CITIZENS PROPERTY INSURANCE CORPORATION

Summary Minutes of the
Market Accountability Advisory Committee Teleconference Meeting
Wednesday, December 9, 2020

The Market Accountability Advisory Committee (MAAC) of Citizens Property Insurance Corporation (Citizens) convened via Zoom webinar on Wednesday, December 9, 2020 at 11:00 a.m. (ET).

The following members of the Market Accountability Advisory Committee were present:

Dave Newell, Chair
Greg Rokeh
Lee Gorodetsky
Lissette Perez
Paula Lutes
Phil Zelman
Steve Roddenberry
Susanne Murphy[1]

The following Citizens staff members were present:

Barbara Walker
Barry Gilway
Bonnie Gilliland
Carl Rockman
Chelsea Garfield
Christine Ashburn
Dan Sumner
David Woodruff
Eric Addison
Jennifer Dilmore
Jeremy Pope
Kelly Booten
Ray Norris
Wendy Perry

Call Meeting to Order
Roll was called and a quorum was present

1. Approval of Prior Meeting's Minutes

Chairman Newell: Thank you, Wendy, and thanks for all the committee members being available today.

This is our first official Zoom meeting. Some of us are technically challenged, so some of us are on video and some of us are just on audio, but thanks everybody for being here today for the Market Accountability Advisory Committee.

And with that, I would like to turn to Tab 1 to get a motion to approve the September 17th meeting Minutes.

Lee Gorodetsky made a motion to approve the September 17, 2020, Market Accountability Advisory Committee (MAAC) Minutes. Phil Zelman seconded the motion. The minutes were unanimously approved.

[1] Ms. Murphy joined the webinar after roll call was taken

Chairman Newell: Turning to Tab 2, let's welcome Carl Rockman. Carl will bring us up to date on Agency Services, the Market Update. Carl.

2. Agency Services & Market Update

Carl Rockman: Thank you, Chairman Newell. For the record, this is Carl Rockman, Vice President of Agency and Market Services.

I would like to begin my update to the committee on page 2. This is our traditional Current Agent and Agency Count Report. I would like to point out a couple of highlights to the committee.

You'll notice the net change in both agencies and agents, both statewide and in the tri-county area. This, again, is reflective of increased demand for Citizens' products, increase in agents coming forward for full appointments.

We will point out one thing in tri-county, though. You'll see the net increase of agencies is only 5, but the net increase of agents is 376. We really attribute a lot of that to the ease of credentialing through the myAgency system. We're hearing a lot of anecdotal reports about agencies bringing forward producers that traditionally weren't appointed to help with the Citizens production, so we think that the 376 were people that are traditionally in established agencies but are just coming forward with credentials, versus a rapid expansion of people with no Citizens relationship or the agency with no Citizens relationship at all.

I'll also point out the agency segmentation piece that we always present. Right now, 60 percent of Citizens' agencies have less than 50 policies in force, but the committee will recall from previous reports, that that number has been 67, 68 percent. You can start to see now a little bit more dependency on Citizens' business as the markets hardened and there's increased demands for our products.

Are there any questions from the committee on our footprint report?

Chairman Newell: Any questions for Carl at this point, folks? Okay. I guess not, Carl.

Carl Rockman: Okay. Jennifer let's move to the next slide, please.

On Slide 3, this is a report we're bringing forward to the committee at every opportunity. This is a new business report that we produced this year given the shifting market. Just want to walk the committee through some highlights on this report.

You'll notice the blue line at the top reflects new business policies submitted to Citizens. You'll see the increase in demand early in the year, and then that line has flattened. While it has not gone up, it has not gone down. You'll notice, on average, 16,640 new business policies coming to us on average per month. This time last year, that was around 9,500. Again, this supports what I know a lot of you are hearing anecdotally about markets hardening. This report reflects that demand.

I'll also point out that South Florida this time last year averaged around 5,293 new business policies. We're now averaging around 11,000 policies in the tri-county South Florida area, but you can see Tampa

Bay, Southwest Florida, the other counties are trending, but not certainly at the volume that we're seeing in tri-county.

On slide 4, we would like to present some of the demographic pieces of what we're seeing on new business. The first exhibit at the top will illustrate the Coverage A value, the value of the homes that are being presented to us at new business. You would expect Citizens to traditionally market and be a resource for those homes of a more modest day value of $100,000 to $300,000. That's traditionally been our market. But I'll point out to the committee the shifting demand for homes at $500,000 to $700,000. Five percent of our new business is reflective of that market. We currently do not have a market for homes above $700,000 in Citizens, or above a million in Monroe and in Dade County, and no plans to change that.

Also, the age of home, you'll see that we traditionally would play in the older home market, and this chart reflects that, but, again, I'll point the committee's attention to the homes that are 20 years or less. Thirteen percent of our new business, reflective of what we would traditionally think of newer homes, we're seeing that as a reflection of some tightening in the market, underwriting standards changing, companies changing their requirements to make it potentially a little bit more difficult for homes to get in.

On the next slide, we would like to -- yes. Is there a question?

Barry Gilway: Yes, Carl. I apologize for interrupting. Mr. Chairman, can I make a couple of clarifying comments regarding these slides? This is Barry Gilway.

Chairman Newell: Yes, sir, Mr. Gilway. Go ahead.

Barry Gilway: Thank you so much.

So, I want to make sure that all of the MAAC attendees understand the implications. While I think Carl has done a great job in that first slide showing the new business growth, I do want to point out a couple of things, and that's the result of that new business growth.

Over the last 12 months, we have gained more than 100,000 new customers, net new. So, while we reduced Citizens down from a peak of 1.5 million customers to 420,000 and the exposure dropped at that point from over a half a trillion down to 108 billion, that has been reversed dramatically. Currently, we are adding net new customers at a rate that exceeds 3,000 per week, so the flow of business into Citizens remains pretty unchecked.

One of the issues associated with that is we have, unfortunately, a competitive, in my opinion, disadvantage in that we are significantly more competitive than the private marketplace 91 percent of the time. We are in a situation where the market is increasingly looking to Citizens as an alternative, as a market, particularly given the restrictions that Carl is referring to in the market, but the new business coming in to Citizens is coming in at rates that are 20 to 30 percent below the rates of the private market.

The projection at this point is that this will continue, and in that Board projection production, Dave, we will basically be showing that we fully expect the same trend to continue, and we are expecting, anticipating, forecasting at least another 100,000 customers in 2021.

So, we got down to the 4 percent market share, we're currently over 5 percent market share, and by the end of 2021, we'll be at a little over 6 percent market share. And that assumes continuation of the current market conditions, which -- and I don't know whether Carl is going to comment on that, but the third quarter numbers for the Florida market were released and I will be going over them at the board meeting, but the bottom line is through three quarters, there was a $726 million net income loss, negative net income, and $1.26 billion underwriting loss for the industry. So, we have issues relative to the capacity associated with the private marketplace, and that can only exacerbate the issue in terms of business coming into Citizens.

I didn't want to interrupt Carl, but I think it's important that you understand the magnitude of the issue that we're facing at Citizens relative to the overall increase and the substantial increase week over week relative to the number of customers that are entering the system.

Carl Rockman: Great, Barry. Thank you for that additional commentary. Let me cover just one last slide, and then if the committee has any questions for Barry, or any commentary, we would be happy to open that up. Jennifer, if you would go to Slide 5 for me quickly, I would just like to round out this part of the conversation.

We also are tracking the source of our new business. When agents present a new business policy to us, if the customer is currently insured, we obviously capture that market information, and this is the trend line that you're seeing. We traditionally saw those excess and surplus lines being the leading prior carriers for us, but now we're starting to see a Florida domestic emerge as a leading prior insurance source for us. This, again, is reflective of that increased rate activity that you're seeing in the marketplace, of non-renewal activity that we're seeing, but also the shopping activity that's being driven by both of those events in terms of business moving over to Citizens.

I just wanted to round out my report here. Barry made some comments. Before I move into some additional topics for the MAAC, is there any commentary or questions from the committee on market conditions or anything we've reported so far?

Lee Gorodetsky: Yeah, this is -- sorry, go ahead.

Chairman Newell: I was just going to open it up. This is Dave Newell. Lee, you have a question?

Lee Gorodetsky: Yeah, just a question in regard to what Mr. Gilway said regarding the Citizens board. Is there a realistic scenario that Citizens is going to make their rates actuarially sound because of this trend? It sounds like it's necessary.

Barry Gilway: There's one very specific proposal that the board will be asked to consider from Senator Brandes, and that is an overall approach relative to new business coming in to Citizens and the pricing of that new business as opposed to the current insureds who are obviously subject to the statutory glide path. So that proposal will be made. You'll get details at the board meeting.

There was also a challenge from our new Chairman, and an appropriate one, that exactly gets to the heart of your question, and that is we have absolutely been asked to consider all regulatory or statutory issues or opportunities that exist in order to bridge the gap between Citizens' rates and the private market. Without going into a lot of detail, we have a huge advantage in the marketplace. The primary difference is reinsurance. We do not spend what the private market spends for reinsurance. The private market spends close to 27 points more than we do relative to our reinsurance spend. We're in an extremely good position financially, not as good as pre-Irma, but we're still in a good position financially, and today there's this huge difference in terms of overall spend. And we also have an advantage in that, frankly, we pay slightly lower commissions than the industry, so our expense loads are somewhat different.

So, to your point exactly, Lee, I think basically what we have been challenged to do -- and I think it is totally appropriate after this latest homeowners' study -- what we've been challenged to do is how do we bridge that gap so that at least customers that are entering the system are entering the system at an actuarially sound rate. There are different alternatives that I'm not prepared to discuss today -- I will be sitting down with OIR to look at regulatory and statutory solutions that might enable us to at least put us in a reasonable position so that if we do grow and we are able to respond to the market appropriately through growth, then at least we're adding customers at an actuarially sound rate and we're not putting ourselves in a position where we're openly competing with the private marketplace. That is absolutely not the intent of a residual marketplace.

You know, our mission basically is to provide customers an opportunity for coverage who can't get that coverage placed in the private marketplace. I also have a position that we really should be noncompetitive with the private market over time.

I'm not sure whether that answers your question directly, Lee, but the point is yes, we have been challenged to look at every and all opportunity to kind of bridge that gap so that we are not opening the doors at rates that are ridiculously low.

Lee Gorodetsky: Thank you. And I did hear, and I apologize for taking up the floor, but I had heard before that the CAT Fund was potentially going to be used to help solve some of the reinsurance problems for carriers. I don't know about Citizens, but is that out on that table, too, somewhere?

Barry Gilway: The only thing I'm aware of, Lee, is I did sit in on a meeting that included Wilton Simpson providing some overview of his potential legislative agenda, and during that meeting there was an indication that the CAT Fund -- there may be opportunities to look at legislatively to provide more reinsurance through the CAT Fund and potentially increasing the limit of reinsurance that the CAT Fund provides.

But, you know, very, very early days, Lee, in terms of legislative intent. I think Speaker Sprowls coming in and President Simpson, I think both understand the marketplace issues. They understand the magnitude, frankly, of the impact that reinsurance has on the Florida marketplace. The typical company is paying almost half their premium to reinsurers, so it would not surprise me at all if that is part of the banking committee legislative agenda, but I can't confirm that. I will be sitting down with Chairman Boyd in a couple of weeks to kind of compare notes relative to what the legislative agenda might look like.

Christine Ashburn: And, Barry, it's Christine. If I could just point out that unlike normal years after an election, we normally start to see committee activity in December, but for obvious reasons due to COVID and them still strategically trying to figure out the best way to have committee hearings and sessions safely while allowing access to government, there is nothing starting until after the holidays. So, we are going to see an even slower start than normal following an election.

Normally, Lee, you would see more legislation out already. We are starting to see some bills get filed, not related to insurance necessarily at this point in time, but definitely we don't have as much information as you normally would, plus you have a lot of new members in the House and new leadership like Barry referred to.

I will say the only other thing that I think is important to understand, just as a dynamic, is there's been a lot of talk by President Simpson about repealing PIP and going to mandatory BI, which obviously doesn't impact Citizens directly, but if that is true that that's a priority, that will take a lot of space and a lot of time away from other property issues. And you've got the COVID liability conversation going on as well.

So, it's going to be a busy session, even without a pandemic, to talk about redoing the auto system. I do think if PIP is really on the table, that will take some space away from the ability to do major reforms in property. And he has made it clear that that is a priority of his at this point in time.

Chairman Newell: Well, thanks, Barry, and, thanks, Christine, for that update. This is Dave Newell. Any other questions from the committee for Barry or Christine? You've got their undivided attention, so now is the time to pick their brain.

Phil Zelman: Yes.

Christine Ashburn: Phil?

Phil Zelman: Yes. With these changes that we're possibly talking about with Citizens' increase in premiums maybe for the new policies, is there any conversation about replacing some of the coverages that were taken away many years ago, such as increasing the liability?

Barry Gilway: I will give you my reaction to that. I don't think there's going to be a lot of board support, Phil, for any changes that would make Citizens a more opportune opportunity to place business.

I think the direction -- and, again, I'm way ahead of myself because we have the board meeting next week -- but in discussions with board members to date, I think there is a feeling basically that we really should be operating as a residual market and we should not be making changes that would make us a more receptive market.

I don't want to preempt anything that Carl -- because I have not had a conversation along these lines with Carl yet, and Kelly -- but we are looking very, very closely at any product changes that would make us a -- let's just say easier and more flexible market to do business with. We don't want to open the doors any more than we have at this point.

Phil Zelman: Okay. Thank you.

Lissette Perez: Chairman, I have a question, it's Lissette Perez, or a comment.

Chairman Newell: Okay. Go ahead, Lissette.

Lissette Perez: Mr. Gilway, thank you for your comments.

Although I can understand the restrictions that we have with Citizens as far as the pricing, right, and those concerns, I want to express the fact that especially in Miami-Dade County, the capacity for other carriers is just not there. We are receiving non-renewals on policies, we have these closed ZIP codes with other carriers, and I worry that we are going to keep increasing or trying to increase our cost, that gap that you're concerned with, but I'm very concerned with affordability for the consumers when there's no other markets to turn to.

Barry Gilway: Lissette, I understand that completely, and what I will say is this: That if the board approves -- and ultimately, it's not the board. If Office of Insurance Regulation approves some alternative to bridge that gap, if you will, it does in no way restrict business coming in. So, we still remain a marketplace for new business.

The differential is right now when a new business customer comes into Citizens, then the Citizens pricing is likely 20 to 30 percent below the competitive carriers in other areas. And what we would be suggesting, Lissette, is we would be suggesting basically, or what the Board would be suggesting -- and all of this would be subject to our approval -- but what we would be suggesting is that the market remains open, no additional restrictions on the overall market, the market remains open, but if customers come in to Citizens, then they would be paying an actuarially sound rate. That is the Brandes proposal that would be under consideration. And by the way, I completely agree with you relative to market capacity. The financial numbers that I quoted earlier, you know, when you're in your fourth year of net operating loss and you've got reinsurance pricing increase in the 20 to 30 percent range for the vast majority of carriers, which is passed on in terms of rates that we have seen as high as 47 percent, when you take a look at that, there's no question that these carriers are restricting their ability to write. Carl shared with me this morning yet one more company that indicated they won't write anything that's less than 10 years old or if it's for a standard roof. So, companies are putting more and more restrictions on. They need to do it for protecting their own financial solvency. So the intent, Lissette, would be to remain open, but remain open on a basis that's more realistic in terms of adding policies that are an actuarially sound level, as opposed to our current insureds who, frankly, we can't get there. There are restrictions basically within the glide path itself that inhibit our ability to increase rates because of the capping mechanism that's in place.

I'm confident that the board is going to be totally supportive of not adjusting, other than the recommendation to OIR, not adjusting the current customer rating structure, but to continue to open up Citizens to significant new business at rates that are significantly below the marketplace is the overall concern.

We've been asked to look very, very closely at what opportunities exist to bring our rates more in line. And, Lissette, I sympathize on the issue of availability, because I see the capacity issues every single day from Kelly and Carl, and I know how restrictive a lot of these companies are being. We are trying to really walk a middle road in terms of making sure that we're providing the capacity that the private market is not able to provide right now, but when we do provide the capacity, at least charge a rate that's reasonable. And we'll have to see what opportunities are available to get us there.

Lissette Perez: Thank you.

Chairman Newell: Okay. Again, this is Dave Newell. Any additional questions for Barry or Christine?

Phil Zelman: Dave, it's Phil.

Chairman Newell: Okay, Phil.

Phil Zelman: We have one other situation besides the one Lissette just brought up with limited markets. We're finding, because of the pandemic and the courts being closed, that claims are not being dealt with. I'm not only talking about Citizens; I'm talking about the industry. We have a lot of people with damaged homes, their current carrier has non-renewed them, they're past that one year if it was a storm claim, and now they're dealing with force-placed coverage because there is no market that wants to write a home that's got damage to it, unrepaired damage.

is there anything that we could take a look at down the road that maybe could fill this gap?

Barry Gilway: I don't believe we have Jay Adams on the call today. Kelly, I know we've had a significant number of discussions on this. Are we prepared to discuss any alternatives today, or should we get back to the committee on our findings and any opportunities?

Kelly Booten: I recommend we get back, to you. We have discussed this, and we do have a few protocols in place, but I think we probably ought to look at those in light of everything else; we want to be consistent with what we've been doing.

Barry Gilway: So, we'll be back to you on that, Phil, and with the committee, on the alternatives that are available.

Christine Ashburn: Yeah, so we're seeing similar requests or concerns out of the Panhandle, even with brand-new claims where they were already being non-renewed for other things. I know yours is a little bit different, but we are hearing from our Panhandle agents a little bit. I know Carl has been involved in some of that regarding existing damage from Sally, and they were already getting non-renewed because of age of roof or other things. So, it's something we are taking a look at internally just to figure out how big of a problem it really is and if there's anything we can do about it.

Kelly Booten: We do have a process in place that allows us right now to make an exception if we need to. That's not where we want to go with it, I think, overall, so we're very measured in how we do that.

Phil Zelman: It's also tough for us as an agent when we get a phone call and somebody says, "I have unrepaired damage, and this is the situation I'm in, and I'm in force-pla-". We as an agent really have no way to clarify what that unrepaired damage is, but we still have a lot of citizens in this situation. And now, in addition to the pandemic and people losing their jobs and everything else, it's a huge burden to try and maintain a house that was damaged in a prior hurricane.

Barry Gilway: We understand the position, Phil, and we commit to the committee that we're going to look very, very hard at the issue and see what alternatives we can develop.

Phil Zelman: Thank you.

Chairman Newell: Okay. Well, Barry, thank you so much for being part of the call today, and certainly Christine, for giving your point of view, and certainly it's going to be an interesting session, as they say.

Carl, do you want to just continue on with your report?

Carl Rockman: Yeah, let's go ahead. Thanks again, Barry, for that deep analysis on the marketplace.

Let's pivot a bit to Agency Support. I'd like to cover in the next few minutes what we're doing to support our agency partners to provide better service, but more importantly, to provide better visibility on what's happening with Citizens, and also what we're doing to support the day to day.

I want to remind the committee about the myAgency portal or platform. We rolled this out in July. It has met with great satisfaction from the agency principals that have used the myAgency portal to process the annual renewal that they have with Citizens, to make those administrative changes that are important, staff leads, staff hire, all the things that can be facilitated inside of the portal. We've done close to 7,000 transactions in this portal already, and so far, the response has just really, really been fabulous from the agency partners that have engaged it.

I'm here today to bring some visibility to one other element to the portal that we always intended to do, couldn't do Day 1, but delivered it last week, and that is the dashboard feature inside of myAgency. Agency principals have told us, our agency round table have told us over the years, that any analytics that we can provide to them on the size of their Citizens relationship, how much new business they're doing, and other important analytics related to the Citizens relationship, the more we can provide that to them, it can only enhance the relationship and what we're trying to do mutually to support one another.

So, what I want to do is just turn the page and show you now, as of last week, agency principals that go into the myAgency portal now have an icon called "Dashboard," and when they click on the dashboard, they're going to see a summary screen, and the summary screen displays the current status of their Citizens relationship as it relates to their policies in force by policy form, the new business that they've written over the last 12 months by policy form, the claims filed over the last 36 months, the additional document requests that have been requested from underwriting -- that's important because that's the back and forth between the agent and the underwriter; the more we can minimize that, the better the customer experience -- and then as you're all familiar with, our performance violation program, we're now able to send aggregate results on performance violations for the agency to the agency principal.

For purposes of time, I did not include a drill-down on each of these, but the tabs below, when the agency principal clicks on the "Book of Business" tab, the "New Business" tab, they are brought in for even more granularity, trend lines on new business, which producer produced the new business.

In the "Claim FNOL" space, we're not just providing the trend line, but we're also reporting a very important fact on claims - who reported the claim. Was it reported by your customer, or was it reported by a third party? These are very important conversations as we mutually partner on Call Citizens First and do the things that are mutually beneficial to all of us to get customers to report claims to us versus have third parties report them.

All of this is available to our agency principals as of last week. Our agency managers are engaging our top agencies right now to make sure this is visible, and then we have a large communication campaign due the first of the year to bring even more visibility to the dashboards.

Another important feature to this is the ability to bring to the attention of the agency principal the size of the Citizens relationship and to have conversations about what we're doing to appropriately remarket. We didn't do this necessarily to support more Citizens growth. What we did this for was to be in a conversation about the size of the Citizens business and your agency, and what can we do when the markets do turn to work on plans to remarket these risks and to push them out to the private market, and the dashboards do help facilitate that.

We are very, very pleased and proud to present that. It's long overdue, but in conversations now we're able to really present not only to the agency principal, but also to other interested parties, the sizes of these relationships by agency, and where they're headed.

Are there any questions or commentary on the dashboard?

Chairman Newell: Any questions from the committee on this recent update? Carl, I've heard nothing but good things about this. Hopefully, the launch was well-attended by many and people will take advantage of this, because this is the kind of information that really helps an agency look at their business model and see how they can improve upon it.

Carl Rockman: Absolutely. And, again, this is all about managing the size of the Citizens relationship and all being on the same page. So, we're very pleased and we'll report our progress in the upcoming committee meetings, because I think there's a really good story here to tell around what we're doing to help our agency principals manage the relationship, which is what we're trying to do.

Chairman Newell: Okay.

Carl Rockman: Okay. Next slide, please. I'd like to talk a little bit about the agency support and the education space.

Our agent website, our agent training portal, we now have posted the recordings of our Citizens Essentials Series. This is the series of classes that we ran in October and November. They're now posted on our agency training page in our agency portal. There's a specific page called "Citizens Essentials." But the next slide will really remind the committee what was Essentials all about. And Essentials was all about a demand, and you will see that on the next slide.

Essentials was all about the demand that we got from our ART about making sure, with the changing markets and increased demand on Citizens' products, that Citizens was presenting an education series that was directed at the front-line producer that told them exactly what they needed to do to make sure those new business submissions were issued correctly, that there was very little turbulence, very few misquotes. All the things that impact the customer experience or a third party's experience, a bank or a realtor, we wanted to make sure that this was going as smooth as possible. So, this slide represents the components of the Citizens Essential Series, everything from basic eligibility to moving through the clearinghouse to moving through policy center, and then servicing the risks, along with two additional modules on our commercial products.

You'll see that we ran these classes in September and November. You'll see the attendance figures, and while they might seem a little modest, agents are very busy people. A lot of times coming to a webinar that's live may not fit into their schedule. That's why we're excited about having the recordings posted. And even though the recording numbers are a little light in this report, this report has about a five-week latency on it. We're pushing the recordings, we're pushing for agents that have a need, we're really driving them to this education and then offering appropriate support from our agency management team.

But for the committee members out there, particularly the agent committee members, we're very, very proud of this achievement to be able to put a comprehensive education platform out there on demand, and for our partners, our realtors, and bankers on the committee, we know how important it is for you to know that the agents are getting the training support that they so desperately need to make sure their submissions go properly, and this is really the foundation for that effort.

The next slide will also show some significant progress that we made in the education space with new agents. I will remind the committee a few slides ago I showed you the number of new agents joining Citizens. Those new agents, if they haven't been with Citizens previously, are required to take a much more comprehensive new agent education series. This slide lays that out in great detail. But we're very, very pleased to report that it wasn't just new agents that have taken this course. We have had licensed customer representatives climb into this course, our agency managers have recommended this course to agents that need refreshers, and you can see those numbers, while still modest, are climbing.

So here we're using our technology platform that we've invested in to deliver on-demand education on time based on the need of the producer, and we're very, very pleased to provide this foundation of learning so we can all mutually benefit from that.

I'll take a pause here. Any questions on the education or support before I move to our performance programs?

Chairman Newell: Committee members, any questions for Carl on these last couple slides?

Lee Gorodetsky: Carl, this is Lee. Just as an FYI, these are recorded so you can log in to them any time you want to take them, any agent can log in?

Carl Rockman: Any credentialed agent – and this includes APs, LCRs, yes, that credential is critical to get in, but yes. Once you're in, they're on demand on our portal.

We did invest in a new Citizens Learning Center, a new online learning platform mid-year, rolled out at much the same time as myAgency, and the education experience it provides is far superior to our prior system. So, we are really leveraging the investment we made, not only for employee education, but that same platform is used for agent education. And those that have taken the courses, they're presented in a more dynamic way, it's more contemporary, and we're able to stack the education that's available in a much more efficient way. So, this committee has been very, very vocal in the past about what are we doing to get the education to the producers, and we continue to be very diligent in that space, leveraging the technology and leveraging the on-demand aspects that agents demand.

Chairman Newell: Okay. Anything else? All right, Carl, I guess we'll keep moving to page 11.

Carl Rockman: Let's go ahead. Page 11 is essentially the summary of our performance programs. Remember we have two components. We have the performance violations and the late submissions. This slide essentially just redefines for the committee what are the rules, what causes a performance violation. We've covered this in detail before.

It also includes our 2018 and 2019 results in this space. I would draw the committee's attention to the 8 percent total submissions with PV for 2019. Eight percent was our number last year. If we flip the page, let's take a look at where we are currently with a shifting market, with more demand on Citizens' products, and you can see the total submission number climbing. We are below that 8 percent number and trending around the 5 to 6 percent range. So, again, we're not necessarily pleased with that 5 or 6, we think there's more room, but we are glad to see and proud to report that it did not deteriorate with more new agents coming on board. With more new business, there would have been an opportunity for potentially some more errors to be coming in, more performance violations. But we're proud to see that number hold, but we are going to continue to chip away, and we really won't be satisfied until we've taken as much of that out of the system as possible.

What this reflects is 6 percent of the business is having a performance violation coded to it. That means there's a deficiency of some kind that we need to correct to get the policy in good order. And you can see the different trends and what's driving that. Primarily credits and signatures continue to be an opportunity area, but that, again, is the most easily correctable, and our education, the education platforms that you saw previously, we have prescriptive education lined up to help with that piece, also with the uninsurable risks, which are homes with prior damage, uninsurable risk points to a home that has a deficiency of some kind that the underwriter needs corrected.

So, we will continue to monitor this. We have not had any agents terminated yet from the program. We have had some fall under the suspension category and the warning notice category, but that tends to get their attention. So, no major shifts or having to terminate agents needlessly for this program. It's having the desired effect by getting their attention. Next slide.

We will cover briefly the late submission program. Again, late submission program is designed on documents. Our underwriters need the documents in order to properly evaluate the risk. The late submission program is all about getting our documents in in a certain period of time. You can see last year we had 17 percent of our new business have an alert, which means that 17 percent of the time, the documents were not in by the sixth day after the effective date. The actual violation triggers at the 16th day. We only had 4 percent of our business last year.

If you'll flip the slide, this program was put on pause due to COVID. As the committee knows, we made some exceptions to our business practices to support COVID-19 and what our agents and customers were going through. We still report the alert number, but I want to remind the committee that we suspended this program because we thought it was the right thing to do given the delay in documents coming back and forth from customers and the changes in the business system. We'll monitor this. Pending changes in our COVID approach we would reinstate this program, but we would need, obviously, support to change our entire COVID platform in order to do that. But for now, we're just reporting that there is no discipline imposed in this program, but we continue to monitor agents and work with them to improve. Next slide.

This is just performance violations by county. So, Phil and Lissette, I know you folks take a keen interest in the performance violations by county, and you can see the trend lines there in terms of where it's coming from. Sixty-three percent; again, this reflects our business, we do get a tremendous amount of new business from tri-county. We continue to work closely with the agents in those areas to minimize this issue in those areas. Next slide, please.

This is our outreach report, so just rounding out the report on what we're doing to reach out through our associations and through our education experiences. We obviously have agent round-table meetings. We concluded our last agent roundtable meeting of the year December 10th. You can see that continues to be a very robust part of our program. I can't say enough and thank enough the agent round-table members who continue to bring valuable input and insights to Citizens. We thank everyone in the associations that contribute members to the committee, and, again, they are so valuable to helping us make sure that we maintain our direction. Very, very pleased to continue those agent round-table meetings and the velocity and frequency of those.

Agent associations. Obviously, we missed you at the conventions. I think all of us suffered from that. Normally you'd see a lot more attendance at conventions. That obviously got suspended due to COVID. Hopefully we'd ramp that back up.

Webinars. We continue our webinar platforms. They're valuable and we're not going to stop that. You can see the attendance figures and the subjects that we covered in our Citizens-sponsored webinars, and we will look for every opportunity to continue those events where agents can come in, take education, but also ask questions.

And then our power hours, the specific things we do with the associations where they can bring their members in and we can have a dialogue on Citizens' issues, Citizens' road ahead, all the things that impact an agency. We want to be as transparent and as proactive as possible so our agency principals and their producers can understand what to expect from Citizens. We really don't want to surprise anybody. We want to be as forthcoming as we can be. We also want to offer tips and ideas on what they can do to make the process easier and provide the best customer experience. So those will continue with the support of the associations.

And I believe that will conclude my portion of this. Before I move into Depop and Market Services, are there any questions on the last remaining topics I covered?

Chairman Newell: Okay, Carl. I --

Lissette Perez: Can I just make a comment?

Chairman Newell: Yeah. Go ahead, Lissette.

Lissette Perez: I just wanted to say thank you. I know that we had one of our Lunch and Learns yesterday, Power Hours as we call them, and everyone on it really appreciated it. So, we just want to let you know how important it is for our members to participate in these webinars with you, and thank you, Carl, for doing them as well.

Carl Rockman: We appreciate the opportunity. All associations on the MAAC have an active program in that space, and we definitely are calling out to continue that. We think it's so important that the agents understand that while we're not trying to grow, you know, we're not trying to be the first choice, but if it's us, we want to make sure that the customers are supported and the agents are getting the support they need. So, we appreciate those kinds words and continue to appreciate the opportunities that you folks give us to connect with your members.

Chairman Newell: Well, thanks, Carl, and thanks for that wealth of information. Certainly a lot of telling statistics in there, and I agree with Lissette, the Power Hours and the other things that you all are doing to inform agents has been greatly appreciated, certainly throughout the pandemic, but prior to that as well. So, thank you so much.

Without any other questions, let's go to behind Tab 3, "Market Services - Depop and Clearinghouse Update."

3. Depopulation & Clearinghouse Update

Carl Rockman: Thank you, Chairman Newell. For the record, this is Carl Rockman again, Vice President of Agency and Market Services. I will cover briefly our results of the depopulation and clearinghouse space. Next slide, please.

These are our results in the depopulation space. You can see we have had $964 million of exposure removed through depopulation. These numbers are, again, more modest than you might have seen in the past. We do have a few carriers continuing to work depop. Nothing like we had in the past when we were at peak volumes of PIP, but still, nonetheless, it is still an active program.

In the October space, we have some latency in the numbers, so I'll just call out the October results. We did have 1,754 policies assumed for that October assumption. So, 1,754. That resulted in $399 million of exposure. And then for the December depop, we do have 10,000 offers out and we're going to close the December depop in a week or so, and so we'll have another result there.

Again, as everyone knows, depop is really driven by a company willing to do the depop, and the companies are getting more selective. The companies are obviously under restrictions, as you've heard Barry speak about and we've heard about. But, again, we do have a couple of players that have continued to chip away, and we are obviously out there actively working with carriers that we currently do business with and seeking other carriers that might want to participate in the depop space. But these are the results so far this year, modest compared to other years, but still we're very proud about almost moving a billion dollars of exposure away from Citizens, and that is no small feat. Next slide.

Lee Gorodetsky: Hey, Carl?

Carl Rockman: Yes.

Lee Gorodetsky: This is Lee. Back in the days when the depopulation was really big, going from what Barry Gilway said, the 1.5 million down to the 400,000, there were a lot of new carriers coming into the marketplace that were helping drive that, and then once they built their books of business, they stopped doing it. But is there a drive for new carriers coming out to start doing that again or is that something that can happen, or do you know if it's happening?

Carl Rockman: We obviously have a program, and when a new carrier gets a certificate of authority to write in the state of Florida, we're certainly aware of that and have active programs to check their interest. Barry, I don't know if you have a point of view on that, or a thought.

Barry Gilway: Yeah, Lee. So, it's very interesting what's happening. I think everyone is well-aware of the Cap Preferred, you know, Southern Fidelity; I'm going to have to call it the support provided by HSBC. That was a significant investment and a huge commitment of capital into the marketplace, and, frankly, probably protected somewhere in the neighborhood of 120, 130,000 insureds. So that has occurred.

We have had a reciprocal that started doing business in the state. I believe there's another two companies that have their, if I'm not mistaken, have their certificate of operation.

So, there are a limited number of new companies, Lee, that either are insuretechs or different models, in addition to HSBC, which is, of course, Bermuda Reinsurance Capital, very, very similar to the structure that occurred when Nefilla entered with National Specialty as an opportunity.

There are other sources of capital. As Carl mentioned, we're searching rapidly to see what might entice companies to come in. The Florida State University study, the loss reduction exposure study that was completed, which we'll be also presenting at the board, has a lot of ideas, frankly, in terms of how we might entice additional players to come into the marketplace.

Not getting into the weeds, but what is interesting, Lee, is when you take a look at the industry financials, 2013, '14, and '15, when the huge depopulation occurred, the industry was extraordinarily profitable. So, we had three very, very profitable years in '13, '14, and '15. That evened out in '16, and then since '16, every single year has got succeedingly [sic] worse relative to the overall industry profitability, obviously to a large extent driven by the storms and Irma, loss development, and subsequent reinsurance charges, et cetera.

We did benefit from a very, very profitable industry, and any investor would do the same. If you're making 15, 20, 25 percent returns on capital, then you can commit more capital into the marketplace.

Today, you know, we have a situation where the combined ratio of the industry was 128 combined through nine months. That is not rocket science. It means basically losing 30 cents on every dollar of premium you write, or darn close to that.

So, I do believe it's going to be a longer-term issue, Lee, to attract additional capital into the marketplace. I don't think we're going to see a magical change like we did in '13, '14, and '15 that we benefited from. Everyone on this call has more marketing experience than me, but I will tell you when you can write 250,000 policies with no market acquisition cost and you don't have to amortize the cost, that's a pretty good deal.

And by the way, even today, we have over 18,000 policies on the books that are less than ten years old. They shouldn't be with us. We have 180,000 policies that are with roofs that are less than 20 years old. They probably shouldn't be with us. There are opportunities out there for companies to find our business attractive, and Carl is working hard with his entire staff to identify companies that might be interested at least in a certain aspect of the overall book of business.

Probably too much information, Lee.

Lee Gorodetsky: No, it's good. Thank you very much. Because I've also heard, and I think there were articles, that Citizens has a huge number of people that haven't paid their premiums because of COVID, which is another topic, I think, probably you will be discussing in your board meeting, which makes it even more complicated.

Barry Gilway: It is. I think basically the position staff took initially was that we have to do everything possible for our customers. So, we did put in a full moratorium and we restricted any cancellations on renewals for nonpayment of premium. That moratorium, by the way, is still in place. I did initially make a proposal in September to withdraw the moratorium and really move more towards the same position that other companies are taking by providing longer-term payment plans and working directly with customers to get them to pay their premiums.

We will be making a proposal on the moratorium to the Board. They will be voting on whether we extend that moratorium or we withdraw the moratorium and replace it with a program that really focuses on how we get customers to be able to pay their bill so that you don't have multiple years of premiums that are backed up.

We've been trying to be as consumer oriented as we possibly, conceivably can be. I think the moratorium showed that. I think we are the only company in the marketplace that took a position that's that aggressive.

I do understand from Dave, from FAIA and PIA and LAAIA, that companies really did a heck of a job in terms of responding to COVID overall, given the unemployment rates and so forth. We are going to look at that. We are going to look at the moratorium at the Board. There will be a proposal that Kelly will be making to the Board for consideration, and we'll put it in their hands in terms of whether they support a continuation of the moratorium or we withdraw the moratorium and then we rely on more standard practices.

I do believe the total nonpayment is something in the $22 million range. At this point, however, that really is not indicative of the situation because it's really installments. Unfortunately, we're coming into the renewal period now and we don't want customers to get backed up, so they owe multiple premiums for multiple renewals, and that's the challenge that we have.

Carl Rockman: Okay. Let me go ahead and continue then and complete the Market Services presentation.

On the next slide we just want to call out the results by company. Modest though they might be, we'd like to thank Southern Oak and Weston for their participation. Also want to recognize Florida Pen and SafePoint who are participating in an October and December depopulation effort. We are very, very pleased. I can't say thanks enough to these partners that come in, step in, look at these customers, and do what they can to offer appropriate policies and coverage. So, thank you to our companies. And if you're a company out there interested in depop, please, we'll be talking with you if you don't reach out to us, because we really want to make the connection. When the markets change, we may have an opportunity for you.

On the next slide, let's do the clearinghouse. So here are the clearinghouse results at a very high level. New business in the clearinghouse, this is what you're seeing, and this is a reflection of, again, the marketplace. I'll point out the green bar here is an indicate of no offers received. That is an indication of the carriers that participate in the clearinghouse, either because of geography or because of the condition of the property, not making an offer. So, what this reflects is in this year, about 85 percent of the business put in the clearinghouse is not receiving an offer. Seven-point four (7.4) percent is ineligible for Citizens, but offers received but eligible for Citizens, about 6.5 percent. That's what we call the sweet spot where an agent absolutely is getting an opportunity to offer another company besides Citizens, and we want to work with those agents to make sure those offers are being presented appropriately. This is, again, a reflection of carrier appetite on the other side, and as you've seen the market conditions, that green bar is an indication potentially of carrier appetite to bid on business that's coming through the clearinghouse, and that trend line reflects the market conditions and things that we've spoken of previously. So, this is new business.

Then, on the renewal side, all of our renewals, or the vast majority of our personal lines renewals go through the renewal clearinghouse, and the next slide will reflect the results in that space. You can see that 98 percent of the renewals are not receiving an offer, but, again, remember, it's in Citizens for a reason, and a lot of times the conditions of the property may not meet the carrier's appetite, and, also, market restrictions are driving this. But the renewal side is definitely an indication of carrier appetite. We're not seeing a lot of bid, a lot of action on our renewal book, but as the newer business that you saw comes in, the better quality business that we spoke of earlier, we would expect this trend line to improve as markets improve and carriers' appetites improves. We'd like to see that trend line, obviously, go the other direction, but these are the renewal results, nonetheless.

Next two slides just reflect 2019 summary in terms of total risk converted, and we always like to keep our eyes on the coverage or exposure converted. Billions of dollars and millions averted in this space.

And then the final slide will reflect 2020 updates. We have now all of our mobile home forms on the clearinghouse. American Integrity is a new, emerging player in this space, and they have agreed to come in and offer some capacity in the clearinghouse, and we're working closely with them to make that happen. So, we thank them for their participation and interest in the clearinghouse.

Mr. Chairman, if there are no questions, that concludes my report.

Chairman Newell: Thanks, Carl. This is Dave Newell. Any questions from the committee for Carl on the Depop and Clearinghouse Update?

Well, another fine job, Carl. Thank you so much for bringing the committee up to date on a lot of moving parts, as they say, so thank you so much.

4. <u>New Business</u>

Chairman Newell: Any new business to come before the committee today? Okay. Hearing none, I will entertain a motion to adjourn the meeting.

Phil Zelman: This is Phil.

Lee Gorodetsky: From Lee.

Phil Zelman: I make a motion to adjourn the meeting.

Chairman Newell: All right. I hear a motion from Phil and a second by Lee to adjourn the meeting. So, meeting adjourned. Everybody be safe, happy holidays, and I will see you guys in 2021.

(Whereupon the meeting was adjourned.)