

# ACTION ITEM

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Claims Committee Meeting, December 8, 2020  
Board of Governors Meeting, December 16, 2020

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

<b>Contract ID</b>	Claims Committee Meeting Minutes September 8, 2020
<b>Budgeted Item</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No – N/A
<b>Procurement Method</b>	N/A
<b>Contract Amount</b>	N/A
<b>Contract Term(s)</b>	N/A
<b>Purpose/Scope</b>	Review of the September 8, 2020 Claims Committee Meeting Minutes to provide opportunity for corrections and historical accuracy.
<b>Recommendation</b>	Staff recommends the review and approval of the September 8, 2020 Claims Committee Meeting minutes.
<b>CONTACTS</b>	Jay Adams, Chief Claims Officer

## **CITIZENS PROPERTY INSURANCE CORPORATION**

### **MINUTES OF THE CLAIMS COMMITTEE MEETING Tuesday, September 8, 2020**

The Claims Committee of Citizens Property Insurance Corporation (Citizens) convened telephonically on Tuesday, September 8, 2020 at 1:00 p.m. Eastern.

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

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

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

**Chairman Kastroll:** Thank you so much. Welcome everybody, this is an inaugural event for the Claims Committee, our first ever Zoom conference call. It is nice to see everybody's caricature or real-life face, and I do miss at our meetings seeing you all, so this is the second-best thing to seeing you.

Before we begin the approval of the Minutes, I would like to thank Chelsea for training us all and getting this all together for us, and also Barbara for being the kind person and the whip that we all need to get this in place. So, thank you for setting this up to the two of you. It took some time and effort and I appreciate it. It is a lot nicer to see people over a conference call.

Before we begin on the approval of the Minutes, I want to thank the Citizens Claims employees, team members for all that they do. We just celebrated a wonderful Labor Day down here in South Florida, and it was a time where we got a chance to spend it with our family, but more importantly, think about all of our professions, our labor and toils that we spend putting into our profession. And you all have done a wonderful job under the leadership of Jay and the Claims Committee, and then also Barry of the organization. It is because of you guys I have a lot of confidence that when we do have claims, hopefully not this season, but when we do have claims, those claims will be taken care of and the end user, the insured, is very thankful for all of your efforts. So, I would like to just say thank you for all the labor that you all spend in your profession.

With that, let's go ahead and approve the prior Claims Committee meeting Minutes. Do I have a motion to go ahead and approve that?

**A motion was made by Governor Holton and seconded by Mr. Palmquist to approve the June 1, 2020 minutes. All were in favor. Motion carried.**

#### **2. Approval of Claims Committee Charter**

**Chairman Kastroll:** We have a couple items we are going to go over, but we only have one Action Item which is the approval of the Claims Committee Charter, and I will go ahead

and turn that over to, I think Jay is going to read that. Is that correct, Jay, are you reading that?

**Jay Adams:** No, Chairman, I wasn't planning on reading it for the committee. What we do is annually each year we ask for a review of this Charter by this committee to see if they have any recommended changes. Staff has reviewed this and did not present any recommendations for this time. And really all we need is a consensus vote here if everybody is in agreement with that.

**Chairman Kastroll:** Okay, thank you, Jay. So, do I have a motion to approve the annual Claims Charter?

**Governor Lopez-Cantera:** Mr. Chairman, I have a question because it broke up a little bit. Jay, you said there was no changes and same as last year?

**Jay Adams:** That is correct.

**A motion was made by Governor Lopez-Cantera and seconded by Mr. Palmquist to approve the Claims Committee Charter. All were in favor. Motion carried.**

### **3. Strategic Update**

**Jay Adams:** Thank you, Chairman and Committee members. I would like to provide you a brief update today on a new strategic objective that we have been working on here for the last year or so. I would like to focus on an item that arose from a Hurricane Irma and Michael debrief. The specific item I would like to discuss is the need to obtain an accurate estimate when leveraging less experienced Independent Adjusters or Field Inspectors. Hurricane Irma proved Citizens' theory that there were less experienced adjusters that were prepared to respond to catastrophe events. There was such a long stretch with no hurricane activity, we believe that many catastrophe adjusters moved into other lines of work. Citizens specifically created a solicitation to obtain less experienced resources that work in similar fields as adjusters, such as real estate agents, home inspectors, insurance agents, et cetera, that would normally be displaced from their normal business duties immediately following an event. We relied on the inspection firm to obtain software to help assist these inspectors in their evaluations of the loss utilizing their smart devices which proved to provide us inconsistent results.

The issue that was identified during the debrief was that the less experienced adjusters and inspectors often did not understand all of the scope items needed to complete the estimate. When this happens, the policyholder receives an incomplete estimate that will have to be later resolved by the Resolution Unit. The problem that this causes is evident when the policyholder receives an estimate from their contractor that is significantly higher than the estimate provided by Citizens. The normal claims process would be for the policyholder or their contractor to contact Citizens for a supplemental claim which would be easily and quickly resolved. Once all the scope items are included to match the contractor estimate, the prices typically are in line with the Xactimate pricing that was used to obtain the estimate amount. When the policyholder does not choose the above claims process, they typically will seek out some type of representation either from a Public Adjuster, a Loss Consultant or a Plaintiff Attorney. Once representation is obtained it is often difficult to reach an agreed settlement without the utilization of the Appraisal process

or protracted litigation. Both of these alternative dispute resolution methods extends the claim process and prevents the policyholder from obtaining the necessary funds to immediately begin the repair process. In order to prevent this from occurring in future catastrophe events, Citizens partnered with Xactware to create software enhancements to several of the products that we are currently using. The new application has been tested and is now available for any new catastrophe event that Citizens will respond to. The new tool I am referring to the Claims Estimate Mobile Application. This application is an application that runs on any smart device that will guide the adjuster or inspector through the estimate process in an offline environment which is key to the new design.

Prior to release of this new application Citizens had no way of guiding the adjuster or inspector through the claims estimating process without having either a cell signal or a wifi connection which is generally not available after an event. The application works by using questions and guided assistance that will generate an estimate based on how questions are answered, and this process will improve the overall scope in estimate. The application guides the adjuster by having them identify and photograph damage as they inspect the property. It was specifically designed in a methodological way to guide the adjuster to inspect the front of the property, around the sides and then to inspect any interior damages that may exist. The adjuster can select damage or no damage at any point throughout the application. If the adjuster selects that there is damage, the application prompts for more questions and photographs to build up the specific line items needed to complete the estimate.

Prior to the development of this application Citizens had to rely on the adjuster or inspection firm to provide oversight to provide quality checks on the scopes and estimates many times after the estimate had already been discussed with the policyholder. The application's guided process will now produce quality scopes and estimates based on Citizens' best practices and improve the overall customer experience by having an accurate estimate that their contractor can utilize to validate. We are hopeful that this will eliminate the policyholder's need to seek out representation and allow for repairs to begin much sooner than if the claim went through an alternative dispute resolution process. In order to make sure that we protect the privacy of the policyholder's data, the application will automatically remove any claim specific data from the adjuster or inspector's smart device when they upload their estimate, including photos, videos or any data elements. Prior to the upload, the application will prevent the data from being moved or copied to another folder on the device adding another layer of security.

At this time, I would like to show a brief demo of the Claims Estimate Mobile Application.

[Showing video.]

**Voice from video:** Welcome to this video demo of the Citizens' automated field inspection offline app and damage assessment automation project. At a high level, this project automates the sending of a series of tasks to a Field Inspector and allows that Field Inspector to complete the tasks in an offline disconnected state. Once returned to connectivity, the damage assessment automation task will update, complete and upload the existing Xactimate estimate returning all estimate documents to XactAnalysis.

**Brad Smith:** I am Brad Smith, the adjuster who has been assigned this claim. Check my e-mail and I have a task one of two and I'll click the link to open it. It takes me to a web

page, asks me to accept important information, which I do. And then gives me an option once the task is downloaded to open when an experience app is completing offline. This is the process I will use. So, I will click the 'open' button which will take me to the app store, whether it is the Android app store or the IOS app store. Once that is downloaded, I will open the app and that task is downloaded to the app which stores that on the device. You will see that it is loaded here. I can open that up and see there is three questions. Read that information, answer the date contacted and the planned inspection date which both will update the project. I will select the time for which the inspection is for, click submit. That information is relayed back to ClaimsXperience, updates XactAnalysis status and then automatically triggers the sending of task two. I will check my e-mail and see task two of two, and I will click the link to open that. That opens again in the browser and gives me the option here to accept important information once again, and this time to select the tax jurisdiction which hasn't been assigned since it was automatically assigned. So, I choose that. Once I do, I then open in the app again. So, depending on my settings this can open up automatically from that link in the app without needing to go to the app store. Once that is downloaded, I could complete this in an offline status. For this demonstration I am connected, but you could be disconnected. You can test that in airplane mode. So, I go to the form, it asks me to upload pictures of my elevation. So, I upload the front elevation, indicate that there is damage to the windows and select files for the windows. So, you can get a good view of that and the type of window, and also how many windows were damaged. Moving on, I will show all the other elevations that are asked for. So, we will get our right elevation, select if there is damage or not. We will get our rear elevation and if there is damage there or not, all of which have an additional series of questions that have been customized by Citizens to demonstrate the power of the tasks being expansive and extensive to other areas of loss as well. They all indicate that there is no interior damage. And on the roof, if it is too high me to get photos it will notify you of this that you can come out and get photos of the roof and use our Geomni aerial package. So once that is done, I will click submit. If I was offline it would tell me that I am offline and that it will be submitted once I have connected. In this particular case I am online, so it submits the task and then it is ready for the adjuster.

**Voice from video:** And there you have it.  
[End of video.]

**Jay Adams:** And Chairman, that concludes my presentation unless there are any questions.

**Chairman Kastroll:** Thank you, Jay. That was a really good demonstration of what the end user, the insured can use to help in a difficult time, whether it is a hurricane or just a normal claim and embracing technology in doing so. So, thank you for doing that. Committee member, any questions?

**Governor Lopez-Cantera:** Jay, is this the same, the same program that we discussed in the last meeting?

**Jay Adams:** I don't recall what we discussed in the last meeting specifically, but this is the only program we have been working on dealing with Xactware.

**Governor Lopez-Cantera:** Is this the one that we approved an additional one and-a-half million dollars for?

**Jay Adams:** Yes, Sir, that is correct.

**Governor Lopez-Cantera:** So that is this one. So the reasoning from, going back to the Minutes from the previous meeting, the reasoning that the off the shelf program didn't work that necessitated this program to be built for an additional one and-a-half million dollars, was that it needed connection to the Internet. And the one thing that I noticed at the end of the demo, at the very end if he wasn't connected to the Internet it would wait until he connects again. Is that the same issue we had with the previous version or has it been addressed?

**Jay Adams:** So, let me address two separate issues. So, the \$1.5 million is the usage fee that we would incur if we start using this when we have the next catastrophe. So Xactware charges per estimate. They charge the same way with the use of this tool. As far as the tool itself is concerned, where we were running into problems were that the combination of tools we had access to from Xactware required Internet connectivity when you were in the field to leverage the application. So this new application uses their really existing technology, but loads information to the smart device where the adjuster or inspector can work in a remote environment with zero connectivity.

**Governor Lopez-Cantera:** Got it. So, it is native, it is native to the device versus pulling it off the cloud.

**Jay Adams:** Correct.

**Governor Lopez-Cantera:** Okay, I get that.

**Jay Adams:** You have to have connectivity again to upload that back. And they can either get that connectivity possibly from their motel/hotel area or Citizens will have a hotspot set up in the field that these folks can come to, to upload and download these estimates.

**Governor Lopez-Cantera:** Okay, that makes sense. Thank you.

**Jay Adams:** Sure. And Chairman Kastroll, I would like to clarify one thing you said. I believe you said that you thought this might be intended for the insured. This is 100 percent designed for the adjuster or the inspector to help aid them in making sure they collect all the appropriate scope items so that Xactimate can write the correct estimate in the background.

**Chairman Kastroll:** Yes, thank you, understand.

**Jay Adams:** Thank you.

**Governor Holton:** Yes, Jay, I just got some reports from folks in the field actually in the contracting business that usually in the event of a cat the Xactimate software lags a little bit behind in certain market conditions. Can you comment on that at all? I mean, obviously I think it is a fairly good program overall in a non cat situation, but in the event of a major

cat such as roofing materials, flooring materials and so forth tend to really escalate and a lot of contractors here in the Tampa Bay area told me that Xactimate is not that reliable in the midst of an actual cat event. Can you comment on that?

**Jay Adams:** Sure. So, we have had lots of discussions with Xactware on that exact topic. They reach out on a monthly basis to contractors and to labor to make sure that they have the appropriate labor and material costs in their system for each scope item. You are correct though, immediately following a catastrophe a lot of times there is a shortage of materials, a delay of getting labor to the site, and at times it will create some delays. We have worked with them to see if there was anything they could do to improve the timing of those delays and we really have not had any type of resolution. What they did recommend though is that we go back 60, 90 days after and look at some of those estimates and we can reprice them in the system if we see that there is a significant deviation. The one thing that I do want to point out. So, when we produce an estimate it is no more than an estimate, and during a catastrophe especially, the insured's claim really does not close. So if they get an estimate from their contractor six months after the date of loss and maybe we produced our estimate 10 days after the date of loss, there would certainly be some pricing discrepancies because things in the market for material and labor have changed. What the insured needs to do is just submit those differences to Citizens to our Resolution Unit and then what we do is we would readjust the pricing of that estimate so that they could get their repairs done when they are ready to get those completed.

**Governor Holton:** Good, thanks. That answers my question.

**Jay Adams:** Thank you.

**Jon Palmquist:** Jay, thank you for the overview on that. A couple of questions for you. What I heard you say is that the app downloads policyholder information on the cell phone, and I didn't quite understand clearly how do you assure privacy concerns with that policyholder information on that individual's cell phone?

**Jay Adams:** I am not an IT expert in this space, but my understanding is that when they download the tool onto their phone, it creates an instance just for this application, and all of the data that is stored to that device is protected within that application. Meaning that you can only access it through the application, which is you have to have an ID and a password. You have to have a password to get into that phone. The adjuster is unable to manipulate any of that data once it is input into that instance, and when they submit or reconnect to wifi and that submits back to Xact, that entire file is removed from that smart device.

**Jon Palmquist:** Okay, okay. So, there is no residual in customer policyholder information on his cell phone then?

**Jay Adams:** Correct. And any information that was ever on that cell phone is embedded in a way that the adjuster can't really access it outside of that application.

**Jon Palmquist:** All right, thank you. Another question. You mentioned the exterior. You kind of went past the interior. Does this application also support interior estimates?

**Jay Adams:** Yes, it will. So the whole genesis behind this application was we can embed significant pieces of our best practices into the question sets to make sure that the adjuster or inspector is collecting the appropriate data, so that when it goes back to Xactware and then it writes this estimate in the background, it has all the appropriate pieces and parts of information. This tool is really not designed to do heavy damage. So, if there were structural damage to the home, we would not push that claim to this type of application. This is really for minor damage. I would say on the outskirts of the hurricane damage and we would leverage that with less experienced people in the outskirt areas. In the areas that had the most significant wind damage, we are going to leverage traditional Catastrophe Adjusters, Large Loss Specialists and so forth to go out and hand scope and write all the estimates that have significant damage.

**Jon Palmquist:** Thank you, that helps a lot. It will support damage estimates of the interior damage?

**Jay Adams:** It will, yes.

**Jon Palmquist:** Okay, all right. Last question. You mentioned or the example mentioned that if there is roof damage that can't be seen it will refer to a drone vendor as opposed to a roofing application?

**Jay Adams:** So, the way that we have the application set today is if there is a roof damage there is an ability to flag that claim for a drone inspection. Now, if there is aerial imagery available at the time of the estimate, that has already been attached to the file. And what that does is creates a referral for the inside unit. When they get that claim to go out and either order a drone inspection of the roof if aerial imagery doesn't exist, or to leverage the aerial imagery that is there to write the estimate. So, we have a contract with NICB for their GIC Aerial Imagery and they fly these events typically within 24 to 48 hours after the wind has stopped blowing. We have a repository of these images so that we can see the damage, and in most of these instances would be able to do a desk adjustment from that point.

**Jon Palmquist:** Okay.

**Jay Adams:** Again, the tool is not designed for what I would call a significant in-depth estimate like in a roof. Trying to determine is it repair, replace, those types of things.

**Jon Palmquist:** In the Minutes from last meeting that people do just having an adjuster license?

**Jay Adams:** Absolutely.

**Jon Palmquist:** Thank you very much.

**Jay Adams:** You are welcome.

**Chairman Kastroll:** Thank you, Jay. Governors, any other questions? Okay. I would like to say that there has been a collision course between technology and insurance the last 10 or so years. It really has been brought about by speed, the end user, the client in all



walks of life wants speed and service in the goods that they're purchasing. So, using this program with the adjuster, it helps the speed of paying a claim or finding a solution, resolution to the claim, for smaller claims. And this is very good because it takes a lot of the smaller tasks, smaller claims off of an adjuster's plate to go ahead and focus on some of the larger claims that just can't be figured out in an application. So, this is a good use of everybody's time, in my opinion, good use of everybody's time to put this into place and to negotiate this contract. I know including myself, I wouldn't say I am a fan of this vendor from past experiences talking with Jay and the other Claims Committee members, but this is a vendor that we know and can use for the foreseeable future to help our insureds. And I know there are more companies that are coming to the marketplace that will provide maybe some better services and pricing, but for right now I think this is a really good solution for our insureds, so thank you.

#### **4. 2020 Catastrophe Update**

**Craig Sakraida:** Good afternoon Chairman Kastroll and committee members. I wanted to give you a brief update on catastrophe preparedness and readiness with COVID-19. I will talk briefly on Hurricane Irma awareness as we approach the three-year statute, and then Tropical Storm Isaias. With the catastrophe preparation and readiness for COVID-19, we reported back in June a small tactical group of cat ops members, claims vendors systems and information technology personnel assembled to assess some of the technical changes that needed to occur to support a virtual workflow for adjusting claims. As plans and workflows were finalized and documented, the testing modules were set up to ensure expectations would be met and the virtual onboarding and system set performed properly. The final module of the testing was completed on July 27, 2020, utilizing Zoom technologies combined with Microsoft Teams to deliver training material and setup systems the adjusters utilize while deployed in a catastrophe event for Citizens. I am pleased to report the testing was successful and utilized for implementation, ready to go during Tropical Storm Isaias.

Next, I wanted to talk briefly on Hurricane Irma as we approach the three-year anniversary that is right on our doorstep. We wanted to provide an update on the late notice claims being reported for this storm. By Florida statute there is a three-year time frame for the claim to be filed from the first time the hurricane made landfall or windstorm caused the covered damages. We have seen a slight increase in Hurricane Irma claims being reported this year over the last year as the deadline approaches. From January 1 to July 31, we have had of this year, 2020, we have had 2,697 claims reported. And during August since we missed the cutoff date for providing you all the information for this, we received 518 claims for Irma just in August alone, which averages about 402 claims a month. For January 1 to December 31, 2019, we had 4,374 claims reported which is about an average of 365 a month, and just to date through about 7:00 a.m. this morning we have had 156 reported just in September alone. So quite a bit of claims being filed from Hurricane Irma still.

The last thing I wanted to touch on briefly was Tropical Storm Isaias which I think after saying it about 500 times I finally got it to pronounce right. But this storm was located just off the coast at the beginning of August and it impacted Florida with strong winds and rain bands. Based on the forecast track of the storm we did engage the activation phase of our catastrophe plan on July 30, 2020. As the storm progressed, impacts to Florida were minimal and deployments and activations were canceled. Claim volume through August 7

is 46, and as of 7:00 a.m. this morning there has only been 70 claims filed. So fairly minimal impact. We do like to track these events just so we have an understanding for future use in catastrophe planning and preparation.

Chairman, that is my brief presentation. I will gladly entertain any questions from you or any other committee members.

**Chairman Kastroll:** Thank you, Craig. Any questions? Craig, that storm was a good preseason game for us. You know, we got a chance to fire things up and see how we could get a couple of kinks out for hopefully something that doesn't happen in the future, but it was a good preseason drill for us. So, thank you. Thank you for staying on top of it and nice report.

**Jon Palmquist:** Craig, on these late reported claims, these small suits that you are receiving, do you notice any kind of trend or consistency in the nature of the damages?

**Craig Sakraida:** A lot of them are claiming roof damage. The great majority of them are from the tri-county area. A lot of claims are presented with representation. You know, but the great majority of them are presenting roof damages and minor interior damages. So, we investigate to the best of our ability and provide any claims decision based on a claim by claim basis. We have found some that there is legitimate damage, and they have information, and we proceed accordingly.

**Jon Palmquist:** Okay, thank you.

##### **5. Litigated Claims Update**

**Elaina Paskalakis:** Good afternoon Chairman Kastroll and committee members. I would just like to present a brief update on our Claims Litigation situation. This update does cover January 1 through July 31. In terms of new lawsuits received, when we compare what we have received this year-to-date to last year, 2019, we have actually experienced a 35 percent decrease in the number of new lawsuits received. In terms of pending volume, we have a 15 percent decrease in our current pending volume which is just over 11,900 cases as compared to this time last year in 2019, when we had just over 14,000 pending lawsuits. When we look at what makes up both the new and incoming lawsuits, the Cat cause of loss primarily from Hurricane Irma remains the leading cause of loss for both pending and new lawsuits that we have. It represents about 50 percent of the new incoming lawsuits and 45 percent of our pending lawsuits. In terms of AOB lawsuits, we have experienced a 17 percent decrease in new incoming AOB suits as compared to 2019, and we believe that this is showing the impact of the statutory changes that we have seen. We also have about 31 percent of our pending lawsuits are AOB lawsuits and that is fairly consistent with last year.

For non-weather water cause of loss, we have seen a seven percent increase in the new incoming lawsuits that now represent 30 percent, and that seven percent increase is compared to 2019. This is something expected as we move further and further away from Cat events. We see that the litigation drifts into other areas and this is not unexpected or a surprise. And the non-weather water currently comprises about 29 percent of our pending lawsuits which is again consistent with the past years.

In terms of the Litigation Update, you know, under tab five is the more detailed metrics that we have, and if there aren't any questions I really would like to move on to the first of the addendums to the Litigation Update which gets into a new area that we are reporting on now for the attorney fee multipliers.

**Chairman Kastroll:** Elaina, what page might you be on?

**Elaina Paskalakis:** I am sorry. It is behind tab five. It immediately follows the Litigated Claims Update, which is the first four pages, and then it goes to the first addendum and it is a page 1 again. So, it would be the fifth page of my materials.

**Governor Lopez-Cantera:** Thank you.

**Elaina Paskalakis:** And it is Fee Multipliers Awarded 2018 to 2020.

**Chairman Kastroll:** Go ahead, proceed.

**Governor Lopez-Cantera:** On the Litigated Claims Update, page 1, 35 percent decrease on one type and 15 percent decrease in the other, this is January through July. Have we looked at it on a month to month basis?

**Elaina Paskalakis:** Yes, we do.

**Governor Lopez-Cantera:** What the decrease was? I was curious if there was any correlation between COVID individual between March forward and just the attorneys and adjusters not being able to get out and physically interact with potential clients.

**Elaina Paskalakis:** Yes. So, when we look at that, we have a bit of a more, more of a decrease than expected in a normal year, and that is in fact due to COVID. The lawsuits are still coming in, but it has been suppressed.

**Governor Lopez-Cantera:** So, the second half of the January to July saw more of a decrease than the first half?

**Elaina Paskalakis:** I would have go back and look at the specific numbers, but that has been our trend. We have had a trend over the last years anyway of 2020 being less than 2019, but I believe that we have had a bump in that, well, a bump down in that decrease, right, due to COVID-19. It hasn't completely cut anything off. We have just seen a bit of a bump. I will say that I expect those numbers to normalize more as we go forward this year, but I don't think that we are going to see anything like we did barring a Cat event. I don't think we are going to see anything like we did in 2018 or 2019, in terms of new incoming lawsuits, because keep in mind, Irma really bumped up those numbers 2018 and 2019 for us.

**Governor Lopez-Cantera:** Okay, thank you.

**Jay Adams:** Could I add a little clarification? So, Governor Lopez-Cantera, I think I heard you ask, are we running into any issues inspecting new claims that might be driving litigation.

**Governor Lopez-Cantera:** I didn't ask that question. I think that was somebody else.

**Jay Adams:** Okay, I am sorry.

**Chairman Kastroll:** Okay, Elaina, go ahead, proceed.

**Elaina Paskalakis:** Sure. In terms, back to the Addendum on the fee multiplier. We wanted to add this because there have been some recent changes in the law that have eroded away the threshold for a court to apply a fee multiplier. And basically what that means is when the prevailing party in property cases, the plaintiff or the claimant, right, prevails in a lawsuit, then they can seek attorney's fees per the attorney fee statute we have in Florida. There is another legal concept called a fee multiplier that overlies that. So, you can take whatever the base fee is, let's say it is \$100,000, and previous to the new case law it was based on the complexity of the case. You could say, okay, my fee here is 100,000, but because I took a risk taking on this case that no one else would, I can apply a multiplier anywhere from 0.0 to 2.5 to increase the amount of the fee because of the risk that I took on as the law firm willing to take this case on. So, of course, if the court applies a 2.5 multiplier, it increases the awarded fee, \$250,000. What we have seen lately is an erosion in that threshold, because like I said, it used to be that you would have to prove that it was a very difficult case to take on, that there was a likelihood of not losing and that other attorneys in the area were not likely to take that case on. That is the area that has been eroded, so that it is much easier now to meet the threshold and for courts to award a multiplier.

So we are now going to start reporting on this for you and you will see that in the attached addendum, there are only 12 cases that we have reported on the fee multipliers, because those constitute the awarded fee multipliers. The vast majority of attorney's fees are actually a result of a negotiated settlement and they aren't actually litigated after the underlying lawsuit is litigated. So, after the indemnity is taken care of for the insured, very few continue on in litigation just for fees. But I include this as an example of what we face. And you will notice that court ordered multipliers when we look at the actual fees awarded in comparison to the underlying indemnity benefits that have been paid under the policy, the fees can be, you know, in excess of 1,000 times that amount or even 2,000 times the amount of the indemnity that was ultimately paid under the policy. So, these are included for examples, but the real impact is not just the handful of cases that I am reporting here. The real impact is what that does to fee demands and essentially negotiations in these cases. So, we start to see the plaintiff's attorneys coming to us and asking for higher and higher fees, not only in the hourly rate that they will apply, but then certainly in also asking for a multiplier. And now that the case law supports kind of an easier path for them to get the multiplier, it is going to have and we expect a rather sharp impact on our cases in moving forward. We will continue to litigate those that we think warrant litigation, but it will impact what we see in the settled fees as we move forward with our cases. So that is why we are bringing this to your attention. We will continue to report on the court ordered fees that are captured in this addendum. We are for ourselves tracking the settled fees and those that are resolved through negotiation so we can start tracking those trends. I am not at the point yet that I can report on those or provide any trending information, but we will be able to do that in the future.

So, with that, if there are any questions in regard to that, I have one more topic just to briefly cover.

**Governor Holton:** And thank you for all that information. I think that, you know, I had asked about that several meetings ago and I appreciate you updating the committee on that. When I think this is the next great frontier for tort reform and especially in the state of Florida because of the unusual liberal tort fee award multiplier here. In this state, this information I hope that Citizens will pass on to the appropriate Florida legislative committees in the upcoming session and make some strong recommendations as to continuing tort reform in this area because this is a great abuse, especially in South Florida and I really appreciate your efforts in bringing this forward to the attention of the committee. Thank you, Chairman.

**Chairman Kastroll:** Thank you, Governor Holton.

**Elaina Paskalakis:** Just one more thing in terms of subrogation and recovery efforts. To date our gross recoveries through subrogation efforts total about \$943,192. But \$82,000 of that represents money refunded to policyholders for reimbursement of their deductibles. So, with that, I have concluded my report and happy to field any questions you may have.

**Chairman Kastroll:** Elaina, thank you. That is a really good distinction you made at the end on your efforts in the recovery. Not only does it help the company out when we recover money, but it also helps the insured out with their deductibles. And as hard as it is to have a loss, it's hard to also pay deductible and to get that back it is very refreshing. That has happened to me one time as I have owned a home and it was very refreshing. So that is nice that you are doing that. I also one case that I saw that is of interest is one, and I don't know the exact details, but \$100,000 was recovered from I think it was an apartment building where you weren't allowed to smoke in the apartment building and there was a loss result of a fire and the guys came back and I assume went back and recovered \$100,000, I assume from his personal insurance, but \$100,000 was recovered and we don't have a blank check at Citizens to write claims. We like to write claims freely to insureds that warrant it, but at the same time we just don't look at claims and pay them. When there is fraud we tend to sniff it out and when it is subrogated you guys do a great job of doing that. So, thank you.

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

**Michael Carver:** Good afternoon, Mr. Chairman and committee members. It is my pleasure to give you an update on non-weather water claims, the Managed Repair and Assignments of Benefits. Regarding non-weather water claims we continue to show robust reporting and non-weather water claims continue to represent approximately 50 percent of all claims received at Citizens. Just to give an example, during the first half of 2019, we received 5,359 non-weather water claims, and for the first half of this year, compared to 5,629 for the first half of 2020. So, we are seeing a slight increase in the non-weather water claim receipts. We are seeing about 40 file additional claims per month since the beginning of 2020, but over the last three months we have seen actually our average monthly reports for non-weather water claims come in around 900 to 950. The last few months it has been closer to 1,200. So continuing to see an increase in non-weather water claims, and typically when we do see a decrease or a decreasing trend in any of our Cat

claims we tend to see an increase, a bump in our non-weather water claims. These claims are being reported as you can imagine for where a policy distribution is and that is 90 percent report from Miami-Dade, Broward, Palm Beach and the Tampa area. And this pretty much matches where we have our resources to facilitate deliverance of services to our customers.

Homeowner three policies continue to represent the largest percentage of policies at 66 percent or 66 percent of the claims reported are from HO-3 policies. We have got another 17 percent which is second highest report from our dwelling property three policies, and our non-weather water claims received during the first half of 2020, plumbing losses represented 62 percent of all water claims with water escape from appliances coming in second, at 14 percent.

I think this is really great to report. Customer service satisfaction continues to remain high. We average typically about 88 percent, 86 to 88 percent, but for the first half of 2020 that averaged 88 percent, and even better news for June, our claim satisfaction came in at 90 percent indicating nine out of 10 customers were highly satisfied with the overall claim service received.

And now I will just move on to the Managed Repair Program. Customers are increasingly opting into both the free Emergency Water Removal Service, EWRS, and the Managed Repair Contractor Network. The acceptance rate for both programs continue to increase as a result. To give an example, the Managed Repair Program offers a valuable service to customers with eligible policies whose homes have been damaged by water, not caused by weather. The Managed Repair Program services are offered to new and renewal homeowner HO-3 and non-condo DP-3 policies. For the entire year of 2019, there were 7,430 claims eligible for both EWRS and MRP. Of the 7,430, 7,311 claims were offered EWRS at First Notice of Loss. And so, we had an acceptance rate of 36 percent. We went back and looked at the trend, the acceptance rate trends, and for 2020 that has increased to a 38 percent acceptance rate. And I really believe that by the end of this year in my opinion I think we will be close to 40 percent which is pretty substantial considering where we have been over the last 24 months.

The other part of Manage Repair is the permanent repair portion, and this service is offered through vetted contractors, through Contractor Connection who are licensed and insured and agree to comply with Citizens to establish service protocols. And to give you an example of the growth on the permanent repair side, and I do believe that it is going to follow a continued increase in trend line through the end of this year. For example, the entire year 2019, there were 7,430 claims eligible for MRP, and of the 7,430 eligible claims, we had a 24 percent acceptance rate for 2020 through the month of June. That has jumped to a 28 percent acceptance rate. So, we are feeling really good about the folks that are moving into the permanent repair portion. You know, when we get out and look at some of these policies, some have multiple water claims and when we get out there, some of the work has been done, some of the work hasn't been done. The good news is the more and more folks we can get into the manage the permanent repair portion, and actually EWRS, the water removal, the less we will have in overlapping damage, duplicate damage and those types of things. So, in a nutshell, the total satisfaction score for the first half of this year was 81 percent for manage repair. We survey those two, we surveyed the entire, the non MRP claims separate from the MRP claims. So where you saw in June we had a

90 percent satisfaction rate, we are finding on average eight out of 10 customers who use our EWRS, the water removal service, the free water removal service or the permanent repairs, those folks, 80 percent, eight out of 10 customers are satisfied with the either program or both.

And then I will move on to Assignment of Benefits, the AOB update. As everybody knows House Bill 7065 took effect last July. Since that time, the Assignment of Benefits team has processed 5,720 assignment documents. Through June of this year, 2,322 assignment agreements have been received and processed. So pretty much on track. Similar to last year, but we are seeing decreases. So just to give an example, 23 percent of the assignments received since House Bill 7065 went into effect, 23 percent of those assignments were received prior to the effective date. During the first half of 2020, 2,322 assignment agreements were received. Of these, 63 percent were compliant. Seventeen percent were received as pre-suit and 13 percent non-compliant, and seven percent was executed pre-July 1. So what we are seeing, we are seeing a decrease in AOB assignment agreements received, but the ones we are seeing are in compliance with House Bill 7065, and we anticipated that as folks read the law, determined what documents are needed to be compliant and what-have-you. In 2019, we received approximately 454 assignment per month. This has decreased to an average of 387 for the first half of 2020, which is about a 15 percent reduction in assignment receipts. Of the total assignments received, approximately 31 percent are Public Adjuster represented, 32 percent Attorney represented, and another five percent have both Public Adjuster and Attorney representation. Thirty-three percent of assignment agreements do not have any sort of representation. Of the total assignment agreements received, 63 percent were classified as emergency repairs which applies to \$3,000 emergency repairs indemnity cap per the policy. In the type of work for most of these agreements, 50 percent are related to water mitigation, another 24 percent are related to fungi testing remediation, and the other 14 percent are related to tarping and boarding up. So when analyzing the agreements related to the cause of loss, the perils of wind and water account for 98 percent of all the agreements received since the implementation of HB 7065, and this is consistent with what we have seen in 2020 to date. And then the following depicts the distribution by cause of loss. Wind represents 46 percent of all agreements, water 45 percent, non-weather related, and then our water, weather water related is seven percent.

And with that, Mr. Chairman, that concludes my report for those programs.

**Chairman Kastroll:** Thanks, Michael. Any questions for Michael? Well, those are three very large areas that you are in charge of whittling down the claims, non-weather water, Managed Repair and obviously the AOB. So thank you for staying on top of that and thank you for creating and helping create some of those programs, because they are well needed and I think they are being well received in the marketplace. To get an 81 percent response, positive response back dealing with a claim is a very difficult thing. So, congratulations to you and your team.

## **7. Addendums**

**Chairman Kastroll:** There are two add addendums that we have briefly touched upon, the Recovery Cases of Interest and the SIU. I encourage you to read those. Those are always fun to read.

## **8. New Business**

**Chairman Kastroll:** And then finally, let's see, any new business? Okay. Before we adjourn, I had a conversation with Jay, I think it was two weeks ago just checking in with him. It has been six months since COVID and you all are doing a wonderful job out there. It is a difficult thing to go from being in a large building in Jacksonville or a satellite office and moving remotely, and it is hard for the people working underneath you. You all should be commended. I thank you for your work. Be very proud of what you do, because it is a very difficult thing and change happens frequently in life and being able to embrace change in a very positive way usually makes successful companies. And we are a successful company specifically in the claims area and also in other areas, but we are in charge of the claims. So, you all should be commended. We are right now six months into it. I call it the grind phase. This is where it gets just a little bit slow, a little bit tough. If you are still at home working, you know, your kids coming in and out of your work area or having to work with maybe a contractor who shows up at your house in the middle of the day. These are all things I know you can adapt to, but they become a little bit more annoying now six months into something. So please continue to keep a positive outlook. You guys are doing a great job. And also most importantly, reach out to those people underneath you that work for you or even your co-workers. Call to just say hi. The human connection has been lost for the last six months, and if you can bring it back with just a phone call, an e-mail of encouragement. I can't tell you to overcommunicate and overencourage things that are going well with people around you. And I thank you for everything you guys are doing. And I thank you for the committee members on here, other Governors, thank you. I wish I could reach out and talk to you. Obviously, I can't because of sunshine laws, but thank you for all your support and reading through these documents, asking hard questions. This is what makes it very good committee. So, I appreciate everything you all have done. With that, may I have a motion to adjourn?

**A motion was made by Governor Lopez-Cantera to adjourn. All were in favor. Motion carried.**

[Meeting adjourned]