera?

Carlos Lopez-Cantera: Thank you, Mr. Chairman. I just have a quick question. Since the subject of the Plan of Operation was brought up, maybe Dan could explain to the board, at least for my edification since, I think, I'm still the newest member to the board, what is the process to revisit the Plan of Operation, amend the Plan of Operation, change the Plan of Operation? What is that process procedurally as far as the board of governors is concerned?

Dan Sumner: Governor Lopez-Cantera, this is Dan Sumner. Let's look at the statute and I'll be very brief here. But, again, the corporation operates pursuant to the Plan that is approved by order of the FSC. Directly to your point, the statute says the Plan is subject to continuous review by the commission, and the commission, therefore, has the ability to entertain revisions to the Plan anytime. Therefore, really, the issue is to the extent there is any posed revisions to the plan, that is certainly the prerogative of the board to present those to the commission. Again, I think because OIR is essentially has been the conduit for Citizens, OIR would normally look at the Plan revisions, even though the statute doesn't directly speak to that, they look at the original Plan, so I think it would be reasonable for them to look at those. And then, we would present to the commission through the OIR.

Carlos Lopez-Cantera: Okay.

[multiple people speaking]

Carlos Lopez-Cantera: What you're saying is the Cabinet.

Dan Sumner: I believe the FSC, and Christine [Ashburn] correct me, I believe that the FSC is . . . I'm not sure the . . . is the Agricultural Commissioner a member of the FSC? I'm not sure. Christine, can you correct me on that?

Barry Gilway: I'm aware that all four Cabinet members voted on the 2013 amendment.

Dan Sumner: Okay. Okay. Yes, it is the Cabinet. Yes, sir.

Carlos Lopez-Cantera: But the board of governors can make recommendations at any time?

Dan Sumner: Absolutely.

Carlos Lopez-Cantera: But it doesn't have to be a process? It can be part of the new business item today? It could be brought up as a motion? Is it that simple, or is there any procedural process as far as the board of governors is concerned? And if there is not, maybe there should be.

Dan Sumner: No, I think it's that simple. That essentially that the corporation operates specific to the Plan. The oversight of the corporation with the board, and therefore, the board can look at this as an evolving document to the extent that there are changes that need to be made. The board could identify those and present those to the FSC.

Christine Ashburn: Mr. Chairman, it's Christine Ashburn. I apologize. I was on mute. Just to confirm. The FSC is the full . . . is all four members of the Cabinet, including the Ag Commissioner, just to clarify that point for Barry.

Chair Rivard: Okay, thank you, Christine. Governor Lopez-Cantera, do you have more questions?

Carlos Lopez-Cantera: No. Thank you, Mr. Chair.

Chair Rivard: Okay, thank you. Governor Wortman?

John Wortman: No. I just think it's really important that Citizens stays close to what's happening in the marketplace. And, Barry, I appreciate what you're doing to do this and bring it before the board. So, thanks.

Barry Gilway: Than you, sir.

Chair Rivard: Yeah, thank you, Governor Wortman. Okay, so, Barry, you wanted to ask Kelly to chime in now and give us a COVID update?

Barry Gilway: If you could, that would be great, Mr. Chairman. Thank you.

Chair Rivard: Kelly?

#### COVID-19 Update

Kelly Booten: Good morning, Board of Governors. For the record, Kelly Booten, Chief Operating Officer. Today, I will report on activities that have taken place since the May board meeting. One item for board awareness was the memo for business exceptions, extensions, and payment plans. We extended underwriting business exceptions through July 31<sup>st</sup> and have initiated a communication plan for agents and policyholders to collect payments and to uncover any policies that may need to be cancelled. It also introduces a soft landing for policyholder payment options that prepare for our return to normal billing operations by offering a limited time capability for those policyholders who have been unable to pay their premiums or to the payment plan. Citizens will implement a new, temporary payment plan for release for this event that would allow remaining payments to be provided evenly for the number of

months left in the policy term beginning on the date that the policyholder selects the payment plan. As of June 16<sup>th</sup>, the period in which Citizens held cancellations and non-renewals . . . we still collected approximately 91% of premiums and an estimated \$10M is unpaid to date but may be paid when notices resume. There were no contracting and purchasing actions significant enough to require a memo; although, there was one item reported which was the purchase of the Softphone technology at an estimated cost of \$15K to augment remote work capabilities for independent adjusters during a CAT event. To date, there are other miscellaneous contracting and purchasing expenses tagged to the COVID-19 project code of approximately \$90K predominantly for IT equipment, some in the facilities cleaning supplies, and other areas such as masks. We continue to be creative through various employee campaigns, robust communication strategies, tech tips, etc. as we continue live in this remote environment; and that concludes my report.

Chair Rivard: Okay, thank you, Kelly. Are there any questions for Kelly? I won't go through a roll call, but if anyone has any questions for Kelly, please speak up.

[silence]

Chair Rivard: Thank you, Kelly. So, next, we'll move into the CFO's report. So, Jennifer, I'll waive any comments being the Chair of the Finance and Investment Committee (FIC), so I'll turn it over to you for this presentation.

#### **4. Chief Financial Officer's Report**

##### **a. Financial and Investment Committee (FIC) Update**

###### **2020 Risk Transfer Program**

Jennifer Montero: Thank you, Mr. Chairman. Behind tab four, you'll find an executive summary for the Risk Transfer Program update as well as the layer charts. I will walk you through the results of the placement. As approved by the board of governors at the May 14, 2020 board meeting, Citizens sought authorization for \$1.3B of additional coverage, in addition to the \$400M of 2018 coverage that remains in place for the 2020 storm season. Based on current dislocation in the reinsurance markets and significant price increases, Citizens decided not to chase the market and not to lock in the currently elevated rates on a multi-year basis, and therefore, only placed a cost efficient risk transfer program of \$1.02B, which includes \$620M of new placement and the \$400M of multi-year coverage from 2018. The 2020 risk transfer program for the Coastal Account includes \$803M of coverage with a weighted average gross rate-on-line (ROL) of 7.76% and a net premium of \$60.3M. The 2020 Risk Transfer layers for the Coastal Account are as follows:

- Layer 1 of this program is referred to as the sliver layer and sits alongside the Florida Hurricane CAT Fund (FHCF). It provides \$95.4M of annual, per occurrence coverage which covers personal residential and commercial residential losses and works in tandem with the mandatory coverage provided by the FHCF. This layer was placed in the traditional market at a ROL of 14.75%.
- Layer 2 sits above the sliver layer and the FHCF. This single-year, aggregate layer provides \$583.8M of coverage of personal residential and commercial residential losses. This includes the \$400M of renewing coverage placed in 2018. The new placement of \$183.8M was placed in the traditional market at a ROL of 10.0%. At the May 14<sup>th</sup> board meeting, I mentioned that this new

placement would be split between the traditional and capital markets based on market conditions. On Friday, May 15<sup>th</sup>, we made the decision to pull the Everglades Re 2 Series 2020-1 Coastal Account CAT Bond from the market due to significant price increases. However, it's noteworthy to mention that the \$400M of renewing coverage placed in 2018 includes \$150M of traditional coverage at a ROL of 6.66% and \$250M of coverage from the capital markets at a ROL of 4.73% as compared to the 10% ROL for the newly placed coverage in the same layer.

- Moving on to layer 3 of this program - this sits above the \$583.8M single-year aggregate layer and covers annual, aggregate personal residential and commercial residential losses. The layer provides \$124.2M of single year coverage and was placed in the traditional market at a ROL of 6.5%.

The 2020 Risk Transfer Program for the Personal Lines Account (PLA) includes \$218M of coverage with a weighted average gross ROL of 10.58% and net premium of \$24.4M. The 2020 Risk Transfer layers for the PLA are as follows:

- Layer 1 of this program is referred to as the wrap layer and sits alongside and above the FHCF. It provides approximately \$108.1M of annual, per occurrence coverage which covers personal residential losses and works in tandem with the mandatory coverage provided by the FHCF. This layer was placed in the traditional market at a ROL of 15.0%.
- Layer 2 sits above the wrap layer and the FHCF. This multi-year, aggregate layer provides approximately \$110M of coverage of personal residential losses. This placement provides multi-year, aggregate coverage. This layer was placed in the capital markets via Everglades Re 2020-2 PLA CAT Bond at a ROL of 6.25%. We closed on this CAT Bond on May 28, 2020.

On a risk-adjusted basis, the total 2020 private risk transfer program cost \$84.7M, is 20% higher than the 2019 program based on the gross ROL. The 2020 gross ROL is 8.36% compared to a risk-adjusted gross ROL of 6.99% for 2019. The Coastal Account's 2020 placement is 16% higher than the 2019 placement on a risk-adjusted basis. The total amount of surplus exposed in a 1-100 year event will result in approximately 48%, compared to 28% in 2019. The PLA's 2020 placement is 25% higher than the 2019 placement on a risk-adjusted basis. The total amount of surplus exposed in a 1-100 year event will result in approximately 62%, compared to 58% in 2019. The surplus exposed in 2020 is higher than what was exposed in 2019 due to inefficient market conditions and significantly higher pricing. However, we expect reinsurance markets to stabilize as economic conditions and financial markets improve by the end of this year, which will allow us to manage the risk transfer program and surplus exposure effectively and efficiently. In summary, the total 2020 Risk Transfer Program, including coverage provided by the FHCF, totals \$2.9B of coverage with a ROL of 7.5%, which is a 7% increase versus the 2019 risk-adjusted pricing. The FHCF coverage totals \$1.9B with a gross ROL of 7.0% and the private risk transfer program totals \$1.02B with a gross ROL of 8.4%. That concludes my update and I'll pause for any questions.

Chair Rivard: Are there any questions for Jennifer at this point?

[silence]

Chair Rivard: Okay, if not, Jennifer, please proceed.

Carlos Lopez-Cantera: I have a question, Mr. Chair. I thought you were going to go in the order of the names.



Chair Rivard: Yeah, this is just a part of her presentation. I just thought we'd . . . rather than go through the whole roll call. I'm sorry for being inconsistent in that. But, go ahead with your question.

Carlos Lopez-Cantera: Thank you, Mr. Chairman. The question is, Jennifer, on the risk transfer, the actions that were taken, because you said, "We." "We did this. We did that." Of the actions that ended up being taken, how did they deviate at all from the mandate the board approved in the May meeting?

Jennifer Montero: Can you . . . I'm sorry. I don't quite understand the question, Governor.

Carlos Lopez-Cantera: Based upon what the board approved . . .

Jennifer Montero: Yes.

Carlos Lopez-Cantera: . . . in the May meeting, I think in one part of your presentation you said you decided . . . we decided not to pull back Everglades Re. So, my question is . . .

Jennifer Montero: Yes.

Carlos Lopez-Cantera . . . so my question is from what the board approved in the May meeting, mechanically, what were the deviations from what the board approved versus what actually occurred?

Jennifer Montero: Sure. Well, none of the layers were able to get full capacity. That was one issue, so each layer was short as we went through . . . if you go look at the layer chart and you can see that, for example, in the Coastal Account, we got \$95M in that layer in the sliver and we were looking for \$102M. The layer above that was a \$900M layer and we ended up with \$583M. I believe it's \$583M. Sorry, I'm just trying to add this up real quick. And above, we were looking for \$350M and the capacity there was \$124M. The reason we pulled the CAT Bond out from the Coastal Account was because the price just kept going up and up where it was no longer of value. It was out-costing the price of the traditional, which is a better product. When we went offshore originally, the price range was around 5% to 6%, and when we decided to leave the market, it was 7.25% and within the next day or two it was already at 8% ROI. The market was just driving the prices, and we felt it wasn't prudent to chase that down and pay it at any price. That would not be responsible – not financially responsible – to do that. And, since we are in a situation where we can self-insure that and then on the Coastal Account . . . I'm sorry, the PLA, we were looking for \$175M along the wrap. We ended up with \$108M, and we did place the CAT Bond in the PLA, but we were also looking for a split in that higher layer for traditional coverage. There were zero quotes in the traditional market for that book of business. We have never gone out in that layer before in the PLA. In fact, last year was the first time since 2005 we placed anything in the PLA, so there was absolutely no appetite. It was really not a good market to take that new. We learned in hindsight that there was no appetite for that. And, then the commercial non-residential (CNR), we went out and we did get quotes for that. We went out with firm order terms, but we came back with a very, very low number. We were looking for \$54M, and I think we got quotes of less than \$16M. So, we decided it wasn't worth placing that. We had some of that capacity moved to other layers within the Coastal Account to buff up those layers. Does that answer your question?

Carlos Lopez-Cantera: Kind of. The board authorized . . .

Jennifer Montero: Basically, the board authorized \$145M and we came back at \$87M and that's because the capacity wasn't there because the reinsurers were actually chasing rates. So, even though they looked at our program as "oh this is a very program; you're transparent; etc." the issue was that other companies were willing to pay a lot more. We didn't go outside of what you approved. We stayed within the guidelines. We placed less.

Carlos Lopez-Cantera: So, we have more exposure now, since we haven't been able to . . .

Jennifer Montero: We do. We do. In fact, that was my last comment. In the Coastal Account, we went from exposing 28% to now exposing 48%. And then in the PLA, we were exposing 58% and now 62%. Part of the PLA we'll be exposing more simply because we're going to start growing. So next year, we'll need to buy more to keep up with that growing rate. But this market . . . we had some partners that were on our program last year that came back with half of the amount that they placed last year on our PLA because some insurers . . . it's been known that some insurers were telling the reinsurers, "Just name your price. We'll pay it," because they were required to use the coverage and the capacity was just not there for the price for the risk adjusted is their price that we're willing to pay. This is similar with what happened last year. It's price gauging.

Chair Rivard: Thank you, Jennifer.

Carlos Lopez-Cantera: One last follow up, Mr. Chairman.

Chair Rivard: Okay.

Carlos Lopez-Cantera: Had we explored the market earlier in the year and not left it until June, could we have avoided this additional exposure?

Jennifer Montero: Well, we did start the market in February. February and March are when we started our program. We were on our roadshow in March in New York and in Bermuda – March 9<sup>th</sup> through 13<sup>th</sup> when the COVID stuff said everyone "get home and don't go back out." But like I had mentioned in the last meeting, you can only get so far if the reinsurers – if they're not willing to go, you can't go any further. So, we can start as early as we want as long as they're willing to cooperate. But, the reinsurers were holding out a lot of the time because they were trying to get their best price. So, they don't want to quote. Our quotes did not come in until two weeks late from the deadline and there's not much we can do about that. We have to kind of wait, but in hindsight, if we had gotten in there super, super early before COVID existed and the reinsurers were willing to play along, I can't speculate, but maybe. But, we could have . . . it could have been the opposite. You could have gone early and something, the markets, you know, found a better slot and better to go late. We do evaluate every year with our brokers and our financial advisor of when we think it's best to go to the market. It just depends on market conditions. Unfortunately, nobody knew that COVID-19 was going to hit right in the middle of the reinsurance placement timeframe.

Chair Rivard: Okay, thank you, Jennifer. Are there any other questions for Jennifer from any of the other Board members?

Marc Dunbar: Chair, this is Marc Dunbar. I was just kind of in the same boat. I was waiting for you to check. Do you want to let her to go ahead and finish or ask the follow up questions on that issue?

Chair Rivard: If you like to ask questions of her now, and I apologize. After we get through this round of questions, which is haphazard, I'll go back to the roll call for the remainder of the agenda. I apologize. That's my fault for confusing everyone. I just didn't know how many questions we're going to have at this point.

Marc Dunbar: No problem. I'll wait if it's your preference. It's not that big of a deal.

Chair Rivard: No, no, no. It's fine. If you want to ask questions regarding the risk transfer...

Marc Dunbar: It's related to the risk transfer.

Chair Rivard: Let me just start . . . let me do a course correction here. I'm just going to go through roll call. Governor Brown, do you have any questions for Jennifer at this point?

Bette Brown: No. Thank you.

Chair Rivard: Okay. Governor Capps?

Blake Capps: No questions.

Chair Rivard: Okay. Governor Dunbar?

Marc Dunbar: Thank you, Mr. Chair. Just a couple. When we went through this, one of the things that I asked you, Jennifer, you may remember, was we were going to spend \$145M to protect \$5B in surplus. Do you remember that? I'm just trying to put it in a pure economic spending. So, now that we chose not to place the bond, so we obviously, you said we spent, I think, \$88M total of our reinsurance program – did I hear you correctly?

Jennifer Montero: For the private piece, it's \$84.7M.

Marc Dunbar: Okay, \$84.7M and what is the surplus that we're protecting, just trying to go to that same simple, you know, analysis. We're spending that to protect what?

Jennifer Montero: \$6.4B of surplus.

Marc Dunbar: \$6.4B and we're spending \$84M. Now, if we issued the bond . . . one of the things I'm still trying to understand is when you're talking about we chose not to go ahead and place the CAT Bond because the reinsurers basically had everybody – they were just pricing – they were forcing us to price too high, right, from a return they were expecting on the bond?

Jennifer Montero: Well, there's a demand curve that goes with the bond, and so as the price goes up, usually the participation goes up. But what happened was our pricing, which the adjusted pricing was in February, which is what we went out with, there was no interest. So, you had to keep going up. And, to

get a decent size bond, we would have been paying an outrageous amount, and that amount just kept going up every day by 25 basis points. So, by the time we would make a decision to go offshore to change our pricing, it was stale the next day. It wasn't any good because they kept going up that demand curve. So, that's called "chasing the rate." They were just pulling it along. We didn't see that in the personal lines CAT Bond. That was more reasonable. But, for whatever reason, you know, the market was, and I know Kapil [Bhatia] is on the phone and he's dealt with a lot of these CAT Bonds with other companies in this market as well because he was our financial advisor during this CAT Bond, and it was just not a good economic decision to make for Citizens. We would have been not only paying way too much, we would have been then setting the precedent of that's the new price. Real quick, to put it into perspective, CAT Bond in the Coastal Account sits in the same layer as the multi-year. And if you look at the CAT Bond from 2018 in the layer chart, you can see it attaches that \$1.4B where the 2018 traditional market next to it attaches at \$428M because it drops down. It's net. So, as everything else erodes below it, that traditional program drops down. The Everglades bond – we place them gross. So they don't move. So, that attachment point is \$1.4B. Typically, you'd pay more for the traditional because it's a better product. It drops down. The rate we were paying for traditional in the new layer is 10% . . . by the time we were done with the CAT Bond, that ROL would have been more than 8%, plus when it's gross like that, all the frictional costs will go into that – you know, the bond issuance cost, the closing costs. There's a lot of frictional costs that goes with the CAT Bond. We would have been paying more for that CAT Bond in the same layer as these other three programs that are . . . the two traditional are a much better program, and we have been paying way too much for that CAT Bond.

Marc Dunbar: Right. And that's . . . what I was hoping to . . . and, Kapil, maybe you can do this, is to distill down . . . we passed on what protection for what savings? Is it possible to quantify the two? We just decided that the savings or the expense was not worth what we were going to be asked to spend. Does that make sense? I'm just trying to get to that soundbite.

Jennifer Montero: Yes. Absolutely. There's a second part to that, Governor Dunbar. The other part of that is because that layer – it was 500 that we were trying to fill – we were trying to split between the traditional and the CAT Bond. We were hoping the traditional market could pick up the difference. The problem was, in the traditional market, the reinsurers were really chasing rate. Much as they like Citizens and we're the best in the Florida market . . . we're transparent. They believe our prices our fair (they don't think we're underpricing). The point is that if they can go get 50% increase ROL compared to our 20%, they're going for the 50%. So that's what happened.

Marc Dunbar: Okay.

Jennifer Montero: I was hoping one would have helped the other. We had \$300M of the CAT Bond maturing and we got nothing back.

Marc Dunbar: That's very helpful. I appreciate it.

Kapil Bhatia: Hi, Jennifer, Governor Dunbar. Can I add something? Can you hear me? This is Kapil Bhatia from Raymond James. Can you hear me?

Marc Dunbar: Yes, Kapil, thank you.

Jennifer Montero: Yes.

Kapil Bhatia: Thank you, and good morning, governors and Mr. Chairman. I know that we are looking from a micro perspective where our reinsurance program is and how we would have placed it. The problem is not micro but the problem is more of a macro from a financial market perspective. If you remember what happened in the middle of March, when the US got really hit with the pandemic crisis, every financial market got completely dislocated. You can see what happened with the S&P, the Dow Jones, as well as to the rest of the bond market. Suddenly, the financial markets froze. So regardless of how earlier we could have gone or how later we go, it was the macro market conditions which forced to not to overpay. And when you say, "marked to overpay," there is always a market economic analysis done. Is it worthwhile to transfer that risk, not just to transfer the risk but whether to issue bonds or risk transfer, so, on March 23<sup>rd</sup>, when the Dow Jones and S&P hit the bottoms, corporate spreads widened by 400 basis points. That led to reinsurers to other significant investment opportunities as as they were looking at the other outstanding CAT Bonds which were trading in the secondary markets at a discount because of the dislocation in the markets. And, trying to place a product at an efficient and effective pricing from economic sense made it very hard. So, when the spreads widened by 400 to 500 basis points, the reinsurance rates doubled and there was no capacity regardless of the pricing. So, if you look at all of those perspectives, it was almost impossible to place the whole program unless you overpay and compete with everyone else. And, from that perspective, the dislocation of the market, the instability of the market, and everything else that was happening, the best decision to make was to place the partial program for one year only and not to lock into long terms rates, which is going to basically help us next year in our placement or in the future. So, that's basically a big picture. I'm happy to answer any questions not just for the Florida risk but for some of the other programs that we placed during that time.

Marc Dunbar: That was great. Thank you, Kapil.

Kapil Bhatia: Thank you.

Chair Rivard: Thank you, Kapil and Jennifer. Governor Dunbar, do you have more?

Marc Dunbar: No, that was it. Thank you, Chair.

Chair Rivard: Okay, thank you. Governor Henderson?

Reynolds Henderson: No questions.

Chair Rivard: Okay. Governor Holton?

James Holton: Yeah, one brief one, Jennifer. I totally believe you guys made the absolute right decision on chasing rates. I wanted to ask further that did that decision to not overpay, in your opinion, have a positive impact on the private carriers getting reinsurance and getting them a little better rates because we did not go into the market and overbuy?

Jennifer Montero: Yes. That allowed other companies to have the capacity that's out there because we walked away from that.

Kapil Bhatia: Jennifer, can I add something here, if you don't mind? Governor Holton?

Jennifer Montero: Sure.

Kapil Bhatia: Governor, Holton. Hi. This is Kapil Bhatia here again. Yes, if you just look at the first data elements . . . you're right, Governor Holton. It did help. However, the primary insurers business model relies on reinsurance as I said earlier because the surplus is much less than they really needed. So, what I would say, if we would have paid 100 basis points more, then the necessity or the need of the other primary insurers would have been basically to pay more to buy that product simply because they don't have that many choices. They would have paid 150 basis points more and, it would have resulted in an inflationary scenario, in fact, the pricing would have increased and would have also reduced the surplus of the primary insurers. I'm not sure if it helped or not, but it certainly helped from a pricing perspective to stabilize the market. If everybody is competing for the same product, the simple economic supply and demand will lead to increase in price – the supply is constant, but the demand is exceeding so the pricing will go up. It helped the market to stabilize and the pricing to go higher at a slower pace. I'm not sure if it makes sense, but I think we would not have gotten more capacity but it would result in an increased the pricing for everyone else.

Chair Rivard: Okay, thanks, Kapil. Governor Holton, does that answer your question?

James Holton: Yes, it does, Mr. Chair. Thanks.

Chair Rivard: Okay, thank you. Governor Kastroll?

Will Kastroll: I do not have a question – just a general comment.

Chair Rivard: Yes, sir.

Will Kastroll: When these things happen in terms of not being able to buy the right reinsurance for the right price, and we start to chase the rate (which we did not), that is an admirable thing to do because it is very inefficient to do so in the marketplace. But, what has to follow is the insurance company has to make a decision: do we want to subsidize our coverage for our customers, or do we want to rate an efficient marketplace and charge our customers for the risk that we're assuming? And, right now, we are assuming far more risk than what we are charging in premium. I know that is on the topic of discussion for today and for future board meetings, but right now, we've done everything we can. Jennifer has done everything she can in the reinsurance market to protect us, but we can't protect ourselves because of the alarming reinsurance rates. So, we have to make the decision: do we want to subsidize, or do we want to charge an efficient price? Thank you.

Chair Rivard: Okay, thank you. Governor Wortman?

John Wortman: Just one quick question, and not to beat a dead horse, but do you think it's time, again, to look at putting the three accounts together – the Commercial [Lines Account] (CLA), the Coastal, and the PLA?

Jennifer Montero: Absolutely. We have some outstanding bonds that mature June 1, 2025. Kapil and I are working together to see if we can legally defease those earlier, and then we do have one issue which is a statutory issue which I need to talk to Christine [Ashburn] about, which is the regular assessment because that is only on the Coastal Account at 2%. So, we'd have to get the statute changed to eliminate the regular assessment or have it across the one account at 2%. That's one statutory issue and bonding issue, and then my understanding is that we have some legal work done. We don't have to go through the legislature to combine the accounts. We would just need board approval once those other things are taken care of.

John Wortman: I think that's great. Thank you.

Chair Rivard: Thank you, Governor Wortman. Okay, Jennifer, if you want to proceed through the rest of your presentation, please.

#### Implementation of New Coastal Account Master Trust Indenture

Jennifer Montero: The next item we talked about during the FIC was the implementation of the New Coastal Account Master Trust Indenture (MTI). So, in 2015, Citizens decided to amend and restate in its entirety the 1997 trust indenture with a modernized trust indenture that would be more user friendly, will contain a number of changes Citizens had identified over the years as being desirable, and would allow Citizens to eliminate the pledge security trust agreement known as the "PSTA" that was put in place by the Florida Windstorm Underwriting Association (FWUA) in 1997. The new Coastal Account MTI was approved by the board in 2015 at the time Citizens approved the issuance of its Coastal Account Series 2015A Bonds. The last of the outstanding Coastal Account bonds that did not consent to the master account indenture are the Series 2011A-1 Bond. Those bonds were paid in full on Monday, June 1, 2020. Now the MTI can be executed and delivered by Citizens on or after June 2, 2020. Once the MTI is executed and delivered, the 1997 indenture and the PSTA will no longer be in effect, and future Coastal Account bonds will be issued under and secured by the MTI. The new MTI will serve as an umbrella or a master security document instead of two documents for bonds issued. The security for the bonds and all other obligations remains the same, and the credit has not changed based on the changes to the MTI. The underlying credit strength remains intact but is intended to improve administrative efficiencies. There is a memo included in the documents from Citizens' Bond Counsel, Albert del Castillo, with Greenburg Traurig with the additional details. Mr. Del Castillo is on the phone if you have any questions. This implementation does not require additional board action. It is merely an update to the board before we implement the new Coastal Account MTI. And I'll pause there for any questions.

Chair Rivard: Okay, Jennifer, if it doesn't require action, if you don't mind, I'd rather get through your presentation, so we can go around the questions because being on the phone and having to do it by roll call, I'd hate to have to do roll call for every single item. So, maybe, we just get through the presentation and we can have questions with "anything above" if that's okay with you.

Jennifer Montero: That's fine.

#### **b. Financials**

Jennifer Montero: The next section I have are the financials – the March 31<sup>st</sup>. The document titled “1Q 2020 Results of Operations and Financial Position” provides an overview of Citizens’ unaudited financial position, including cash flow, invested assets, surplus, as well as operational results for the first quarter ending March 31, 2020, while the document titled “1Q 2020 Results of Operations and Financial Position – Commentary” provides commentary, discussion, and analysis of those operating results and operating position. I will be providing a summary of information contained within the commentary document. At March 31, 2020, Citizens held consolidated cash and invested assets of \$8.86B, marking a slight decline of \$22.2M from December 31, 2019. The decline in total invested assets was largely due to the January 2020 bond redemptions, partially offset by cash flows from operations. Consolidated surplus at March 31, 2020 was \$6.4B, or \$114M more than December 31, 2019, and was largely driven by consolidated first quarter net income of approximately the same amount. Direct written premium as of March 31, 2020 increased from the first quarter of 2019 by \$24M, or 12%. This is a result of an increase in policies in force (PIF) within the PLA, mostly due to the Florida Specialty policies and an uptrend in renewal rates offset by a decrease in PIF within the CLA and the Coastal Account. On a consolidated basis, losses incurred in the first quarter of 2020 were relatively unchanged as compared to year-end 2019. Consolidated ultimate direct losses in loss adjusted expense (LAE) related to Hurricane Irma were \$2.140B, which is unchanged from the prior quarter year-end 2019. Of that amount, \$879.8M is recoverable under Citizens’ reinsurance contracts with both the FHCF and private reinsurance. Consolidated ultimate direct losses and LAE related to Hurricane Michael were \$149.9M, also reflecting no change from the prior year-end 2019. There are no reinsurance recoverables [sic] associated with Hurricane Michael as the attachment levels as the reinsurance agreements were not met. Within the CLA, losses in LAE related to the sinkhole claims remain relatively unchanged. However, volatility in older non-sinkhole claims contributed to material quarterly variances in the reported loss and LAE ratios. Through the first quarter of 2020, Citizens’ administrative expense ratio was 25.6%, reflecting a 2.4% decrease from the same period in 2019, and a 0.6% decrease as compared to budget. We anticipate that the actual expense ratio for the fiscal year 2020 will be in line with or less than the budgeted expense ratio of 26.2%. Administrative expenses incurred during the first quarter were substantially unchanged from the prior year quarter end. Budgeted to actual results were favorable through the first quarter of 2020 and were \$4.6M less than budgeted. Staffing costs, professional services, and software maintenance were the biggest contributors to the budget to the actual variance. Evaluations of first quarter variances are less meaningful since we are only three months into the year. Investment income increased due to a reduction in investment expense as \$150M of bonds matured in January 2020 as well as increases of investment returns driven principally by increases in realized gains. Total assets in surplus remain well-positioned to meet any potential claims paying obligations, and together with our 2020 Risk Transfer placement, surplus is protected to continue the elimination of assessments in a 1-100 year storm level. If there are no questions, that concludes my financial statements report.

Chair Rivard: Okay, thanks, Jennifer. Please proceed.

Qualification Documentation for Appointed Actuary- Brian Donovan

Jennifer Montero: Okay, now I’m going to ask Brian Donovan . . . he presented to the Audit Committee the qualification documentation for appointed actuary.



Brian Donovan: Good morning, Chairman and board members. I'm Brian Donovan, Chief Actuary at Citizens, and I will be addressing item 4D of the meeting documents. This is a housekeeping item and not an action item. It's more for informational purposes and to keep myself and Citizens in compliance with the recent change recommended by the National Association of Insurance Commissioners (NAIC) in conjunction with the American Academy of Actuaries, the Casualty Actuarial Society (CAS), and Society of Actuaries. In 2010, I was appointed by Citizens' board as a qualified actuary. This meant that I was appointed to sign off on in the area of loss reserves in the annual statement. Prior to 2019, the rule was that actuaries appointed by the board – there was no need to discuss this with a committee or at a board level until there was a change with the appointed actuary. At the end of 2019, the aforementioned organizations made a change in the rule that requires the appointed actuary provide the appropriate committee and board communication that s/he is qualified to be the appointed actuary. The reason for the change has to do with the fact that Society of Actuaries, who traditionally work with health insurance, pension plans, and life insurance, wanted to make a foray into the property and casualty (P&C) field by offering actuarial opinions related to P&C loss reserves. Traditionally, actuarial opinions for P&C reserves are the domain of the CAS. In order to ensure that proper standards are obtained in terms of who is qualified to sign off on P&C loss reserve opinions, these standards were revisited. The conclusion was any P&C actuary who was already deemed qualified will remain qualified provided that they remain in good standing with the CAS, in particular, meaning they have met the required continuing education credits in the prior year. However, documentation outside of these qualifications will be presented to the appropriate committee and the board each year going forward. So, that is the purpose of this agenda item. Included in the document that you have, you have the following five items. The first item is a formal letter from me to Citizens board outlining my qualifications. The second item is a letter is from an independent actuary who has worked as a consultant for Citizens over the years. He has reviewed my qualifications and concurs that I still meet the appropriate requirements and standards. The third item is a transcript of the exams I have successfully completed and received credit for ...credit for exam 6U regulation, and financial reporting in the United States is a specific exam requirement needed. The fourth and fifth pertain to an audit the Casualty Actuarial Society did of me in 2016 and verifies that I do keep current with the continuing education requirements. Bottom line is that nothing has changed in regard to my qualifications to render the actuarial loss reserves opinion since I've been appointed in 2010. The only thing that has changed is that all appointed actuaries must now provide this documentation to the board each year. Are there any questions?

Chair Rivard: I'll take any questions at this time. Brian, we appreciate your work. And, as someone who has sat through a presentation you had in Jacksonville, I have no doubt about your qualifications. Are there any questions for Brian, while he's now got the floor?

[silence]

Chair Rivard: Okay. Thank you, Brian. We appreciate your efforts.

Brian Donovan: Thank you very much.

Chair Rivard: Absolutely. Okay. I guess next we'll get into the Actuarial and Underwriting Committee. So, Governor Wortman, if you want to lead us off on that.

**c. Actuarial and Underwriting Committee (A&U) Report**

John Wortman: Yes. The A&U did meet on June 18<sup>th</sup>, last week. We did approve two action items and one consent item to be brought before the board. And we'll cover those three items kind of separately. We'll start right now with Jennifer talking about a rate comparison software purchase. Kelly Booten will talk about the second action item a little bit later in the agenda. Jeremy Pope will talk about the consent item when we talk about consent items later on in the agenda. So, with that, I'll turn it over to Jennifer.

**Action Item: Rate Comparison Software**

Jennifer Montero: Thank you, Governor Wortman. 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 services perform this comparison by evaluating the rates 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 easily 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 board 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 No. 20-0004 for Rate Comparison Services on March 19, 2020. Milliman, Inc. was the only vendor to submit a proposal under the RFP. Citizens' staff determined that negotiating on best terms and conditions with Milliman was in the best interest of Citizens and the state, pursuant to statute 287.057(5), Florida Statute. 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 \$135K including renewals. And I'll pause there to answer any questions before I read the formal recommendation for the action item.

Chair Rivard: Again, Jennifer, if you don't mind, just read the recommendation, if you would, and then we'll have questions, okay?

Jennifer Montero: Sure. Staff recommends that the board of governors approve a contract with Milliman Inc., for an initial term of two years with three one-year renewals, for the total amount not to exceed \$135K as set forth in this Action Item and authorize staff to take any appropriate or necessary action consistent with this Action Item.

Chair Rivard: Okay, thank you.

John Wortman: This is John Wortman. I would move approval.

Bette Brown: I'll second.

Chair Rivard: Okay. A motion and a second. So, now we'll move through and ask questions from people before we have a vote on the motion. Governor Brown, any questions or comments?

Bette Brown: No questions.

Chair Rivard: Governor Capps?

Blake Capps: No questions.

Chair Rivard: Governor Dunbar?

Marc Dunbar: No questions.

Chair Rivard: Governor Henderson?

Reynolds Henderson: No questions.

Chair Rivard: Governor Holton?

James Holton: No questions.

Chair Rivard: Governor Kastroll?

Will Kastroll: No. Thank you.

Chair Rivard: Governor Lopez-Cantera?

Carlos Lopez-Cantera: No questions. Thank you.

Chair Rivard: Governor Wortman?

John Wortman: No questions.

Chair Rivard: Okay. All in favor of the motion?

**John Wortman made the motion to approve that the board of governors approve a contract with Milliman Inc., for an initial term of two years with three one-year renewals, for the total amount not to exceed \$135K as set forth in this Action Item and authorize staff to take any appropriate or necessary action consistent with this Action Item. Bette Brown seconded the motion. All were in favor. Motion carried.**

Chair Rivard: That was the only action item under this section of the agenda. We did cover some territory after the last round of questions. So, I'll just go through one more time to see if there are any remaining questions of Jennifer before we move into the Chief Operating Officer's (COO) Report. Governor Brown, do you have any questions?

Bette Brown: No. I'm good. Thank you.

Chair Rivard: Okay. Thank you. Governor Capps?

Blake Capps: No questions.

Chair Rivard: Governor Dunbar?

Marc Dunbar: No questions.

Chair Rivard: Thank you. Governor Henderson?

Reynolds Henderson: No questions.

Chair Rivard: Governor Holton?

James Holton: No questions. Thanks.

Chair Rivard: Governor Kastroll?

Will Kastroll: No. Thank you.

Chair Rivard: Governor Lopez-Cantera?

Carlos Lopez-Cantera: No. Thank you.

Chair Rivard: Governor Wortman?

John Wortman: No questions.

Chair Rivard: Okay, thanks. I hate to go through it that way, but I don't know of any other way to do it. So, we'll just keep plugging along here. Jennifer, thank you for all of your presentations. We will move to Kelly now.

Jennifer Montero: Thank you, Chairman. I just want to add one more thing. The audited – I'm not going to go over this – but the 2019 audited financials are in your book for your information. There were no changes from these from the unaudited December financials that I presented to you in March. I just want to let you know that there are no changes. But thank you very much.

Chair Rivard: Okay, thank you, Jennifer. Actually, I was turning it over to Kelly, but Governor Holton is the chair, so Governor Holton, it's yours.

James Holton: I'll make my remarks brief because Kelly will give a great update. Again, thanks to Kelly and her team keeping all of our initiatives moving along very well, and I want to bring to the board's attention the need to be ever-vigilant because of the COVID situation and potential breaches from operating from home. So, I think Kelly is very much on top of that, but that's something the board needs to continually monitor since they're all kinds of new ways to breach systems due to remote

working and the national crisis. We have to work together on that, so with that said, I'll defer to Kelly to give us the whole update.

Kelly Booten: Good morning, Board of Governors. The ISAC met via teleconference on June 1, 2020. I briefed the committee on the status of IT related audit findings, the 2019 penetration test results, and COVID-19 technology related actions. Chris Jobczynski, Director Enterprise Architecture and IT Strategy, provided an overview of the IT Strategic Plan, which is based upon and in alignment with the Enterprise Strategic Plan, which I will also be presenting here in a few minutes. The ISAC Technical Advisor provided input into the IT Strategic Plan, and we also had our Gartner partners review it a couple times as it went through its various reviews. We also provided individual briefings to all of the committee members on the IT Strategic Plan in detail and provided the full plan to each of the members. And, in the back of the ISAC materials is the abbreviated presentation. We also provided and briefed the committee members on the details of the penetration test and provided them an update on that.

Action Item: Oracle Products and Services

Kelly Booten: The last item I have is the action item for Oracle products and services. Should I go ahead and turn to that or are we open up for questions, Mr. Chair?

Chair Rivard: I would just like you to get into the action item, if you could, and we could just take questions after that.

Kelly Booten: Okay. I think the best description of this is within the action item itself. This one is requesting an increase to the previously approved – excuse me. This action item is not requesting an increase to the previously approved contract spend. It's seeking Board approval of the purchase through a substitute alternative contract source approved by the State of Florida Department of Management Services (DMS). It's for the purchase of continued licensing this Action Item is seeking approval for the purchase of continued licensing and support services for Oracle middleware products for a one-year term of August 31, 2020 through August 30, 2021. Citizens utilizes the Oracle middleware products as a bridge between networked operating systems, databases, and applications. It's really the glue that holds everything together. Citizens will purchase the middleware and support services through Oracle Products and Services Contract 180233-001 between the Maricopa County, Arizona and Oracle reseller (DLT Solutions, LLC), the use of which has been approved by DMS. Citizens anticipated using DMS Contract 81112000-US-16-ACS for this purchase, the use of which the Board approved on December 11, 2019 in Action Item 05Ac – Technology Infrastructure, Software, and Professional and Staff Augmentation Services. That contract expired April 30, 2019 and DMS has continued to anticipate implementing a successor contract that Citizens could use to timely procure the middleware and support services no later than the middleware expiration date of August 30, 2020. However, they were unable to do this. On May 15, 2020, a PUR7102 was approved by DMS authorizing the use of Maricopa County, Arizona Contract 180233-001 for Oracle Products and Services. That's the background, and I would be willing to read the motion.

Chair Rivard: Yes, mam, please.

Kelly Booten: The Information Systems Advisory Committee recommends the Citizens' Board of Governors: approve use of the Oracle Products and Services Contract 180233-001 in the amount of

\$620K with DLT Solutions, LLC for a one-year term, August 31, 2020 through August 30, 2021 using the previously board approved dollar expenditure for these services and authorize staff to take any appropriate or necessary action consistent with this action item.

Chair Rivard: Okay, thank you, Kelly. I'm going to entertain a motion at this point.

John Wortman: I move to approve.

Chair Rivard: Okay, so we have a motion. Is there a second?

James Holton: I'll second. Holton.

Chair Rivard: Okay. A motion and second. I'll go through the roll call for questions or comments, and then we'll take a vote. Governor Brown?

Bette Brown: Yes.

Chair Rivard: I'm sorry. Do you have questions or comments?

Bette Brown: No.

Chair Rivard: Governor Capps, and questions or comments?

Blake Capps: No questions.

Chair Rivard: Governor Dunbar?

Marc Dunbar: No questions.

Chair Rivard: Governor Henderson?

Reynolds Henderson: No.

Chair Rivard: Governor Holton?

James Holton: No questions.

Chair Rivard: Governor Kastroll?

Will Kastroll: No questions.

Chair Rivard: Governor Lopez-Cantera?

Carlos Lopez-Cantera: No.

Chair Rivard: Okay. Wortman?

John Wortman: No questions.

Chair Rivard: Alright, we're moving now.

**John Wortman made the motion to approve the board to approve use of the Oracle Products and Services Contract 180233-001 in the amount of \$620K with DLT Solutions, LLC for a one-year term, August 31, 2020 through August 30, 2021 using the previously board approved dollar expenditure for these services and authorize staff to take any appropriate or necessary action consistent with this action item. James Holton seconded the motion. All were in favor. Motion carries.**

Chair Rivard: Thank you, Kelly. Kelly, you can go on. That's fine.

Action Item: Product Changes

Kelly Booten: Alright, thank you. The next item I have is behind tab five. It is an action item – an executive summary of the 2020 Product Changes. The product changes proposed today are improvements made by our agents made at the Agents Roundtable, by our Claims Department . . . strengthened language where it's needed in the Managed Repair Program (MRP) . . . and through research Citizens Product Team has done in the normal course of improving our product language. The executive summary outlines two product changes. One is addition of Evidence of Insurance Document and the other is Rule Changes necessary to support updates to Commercial Wind Mitigation Form WPD-1C. There are also five policy form changes outlined in the executive summary: general updates to non-weather water, managed repair and emergency water removal language; updates to Additional Living Expense policy language; again, the form changes necessary for the commercial mitigation form changes; a few application changes; and then, general maintenance. I'll entertain any questions or I can read the motion on this one.

Chair Rivard: Yes, if you can just read the recommendation, and we'll go from there.

Kelly Booten: The Actuarial and Underwriting Committee approve and recommend that the Board of Governors approve the product changes referenced in the Product Changes – June 2020 Executive Summary to update Citizens' Coverage forms and supporting documents and authorize staff to take any appropriate or necessary action consistent with this action item to include filing with the OIR, system change implementations, updates to supporting documents or forms and other relevant activities. Final changes may vary slightly, depending on guidance from the OIR.

John Wortman: John Wortman, and I would move approval.

Bette Brown: Bette Brown, second.

Chair Rivard: Okay. We have a motion and a second. Governor Brown, do you have any questions or comments?

Bette Brown: None.

Chair Rivard: Governor Capps?

Blake Capps: No questions.

Chair Rivard: Governor Dunbar?

Marc Dunbar: None from me.

Chair Rivard: Governor Henderson?

Reynolds Henderson: None.

Chair Rivard: Governor Holton?

James Holton: None.

Chair Rivard: Governor Kastroll?

Will Kastroll: No.

Chair Rivard: Governor Lopez-Cantera?

Carlos Lopez-Cantera: One question, Mr. Chairman.

Chair Rivard: Yes, sir?

Carlos Lopez-Cantera: Just for clarification, this isn't changing any of the products? It's just clarifying language in the policies and in the applications?

Kelly Booten: Well, it is adding a new form that makes it easier that the agents requested – the evidence of insurance form and a rule change on general . . . adding general and billing contractors to a list of qualified inspectors. The others are policy form changes. It's not adding . . . the changes are not substantive, but it does change the form itself.

Carlos Lopez-Cantera: Thank you. No more questions.

Kelly Booten: Does that answer your question?

Carlos Lopez-Cantera: Yes, thank you.

Chair Rivard: Governor Wortman, any questions or comments?

John Wortman: None.

Chair Rivard: Okay.



John Wortman made the motion for the board of governors to approve the Product Changes referenced in the Product Changes – June 2020 Executive Summary to update Citizens’ Coverage forms and supporting documents and Authorize staff to take any appropriate or necessary action consistent with this action item to include filing with the OIR, system change implementations, updates to supporting documents or forms and other relevant activities. Final changes may vary slightly, depending on guidance from the OIR. Bette Brown seconded the motion. All were in favor. Motion carried.

Chair Rivard: Thank you, Kelly. It looks like you still have one more item in your report.

**a. Strategic Plan: 2020 Multiyear Narrative**

Kelly Booten: Yes, sir. The final item is the Strategic Plan: 2020 Multiyear behind tab five, and also in the front of your binders, you should have a really good-looking version of the Strategic Plan. It really came together nicely, I think, and represents well . . . our Communications Department did an outstanding job producing the new Strategic Plan. Citizens’ Strategic Plan is evaluated and refreshed incrementally over time, with more formal refreshed versions occurring approximately every three years. Annual plans, key strategic initiatives and division strategies are developed yearly with quarterly adjustments, as necessary, based upon changing business priorities. This new 2020 refreshed strategic plan was built upon the November 2016 version, for which Governor Wortman participated as we were building that Strategic Plan. Over the past three years, minor adjustments were made to several strategic objectives to ensure alignment with key priorities, such as litigation management and employee engagement. In 2017, we re-visited our Corporate Values and modified slightly to reflect our evolving organization and expectations for how employees conduct themselves. The approach we took for this version started back in August of 2019 where we brought together leaders and had workshops to go through this and formulated what our objectives needed to be. We did editing, formatting, and publishing to produce the final document. We made updates to our Strategic Plan Score Card, which is our measures and metrics to track progress. There was a creation of a communication strategy to address how we socialize the document, with regard to employees and our external stakeholders. And, of course, the objectives are tied to our performance evaluation. Changes to this new version include: the overall design and layout, as well as the introduction, has been updated to align with our theme of connecting people with purpose; strategic objectives were updated to align with current business strategies and goals, including ensuring our enterprise themes for this year are pronounced. This one doesn’t require action; it’s more of a briefing.

Chair Rivard: Okay. Thank you, Kelly. We’ll just go through one last time to see if there are any questions on any items that you presented. Governor Brown, do you have any questions for Kelly?

Bette Brown: I have no questions.

Chair Rivard: Okay. Governor Capps?

Blake Capps: I have just one thing to bring to our attention. When you open up this brochure, “Connecting People to Purpose,” goal number three “operate a streamlined, scalable and customer-focused organization,” I think that’s something we’re good at . . . being customer focused. That’s not what you always expect when dealing with a government agency. Many of them are not known for

being customer focused. I just think it's very laudable that we make that our goal and that we come through with that. So, that's all I have to say.

Chair Rivard: Okay, thank you Governor Capps. Governor Dunbar?

Marc Dunbar: None for me. Thank you.

Chair Rivard: Governor Henderson?

Reynolds Henderson: None for me.

Chair Rivard: Governor Holton?

James Holton: No questions, thanks.

Chair Rivard: Okay, thanks. Governor Kastroll?

Will Kastroll: No thank you.

Chair Rivard: Governor Lopez-Cantera?

Carlos Lopez-Cantera: None. Thank you.

Chair Rivard: Okay. Governor Wortman?

John Wortman: None.

Chair Rivard: Okay, great. Kelly, thank you for all your presentations, and we will move forward with claims. Governor Kastroll, if you'd like to lead us off here, and Jay, be ready.

## **5. Chief Claims Officer Report**

### **a. Claims Committee Report**

Will Kastroll: Thank you so much. Claims Committee met Monday, June 1<sup>st</sup>, and I'd like to thank Claims Committee members Governor Capps, Governor Lopez-Cantera, Governor Holton, and I'd also like to thank the staff at Citizens – Jay [Adams], Craig Sakraida, Elaina Paskalakis, Michael Carver, Greg Rowe – all helped us out on the call and reported on their various departments. Claims is . . . everyone thinks claims is actually writing a check and paying a claim, which is the end result of a claims process, but a lot goes into paying those claims, and also not paying fraudulent claims. We spend a lot of time in the Claims Committee making sure people get their checks, get them on time, get them appropriately, acting with empathy to the client, as Governor Capps just mentioned, and also making sure we get the bad guys who are trying to steal from us. Jay is going to go ahead and give us a report in a second, but we did talk about claims litigation. Also, very prevalent, claims – somewhat preventable, controllable, are non-weather water claims – we're working very, very hard on trying to make sure clients could clean that up quickly, appropriately, at an efficient price for Citizens. And, we also did cover close to half a

million dollars the first four months of 2020 on people trying to rip off Citizens on claims. And, that's very admirable and it's a "fun" part of the Claims Committee because we are going out with their Special Investigation Units (SIU) targeting these folks with the help of law enforcement officers in the various areas. So, those folks who are part of that should be commended, and it really helps the bottom line and it also helps prevent when we do these because we make them very open to the public and also to various journalists on what we're doing and getting it out on social media. It helps prevent people from committing fraud as well. So with that, thank you to my committee and thank you to all the members of Citizens who support the Claims Committee. Right now, I'm going to turn it over to Jay, so go ahead please.

Jay Adams: Thank you, Governor Kastroll, Chairman, and board members. What I'd like to do today is really just focus on a follow through from what Kelly Booten started off with this morning on our COVID-19. What I'd like to do is specifically talk about how Citizens is prepared to respond if we have a CAT, while we are still under the COVID-19 restrictions. With that said, I'd like to go over and cover the CAT preparation.

#### 2020 Catastrophe Preparation: COVID-19

Jay Adams: With the COVID-19 protocols in place and the potential for a response to a hurricane becoming more of a reality with the Atlantic Hurricane Season that started on June 1<sup>st</sup>, 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, Field Inspection Services, Task Adjusters, and Commercial and Large Loss Desk and Field Adjusters. The Jacksonville Office serves two main functions in the Catastrophe Response. First is for our Desk Adjuster orientation and onboarding and also for our Resolution Unit. Our plan is heavily focused on customer communication through the Resolution Unit that is housed on the fifth floor at the Jacksonville Office. This unit receives phone calls for customer inquiries through the Call Center to answer basic claims 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 about a 35,000 claims event. Any event that would exceed 35,000 claims would require leveraging an additional workflow with virtual adjusters off site. And, just to put that number into perspective, Hurricane Irma exceeded 70,000 claims. 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 adjusters. Our vendor firm partners and their 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 they will be more engaged and willing to provide support for a longer term, thus reducing our turnover we typically experience. This solution also provides a benefit of not having to wait until the event has exited Florida to start our deployment process. 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 is 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 “soft phone” or computer-based phone system that will allow the calls to the Resolution Unit to be routed to independent adjusters while they are offsite. We’ve been testing these. We’ve tested them with independent adjusters, some of our employees . . . this system is still going to be effective. And, Kelly spoke about this as well in her report. If something happens to break that solution down, we have plans in place with our Call Centers. This alternate plan will create a Tier 2 escalation approach that involves the Call Center taking the call from the insured and advising them that a Claims Adjuster will call them back. The Call Center will create messaging through our Claims Management System which will automate the message and a callback to the policy holder by the Resolution Unit. Although the alternative workflow is not as efficient as the soft phone solution, we do feel confident that we will provide the same level of customer service to our policyholders if we had to use this solution. Traditionally, Citizens has required the independent adjuster resources to complete their check-in and orientation in Jacksonville at the TIAA 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 with eliminating the potential issue for waiting for the Jacksonville office to open. This is where we feel that we will improve the timeframe that the remote resources can start handling claims and assisting our customers much sooner. A small tactical group, both Catastrophe Operations members, Claims Vendor Systems, and Information Technology personnel have convened to assess some of the technical changes that need to occur to support a virtual workflow. That group has a meeting weekly and will engage other key members as necessary to make sure that we cover all of the items needed to get the technology where it needs to be. Another cross functional workgroup, including Enterprise Risk Management, is focused on assessing and mitigating risks of the joint scenario of COVID-19 and Tropical Cyclone(s) occurring concurrently. Focus has been on claims adjusting resources and Catastrophe Response Center (CRC) and First Notice of Loss (FNOL) Deployment. One of the critical pieces to Citizens Catastrophe Plan is the deployment of the CRC, which is managed by Jeremy Pope and his team. In order to remain compliant to the COVID-19 restrictions, modifications have been made to our deployment plans. These plans include a modified footprint which supports social distancing guidelines and to reduce physical contact where possible. If the COVID-19 restrictions do not allow for the modified footprint, Citizens will deploy Drive-Up Servicing where the insured can be serviced from their vehicle. If neither of these options are available, Citizens will implement a Virtual CRC where there will be no physical deployment and we will leverage outbound calling campaigns for insured’s that have previously filed a claim and then offer additional living expense disbursements if eligible and will proactively reach out to insured’s that have not filed a claim within designated impact areas to help them file their claim. Citizens continues to look for ways to make the catastrophe response more consumer centric each year. For 2020, Chief Financial Officer, Jennifer Montero’s team was able to implement an Electronic Funds Transfer (EFT) program that will be leveraged at the Catastrophe Response Centers. The EFT process will allow Citizens to make direct deposits into our customer’s accounts for additional living expense disbursements if they are eligible. We will also proactively ensure that if the insured has not filed a claim in the designated impact areas to help them file their claim similar to what we did with Hurricane Michael. Citizens continues to look for ways to make the catastrophe response more customer focused each year. This will provide immediate

access of these funds for our customers instead of the old process where they were issued a paper check that would have to be deposited or cashed prior to being used. In order to make these processes seamless, Chief Operating Officer Kelly Booten's team will be providing kiosks to the Catastrophe Response Centers in the form of iPads or laptops which will allow our customers to sign up for this program on site. As a reminder, our Catastrophe Response Centers are self-sufficient as such that they have generators for power and satellites for cell phone and internet connectivity. This process will ensure that the customer receives their Additional Living Expenses timely. As we continue to report every year, Citizens Catastrophe Plan is an enterprise wide plan where all divisions engage in the catastrophe preparation. That 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 be compliant with COVID-19 restrictions. The Executive Leadership Team (ELT) continues to place a great emphasis on catastrophe planning and readiness across the enterprise. Every catastrophe response brings its own 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 as a comprehensive team to any challenges faced by engaging the ELT as well as the 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. And, Chairman, that concludes my presentation.

Chair Rivard: Okay. Thank you, Jay. We'll just go through really quickly to see if there are questions. Governor Brown, do you have any questions for Kelly?

Bette Brown: No, I don't.

Chair Rivard: Governor Capps?

Blake Capps: Yeah, Jay, I have one question. This concept of virtual adjusters – this just applies to the work in Jacksonville, kind of the desk adjuster level. Has there been any thought to whether or not to extend the virtual concept even to the field adjusters? In my own business life, I've seen a couple billing departments actually turn to virtual iPhone type inspections of contracting work in the field. I was wondering if that has ever been thought about perhaps with more drone activity and that kind of thing or if this just going to be limited to the desk adjuster level of adjusting?

Jay Adams: So, governor, our plan would be that we would still have CAT field adjusters who would go onsite and inspect the claim. Now, we certainly have lots of technology that we can leverage such as aerial imagery. You mentioned drones. We've been working with Xactware, who is our estimating partner, to develop an application that really builds an estimate from an easy question-base set, so adjusters with less experience can handle those on a much faster timeframe. We have software called Claims Experience where we can enter, similar to a Skype environment, with the insured and talk to them phone to phone. We can capture pictures from that. There's a lot of things that we can do, but our first response for anybody who has any significant damage, would be to do the onsite inspections. As I mentioned briefly, we have multiple ways we handle claims. So, we segment all claims as they come in based on the amount of damage. The least amount of damage claims will be handled by a telephone unit, and they will address those claims and handle them solely by telephone without any type of physical inspection. Then we have our Field Inspection Services who will leverage the Xactimate software that I just spoke about. They will go out to what we'll call the "geographies with the least

amount of damage” – so, the furthest from the actual path of the storm. And they will go out and do inspections in those areas. Our CAT Field Adjusters will come into the CAT-damaged area where the path really went through. We also have a large loss team, and those folks really focus in on claims that have major structural damage. And then, for large loss mobile homes and those types of things, we leverage the aerial imagery. So, our CAT Plan really does encompass many different layers – virtual versus physical onsite adjustment. One other thing that I’ll just add is we inspect claims today that is non-CAT, even in areas that are hardest hit by COVID-19. We have protocols in place that we’ll continue to leverage during a CAT, and we’ve not had any significant challenges on being able to inspect damages. From a CAT perspective, at a minimum, we’d be able to do exterior inspections without having to negatively impact any of our policyholders if they did not want us to enter the house. And then, we’d leverage our technologies like the Claims Experience to do the virtual site with the policyholder to potentially handle interior damages.

James Holton: Very good. Thank you.

Jay Adams: You’re welcome.

Chair Rivard: Okay, great. Governor Dunbar, any questions?

Marc Dunbar: Yes. Can you give a quick update on how we’re doing on the EMI litigation survey that they’re doing for us?

Jay Adams: So, Governor Dunbar, we continue to meet with the EMI folks on a weekly basis to get a status update of where we are. We just completed week four, and they’ve not provided us with any early reports . . . no recommendations at this point. They’re still doing their assessments, and they continue to tell us they feel they’re on track to meet the overall contract obligation.

Marc Dunbar: Would it be possible . . . can we set up a call with them? I would just like to get an update with them and sort of hear where things are. I’m assuming, Mr. Chair . . . I’m still kind of the observer on this.

Jay Adams: I’ll be happy to include you on this Friday’s call.

Marc Dunbar: Thanks, Jay.

Jay Adams: Sure.

Chair Rivard: Great. Governor Henderson?

Reynolds Henderson: No, sir. I’m good.

Chair Rivard: Okay. Governor Holton?

James Holton: No questions, thanks.

Chair Rivard: Governor Kastroll?

Will Kastroll: No, thank you.

Chair Rivard: Governor Lopez-Cantera?

Carlos Lopez-Cantera: No. Thanks.

Chair Rivard: Okay. Governor Wortman?

John Wortman: None.

Chair Rivard: Okay, very good. Jay, thank you for that report. Next, we'll get into the Audit Officer's Report. Governor Dunbar, if you want to start us off on that?

## **7. Chief Internal Audit Officer Report**

### **a. Audit Committee Report**

Marc Dunbar: Yes, sure. I'll go ahead and be really brief. There is going to be a general discussion at the end of this regarding something the Audit Committee wanted to see if the board was interested in us taking on, but I'll go ahead and turn it over to Joe Martins now. At the end, Chair, if that's okay, I'll address the other issue.

Chair Rivard: Sounds good.

Joe Martins: Thank you, Governor Dunbar. Mr. Chairman. Board members. I presented the Office of Internal Audit executive summary and brought forward action items to amend both the Audit Committee charter and the Office of the Internal Auditor charter. Jennifer Montero presented the first quarter 2020 results of operations and financial position. Brian Donovan presented qualification documentation he presented today. Dixon Hughes Goodman presented their 2019 Audit Report. Nancy Staff presented the annual Ethics and Compliance attestation process and results. Mark Kagy provided insight into the complaint activity data presented. At the committee meeting, I indicated that 43, or 13, of the projects scheduled for the period January 1<sup>st</sup> through December 31<sup>st</sup> have been completed. This is on page one of my executive summary. Since the last meeting, we've completed seven engagements, and we've listed the summary of each. Moving on to page three of the executive summary, we reported that there are 10 audit engagements in progress, with another three engagements scheduled to commence later during the third quarter. We will also be supporting two regulation reviews as Mr. Gilway mentioned. Citizens statute requires the Auditor General (AG) performs an operational audit every three years, and the OIR completes a market conduct exam every two years. This year both of these engagements will commence during the third quarter. The AG Operational Audit is designed to assess a broad aspect of Citizens functions and programs and usually takes around seven months to complete. On the other hand, the OIR Market Conduct Exam focuses on underwriting and claims compliance with Citizens Plan of Operation and is usually completed in four months. Internal Audit supports both engagements and is responsible for coordinating with the respective engagement teams to help provide efficiency. On page four, I reported that Internal Audit is tracking two observations, none of which are high impact. All open items are being worked on and audit follows up on monthly

progress. Further on page four, I continue to update with the progress of the Internal Audit controls team. The team facilitates Citizens' internal control framework which is designed to strengthen the governance oversight and accountability of Citizens' control environment. During the period, the team continues to meet with control owners for the 2020 self-assessments and establish expectations for the year. The Internal Controls team also performs quality readings to assess and enhance the current control environment. Quality readings are currently in progress in purchasing, compliance, vendor and contract management, and SIU. On page five, I provide an update for Enterprise Risk. Since the previous meeting, we added COVID-19 as a strategic risk. COVID-19 continues to create significant organizational, economic, and societal impacts for our employees, policyholders, agents, and vendors. During hurricane season, these risks may become even more pronounced. Mitigating activities including business continuity and catastrophe response plans are in place, closely monitored and executed, as necessary. The specifics to strategic risks are listed on page seven and eight of the executive summary. The committee reviewed and approved the changes to the Office of Internal Audit Charter. This charter is a formal document that defines the internal audit activities, purpose, and responsibility. The committee further reviewed and considered changes to the Audit Committee Charter and brought forward an action item for board consideration. Mr. Chairman, if there are no questions on the report so far, I will continue with the action item.

Chair Rivard: Yes. Please proceed. That's fine.

Joe Martins: The Audit Committee Charter is a formal document that sets out the authority of the committee to carry out responsibilities established for it by the Board of Governors. The charter defines that the purpose of the committee is to assist the board in fulfilling its oversight responsibilities for the integrity of Citizens' financial statements; Citizens' compliance with legal and regulatory requirements; the independent auditor's qualifications and independence; and the performance of the OIA and independent auditors. In discharging its responsibilities, the committee will have unrestricted access to members of management, employees, and information it considers necessary to discharge its duties. Annually, the Chief of Internal Audit, under direction of the Audit Committee, completes a review of the charter against industry best practice and Citizens statute. This year, under the direction of the Committee Chair, the Chief of Internal Audit also completed an assessment of the Committee's execution of its duties through an analysis of past Committee meeting minutes. Following this assessment, I noted specific statements in the Charter that require revision. If there are no questions, I will proceed with reading the recommendation.

Chair Rivard: Please proceed.

Joe Martins: The Audit Committee recommends that Citizens Board of Governors approve the Citizens Audit Committee Charter as presented.

Chair Rivard: Okay, I'll entertain a motion.

Marc Dunbar: This is Marc Dunbar. I move approval.

James Holton: Jim Holton. Second.



Chair Rivard: Okay, we have a motion and a second. We'll go through rollcall and see if there are any questions or comments. Governor Brown?

Bette Brown: I have no comments.

Chair Rivard: Governor Capps?

Blake Capps: No comments.

Chair Rivard: Governor Dunbar?

Marc Dunbar: None for me.

Chair Rivard: Governor Henderson?

Reynolds Henderson: None comments.

Chair Rivard: Governor Holton?

James Holton: Nothing from me. Thanks.

Chair Rivard: Governor Kastroll?

Will Kastroll: No thank you.

Chair Rivard: Governor Lopez-Cantera?

Carlos Lopez-Cantera: None. Thank you.

Chair Rivard: Okay. Governor Wortman?

John Wortman: None here.

Chair Rivard: Okay.

**Marc Dunbar made the motion that Citizens Board of Governors approve the Citizens Audit Committee Charter as presented. James Holton seconded the motion. All were in favor. Motion carried.**

Chair Rivard: Okay, so are we still on Joe? Governor Dunbar, did you want to jump back in?

Marc Dunbar: Joe, I think that was it.

Joe Martins: Thank you. That completes my report.

Marc Dunbar: So, Chair, one of the things that we kind of identified in the last meeting . . . and Barry and I swapped emails about it . . . is trying to understand what policies and procedures we have relative to senior staff. You know, statute requires that the senior staff are hired and report to the board. One of the things I was hoping to do was to try to get an understanding historically of how all the senior staff have gotten where they are with the processes in the hopes of trying to formalize the process to somewhat avoid some of the clunkiness [sic] of the last meeting that I admit was a contributor to. So, what we talked about at the Audit Committee was maybe asking the board if the board supported the Audit Committee taking a look at what's been done historically and come back with some sort of report that recommends a way to maybe formalize how they advance through the ranks or how we advertise outside and how we replace them, etc. etc. So, it was unanimously recommended out of the committee to come to the board for discussion and did not want to get ahead of you, Chair, particularly, but also to the rest of the board if it wasn't the will for us to possibly look at that in the hopes of either making a recommendation to the Plan of Operation or adopting an internal policy and procedure to help guide us in the future.

Chair Rivard: Okay. Well, thanks for that. I guess this is the perfect time to test the board discussion about that idea. If there are any other members of the committee that . . . I guess for consistency, I'll just go through the rollcall again. I'm sorry. I'll go through, and if anybody wants to weigh in on that idea, please do so. Governor Brown, do you have any thoughts on that matter?

Bette Brown: No

Chair Rivard: Governor Capps?

Blake Capps: Yes, I have a few comments. I think what I'm hearing here is that we kind of write some policies and procedures for hiring for things to look at when we're hiring senior managers. And, I have concerns about formulating such policies. What we saw in the last reorganization was that appointing new senior managers had to be done in a relatively quick manner right before hurricane season. I think it's very important that we have the ability to continue to do it that way because of the evolving things that move very quickly. You know, the procedures we've had in the past with regard to senior managers have been that the Executive Director brings forward the names of people that he's comfortable with or she is comfortable with and we have the ability to put our stamp of approval on these people or say "yay" or "nay." We can also fire any of these people any time we want to. I think that has served us well for our 18-year history with numerous boards of governors. I think it's also very important that we delegate the duty of selecting senior managers primarily to our Executive Director who is charged with the task of running the day-to-day operations of the corporation and then to hold him responsible for the actions of these people. I don't think, you know, s/he is going to be the best person to initially select these people because s/he is working shoulder-to-shoulder with these folks. We meet once every three months. Most of us have never been to the corporate offices in Jacksonville. When you look at good hiring decisions, there is a huge subjective element that goes into picking good folks: if it goes beyond what any resume has to say, or any policy or procedure has to say. So, I think, in my mind, the way we had done it for 18 years is serving us very well, and I don't feel the need for adopting a set of policies to hand to our Executive Director and to help instruct him/her as to how to hire or initially come up with names for these senior manager positions. So, with that, I'll stop talking.

Chair Rivard: Thank you, Governor Capps.

Chair Rivard: Governor Henderson?

Reynolds Henderson: No. No comments.

Chair Rivard: Governor Holton?

James Holton: Yes, Chair, thanks. In general, I support Governor Dunbar's idea to do a retrospective look to see how we've done this and maybe come up with some guidelines. Again, to Governor Capps' point, I don't think the board should micromanage the ELT or hires and fires. But, nonetheless, I do think the statute requires the board to have a supervisory role over the ELT. There are two competing forces that need to balance there. And I think a good step in seeing exactly where to strike that balance is to do this kind of study of past practices and then examine the, you know, the potential guidelines there. It may be the committee officially recommends no action or it could be there some halfway mark where we have some guiding principles for the ELT but not get into the level usurping the authority of our folks there. Again, I support the initial effort of looking into our practices and potentially making some recommendations on how to improve the system.

Chair Rivard: Okay. Thank you, Governor Holton. Governor Kastroll?

Will Kastroll: No thank you.

Chair Rivard: Governor Lopez-Cantera?

Carlos Lopez-Cantera: Thank you, Mr. Chairman. I support the idea of having the conversation. I believe there should be a process that is predictable for the market for any qualified individuals that are looking to provide their experience and their knowledge to Citizens as well as for the employees – the existing employees within Citizens, so they know the processes if they are looking for a vertical advancement. So, I do support the idea of the conversation of creating a process. I'm not an advocate for micromanaging every single hire, except the most important ones that are obvious. But I do think there should be a process that the board has its participation in creating for the hiring and promotion of ELT positions.

Chair Rivard: Okay. Thank you. Governor Wortman?

John Wortman: Nothing additional. No.

Chair Rivard: Okay. Governor Dunbar –

Bette Brown: I thought we – as I'm listening to the comments – I thought we added more to this discussion not just about streamlining for promoting and hiring from the outside. I thought we also talked about getting Dan Sumner involved about board responsibility in making sure we have an outline as to where . . . under our guidance where we get involved and where management gets involvement. Governor Dunbar mentioned that. I am not saying it well, but someone else can jump in to support that. But, I believe we extended that review to cover...

Marc Dunbar: Governor Brown, I apologize.

[several people talking at the same time]

Marc Dunbar: I believe that was not to be included in that. So, maybe I was misinformed. That was the reason why I didn't bring it up because of the email I received on that.

Barry Gilway: Mr. Chairman, Barry Gilway. Can I comment?

Chair Rivard: Yes, sir.

Barry Gilway: I think in discussions with board members – I never relay the discussion with one board member to another – but, in discussions with board members, very clearly, the recommendation was to have a conversation at some point at the board relative to the roles and responsibilities of the board. And, not to include that in a formal review or recommendation simply because every board member really has to assess how they view their fiduciary responsibilities relative to their role as a Board of Governor of Citizens and at least one of those will differ. However, very clearly, there are differences – significant differences – within the board in terms of the level of involvement that each of you as board members get involved in and in what level of detail they're involved in and that differs significantly across board members. So, I think the note that I sent to Joe Martins has clearly stated that at some point that I had a recommendation from the board member, Bette Brown, that there should be a discussion relative to role and responsibility as opposed to moving forward with a formal review and recommendation because I don't think that would be productive. I do have one comment on the review that's being completed. I feel strongly that while a review in terms of the appointment of senior managers might be the will of the board, my only concern would come if the final recommendation really restricts the flexibility, you know, of management to really make the appropriate moves. Resumes are one way of reviewing candidates, but the ability of individual managers to operate as part of an effective team makes a huge difference in terms of the effectiveness. One manager might look great on paper but frankly not operate as effectively as part of a team. There are also considerations relative to the ability to develop individuals within Citizens which is our strongpoint and one of the key areas affecting employee retention and frankly does not restrict their ability to move forward within the overall organization. Mandatory requirements, for example, that you post all positions can be very counterproductive, and I think there needs to be some flexibility when establishing guidelines if we move forward with establishing guidelines in this area.

Chair Rivard: Thank you, Barry. I appreciate that and for helping us understand Governor Brown's question about the role of the board members, etc. So, from my perspective, and hopefully this works. It sounds like from the comments from the board members that Governor Dunbar, as the Chair of the Audit Committee, if you guys want to proceed with the review that you talked to Joe about and then at a later date report back to the full board to give everyone the summary of what you find going through that history so that everyone understands the context of what we're doing and how that has evolved over time and then any recommendations that the committee might want to make for either keep doing it the way we're doing it or changes that need to be made. We can have full board discussion at that point, bearing in mind some of the points that have been made today. So, I don't know. Obviously, this isn't action item. I don't know if it requires a vote of the board. I think as a committee you guys can pursue that and report it up to the board at an appropriate time. And, it may be that if you do that and

when you do that, but that might dovetail the discussion at the board level you know the different perspectives of all of us on what our role is if that's productive. So, with that, if there is any opposition from the board, I would just encourage the committee to move forward as you see fit.

Marc Dunbar: Thanks, Chair; and this is Marc Dunbar. Just a comment so that everybody understands what I'm trying to do – or hopefully, what we'll look at. The statute says the Executive Director and senior managers of the corporation shall be engaged by the board and serve at the pleasure of the board. All I'm trying to do, and I think what I would like Joe and his team to do, is to look at historically how we've handled that. How have we engaged the Executive Director and the senior managers to see if there's consistency or inconsistency to see if there is something that could be formalized a little bit more in terms of a policy to guide future board members. Let's keep in mind we're all not going to be on here forever, and I appreciate Governor Capps' – you're recitations of the age and history of the organization, but the reality is that none of us on the board have been on for that period of time. So, we really don't know. I try to go back through the minutes to understand it, and our minutes go so far back online. So, what I think this will do is give us a guidance document that the board can look at it and decide what we want to do. But, at the end of the day, the statute is what the statute is and our job is to follow the statute. If we don't like the statute or if we think the statute hampers management or hampers the board, our job is to recommend to the legislature – like Christine was talking earlier and Jennifer was talking earlier – that we recommend back to the legislature changes to our operations in the statute to help improve our operations. And so, at the end of the day, my view that those big policy calls is what the legislature's job is. Our job is to take those words and implement it, and as board members, I don't think it's up to us to pick and choose what we think we not necessarily follow because we think it might hamper things. The legislature did it for a reason. So, I hope that puts a little context around it. My goal is not to micromanage. My goal is to see what we have done historically relative to following our statutory directive.

Chair Rivard: Okay, thank you, Governor Dunbar. I think, if everyone's good, we covered that. We have several action items we need to get through on the agenda, so let's move into Violet [Bloom]'s report with human resources.

## **8. Chief Human Resources<sup>1</sup>**

### **Action Item: Amendment to Retirement Plan (Adding a Roth Account Option)**

Violet Bloom: Good morning, Chairman and Board of Governors. For the record, Violet Bloom, Chief Human Resources Officer. Behind tab eight, the first two action items are recommendations to amend the retirement plan. The Retirement Plan Committee in consultation with our financial advisor and outside counsel approved both of these items. Board approval is needed to make plan changes. Both plan amendments have no financial impact on Citizens. The first action item is an amendment to add a designated Roth 457 investment account, often referred to as a "Roth Account." This will give plan participants to have their contributions taxed at the front-end rather than when they are withdrawn.

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<sup>1</sup> During the board meeting the public phone connection dropped from 11:37am to 11:43 am. Violet Bloom was discussing her action items and those topics required a vote. These items were approved by the board but, due to the disconnect, they will be ratified at the September 23, 2020 Board of Governors meeting. The Action Items that require ratification are attached for reference.

The amendment will take place effective January 1, 2021, or later if necessary, to complete the system changes. Adding a Roth option gives Citizens employees more options to plan for retirement and supports our ability to attract and retain employees. Adoption of this amendment requires that Citizens amend the plan adoption agreement previously approved by the board. Chairman, may I read the Citizens Retirement Plan Committee's recommendation.

Chair Rivard: Yes, please do.

Violet Bloom: The Citizens Retirement Plan Committee recommends that the Board of Governors to adopt and approve this Plan amendment to add a Roth Option to the Citizens 457(b) Retirement Plan, as described in this Action Item and authorize the Citizens Retirement Plan Committee to take any appropriate or necessary action consistent with this Action Item.

Chair Rivard: Okay, thank you, Violet. I'll take a motion at this point.

Marc Dunbar: I move to approve.

Bette Brown: Second.

Chair Rivard: Okay, we have a motion and a second. Governor Brown, any questions or comments?

Bette Brown: None.

Chair Rivard: Governor Capps?

[silence]

Chair Rivard: Governor Dunbar?

Marc Dunbar: None here.

Chair Rivard: Governor Henderson?

Reynolds Henderson: None.

Chair Rivard: Governor Holton?

James Holton: None, thanks.

Chair Rivard: Governor Kastroll?

Will Kastroll: No thank you.

Chair Rivard: Governor Lopez-Cantera?

Carlos Lopez-Cantera: No, sir.

Chair Rivard: Governor Wortman?

John Wortman: None.

Chair Rivard: Okay.

**Marc Dunbar made the motion for the board to adopt and approve this Plan amendment to add a Roth Option to the Citizens 457(b) Retirement Plan, as described in this Action Item and authorize the Citizens Retirement Plan Committee to take any appropriate or necessary action consistent with this Action Item. Bette Brown seconded the motion. All were in favor. Motion carried.**

Chair Rivard: Okay, Violet, please proceed.

Action Item: Amendment to Retirement Plan (Adopt Selected Provisions of the CARES Act)

Violet Bloom: Thank you. The second amendment to the retirement plan is to adopt provisions of the Coronavirus Aid Relief and Economic Security Act (CARES Act). These provisions are designed to assist planned participants who are impacted by the COVID-19 pandemic. The amendment will take place effective today and will remain in effect until the end of the year or later if the effective dates are extended by federal law. The CARES Act allows retirement plans to be amended to allow for four types of relief. The Citizens Retirement Committee elected to adopt the relief provision for minimum required contributions for the 401(a) and the frozen 401(k) plan which are funded by employer dollars. And all four relief items allowed under the CARES Act for the 457(b), which is funded by employee dollars. The four relief provisions include relief for the mandatory distribution for participants over 70 ½; penalty-free distributions up to \$100K; loan repayments suspended; and maximum loan amounts increased from \$50K to \$100K. Chairman, may I read the Citizens Retirement Committee recommendation?

Chair Rivard: Yes, mam.

Violet Bloom: Thank you. Citizens Retirement Plan Committee recommends the Board of Governors: 1. Approve proposed changes to the Citizens 401(a) and 401(k) Retirement Plans to allow only the Required Mandatory Distribution (RMD) waiver provision. 2. Approve proposed changes to the Citizens 457(b) Deferred Compensation Plan to allow: a) Required Mandatory Distribution (RMD) Waiver b) Penalty-free COVID related distributions c) Maximum loan amount increases of up to \$100k from previous \$50k. d) Loan repayment suspension for 1 year. 3. Authorize staff to take any appropriate or necessary action consistent with this Action Item.

Chair Rivard: Okay, thank you, Violet. I'll take a motion at this point.

Marc Dunbar: This is Marc Dunbar. I'll move for approval and I have no questions.

Reynolds Henderson: Second.

Chair Rivard: Okay, we have a motion and a second. I'm just going to "roll the dice" here. Are there any questions or comments?

[silence]

Chair Rivard: Okay. All in favor?

**Marc Dunbar made the motion for the Board of Governors: 1. Approve proposed changes to the Citizens 401(a) and 401(k) Retirement Plans to allow only the Required Mandatory Distribution (RMD) waiver provision. 2. Approve proposed changes to the Citizens 457(b) Deferred Compensation Plan to allow: a) Required Mandatory Distribution (RMD) Waiver b) Penalty-free COVID related distributions c) Maximum loan amount increases of up to \$100k from previous \$50k. d) Loan repayment suspension for 1 year. 3. Authorize staff to take any appropriate or necessary action consistent with this Action Item. Reynolds Henderson seconded the motion. All were in favor. Motion carried.**

Action Item: Security Offices Services

Violet Bloom: Thank you. The final action item is for Security Offices Services for our Tallahassee and Jacksonville offices. The recommended vendors are Giddens Security Corporation and Allied Universal Security Services. This operating expense is budgeted annually. The contract amount is approximately \$1,754,809 for both office locations over a five-year contract period. The services are currently provided under a state term contract through purchase orders that expire on November 30, 2020. The new procurement services are also through a state term contract. This procurement provides for the continuation of security officer services for Citizens leased office space at the TIAA Bank Center located in Jacksonville and Citizens Centre located in Tallahassee. Primary services include roaming patrols, daily monitoring of cameras and, during normal working hours, lobby area support. In addition, this contract will allow for the activation of additional contingency services as needed resulting from emergencies requiring security support services. Hours are site specific and based on business need. The contract term is December 1, 2020 to March 8, 2025. The contracts will be procured utilizing the Florida State Term Contract No. 92121500-20-1 which meets the requirements of Citizens' Purchasing Policy. Chairman, may I read the recommendation?

Chair Rivard: Yes, mam.

Violet Bloom: It is recommended that Citizens' board approve these contracts, for an amount not to exceed \$1,754,809, with Giddens Security for Tallahassee and Allied Universal for Jacksonville under State Term Contract 92121500-20-1, for terms from December 1, 2020 – March 8, 2025, as described in this Action Item and authorize staff to take any appropriate or necessary action consistent with this Action Item.

Chair Rivard: Is there a motion?

Reynolds Henderson: So move.

Carlos Lopez-Cantera: Mr. Chair, I have a question.

Chair Rivard: Okay. If you don't mind, we'll get a motion and a second and then deal with questions. I heard a motion. Who made the motion?



Reynolds Henderson: Reynolds Henderson.

Chair Rivard: So, Governor Henderson made the motion. Is there a second?

Bette Brown: I'll second.

Chair Rivard: Okay, second by Brown. Governor Lopez-Cantera, please ask your question.

Carlos Lopez-Cantera: I was curious. For instance, in the Jacksonville office, I'll admit that I haven't been to the actual offices of Citizens, but I've been in that building. Why wouldn't the landlord provide security services for the office, especially since I've heard that the lobby is going to be patrolled? That's a common area of the office in the building. Typically, because . . . We own office buildings. That's a cost that is incurred to the landlord and passed on the common area as maintenance expense. I just want to understand why we would pay for security of space that typically would be covered in the lease?

Violet Bloom: Governor Lopez-Cantera, you are correct. The landlord [Amkin West Bay LLC] does provide for a small team of security officers that are responsible for primary building access control and they man a central station with cameras on the second floor at the security desk. They do roam the perimeter of the building and they conduct the required patrol and safety checks throughout the day. These security services would provide additional protection for Citizens employees who are on nine floors of that building in Jacksonville. So, in Jacksonville, we have one unarmed security officer Monday through Friday, excluding holidays. That is roaming the floors that Citizens employees are working on. We also have an unarmed security officer 24/7, 365 days a year in our lobby area on the third floor monitoring Citizens floors via cameras and also monitoring access to Citizens floors. In addition to that, we have an armed security officer roaming the exteriors. It provides an additional layer of security for our employees that the building management does not provide. In Tallahassee, we secure one unarmed security officer 24/7, 365 days a year. Does that answer your question?

Carlos Lopez-Cantera: For the most part. I still think there are redundancies there that should be included in our lease. I mean we're paying a significant amount of money to lease the space in Jacksonville. It just seems common for the landlord to cover those expenses.

Violet Bloom: In the main area they do. They do not on our floors. And they do not provide any extra level of security should the need arise.

Carlos Lopez-Cantera: Has there ever been an issue? A security breach of any kind or any kind of threat? Is there a reason why we're bulking up and adding security on top of what's already in the building, especially since there is active control coverage provided by the landlord in the lobby to gain access to the building?

Violet Bloom: It is very limited. We are in downtown Jacksonville and there have been some incidents, nothing that rises to a horrific level. I apologize that those aren't the right words, but we do have that protection in place should we need it. There have been a few occasions where we have had to engage that additional level of security.

Chair Rivard: Thank you, Violet. Are there any other questions from other Board members?

John Wortman: This is John Wortman. Just one question. Did we think about building this inside rather than outsourcing it?

Violet Bloom: I do not know the answer to that question. Kelly, do you know if that's something we've looked at in the past?

Kelly Booten: This is Kelly Booten for the record. Historically, we have not looked at having that as a capability within Citizens. We typically don't . . . we try not to do things that are not in our core competencies, if I can say it that way. I do also want to add that, you know, this came up adding an armed security guard – it's an additional thing we felt we needed during Irma. It was during Irma when it officially came up. There's a lot of activity in that downtown area. This was brought on as an employee safety measure. We have people coming at nonstandard hours to work a CAT, and armed security was never a part of what was included in the lease.

Barry Gilway: Barry Gilway for the record. Comment, please.

Chair Rivard: Yes, sir.

Barry Gilway: We've had . . . it's important to note that given our location in downtown Jacksonville, there has been some significant events within a few blocks/radius of the office. And, at times, we've been called upon to have our security people really literally walk our individuals, particularly in off hours, to the various parking garages in the area. So, I think for employee safety, particularly/frankly in the current environment, I think supporting the security is essential.

Chair Rivard: Okay. Thank you, Barry. Are there any other questions or comments from board members?

Carlos Lopez-Cantera: Barry, what do you mean by "our current environment"?

Barry Gilway: Well, for example, Governor Lopez-Cantera, there have been significant protests in the immediate area, in fact, within a two-block area of the office. We put essential employees on notice when that's occurring. And having additional security in those events certainly would be beneficial.

Chair Rivard: Okay. So, we've had questions and answers. We have a motion and a second.

**Reynolds Henderson made the motion for the board to approve these contracts, for an amount not to exceed \$1,754,809, with Giddens Security for Tallahassee and Allied Universal for Jacksonville under State Term Contract 92121500-20-1, for terms from December 1, 2020 – March 8, 2025, as described in this Action Item and authorize staff to take any appropriate or necessary action consistent with this Action Item. Bette Brown seconded the motion. Carlos-Lopez Cantera voted against the motion. The remaining board members voted for the motion. Motion carries.**

Chair Rivard: Thank you, Violet. So, we're going to item nine. Governor Brown, do you want to start us off on that?

## **9. Chief Communications, Legislative, and External Affairs Officers Report**

### **a. Consumer Services Committee Report**

Bette Brown: Sure. We did have a meeting on June 3<sup>rd</sup> and received reports from both Jay Adams on claims and Jeremy Pope, who is our new Vice President of Customer Experience, mostly centered around COVID and hurricane response. It was a short meeting. I don't know if you want to add to any of the comments, Jeremy or Christine, about the meeting? I'll turn it over to you.

Christine Ashburn: None from me, Governor Brown. Thank you.

Jeremy Pope: Governor Brown, this is Jeremy Pope for the record. None from me as well. Thank you.

Bette Brown: We had no action items. Good meeting but short.

Chair Rivard: Thank you. Christine?

#### **Action Item: Communications and Advertising Services**

Christine Ashburn: Yes, good afternoon. For the record, Christine Ashburn. Thank you, Chairman Rivard. I do have one action item for the board today regarding communications and advertising services. Citizens is requesting approval of a contract for Communications and Advertising Services. These services were previously provided under a contract which expired on May 26, 2020. The contract anticipates a three-year term with three one-year renewal options. Expenditures and reimbursements under this contract are made only when services are activated by Citizens. Contract pricing does not require monthly agency retainers or additional management fees paid to the vendor. A contract amount of \$600K has been estimated, if those services are required during the potential six-year life of the contract, which includes renewal options. This estimated amount includes both the expenses for advertising buys and commission payments invoiced through the awarded vendor. These advertising and communication efforts are primarily for catastrophe and crisis communications, where messaging is needed on an expedited basis and for potentially unforeseen situations. These services were previously procured through an Investigation to Negotiate (ITN), which resulted in a six-year contract, which has now expired. As a result, Citizens issued Request for Proposal (RFP) on April 1, 2020, to re-secure similar services of a media broker or agency as a communications solution that allows Citizens to broadcast messaging across various media markets using multiple channels. The new contract was procured in accordance with chapter 287.057, Florida Statutes and was posted publicly on April 1, 2020 with 19 vendor proposals were received on April 24<sup>th</sup> for competing for this award. After the completion of the Responsible Vendor Review on May 20<sup>th</sup>, three proposals were disqualified from further consideration. Scoring by the Evaluation Committee was completed on the remaining 16 proposals. On May 26, 2020, the Evaluation Committee held a public meeting to collectively score the competitive proposals, rank them, and announce the intent to award C-Com Group. Under this contract, Citizens will use C-Com Group's services and market access to apprise external stakeholders of educational and informational initiatives, CAT preparation and response, and/or reporting of other emergencies that require

notification through traditional media outside of normal operational communications methods. In addition, this solicitation sought to provide flexible broad-scale media access for unforeseen non-weather related emerging issues and crises that consumers and stakeholders need to be made aware of, as seen with other organizations and the recent COVID-19 pandemic that could have impacted us in a similar way, and as we've seen in 2010 a mail fraud situation that require we get information to our customers very quickly going into a holiday weekend back then. In addition to those operational needs, Citizens needs to advise audience on CAT or severe non-weather activity in response. Two comments I wanted to share. Under the previous contract, the entire spend was for Hurricanes Matthew, Michael, and Irma. In the six years under that contract, we only have ever leveraged the contract for three hurricanes, and additionally, per Governor Henderson's comment in the March meeting, this will work in parallel with the FPRN (Florida Public Radio Network) Sponsorship that you all approved in March. C-Com would manage Citizens' access to commercial radio while FPRN handles our access to public radio and television. Mr. Chairman, I'm happy to read the recommendation.

Chair Rivard: Yes, mam.

Christine Ashburn: Citizens recommends the Board of Governors to: a) Approve the contract for services, procured under RFP No. 20-0012 Communications and Advertising Services, for a three (3) year term and three (3) optional one (1) year terms, in an amount not to exceed \$600,000.00 with C-Com Group, Inc. as described in the Action Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.

Chair Rivard: Okay. Is there a motion?

John Wortman: This is John Wortman. I move for approval.

Blake Capps: I'll second. This is Blake Capps.

Chair Rivard: Okay. So, we have a motion and a second. Are there any questions or comments?

[silence]

**John Wortman made the motion for the board to approve the contract for services, procured under RFP No. 20-0012 Communications and Advertising Services, for a three (3) year term and three (3) optional one (1) year terms, in an amount not to exceed \$600,000.00 with C-Com Group, Inc. as described in the Action Item and to authorize staff to take any appropriate or necessary action consistent with this Action Item. Blake Capps seconded the motion. All were in favor. Motion carried.**

Chair Rivard: Okay. Thank you, Christine.

Christine Ashburn: Thank you.

## **10. Consideration of Consent Items**

Chair Rivard: This brings us to the consideration of consent items. Let's see, are there any questions or comments about the consent agenda? If not, I'd entertain a motion . . .

Marc Dunbar: Chair, this is Marc Dunbar. Can we pull 10B separate?

Chair Rivard: That's fine. Thank you.

John Wortman: Also, I think Jeremy [Pope] has some comments on the D item.

Chair Rivard: Okay, so we need to pull B and D.

Carlos Lopez-Cantera: I'd like to pull C as well, Mr. Chairman; and I make a motion to extend the meeting because it looks like we're coming up on 12:00, which is what we advertised.

Chair Rivard: We've done really well. We can extend it. Can we extend it for a certain time, or can we extend it?

Barbara Walker: We can extend it until we're finished, Mr. Chairman.

Chair Rivard: Okay, great. Also . . .

Marc Dunbar: I second the motion. This is Dunbar.

Chair Rivard: Oh, sorry. A motion and a second to extend the meeting.

**Carlos Lopez-Cantera made the motion to extend the meeting. Marc Dunbar seconded the motion. All were in favor. Motion carries.**

Chair Rivard: Okay. So, was B, C, and D requested to be pulled?

[multiple people speaking]

Chair Rivard: I'm sorry. Say that again.

Barbara Walker: It appears, sir, that the adjusted compensation for CAT deployment, claims estimate mobile app, and business processing outsources were all pulled.

Chair Rivard: Is there a motion for 10A – Multi-Function Copier Leases?

Marc Dunbar: This is Marc Dunbar. I'll move for approval.

Chair Rivard: Is there a second?

John Wortman: This is John Wortman. Second.

**Marc Dunbar made the motion to approve the consent agenda item Multi-Function Copier Leases. John Wortman seconded the motion. All were in favor. Motion carried.**

Chair Rivard: So, now we'll move into 10B – Adjusted Compensation for Catastrophe Deployments. Governor Dunbar, is this your issue you wanted pulled?

Marc Dunbar: Yes. I want to double-check with Jeremy because I emailed him during the A&U meeting. Jeremy, this is the item that was being discussed during the A&U, right?

Jeremy Pope: Governor Dunbar, no. Our item was the inbound/outbound call center services.

Marc Dunbar: I wasn't sure. I was confused. Then, I'll focus on that one then. Thank you. I apologize for the confusion, Chair.

Chair Rivard: No problem. Any other questions on 10B? If not, I'll entertain a motion to approve.

John Wortman: John Wortman. So moved.

Blake Capps: Blake Capps. I second.

Chair Rivard: Okay, we have a motion and a second.

**John Wortman made the motion to approve the consent agenda item Adjusted Compensation for Catastrophe Deployments. Blake Capps seconded the motion. All were in favor. Motion carries.**

Chair Rivard: So, now we're on 10C – Claims Estimate Mobile App. I'm sorry. Who requested this item to be pulled? Whoever it was you can speak up.

Carlos Lopez-Cantera: It was me. This is Carlos. I just want to say on the record that this is the same company that had that issue with the IT litigation that caused us to have to adjust the contract for the . . . and maybe, Barry, you can tell the board what service that got caught up with that IT litigation the Xactware has.

Barry Gilway: That litigation... Barry Gilway for the record. Jay can provide details, but that litigation was the litigation in relationship to the Geomni contract. Verisk, by the way, is the parent company. Verisk is a company that provides a wide range of services for not only citizens but for the rest of the industry, ranging from all the way from the ownership of ISO, which is the fundamental business processing platform for the industry all the way to our claims estimating software Xactimate and all those relative products. So, Verisk is the parent provides a wide, wide range of services, you know, for Citizens in a number of different areas.

Carlos Lopez-Cantera: Mr. Chairman, my comment was to put on the record that I felt a little uncomfortable committing to another \$1.5M towards a company that clearly has an issue that has caused us to change how we do things and revisit their contract so far. I just want to put that on the record. Had it been a consent item, I wouldn't have had that opportunity.

Chair Rivard: Yes, sir. Thank you. Are there are any other items or comments on this item? If not, I'll entertain a motion.

[speaking in the background]

Chair Rivard: There is a bunch of background noise. If everyone would mute your lines if you're not speaking. Is there a motion for this item?

John Wortman: John Wortman. Move for approval.

Blake Capps: Blake Capps. Second.

Chair Rivard: Okay. Thank you; so, we have a motion and a second.

**John Wortman made the motion to approve the consent agenda item Claims Estimate Mobile App. Blake Capps seconded the motion. All were in favor. Motion carries.**

Chair Rivard: So, now we're on 10D. Governor Wortman, was it your request to pull this item?

John Wortman: Yes. Jeremy, I think you had some comments.

Jeremy Pope: I did. And thank you, Governor Wortman and Chair Rivard, for the time today. While the consent items do not require the detailed explanation to the board, I want to ensure the board that it is our intent to always exude unwavering transparency. In the spirit of full transparency, I requested this opportunity today to bring awareness to the board of our overall effort and due diligence exuded related to the BPO Inbound/Outbound Call Center Services consent item. During the A&U meeting last week, I provided a comprehensive and in-depth detailed review of this item. So, today, I would like to simply provide a high-level recap of what we're seeking today. There is an executive summary with much more detail included as part of today's meeting materials. This particular consent item requests a total of four pricing adjustments, which are for two different call types we outsource and that is between three contracted vendors. I would be remiss if I did not share that there is not one Citizens employee – whoever has a desire to come forward to this board – and request pricing adjustments on behalf of the vendor let alone three vendors during midterm of a contract. From my perspective, it is disruptive and isn't a common or desirable business practice. I personally was skeptical and concerned over the request for higher pricing came back to us in February this year from a vendor who has contracted for both the FNOL call type as a primary vendor and a Tier 1 call type as a contingent vendor. Those first two pricing adjustments prompted us to request a temporary pricing increase, so this vendor through June 30<sup>th</sup> ( which was approved by this board back in March) while we attempted to transfer services another contingent vendor with more favorable pricing and overall value to Citizens as a whole. As we engage with all contracted vendors, validating pricing to be fair and equitable across the board, two additional vendors came forward requesting pricing increases. Again, just like anyone would be, we were taken aback in disbelief with the requested pricing adjustments, which mind you, range from 21% increase to almost 121% increase. However, after digging in and having several detailed conversations with each vendor, including attempting to negotiate the pricing adjustments, Citizens does believe market volatility has occurred within the industry. Here is why we believe it is logical for us to move forward with such drastic pricing adjustments. We introduced to independent market analysts with

Business Process Outsourcing (BPO) expertise from the call center space, both of which were from well-respected organizations including Gartner as well as the contact center-based Florida consulting firm. We captured the following marketing intelligence from experts in the field for appropriate guidance. Margins for BPO call center providers are typically razor-thin, on average 5% to 12%. So, any sustaining increase in costs are especially impactful. Salaries have jumped within the contract call industry by 21% since 2017. And that's the same timeframe the original solicitation went to market. Industry experts stated the average salary rates are now running between \$18.81/hour to \$25.24/hour with the BPO space. In addition, we learned of the collapse of the international markets with BPO call center services due to the COVID-19 pandemic, having impact the demand locally in the US when it comes to resources and talent. The CARES Act also has been proven to be a challenge in attracting employees to the workforce due to competition with the various government stimulus programs. This was brought up to two of the vendors who particularly have the higher price request. While a total of three vendors have requested pricing increases across two different call types, only two of these vendor types are activated, which is Agility and MacNeill. Faneuil is a contingent vendor. Should an activated vendor fail or if we have a need for a substantial amount of capacity . . . I just want to share with the board at this time that there are no plans to activate Faneuil due to business needs. The call center contracts do not guarantee any call lines whatsoever. So these services that we outsource, are essentially on the plan should Citizens need such support. Between the two different call types where pricing increases are being requested, this makes up around 63% of our overall call center work that Citizens outsources. I want to be clear that out of that 63% outsourced, MacNeill's services 46% of this work today, and their requested increase is around 21% for only one call type. Agility Services – the other activated vendor – services the remaining 17% of that 63% pull of work. Their price increases are 71% for one call type and 101% for a different call type. As a reminder, Faneuil is not an activated vendor at this time, and their price increase is 121%. I bring this up because while the requested price increases are drastic, as significant amount of the work we outsource would be tied to the request to increase pricing by 21%. Due to the declines with our overall policies in force as well as our efforts for self-service for policyholders and agents, MacNeill's calls are down by 18% since 2018. Agility's calls are down by 70%, since the timeframe. It also includes declining claims with Hurricane Irma, which plays a large part there. To continue why we feel this is logical and in the best interest to move forward with the price increase presented to the board today, although we were unsuccessful in locating any state term contracts for call center services which were similar to Citizens scope of servicing complexity, and this includes searching the state of Florida's database, we also reached out to other state plans, which represented a direct correlation to the type of work Citizens outsources. Our research confirms both the Texas Windstorm Insurance Association (TWIA) and the Louisiana Citizens Property Corporation have prices which are in line today with the increases being brought forward that represent this consent item. As all three vendors have been cleared and unable to service or begin servicing the Citizens account without these price increases, approving today's recommendation strongly reduces the risk of an emergency procurement in the future while also keeping a list of formally vetted vendors on contract Citizens is familiar with and pricing is known. In addition, the requested pricing increases do meet the guidelines of the Florida Department Management Services regarding equitable adjustments through purchasing form PUR 1000. Rather than requesting these pricing adjustments be approved through the contract expiration dates, it is our recommendation to this board that we move forward with a temporary pricing adjustment for a maximum of 18 months. The 18 month timeframe requested for Citizens gives enough time to go back to market and work on a brand new solicitation in hopes to achieve an even larger vendor pool that what we have today with potentially better pricing in terms or conditions, or, if nothing else, to validate the pricing we've been presented with here recently that it is



appropriate and in line with the market as all of our research and intelligence has confirmed to us thus far. As our solicitation process is expensive, it typically takes a solid 12 months to begin a new solicitation post and award vendors through a formal process. It is possible for us to bring back our findings earlier than expected. We targeted an 18 timeline to allow for appropriate time for Citizens to vet and think of a way to make this business even more attractive while preserving the greatest and best service providers for our policyholders. To be clear to this board, while this is a recommendation for us to go back to the board, we genuinely feel it is our duty to put in this additional diligence and effort to engage the market. At this time, I'd like to thank the A&U, Governor Wortman, and also Chairman Rivard for the opportunity to address the board today. Chairman Rivard, this concludes my speaking part ahead of the call to approve this consent item and I'm more than willing to answer any questions the board may have at this point in time.

Chair Rivard: Okay, thank you, Jeremy. Good job walking us through all that. At this point, is there a motion to approve the item?

John Wortman: This is John Wortman. Move to approval.

Chair Rivard: Okay. Is there a second?

Black Capps: This is Blake Capps. I'll second.

Chair Rivard: We have a motion and a second. Are there any questions or comments?

Carlos Lopez-Cantera: Are you going to go in alphabetic order?

Chair Rivard: I want you to go first.

Carlos Lopez-Cantera: Well, thank you. I appreciate that deference.

[laughter]

Chair Rivard: We're almost through here. I figure we'll go freewheeling. So, please, let's go ahead with your question.

Carlos Lopez-Cantera: Thank you. It sounds like one vendor's increases is less than the other. One is 20% and another is 70%. Was there any effort given to just put more of the resources to the one that had the lesser increase?

Jeremy Pope: Thank you for the question, Governor Lopez-Cantera. So, these vendors are not all contracted with the same call type. So, the inbound/outbound call centers services contract includes six different types of services. So, only two – in this case, two different phone types – are being requested for the increase in price. So, for us, what we did was we looked at . . . when we talk about the call types, we went down the line of every single vendor that is on contract with us. We validated the pricing with all of those vendors. With that particular call type, both Agility and MacNeill, those are both on contract. The other vendors we have on contract either have no capacity at this time to service Citizens or they do not have what we believe to have enough capacity to put us in the best position to service

our policyholders. For the Tier 1 call type, we have a total of four vendors. That would be MacNeill and Agility are the two that also came forward for pricing increase there. Same thing in that case when it comes to the situation where we have vendors that either have no capacity or they have very limited capacity. In that case, with the Tier 1 volume, which is the majority of the work we outsource, we would still need to split between two vendors. And in doing so, that would give us the ability to outsource between three different vendors because one has no capacity. Two would be ideal for us, but in that case, we'd be selecting the lowest cost, if you will. Does that answer your question, Governor Lopez-Cantera?

Carlos Lopez-Cantera: Yes. Yes, it does. Second question; follow up. When did these companies approach Citizens? It looks like this was in 2017, so when did they approach Citizens to say, "Hey, we're not going to be able to make good on the contractual obligation that we have" to you?

Jeremy Pope: Yes. So, the full solicitation went to market in 2017. We executed the contract at the very beginning of 2018. Our first request to increase pricing came to us in February of this year and that was from Agility, which represents two of the call types. They pretty much at that time informed us that they were reluctant about coming forward, but they gave us the timeframe of when they could not service the program any longer. That is what prompted us to bring a temporary pricing increase just for them to both the A&U and to the board as a consent item for a 10% pricing through the end of this month. Since that approval back in March, we have been working with all of our contracting vendors to really size up what options we have to transition services as we started to have those discussions to validate pricing and so forth; and keep in mind, several of these vendors are not activated. They came forward with these two additional price increases that we referenced today. So, that's when we stepped back and looked at the entire model, if you will, support and activated our deep-dig – market intelligence and meeting with the various analysts trying to validate what's going on, why do we have three vendors requesting pricing increases? So, for us, we have a pretty good indication that there, again, has been volatility in the market and that's why it's in our best interest to rather than accept these increases through the end of the contract expiration date, let's go back to market and really validate and see what we have. Is this truly the best, or will we be able to potentially attract better pricing potentially? We just won't know until we formally go to market.

Carlos Lopez-Cantera: So, looking at the recommendation, you're recommending to the board to extend the pricing adjustment through the base term of the contract, which could be through January 2023 for Y&Y Holdings . . . it looks like for all of them through the term of their contract. Why not do a temporary again and only do it through this hurricane season? Because I understand we're already in season; we need those services, or potentially (God willing, we won't need those services). Why not just approve a temporary increase until the end of the hurricane season and then see if the labor markets become more favorable and revisit it again next year – almost on a yearly basis or on a hurricane season by hurricane season basis through 2023. This sets up a horrible precedence to all of our contractors who say, "You know what? If we have you over a barrel and we know you have limited time and limited options, we can jack up your price 100%. We can double the price that we are contractually obligated on." We're relieving them from the risks that they took when they bid on this. I mean, they bid on it. They should have done their calculations. They should have done their projections. Now Citizens and the taxpayers of Florida have to make up for their mistakes. I just think that's wrong.

Jeremy Pope: So, Governor Lopez-Cantera, if I can add additional clarity. This is a temporary price increase. It is not extending it to the base term. The base term for these contracts is for five years. So, the request for 18 months is really the maximum amount of time I feel like we would need to set up a long-term solution appropriately, knowing how long it typically takes us to compile these solicitations and so forth. So, I want to be really clear that this is not to request through the remaining life of this contract whatsoever. There is also an addition to the five-year base terms. We have a one three-year renewal and additional two-year renewals. Quite honestly, this entire relationship can go as far as 10 years. So, again, this is for 18 months. I will say, and again, I appreciate the points, in regards to vendors. We do not feel . . . after these conversations, I can assure you that any vendor has us “under the barrel” whatsoever. So, when I look at these vendors, and I’ll take MacNeill for example. MacNeill’s relationship with Citizens has been before Citizens – as far back as the JUA – for 25 plus years. As part of this research, I was really curious. I’ve been with Citizens for almost 14 years. They service us for seven services – call center, underwriting production –and there’s a comprehensive strategic relationship. When I went back . . . this is the very first time – they’re located in south Florida. They’re a domicile organization and has never come forward for any price increases during any part of any existing contract. So, when meeting with them – and these vendors – but with them in particular, they shared that this is a dire need. They thought about this. They know the process. No vendor wants to necessarily come forward because it doesn’t look good on any of these vendors. But I can tell you that company who employs 277 Floridians made it very clear to us that this is the last thing they want to do. This is a dire need when they came to us. Same thing with the other vendors. While our relationship with them has not been as long per se, they are all reluctant for the pricing increases. And, they also put themselves in a position where we’re always going to look for reduced costs, but that’s why in this particular item, there is a range of predictive impacts, if you will, for these pricing adjustments. We estimated this financial impact to the best abilities by forecasting call volume over the next 18 months. And, we’ve had numerous environmental areas within this range include various variables, which some are known today, and some are unknown. For example, if and when we have the ability to insource call volumes and have additional capacity internally, we’re going to do that. That’s factored in. That really helps explain why we have a range of impact here with the various scenarios we’ve baked in. I appreciate those comments, but I can tell you we were just as concerned as this board would be, and again, I go back to the term skeptical because, for me, it did not make sense. After speaking with some of the industry experts, I truly feel like there is volatility within the industry.

Carlos Lopez-Cantera: Thank you for that, Jeremy. And I recognize the 18 month timeframe, but it’s assuming favorable pricing terms were obtained.

Jeremy Pope: Correct. So . . .

[multiple people speaking]

Carlos Lopez-Cantera: . . . but that 18 months takes us through next hurricane season.

Jeremy Pope: So, Governor Lopez-Cantera, so let me be very clear. That 18 months – I expect to come back to this board to share our findings. So, our findings will either be a couple things. “Hey guess what? We were able to find better terms and conditions in pricing and hopefully with more vendors to provide greater continuity.” Or, we will be coming forward and maybe pricing will not be better. Maybe it’ll be higher or maybe it’ll be what we received so far. But, in terms of conditions we feel are better for

Citizens. We would bring that path forward. Or it will be “Hey, it’s exactly what you stated. We went to market. We couldn’t find anything else better. What we have is best for Citizens.” So, at that point, we would like for the board to have discussion and to give approval at that time to present for the remaining life of the contract.

Carlos Lopez-Cantera: Understood, Jeremy, but the issue I have with that is that they came back to Citizens for the pricing change in February. In February, we were still basically in full employment statistically. Then COVID hit and now unemployment is significantly higher. When you have full employment, wages are higher because you have difficulty attracting talent. Now labor unemployment is higher, basic economics would tell you that it would drive down labor rates. So, that’s why I suggest we do this through the next . . . through this current hurricane season and then either put it out to market again or force the companies that have now breached their contractual obligations to us to reprice again. But, to give them an 18-month window at a much higher rate at our expense I think would be irresponsible and isn’t practical, considering everything that’s happening in the economy since February since they approached us.

Jeremy Pope: What I would add, Governor Lopez-Cantera, speaking with the industry analysts, which is what matched with what the vendors have told us as well, to your point, and I felt the exact same way: unemployment is up. Why would costs go up? They are not seeing the . . . let me back up. One, it goes to the statistic I shared for salaries within this space: 21% increase since 2017. Now that doesn’t necessarily explain some of the increases that we’ve seen which are much higher than that. But what I will say is the . . . and unfortunately the CARES Act and government stimulus programs . . . many of these service providers have stated, and again, the industry experts we spoke to said that is a roadblock for them and they are not able to attract the talent unless they are producing higher pay scales. And that’s what they’ve been doing. So, I agree. That’s something we learned as well when we went through this process that we’ve been engaging with these vendors for several months. The thing is for us is building out the solicitation for, again, that 18-month timeframe; we’re going to try to do this as quickly as we can, but we truly want to vet through this appropriately to ensure that . . . you know, we’ve actually started the process. Last week we’ve sent out an RFI to the industry just to obtain as much information as possible on the call center space pending approval of today’s consent item so we can start building a solid solicitation. And, for us, we just feel that we have that timeframe to do so and we can vet through and explore and get as creative as possible of whatever is best for Citizens. I don’t want to be in the same position a year and a half from now where we have executed the contracts and we go back to, you know, we have to come back to the board because of this particular situation that’s similar. I will tell you that because our volume is so low it makes it operationally challenging. It’s easier to run the organization operationally when our policy count is high. When our policy count is low, it makes it more challenging, but we still have to have the scalability because we don’t always attract these large service providers. We usually attract what I call the “boutique” service providers, and unfortunately, in that space, from my experience, those two boutique BPO providers are constantly changing. They are getting gobbled up by larger companies. They’re changing their business models. So, points taken on that and I can assure the board we’ll come back as quickly as we can, but we want to spend the right time. Again, that 18-month timeframe was the latest it should take for us to come back to this board with whatever we find from the market.

Chair Rivard: Thank you, Jeremy, for your response. Are there any other questions from other board members?

[multiple people speaking]

Bette Brown: I want to make a comment. I don't think unemployment is a good argument here because remember this is a forced unemployment. Some of these lines of business/companies are really busy because of the requirements and the changes in our economy. To factor in unemployment because they're told to stay home doesn't really come into play with this contract. But I hear you. But I think you're dealing with companies that are doing specific things for specific people that do have to have levels of employees that are at a higher level. So, that's just my two cents.

Chair Rivard: Thank you, Governor Brown. Governor Dunbar?

Marc Dunbar: Thanks. And, Jeremy, I had sent you an email, you and Dan asking about the possibility of going back to these vendors during this 18 month period and giving us a most favored nations clause that we are not being charged a rate higher than anyone else in the marketplace to ensure that this rate increase that we're giving them mid-contract is not going to subsidize other players in the market. I didn't see a response come back. I was hoping you could address that for me. Thanks.

Jeremy Pope: Absolutely, Governor Dunbar. We appreciate the response. What I can tell you is we absolutely and fully support appropriate provisions in the contract amendments that puts Citizens and the vendors, quite frankly, in a position to validate Citizens pricing and, in fact, comparable, to likewise situated clients. Pending approval of today's consent agenda item, we have a meeting later this afternoon with our legal team, our vendor management office, and our business unit to vet the best structure provisions to include that within these amendments if approved. So, we are fully, absolutely in support of that and would work with our team internally to make sure that it's part of these amendments.

Dan Sumner: Mr. Chairman, this is Dan Sumner. We appreciate that comment. We think it was very well taken; and most favored nations (MFN) clause is something that is going to be drafted as part of an amendment.

Marc Dunbar: Thank you. I appreciate it, in particular, as it relates to MacNeill because I know MacNeill has been around for a long time. I remember them back when they were with the JUA and I think that because they are a large Florida employer and we are a very important entity to them, that I expect they will do us right by that most favored nations (MFN). My support of this agenda item is going to be contingent upon these vendors giving us that. I don't know how to do this and that's why I wanted an answer in advance of this, but I'm only going to support it if we get an MFN for whatever that's worth. Once you guys execute the contract, will you please communicate back so that we know that we were able to secure this? Because, frankly, I would almost rather this to be a contingent approval to move forward subject to an agreement on an MFN and then come back and get the formal approval because I don't know if the other members feel the same way but I'd hate to find out that we executed a contract thinking we're going to get something contractually that we don't get.

Chair Rivard: Governor Dunbar made an excellent point on the MFN status. Dan, I think I just interrupted you, if you were going to respond to that. But is there some way to build that in into the

staff recommendation, so if it is approved, it's approved contingent on that? I would also be supportive of that. Dan, what do you think?

Dan Sumner: Absolutely. I think that is a provision that we are moving forward with as Governor Dunbar suggested, again, very much thinking he is on the right track. And, to the extent that we are not able to get that, I think it would be appropriate from the comments the board is making to notify the board and to not execute that contract without that MFN in there.

Chair Rivard: Okay, very good.

John Wortman: This is John Wortman. I would amend my motion to say that it's approved with the fact that we do test the marketplace and that has to be okay.

Chair Rivard: Okay, so you're amending the motion so it would include the MFN language? I'm sorry. I want to be very clear because what Governor Dunbar was saying I want to make sure that . . . is that how you're amending your motion, Governor Wortman?

[silence]

Marc Dunbar: I'll make the motion to amend Governor Wortman's motion to include the MFN language to make it easier. This is Dunbar.

Carlos Lopez-Cantera: This is Lopez-Cantera. And that's to make it contingent upon that language being included in the contract?

Chair Rivard: Yes. That's right, Governor Dunbar?

Carlos Lopez-Cantera: I'll second that motion but I still have questions, Mr. Chairman.

Dan Sumner: Governor Dunbar, can I just make sure your comment . . . you don't need to change your motion . . . but just to confirm, that if there are some companies that do agree to what we would send – those contracts; it's only not sign those contracts who refuse?

Marc Dunbar: That's correct.

Chair Rivard: So, we have a motion and a second amending Governor Wortman's motion. So, all in favor of that?

Carlos Lopez-Cantera: Wait, Mr. Chairman, I still have questions.

Chair Rivard: I was simply trying to vote on the motion to amend the motion.

Carlos Lopez-Cantera: To amend the motion. Okay.

Chair Rivard: We're not voting on any underlying motions. We're voting to add Dunbar's language to the motion.

**Marc Dunbar made the motion to amend John Wortman's original motion to add the MFN language to the contract and to move forward with the contract contingent upon the vendor signing the MFN. Carlos Lopez-Cantera seconded the motion. All were in favor. Motion carried.**

Chair Rivard: So now, back to questions. Governor Lopez-Cantera?

Governor Lopez-Cantera: I think I heard Governor Henderson's voice, so I'll let him ask his question.

Reynolds Henderson: I voted against this in the committee, not because I don't think we're in a bind and we can cancel within 18 months period. However, it disgusts me to see this kind of increase like we're talking about here, and so, I want to keep it fresh. Sometimes, you know, I like putting this MFN in there. It sounds great. I just don't want to keep this thing on the front-burner because we are in hurricane season and we have to move forward with this, but we definitely need to . . . you know, we don't need this to become the norm to have these kinds of increases. So ridiculous.

Chair Rivard: Thank you, Governor Henderson. Governor Lopez-Cantera?

Governor Lopez-Cantera: Thank you, Mr. Chairman. Jeremy, and if you already said this, I missed it. I apologize. These rate increases – were they negotiated or was it just what they said that this is what the price is going to be and there was no back and forth as far what it ultimately ends up being in the recommendation that we have before us today?

Jeremy Pope: Good question. So, we did . . . we attempted to negotiate with each of these vendors individually, and we were not able to make any adjustments. We tried lower pricing. We tried a number of . . . just a number of conversations around that. Two of these vendors were activated. Both of those vendors told us, because we really had to ask in the event that this was not approved or we can't support this, because we have to support this before we bring it to this board . . . what do we look like? Both of these vendors would be giving me notice. They would no longer be able to support. That confirms for us the dire need for these vendors. The other vendor found – and they're not activated – they essentially told us they would not be able to be activated because their modeling has changed since they bid on this contract and also the various justifications they provided to us that we included in the executive summary. We attempted to answer your question to negotiate and we were unsuccessful. The only thing we could do . . . they obviously were not aware of our market intelligence and us meeting with analysts. We were meeting with those various groups to confirm what we were being told by the vendors. Again, in our research, what we saw and then what we compared with some of the other state plans, our pricing, again, with what was presented with the increases is in line. We didn't see . . . although it is...

Governor Lopez-Cantera: I don't mean to cut you off, but we are going over long. I have a couple more questions. You answered that question already, so I appreciate that. Dan, what does their contract say as far as damages or breach of contract because they put us in a position where they are in breach of contract or we amend the contract to give them more money? So, what does the contract say, Dan?

Dan Sumner: Basically, there are a couple things. First of all, we would – to enforce a contract – we would claim specific performance. That is how we would start this. They are going to claim "force majeure" and you would get into that issue. I think the real "T" here is that we would be terminating

them . . . we would be breaching this for termination. I think that with regard to any sort of liquidated damages at we had, I would have to look at the contract. We always have some sort of liquidated damages provision, of some sort, but I don't have the details. But what we would essentially do, we would probably end up either . . . first line of legal action would be some sort of specific performance requirement that says they did not live up to their contract.

Governor Lopez-Cantera: So, wait a second. So, by amending this contract and giving them this price adjustment, are we foregoing any ability to go after them for liquidated damages later?

Dan Sumner: Probably so.

Governor Lopez-Cantera: So, Jeremy says that this is there take-it or leave-it number. So, not only are we giving them a pricing increase (increased costs), I'm guessing we're also going to guarantee that they now make a profit. Now, I'm the biggest free market guy around, but they submitted a bid. They gave us a price. They knew the risk. And now, not only do we have to make up the dollars for their mistake, but we're also going to be making up their profit as well. I think that's wrong. Secondly, I don't think there's any scenario where we should approve this amendment without reserving the opportunity to go after them for damages later because, like I said earlier, I believe they have us over a barrel. We're in hurricane season. We need these services if the call volumes go up and we have no choice because we need to provide a good service to our customers. Mr. Chairman, I'd like to make a motion to amend the underlying motion again to 1) limit this to only last through the end of this hurricane season before we revisit it and 2) ensure that the contract preserves our ability to seek liquidated damages or some sort of damages against all of these businesses because if we don't, it's going to be one after the other. Vendors are going to know that "Citizens . . . we're going into hurricane season and we have an increase in costs and we'll go back to them and they'll increase because that's the price we set it to."

Chair Rivard: There a motion. Is there a second?

Barry Gilway: For the record, Barry Gilway. Can I make a comment, Mr. Chairman?

Chair Rivard: Right now, I want to see if there is a second, and then we'll take comments.

Governor Henderson: I'll second that motion.

Chair Rivard: We have a motion and a second. Barry, please go ahead with your comments.

Barry Gilway: I have a question really for Jeremy. Jeremy, does the contract incorporate any guarantee on the part of these vendors to commit/to specify a number of resources to respond to a specified number of calls?

Jeremy Pope: No, Barry, they don't. But what we do on an annual basis is we solicit overall capacity with vendors to know from a claims perspective, mostly for those unactivated vendors. They are sitting there potentially for years with no business and no revenue. So, they give us a commitment at the beginning of the year but there are no requirements necessarily associated with the contract at all for them to do so.



Barry Gilway: Okay, thank you.

Chair Rivard: So, we have a motion to amend the limit the duration of this until the end of hurricane season this year and to have specific language reserving our right to seek liquidated damages against any and all the vendors.

**Governor Lopez-Cantera made the motion to amend the prior said motion to 1) limit this to only last through the end of this hurricane season before we revisit it and 2) ensure that the contract preserves the ability to liquidate damages. The motion was seconded. All were in favor. Motion carries.**

Chair Rivard: The underlying motion is now amended. Are there any other questions or comments?

Bette Brown: Can someone read the motion?

Chair Rivard: I'll give it an attempt. Here's my understanding of it. Barbara [Walker] or anyone else can correct me if I'm wrong. We're moving forward with staff's recommendation with the caveat that it be limited to time until the end of this hurricane season and we preserve the right to liquidated damages and that it includes the MFN status language that Governor Dunbar addressed.

Dan Sumner: That's correct. That's correct, Chairman.

Chair Rivard: Okay. Dan, do you have anything else to say about it?

Dan Sumner: No, sir. Basically, no. Essentially, Governor Lopez-Cantera's motion has passed, and it is now an amendment to the amendment by Governor Dunbar. You own the whole motion.

**All were in favor to approve staff's recommendation with the following amendments: 1) limit this to only last through the end of this hurricane season before we revisit it; 2) ensure that the contract preserves our ability to liquidate damages; 3) include the MFN language. Motion carries.**

Chair Rivard: Thank you. I appreciate all the questions. And, Jeremy, good job going through all the context for us. It was helpful. I know we spent a lot of time on it. It's important and I think we are, like it or not, other people do watch these kinds of decisions. I think that was a productive exercise to go through, and I think we landed in a good place on it. So, thank you for everyone's help in bringing us to landing on that one.

### **New Business**

Chair Rivard: Next up we have new business. Is there any new business for the board?

Carlos Lopez-Cantera: I have something, Mr. Chairman.

Chair Rivard: Go ahead.

Carlos Lopez-Cantera: It starts with a question. Does Citizens Corporation have any type of succession plan for the Executive Director and now with the new CFO?

Barry Gilway: Mr. Chairman, should I answer that one?

Chair Rivard: That's fine. Just also, before you do, Barry, I just want to remind everyone, because we're going on four hours here and I apologize for that, but we do have another brief meeting following this for the FMAP. Stick around when we finish the new business. And, when we adjourn this meeting, we'll reconvene, hopefully briefly for the next meeting. But, yeah, Barry, go ahead. That's fine.

Barry Gilway: Governor Lopez-Cantera, the answer is yes. We have a succession plan for . . . I completed a succession plan and worked with the internal candidates with that plan as part of their overall review. And we also conduct a success process planning process for I believe now, Violet, three levels within the organization.

Governor Lopez-Cantera: Is it a documented success plan? Is it like part of the Plan of Operation?

Barry Gilway: It is not part of the Plan of Operation, sir. It's just an internal success planning document that we use internally.

Governor Lopez-Cantera: And when was it last updated?

Barry Gilway: It's updated annually.

Governor Lopez-Cantera: So, when was it last updated?

Barry Gilway: I would think in April 2020.

Violet Bloom: Correct, Barry.

Governor Lopez-Cantera: That was one month before we started restructuring in the May meeting? Is that correct?

Barry Gilway: I'm sorry. Excuse me. Violet correct me. I think it was in 2019. April 2019.

Violet Bloom: Correct. The official formal plan was in place, if you will, a little over a year ago and then every year we update it when we go through the annual merit process, which is in March.

Governor Lopez-Cantera: So, it was not updated in March?

Violet Bloom: Every year we review the success plan. That is correct.

Governor Lopez-Cantera: It was correct that it was not updated?

Barry Gilway: Governor Lopez-Cantera, my success plan did not change. I identified three candidates for internal success candidates. That plan did not change in 2020.

Governor Lopez-Cantera: When we did the reorganization of the ELT in the previous meeting?

Barry Gilway: Can you repeat that question, please?

Governor Lopez-Cantera: Shouldn't it have been revisited when we did the ELT reorg in the last meeting?

Barry Gilway: It has not been updated since the . . . go ahead, Violet.

Violet Bloom: You're correct, Barry. Finish your statement, Barry. You're correct.

Barry Gilway: It has not yet been updated since the reorganization. The reorganization and actually the purpose of the reorganization, obviously, was to respond to one of the three identified candidates – Steve Bitar, who was hired by an outside firm as a CEO and the second candidate I had under succession actually was Kelly Booten. She was identified as a potential successor for board consideration. The third candidate actually is Jay Adams and he was identified as a potential successor. So, all of the three were identified as potential successors. It would have been recommended, in my departure, for the board to consider these three individuals as a successor.

Governor Lopez-Cantera: So, under the current succession plan, it hasn't been updated in over 12 months. It's not three individuals; it's two because Bitar, as you all know, has exited. So, shouldn't the reorganization at the exit of one of your candidates have triggered a revisit of that succession plan?

Barry Gilway: Absolutely, Governor Lopez-Cantera. It should trigger a review of a succession plan. That has not been completed by me at this point given the reorganization only took place a couple weeks ago.

Governor Lopez-Cantera: Understood. Well, then maybe by the next board meeting you'll be able to tell us it's been revisited and amended to acknowledge and show the current state of affairs. Obviously, I think you're going to live to be 110, Barry, but, you know, God forbid something were to occur to you, having an updated succession plan is important.

Barry Gilway: I agree completely, and we will . . . and at the next Board meeting, I'll be more than happy to provide you with an updated copy of my proposed succession plan.

Chair Rivard: Thank you, Barry.

Governor Lopez-Cantera: The succession plan doesn't need any type of approval by the board is that something approved by the board yearly . . . because I wasn't around the last time it was changed.

Barry Gilway: No, sir. The succession . . . that plan we put together to this point has been an internal document. I've had discussions with Chairman Rivard regarding the individuals that we would propose. But, given the fact that we . . . that there are no specific recommendations to the board regarding succession, these are really internal plans to allow me to identify strengths and weaknesses of individual successors and then put development programs into place for each of the individuals to make them better candidates at the time they might be recommended to the board for consideration.

Governor Lopez-Cantera: Understood; but you said you consulted with Chairman Rivard on the succession plan. He wasn't chairman last time you had the succession plan changed.

Barry Gilway: I consulted with Chairman Rivard regarding the individuals I incorporated within the succession plan when he assumed his position as chairman.

Chair Rivard: He was informing me of the succession plan that was already in place in terms of those three individuals and it hasn't changed since then. We've covered that. Is there any other business from any other board members?

Governor Lopez-Cantera: Yes, Mr. Chair. I have one more item.

Chair Rivard: Okay.

Governor Lopez-Cantera: If we're not going to be meeting in person, which maybe we'll go by CDC standards on that, if we're not going to continue to meet in person, technology today makes it available to us to meet via one of these teleconference services, whether it's Zoom, Microsoft Teams, or other ones out there. Because we already have been doing this for six months. By this point, don't you think we should make it a goal to make it a video conference type of meeting?

Barry Gilway: Governor Lopez-Cantera, yes. Barry Gilway for the record. We are looking at various options that might be available. Barbara Walker is reviewing video conferencing options and working with Kelly Booten and the IT organization on what the best options might be. Kelly or Barbara, if you'd like to comment.

Kelly Booten: Yes, sir. We have a couple different options. We're working with Barbara on her preference to make sure it has all the capabilities that she needs in order to do recordings and everything else effectively and manage the phone calls. The technology itself isn't hard to do and get implemented. It has more to do with all the variables that come into play with . . . the way different people are connecting into us. But we have a plan and we will be prepared to do so at the September meeting.

Governor Lopez-Cantera: So, that means we'll be doing video by the September meeting.

Kelly Booten: We will have the ability to do it by the September meeting as long as it meets all of Barbara's requirements for recording and everything else that has to happen. Yes.

Governor Lopez-Cantera: Thank you.

Chair Rivard: Okay. Anything else under new business?

Meeting adjourned.

# ACTION ITEM

Board of Governors Meeting, June 24, 2020

<b>CONTRACT ID</b>	<b>Amendment to Retirement Plan (Adding a Roth Account Option)</b>
<b>BUDGETED ITEM</b>	This amendment will not have any financial impact on Citizens.
<b>EFFECTIVE DATE</b>	This amendment will take effect January 1, 2021, or later if necessary, to complete the changes to Citizens' payroll systems.
<b>PURPOSE/SCOPE</b>	<p>This Action Item requests Board approval to amend the Plan to allow participants the option of directing their contributions to a designated Roth 457(b) investment account (a "Roth Account"). This option allows employees to have their contributions taxed once at the front-end rather than when the funds are withdrawn. Adding this option does not increase the total amount employees can contribute to the 457(b) plan.</p> <p>The Citizens Retirement Plan Committee reviewed this subject with its financial advisor (FiduciaryFirst) and outside counsel (Constangy, Brooks, Smith &amp; Prophete). On December 2, 2019, with the concurrence of its financial advisor and outside counsel, the committee voted 7-0 to recommend adoption.</p> <p>The proposed changes would require Citizens to check boxes 6A-5(a) and 6A-7(b) of the Governmental 457(b) Plan Adoption Agreement approved by the Board on September 26, 2018 (see pages 10 and 13 of Exhibit A, attached). No other plan changes are recommended.</p>
<b>RECOMMENDATION</b>	<p>The Citizens Retirement Plan Committee recommends that the Board of Governors:</p> <ul style="list-style-type: none"><li>a) Adopt and approve this Plan amendment to add a Roth Option to the Citizens 457(b) Retirement Plan, as described in this Action Item; and</li><li>b) Authorize the Citizens Retirement Plan Committee to take any appropriate or necessary action consistent with this Action Item.</li></ul>
<b>CONTACT</b>	Violet Bloom, Chair of the Citizens Retirement Plan Committee James Taylor, Director Total Rewards

<b>CONTRACT ID</b>	<b>Amendment to Retirement Plan (Adopting Selected Provisions of the CARES Act)</b>
<b>BUDGETED ITEM</b>	This amendment will not have any financial impact on Citizens.
<b>EFFECTIVE DATE</b>	This amendment will take effect June 24, 2020 and will remain in effect until December 31, 2020, or later if the effective dates are extended by the federal law.
<b>PURPOSE/SCOPE</b>	<p>This Action Item requests Board approval to amend the Citizens 401(a), 401(k) and 457(b) Retirement Plans to adopt certain provisions of the federal CARES Act to assist plan participants affected by the COVID-19 pandemic.</p> <p>On May 20, 2020, the Citizens Retirement Plan Committee reviewed this subject and voted 7-0 to recommend the Board approve the following amendments:</p> <p>The Citizens 401(a) and 401(k) Defined Contribution Plans would be amended to allow:</p> <ol style="list-style-type: none"> <li>1. Waiver of the Required Mandatory Distribution for participants age 70 ½ or older, effective through December 31, 2020.</li> </ol> <p>The Citizens 457(b) Deferred Compensation Plan would be amended to allow:</p> <ol style="list-style-type: none"> <li>1. Waiver of the Required Mandatory Distribution for participants age 70 ½ or older, effective through December 31, 2020.</li> <li>2. Penalty-free COVID-related distributions up to \$100,000, effective through December 31, 2020.</li> <li>3. Loan repayments suspended, effective through December 31, 2020.</li> <li>4. Maximum loan amount increased from \$50,000 to \$100,000, effective through September 22, 2020.</li> </ol> <p>The different approaches between plan types can be explained by the fact that the 401(a) and 401(k) plans have been funded by company dollars for retirement purposes and should not be depleted before retirement, while the 457(b) plan is funded by employee dollars and may be more suitable for use in cases of emergency.</p> <p>If the effective dates are extended by federal law, the dates set forth above would be extended as well.</p> <p>MassMutual (Plan Administrator) and NFP (Financial Advisor) indicate approximately 50% of retirement plan sponsors are choosing to enact one or more of these optional provisions. There is no obligation to adopt any of the options.</p>
<b>RECOMMENDATION</b>	<p>The Citizens Retirement Plan Committee recommends that the Board:</p> <ol style="list-style-type: none"> <li>a) Adopt and approve the 401(a), 401(k) and 457(b) Retirement Plan amendments to assist plan participants affected by COVID-19 through December 31, 2020 unless extended by federal law, as described in this Action Item; and</li> <li>b) Authorize the Citizens Retirement Plan Committee to take any appropriate or necessary action consistent with this Action Item.</li> </ol>
<b>CONTACTS</b>	<p>Violet Bloom, Chair of the Citizens Retirement Plan Committee</p> <p>James Taylor, Director Total Rewards</p>