

CITIZENS PROPERTY INSURANCE CORPORATION

**MINUTES OF THE
BOARD OF GOVERNORS MEETING
Tuesday, January 26, 2021**

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened telephonically on Tuesday, January 26, 2021 at 10:00 a.m. (EST).

The following members of the Board were present:

Carlos Beruff, Chair
Carlos Lopez-Cantera, Vice Chair
Bette Brown
Marc Dunbar
Lazaro Fields
Reynolds Henderson
James Holton
Will Kastroll
Scott Thomas

The following Citizens staff members were present:

Barry Gilway	Paul Kutter
Jennifer Montero	Violet Bloom
Brian Donovan	Karen Holt
Barbara Walker	Jay Adams
Bonnie Gilliland	Andrew Woodward
Christine Ashburn	Jeremy Pope
Kelly Booten	Joe Martins
Belinda Miller	Mark Kagy

The following people were present Telephonically with open speaking line: (Forms on File)

Dave Newell	Florida Association of Insurance Agents
Tom Gallagher	
Roger Desjaddon	Florida Peninsula Insurance
Mel Montagne	Fair Insurance Rates in Monroe
Daniel Sammes	Greater Marathon Chamber of Commerce
George Garrett (Brian Shea)	City of Marathon
Kurt Lewin	First State Bank of Florida Keys
Heather Carruthers	Monroe County
Suzanne Moore	Chamber of Commerce Key West

Call Meeting to Order

Barbara Walker: Good morning and welcome to Citizens Board of Governors webinar hosted through the Zoom platform – this meeting is publicly noticed in the *Florida Administrative Register* – to convene at 10:00 AM. For any users who are attending today's session through the public link, you are automatically in listen-only mode, except for those speakers who have requested to speak; we should have your phone number, and we will identify your line and open it for public comment. Speakers will have three minutes for public comment. Please remember that if you are on a speaking line, to mute your line, because we can hear background noise, which could interfere with everyone hearing the meeting. Citizen's board and committee meetings are recorded with transcribed minutes available on our website. Also, today, we are being broadcasted on the Florida Channel. Thank you for identifying yourself prior to addressing the board. For the record, there have been six public requests to speak. Chairman Beruff, would you like me to proceed with roll call?

Roll call: Chair Carlos Beruff, Vice Chair Carlos Lopez-Cantera, Bette Brown, Marc Dunbar, Lazaro Fields, Reynolds Henderson, James Holton, and Scott Thomas were present. William Kastroll later joins the line.

Barbara Walker: Chairman, you have a quorum.

1. Approval of Prior Meetings' Minutes

Chair Beruff: Thank you, Barbara. The Chair will entertain a motion to approve the minutes of the last meeting.

Bette Brown made the motion to approve the December 16, 2020 Board of Governors meeting minutes. The motion was seconded. All were in favor. Motion carries.

2. Chairman's Report

Annual Recommended 2021 Rate Filings Presentation

Chair Beruff: We are now going to move into our first presentation and that is Brian. Go ahead, Brian.

Brian Donovan: Good morning, Chairman and Board members. I'm Brian Donovan, Chief Actuary at Citizens, and I'll walk us through the 2021 Rate Indications. Just a reminder on how the process works – Citizens Board directs staff to make a filing to the Office of Insurance Regulation (OIR). The OIR then has 45 days to issue an order. The order they issue is the final say on the rates. As always with the filing, we are in compliance with the statutory glide path, which limits all Citizens policies, new and renewals, to no more than 10% increase for any single policy. And, as always with the filing, we do provide all information on uncapped rate indications and recommended capped rates. I just got a review of where we are at. We met in December and went through a lot of, you know, through the initial proposal. I'm not going to go through all of those details again. I'll just give a summary of that and just kind of discuss what we did, you know, in the meantime based on the direction of the board. So, when we met in December, we talked about the overall litigation rates coming down which had a positive impact on

rate needs. In particular, we did see positive results from the Managed Repair Program (MRP) and House Bill (HB) 7065. We also discussed resource provision and really the biggest difference between Citizen's rates and private industry rates is the amount of reinsurance that's purchased. Also, we did talk about changing the rating factors for HO3 and HW2 policy plans, in particular the wind mitigation credits; that's still our intention to include that in this filing. Also, for the first time in Citizens' history, we are still recommending a rate decrease for sinkhole rates. And, where we landed with all of that rolled up to company-wide the uncapped rates need was 17.1%, and after the 10% capping, we have a proposed capped rate change of 4%. Based on the, you know, discussion at the board, and the fact of the increasing difference between the gap growing between Citizens rates and the competitor rates and the growth Citizens is having and projected to continue to have, the board directed us to go back and see if there was any way we could close the gap to try to address some of those issues. What we did is that we went back and made three adjustments to this filing to our initial proposal. First is we added a Risk Factor. I'll talk in a little more detail about this. This is the factor that recognizes the cost that Citizens has with risk to its surplus to storms and allows Citizens to set aside additional premium to help protect Floridians from assessments. It is within actuarial standards of practice. Second, we selected higher model results. Typically, you know, historically, we look at four models. We had been taking the median of the models. With this revised indication, we are recommending, you know, we are selecting the higher one in the range of the four models we have. And then thirdly, we capped all policy decreases at 0%. So, the Risk Factors – so the idea of the Risk Factors, we recognize the cost of risk of Citizens' surplus to storms, and because of this additional surplus is not covered by reinsurance, it's a cost of providing insurance and it is recognized . . . it is a recognized component of an actuarially sound rate. Our approach is standard and actuarially appropriate. It estimates the cost of the risk to Citizens surplus using the market rate of reinsurance. Basically, we looked at our layer chart between above the Florida Hurricane Catastrophe Fund (FHCF) retention all the way to a 1-in-100-year storm, and where we have surplus that's not being covered by reinsurance, which a private company does have that covered by reinsurance, where we have this bare or exposed surplus that's supporting Citizens' policy, we do calculate a cost of the availability of that capital. That's an appropriate thing to do. Our basis for that is that we do look at reinsurance rates, but it is important to understand that it's not the same as a provision for reinsurance that we're putting into our rates that we're not purchasing. We start with the reinsurance rates, we back out the reinsurance admin cost, and then we just kind of focus on or get an estimate of what their cost of capital is minus their administration cost. As a result, you know, it's a little smaller than what a reinsurance provision would be. Second, with a higher model selection, as I mentioned and what we talked about before, we have the results of four approved hurricane models, and we take the median of the model. You can think of the median as the midpoint of the two in-between models. We take a midpoint there. When we take a step back there, that's a reasonable thing to do; but when you take a step back, just realize there are two reasons why it's important, this idea of maybe that's not the appropriate thing to do for Citizens at this point, and we really should be selecting the higher end of that range or models. First, is the fact that while Citizens, you know, we're growing. What do we expect to happen? Keep in mind, when we did this indication, it's based on our book of business at this point in time, and we are growing, and we are projected to continue to grow. It's reasonable to assume that companies shedding the policies aren't going to be shedding their best policies. They're going to be shedding their less than best policies, and as a result, that would be for adverse selection for Citizens. So, these rates would be in affect starting August 1, 2021. We want to try to account for the fact that we expect the hurricane indication would worsen with this larger book of business. Secondly, now that we are three years out from [Hurricane] Irma, we've seen something, and the industry has seen this as well – something that's termed "social inflation." Basically, you know, the hurricane models are based on past hurricane results and all the things modelers do, but one thing we

couldn't possibly capture, or our understanding couldn't capture, is what we've seen with the litigation rate in recent years. We've seen throughout the industry in Florida that there were severe, adverse development on the initial Irma claims, or Irma reserves, and those Irma reserves were initially based on the model results and a lot of the conclusions and a lot of the industry-wide discussion is that there is social inflation that perhaps had not gotten time to make it through the hurricane models. These are two reasons that support the idea of using the higher end of the hurricane model results. Anywhere in that range is actuarially acceptable. Basically, instead of giving the median, you know, looking between the two middle models, we're now looking at it between the highest two models. That's how we're making our selection. So, all of that rolls up into this. If we look down, you know, at the bottom right corner, like I said, our initial indication overall, we had an uncapped indication of 17.1% with a proposed change of 4.0%. With the changes I just discussed, our uncapped indication is 29.7%, and after the application of the glide path, it's ~~7.3%~~¹ [7.2%]. We talked about this before. Why ~~7.3%~~ [7.2%] when it's 29.7% overall? Why are we getting ~~7.3%~~ [7.2%]? As we discussed before, most of our policies are well above a 10% indication and we take 10% there. Then, we have 60,000 policies with a negative indication. We're taking 0% there. All of that adds up to ~~7.3%~~ [7.2%], and that's why we don't get to 10%. You can see that this is the histogram of policies with rate changes for the Personal Lines Account (PLA). If you look at the bottom – this histogram is a little different than in the past. It doesn't go to -10 or -1 (the bottom range there). The bottom line is that for homeowners in the PLA, we see 78% of the policies will have an increase, Dwelling 98%; Condo 100%; Mobile Home 93% will have increases. We see a similar story when we look at the Coastal Account. Same story: 89%, 96%; 100% . . . you get the idea. The vast majority will get increases. No one is really getting decreases. The ones getting decreases are 0% or -1%; this is due to individual policies impact of the Florida hurricane cash built up on individual policies and a little bit with the sinkhole that we talked about. And, so across the state, the HO3 multi-peril, what sticks out when we look at this before, Miami-Dade had a slight overall decrease when we talked about this in December. Now it's close to a 5% increase. Once again there is a benefit to the reduction in the litigation rates in Miami-Dade. In past years it was 10% across the board for Miami-Dade, but there is a benefit to the drop in the litigation rate. You know, there are increases across the state . . . same thing for wind-only. This is the wind-only increases. That's the overview of the rate indications. I'll stop there for any questions or comments. [silence] Okay. The next item that we're going to discuss . . .

Marc Dunbar: Just Cliff Notes – we are taking basically a much more extreme approach to our risk analysis and the rates as a result of it in this filing than we historically have. Is that basically the short version of what you said?

Brian Donovan: That's correct.

Marc Dunbar: Okay. Just wanted to make sure I understood. So, on a moving forward basis, and maybe this is for the Chair, we are going to – if this is adopted – continue this pattern until we get to actuarially sound rates, right, Chair? I mean that's the objective?

¹ *Although referenced in several places as 7.3%, the correct number is 7.2% as quoted from page 23 and Brian Donovan said, "The first action item is related to the recommended rate filings and the rate changes. This action item covers what we discussed about the rates for renewal business. After the application of the glide path capping, the recommended rate is 7.2% for Personal Lines and the recommended rate for Commercial Lines is 8.3%."*

Chair Beruff: The objective – and I agree with what you said – but I would like to add is that the objective is to create a healthy, free insurance market in Florida that better represents what we are supposed to be which is the insurer of last resort. Does that help?

Marc Dunbar: Yes, I get it. The idea is to get to a place where we return to the insurer of last resort as opposed to the cheapest insurer on the marketplace to help the other private markets to be able to offer competitive rates that have to be actuarially sound. We are artificially capped, right?

Chair Beruff: That is correct.

Marc Dunbar: Do you want me to make a motion or what do you want me to do?

Chair Beruff: Governor Fields has a comment.

Lazaro Fields: Thank you, Mr. Chairman. Brian, can I just ask: what is the Risk Factor? How does it affect our policyholders? How does it affect the working mom? Who is it being applied to? Is it being applied across the board in an arbitrary fashion?

Brian Donovan: The Risk Factor is really . . . it measures risk of assessments due to hurricanes as such the way it affects individual policyholders. It's not an across-the-board flat charge. It's going to be a function of the wind premium, so if you're on the coast and you have a higher premium, the impact of the Risk Factor will be greater. If you're more inland, the wind premium is not as high.

Lazaro Fields: So, people on the coast are going to see higher increases as a result of the Risk Factor than those further inland?

Brian Donovan: Certainly, before capping. If you look at some of the wind-only policies, if you're already capped at 10% on the coast, the Risk Factor will definitely increase your uncapped indication on the coast than more inland. But, yes, to directly answer your question, it does increase the indication of uncapped indications of people on the coast more than those who have less wind premium inland.

Lazaro Fields: Is this something that the board has considered before? Is this a new idea? What is the genesis of the Risk Factor?

Brian Donovan: In the past, this idea has come up in various ways. There was a short period of time, like in 2005 and 2006, there was something in legislation that says, "Citizens should include a provision for reinsurance up to 100 storm years, where even if they don't purchase it . . ." I don't think they actually . . . I don't think it ever hit the streets so to speak, but in the meantime since then in previous years, we've discussed at the board and rate hearings this whole idea of something similar to this Risk Factor – just this notion to recognize that this surplus is supporting (these assessments) are supporting Citizens policies. The idea is not brand new; it's been discussed in various forums.

Lazaro Fields: And it's intended to counteract our current book of business or the policies that are incoming or both?

Brian Donovan: Both. Stepping back, the idea is what is the cost to provide insurance? What is the cost to Citizens/Floridians to provide this insurance? What's backing it? When we're talking about

actuarially sound rates, you have to account all the costs, so this supports the current book of business and any business we would have in the future.

Lazaro Fields: And, finally, Brian, the cap on the existing policies – bottoming out the cap to 0% – how does that affect our directive to have actuarially sound rates, and in the grand scheme of things, how does that work?

Brian Donovan: When you think about actuarially sound rates, you can really think of it . . . there's two items that really you think about: first, is in the aggregate companywide for a particular line of business or across all lines of business. Overall, when we just said we had 27.1%, that's what I'm talking about. The second item about actuarially sound rates is really individually, so there are these two considerations: on the individual level and in the aggregate. When we bottom out decreases at 0%, what we're doing is we're giving more weight (more consideration) to that overall actuarial soundness. What it does is zero out decreases, addresses more directly, and gives more consideration to that 27.1% - that overall rate adequacy – or that actuarial soundness. Quite frankly, it's the expense to those who would otherwise get decreases. In a perfect world where we're uncapped and everyone is actuarially sound and everyone would pay, we'd give everyone the decreases and give everyone all the increases and then we'd be actuarially sound.

Lazaro Fields: Thank you, Mr. Chairman.

Chair Beruff: Thank you. Any further comments or would you like to continue the presentation? I would prefer to entertain a motion at the end of the presentation, if it's okay with the other board members because I'd like to have a presentation, have public comment, close public comment, then have an open discussion amongst the governing board members, and then proceed with a motion if that's okay with everyone. Thank you, Brian.

Brian Donovan: So, the second item we discussed in December is uncapping new business and this is what we talked about when we met in December – uncapping new business, as we pointed out, you know, 46% would actually see a decrease. Once again, let me back up, to get a feel of what we'd expect if we get new business coming in, we'd look at our current book of business and say, "What would it look like if we uncapped it?" That's used to estimate what we would expect with new business coming in the door in the future. So, when we met in December based on those indications, you know, 46% would've had an average decrease of 3%, and 54% would have an average increase of close to 22%. Now with this updated proposal, two things are different. One, while everything I talked about with what we . . . how we adjusted the uncapped indication and then two, we're capping decreases here as well. So, this shows the impact of the higher indication – uncapped indication – then capping decreases. New business . . . so basically with this option, new business would receive the actuarially indicated increases but not the decreases. So, in this case, close to 78% of new policies would have an increase where roughly 23% would have a decrease, and on average, between the decreases and increases, there would be a 21% increase rate for new business. That's across all personal lines and across our dominant lines of business – HO3 and HOW2 – we break it up by region. Close to 96% of policies in new business – once again, new business policies coming in – 96% on average would have a 53% increase in Monroe and then you see the rest of the state 84%. Bottom line is that, you know, HO3 close to 70% would have a 20% increase – would be an average 20% rate increase. That's the high-level discussion on what I had to present regarding the uncapping of the new business.

Chair Beruff: Does that complete the presentation?

Brian Donovan: Yes.

Chair Beruff: At this time, we'll entertain the public comments . . . the folks who are registered with us. Barbara, do you want to call the individuals by name?

Barbara Walker: Yes, sir, I will. Thank you. Just to remind everyone, each member of the public who submitted a speaker request form will be allowed three minutes a piece, and I will be timing and will let you know when those three minutes are up. I would like to see if Dave Newell is on the line.

Dave Newell: Barbara, I'm here.

Barbara Walker: Dave, we've got you, but we have a little reverb in your speaking. Hold on one second. Speak a moment and let's see if we can clear that up.

Dave Newell: Thank you, Mr. Chairman, and board members. For the record, my name is Dave Newell, Vice President of Membership and Industry Relations, here with the Florida Association of Insurance Agents (FAIA). FAIA has over 2,000 member agencies representing over 25,000 independent agents in Florida. We follow the Florida market very closely and have a wealth of data and knowledge in this space. That being said, we'd like to offer those resources to work with Citizens' staff as they complete their due diligence on the topics being discussed today. Thanks for your time in allowing me to speak today to the Citizens Board of Governors and I'm certainly open for any questions, Mr. Chairman.

Chair Beruff: Thank you.

Barbara Walker: Thank you, Mr. Newell. Next up, we have Tom Gallagher.

Marc Dunbar: This is Marc Dunbar. I have a quick question for Dave.

Chair Beruff: Please proceed, Mr. Dunbar.

Marc Dunbar: Hey, Dave, do you support the rate increase that we're doing?

Dave Newell: The rate increase?

Marc Dunbar: Yeah. For the proposal that's in front of us?

Dave Newell: I'm hearing a lot of feedback. I don't know what's going on.

Chair Beruff: The question was – the question for Mr. Newell is whether or not you support the rate increase?

Dave Newell: FAIA supports a competitive marketplace. So, we're not here to comment on the actual rate increase that's being proposed.

Chair Beruff: Mr. Dunbar, do you have a follow up question?

Marc Dunbar: I'm going to take that as a "yes," Mr. Chair and move on.

Chair Beruff: Okay. Very good. Thank you.

Barbara Walker: Thank you, Mr. Newell. Next, we're asking speaker Tom Gallagher. [silence] I'd like to thank everyone for their patience while we queue up these speakers.

Tom Gallagher: Hello?

Barbara Walker: Mr. Gallagher?

Tom Gallagher: Yes. Can you hear me?

Barbara Walker: Yes. I can hear you very well, sir. I will go ahead and start your three minutes. Thank you.

Tom Gallagher: Okay. As I stated . . . Citizens is sort of my baby. I came up with the idea and got the legislature to pass it many years ago. And it was a merger between the residential property Joint Underwriting Association (JUA) and the windstorm pool. The residential property JUA started after Hurricane Andrew when we had no coverage/no companies willing to write business. And, so most of them left the state. We started Citizens and when we did the law was very clear that Citizens' rates must be equal to or above the top 10 people writing in every territory. That was in order to keep a competitive marketplace, and what has happened is there was a law change in [20]07, I think it was, that basically said Citizens couldn't raise the rates more than 10%. That's unfortunate when tough markets come and you have a real tightening of reinsurance, sometimes 10% isn't enough. Right now, the private sector is getting tremendous increases over the last couple of years in reinsurance costs, and of course Citizens hasn't had to pay that and really hasn't kept track of that either. It's put Citizens in a very competitive place, which is not really where it was ever designed to be. So, I want to tell you that I do appreciate what you're looking at today because it is putting it back in the direction that it needs to go in order to have a competitive marketplace. Without that, Citizens is going to get to be where it was before, a million to 1.5 million policies. The problem with that is it's a major strain on the ability to pay claims and it's going to cause every single policyholder that has a property and casualty policy in the state of Florida to get an assessment. And, yes, that was the design if you have a big thing that's not anything that people want. So, the key is to have accurate, good rates and put the money aside to be able to pay for those catastrophes when they happen. I want to thank you for looking to get around or try to make sure that there is a competitive marketplace because the private sector cannot compete with Citizens, with the rates Citizens is charging. That's my testimony.

Chair Beruff: Thank you, Mr. Gallagher. By the way, it's been many, many years since we've met but I still remember.

Tom Gallagher: Thank you. I do, too.

Barbara Walker: Next on deck to speak . . .

Marc Dunbar: I have a quick question for Tom. This is Marc. Can I ask Tom a question?

Chair Beruff: Please proceed, Governor Dunbar.

Marc Dunbar: It'll be quick. Tom, thanks a lot. Obviously, you're an encyclopedia and taught me a lot of what I know about insurance. Let me ask you a quick question. You mentioned that in 2007, can you for the benefit of those on here-who led the policy charge for capping Citizens to put us in this situation?

Tom Gallagher: It was Governor Charlie Crist.

Marc Dunbar: That says it all. Thank you so much.

Tom Gallagher: You're welcome.

Chair Beruff: Mr. Dunbar, do you have a follow up question?

Marc Dunbar: No, sir, thank you.

Barbara Walker: Thank you, speakers, and for everyone's patience. Next is Roger Desjadon.

Roger Desjadon: Hello?

Barbara Walker: Yes, sir. We can hear you very well. I'll ahead and start your three minutes, sir.

Roger Desjadon: Okay. Good morning. Thank you. I don't like following Tom Gallagher for obvious reasons, but be that as it may, let me try to add a few things. First of all, just a few questions and points – I thought Brian Donovan did a wonderful job actually of explaining the rate indications. Brian, that was really good. Thank you. But a couple of questions . . . you talked about the new business under . . . and I'm assuming it's your proposal . . . the new business would receive a 21% increase with the change that you're proposing, if, in fact, it's adopted by the board. But I just want to point out the new business policies are not getting an increase because the new business policies aren't with Citizens to begin with. So, what would happen, is the charge for future new business would be 21% higher than it is currently which would bring it up to the average of what Mr. Gilway said in his presentation a few days ago, on average to 22% less than the rest of the market. I just wanted to make that comment. The other comment I really had (and I apologize for talking quickly; there are a few things I want to get across) . . . the other point is that you don't achieve actuarial parity, or you don't achieve actuarially sound rates when you have a 29.7% indication, and you take ~~7.3%~~ [7.2%]. That's not a disparaging comment; I'm just pointing that out that, in fact, you really never catch up; and so, we find ourselves in a rather difficult position because, again, I'm going to quote Mr. Gilway only because I've known him a very long time and because I think he's done a phenomenal job . . . but if Citizens' rates had to be reviewed on the same basis as our companies had to be reviewed, the Citizens rate indications would probably be triple what you're looking at. So, I just want to make that very clear that when we talk about actuarially sound rates, it's a bit of a misnomer depending upon what you're evaluating. Where does that leave us? I find this to be a key point. For those of us who are old enough to remember the old Popeye cartoon with Wimpy, I put in the category of "I'll gladly pay you Tuesday for a hamburger today." Back in 2011, Citizens had a storm risk in excess of \$24B in an assessment potential in excess of \$11B. Barry, those are your numbers, and it was a fantastic presentation, by the way. By 2014, Citizens had reduced that from \$24 to \$16B with an assessment risk of about \$2B. By 2019, both the risk and the assessment potential

were down, absolutely amazingly down frankly. It was quite an accomplishment and I applaud you. The problem is that happened because there was a two-thirds reduction in policies. That was part of a plan to reduce policies by that much. That being . . .

Barbara Walker: Mr. Desjadon?

Roger Desjadon: Yes?

Barbara Walker: Your three minutes are up, sir. Could you quickly wrap up your comments?

Roger Desjadon: Yes. Thank you. I strongly advocate . . . there needs to be disparity . . . I understand the political environment. There needs to be a rate disparity between new business and renewals because companies cannot take policies. Citizens is going to grow. You cannot even write new business because of the rate differential between Citizens. Thank you very, very much for your time.

Chair Beruff: Thank you. Next speaker, please, Barbara.

Barbara Walker: Mel Montagne, the next speaker.

Mel Montagne: Am I on?

Barbara Walker: You're on. Thank you. I'll start your three minutes.

Mel Montagne: Thank you, Mr. Chairman, board members, and Citizens staff. Thank you once again for you time this morning. My name is Mel Montagne and I'm the President of Fair Insurance Rates in Monroe (FIRM). FIRM is a nonprofit formed in 2006 that fights for fair and affordable property insurance rates for the residents in Monroe County. Citizens is often considered the insurer of last resort for many in Monroe County and the only option for wind insurance. We pay close attention to how Citizens' recommendations will affect our residents and I just want to be clear that we are vehemently opposed to any lifting or circumventing of the 10% rate cap. My comments – rate indications have now gone from the median of all four models to using the third and fourth highest model. We do not agree with your reasoning for this of adverse selection, increased litigation, especially in light of the new Assignment of Benefits (AOB) legislation. This seems to skew rate indications higher and does not present a true blend of late. Staying on the models of Citizens, on the Commission of Hurricane Loss Projection Methodology, each and every model to run projections, on natural storms such as Irma, to determine how closely to actual lost data – since 2000 we've had approximately 124 named storms, tropical storms, and tropical depressions which should supply enough data for each model to report how close the projections actually came to the losses. This would allow Citizens or the commission to assign a confidence factor to each model. Finally, the summary states that RMS is now requiring Citizens to designate their model results as a trade secret. While I realize this has no bearing on how results are incorporated into the rate indication, why suppress the data? Furthermore, if you let this stand, then we can expect other models to go the same route. These models in the base rates must be transparent for the sake of analysis as we have seen in the past and we are now seeing in the flood models that we in Monroe County are now analyzing, they are very far from perfect. Thank you.

Chair Beruff: Thank you, sir. Next speaker.

Barbara Walker: Next speaker up is Daniel Sammes

Daniel Sammes: Okay, can you hear me, Barbara?

Barbara Walker: Yes, I can. Thank you. I'll start your three minutes.

Daniel Sammes: Thank you very much. Commissioner and fellow board members, I'm Daniel Sammes, representing the Greater Marathon Chamber of Commerce in Monroe County as well. I'd like to echo Mr. Montagne's comments just before me. I'm not an insurance professional like you all and like Mel is; however, we represent our local businesses here in the middle keys and the Florida Keys in general. I can imagine other chambers of commerce throughout Florida would probably echo my sentiments as to uncapping these wind rates to these premiums. I think we could do a lot of unintentional damage to our business owners, many of which you rent commercial properties, of which once those rates are up the owners will pass that expense on to the tenant as well as our homeowners. Here in Monroe County, we really work hard to build as much affordable housing as possible, but we're not alone. This is an expensive state to live in, especially on the coastal areas where hospitality is the primary industry, so once again we feel that this uncapping of rates could negatively affect the affordability to live and work in Florida and once again that is the driving engine of our economy as a state. So, please keep that in consideration. I understand the challenges that Citizens and that you all are facing with a cap on the rates limiting your ability to get to where you feel like you need to be, but when I do look at some of the gross numbers from 2003 to 2018 of premiums brought in versus claims that you paid out, there's been a, from what I've gathered, a net profit of \$5.6B of the 29 coastal counties of the state. Monroe County, as we call it, refer to ourselves as a "donor county," with exponentially higher rates, but we have some of the best building codes in the state, if not the country, of which are very proud. Obviously, we had a number of claims with Irma but not nearly as many as our neighbors to the north and the panhandle after Michael because our building code is so sound, similar to Miami Dade and Broward Counties. So, we would ask that you please keep those in mind and to please keep the rates capped. Thank you very much for your time.

Chair Beruff: Thank you for those comments. Next speaker, please.

Barbara Walker: George Garrett. Mr. Garrett, are you on the line? Mr. Garrett, we show your line is open. Are you on the line?

George Garrett: Can you hear me?

Barbara Walker: Yes, we can hear you, sir. I'll begin your time. Thank you.

Brian speaking on behalf of George Garrett: This is actually Brian Shea. George had to step out briefly for something, but same comments as Mel and Daniel. The City of Marathon believes that we have very strict concerns regarding the rate increase. We hopefully would like them to not increase and to have them stay as they are. That is all we have. Thank you.

Barbara Walker: Thank you for speaking on behalf of Mr. Garrett. Next up is Kurt Lewin. Mr. Lewin, you have an open line.

Kurt Lewin: Hello?

Barbara Walker: Yes, sir. We can hear you. I'll begin your time. Mr. Lewin, did we lose you?

Belinda Miller: Looks like he might be muted.

Barbara Walker: Mr. Lewin, can you hear us? Sir, you're on the phone line. We cannot unmute your line. You have to unmute yourself.

Kurt Lewin: I'm trying.

Barbara Walker: I think you did. Go ahead, sir.

Kurt Lewin: I can't unmute. I don't know.

Barbara Walker: We can hear you now. Go ahead.

Kurt Lewin: Oh great. Thank you very much. Thank you for the time. My name is Kurt Lewin, First State Bank of Florida Keys. Obviously, Daniel and Mel outlined good facts. I do want to follow that up a little bit and tell you that we appreciate everything that Citizens has done. I've been working with Citizens over the last 30 years, but it's important for me and for us to let you know that the uncapping of the rates will have a serious effect in this community. If the rates are uncapped, residents and businesses – it's going to have a serious impact on the local community, especially for the residents. Large increases in insurance costs . . . it's going to increase the cost of housing which is already high, rental rates will go up, and the costs will be passed on to the owners. We have very little affordable housing already and this could be a catastrophic blow to our working-class community. You know, it's simple. From a business perspective, less home sales obviously impact mortgage funding. Rate increases could also impact mortgage defaults; obviously that's a concern of ours. We urge you to please keep the cap in place for the protection of our local residents and businesses. An increase in insurance costs in this county has a dramatic effect on people's lives. The cost of living here is extremely high. Most people now really work two jobs. The increase in insurance costs does not bleed into someone's disposable income luxuries. It literally, and I'm not being overly dramatic, will eat into people's ability to buy food. It's a very simple formula. We're already stressed for cost. We're already paying a high rate for insurance. We're asking to please cap that because it is an important part of this community's ability to continue to operate in a very positive fashion. Any increase has a negative impact on our business. We ask that you please be aware of that and please take this into consideration and please do not remove the cap. Thank you.

Chair Beruff: Thank you. Any comments or questions from the board members? Mr. Fields?

Lazaro Fields, Mr. Donovan, kind of in line with what Mr. Lewin said, but has there ever been some appetite or consideration given to capping the uncapped new business – putting a hard number on how much higher it actually could be and potentially on what affect that could have on the housing and affordability in the state?

Brian Donovan: I'll answer your first question first and then defer your second question. I think what you're getting at . . . when we talked in December, we did point out that if we uncapped new business here's the average change but there could be outliers; there could be 100% new business rates go up 100% for certain type of risk. So, if we wanted to uncap the new business and then put in this additional

cap to somehow ensure that there's a maximum increase, certainly that's a reasonable consideration that could be accommodated. As far as the second in terms of impact on the economy, no we have not entirely done any sort of study on that. I don't have hard numbers. I do understand what the folks in Monroe are describing, but I do not have . . . you know, I'm not an economist. I haven't seen a study precisely that would qualify what was being described there.

Chair Beruff: Governor Fields, I apologize, but apparently there's at least one more public speaker that I failed to call. So, if we can finish with the public speaking and possibly two. Is that correct?

Barbara Walker: Yes, sir.

Chair Beruff: So, please request the two that are remaining.

Barbara Walker: Thank you. Heather Carruthers?

Heather Carruthers: Hi. Can you hear me?

Barbara Walker: Yes, we can hear you. I'll begin your time. Thank you.

Heather Carruthers: Thank you very much and thank you very much for the opportunity to speak. I will reiterate to some extent what my other colleagues from Monroe County have already said. I'm reminding Citizens Board that we are a very small portion of your total portfolio yet continue to be a donor county over time. I just turned over some discussion on whether or not some insurance rates do have impact on property values. The Rand Corporation did a study, I think, after Super Storm Sandy that estimated that for every \$500 increase in property insurance, you saw a \$10,000 decrease in property value. Clearly local governments rely on property values to operate and to be able to continue to provide the services their citizens provide. If these increases go through, they will have a dramatic effect here. I would also suggest that perhaps some of the problems that Citizens is dealing with is of their own making. You know, if you are having legal challenges, frankly, perhaps it's because your customers are not feeling that they are being adequately listened to when they are making their claims. If the private industry is sloughing off their higher risks, that's partly because you will not even insure anyone over \$750,000 in value, and here certainly in the Keys, it's very difficult to build a home that meets our very strict building standards and wind load standards at \$750,000. These are all, to some extent, issues that I think need to be looked at from a different direction. We do have the highest code in the state. We have the longest period of time and certainly every time we have any kind of turnover in properties here, which happens quite a bit, we see even more resilient properties as a result. This will have a dramatic effect on our property values here, and the ability of the people who actually work and keep this economy floating . . . this economy that provides \$200M in sales tax revenue plus a loan to the state in a net version every year. . . this kind of increase on property insurance will have a deleterious effect on the economy here, and I strongly oppose along with my colleagues any increase in Monroe County. Thank you, again, for your time. I do hope that you will reconsider this increase as well as taking just the top two models as your barometer. Thank you very much.

Will Kastroll: If Heather is still on the line, I know it's only three minutes, so it's very difficult to get your point across in three minutes. I just want to know . . . could you clarify: you said Citizens has customer service issues?

Heather Carruthers: I would say that if policyholders feel that they have to get legal advice in order to have a claim made, then that certainly indicates that, to some extent, the policyholders are feeling that the claims are not being paid to allow them to actually repair their homes.

Will Kastroll: Which specifically with Citizens, Heather?

Heather Carruthers: Well, you all put up Citizens legal problems in this presentation that I saw and talked about how much litigation is impacting your rate structure.

Will Kastroll: Okay, so your experience is anecdotal, correct?

Heather Carruthers: And based on what you have just shown us based on the presentation that litigation is driving some of your financial problems.

Will Kastroll: Thank you for your clarification.

Chair Beruff: Thank you, Governor Kastroll. Mr. Gilway has a comment to add.

Barry Gilway: Thank you, Mr. Chairman, and for the record, Barry Gilway. I do want to point out that we've done extensive presentations that basically indicate the litigation issue is not a "Citizens issue." If you take a look at the overall numbers, we've demonstrated many times, in 2013, there were 27,000 litigated cases across the industry. This is not a Citizens number. If you take a look at 2020, there were 85,600 litigated cases. Across the industry, virtually every company starting primarily in 2014/2015 timeframe has a staggering increase in litigation. It's not a Citizens issue. In fact, during that same timeframe, what you'll see is that Citizens, despite growth, Citizens litigation actually dropped while the overall industry has increased dramatically. There is no question in my mind that Monroe County is a very unique jurisdiction, and as a result, basically, we are the only primary admitted insurance, you know, for wind insurance in Monroe. I think we write close to 70% of the total business, and the reason for that is other companies will not participate in the Monroe marketplace. It is a very, very restrictive marketplace due to the overall profitability issues. The point I did want to make though is that from a litigation standpoint this is not an isolated issue relative to Citizens. It is an overall industry issue and litigation has increased well over 300%, you know, the over the course of the last five years for the overall industry. It continues to increase consistently across the industry. So, thank you, Mr. Chairman.

Chair Beruff: Thank you, Mr. Gilway. Does that conclude public comment?

Barbara Walker: No, sir, we have one more speaker. Susanne Moore? Ms. Moore, you should have an open line. Ms. Moore, we see that you have an open line. Are you ready to speak? Ms. Moore, are you there? Ms. Moore, you need to unmute your line; star six to unmute your line. You do have an open line.

Susanne Moore: Okay. Can you hear me now?

Barbara Walker: Yes, we can. I'll start your time. Thank you.

Susanne Moore: Okay. Thank you. Good morning, everyone. Thank you for the opportunity to speak. I understand there's a very important issue, which I really wanted to just take a couple of minutes. I'm

talking on behalf of the Chamber of Commerce in Key West. I am the current president of the chamber. We were informed of this through our realtor's association of the plan to remove the 10% cap, so I do just want to tell you, that we had a very devastating year here in Monroe County, not just because of the impact of COVID-19. We've also seen tremendous changes in our local economy with a referendum that no longer has cruise ships coming to our island. I understand cruise ships are nationally no longer sailing; however, you know, the future is changing a lot because of those two large factors that will impact our local economy. Now, you know, we have very high, it is very expensive to live in Monroe County because we have huge demand for our real estate. What this has done has increased rent to exorbitant rates and so if we have another increase of more than 10%, and I've looked at some of the projected figures, if we have increases like this, what's going to happen is that these increases will reflect huge rent where our people will just not be able to pay rent. Right now, we have dire consequences on our island because of what is happening with COVID-19 and what's happening with our cruise ships; and if we see huge increases, our people are not going to be able to make rent payments because the rent will be too high and people will not be able to make mortgage payments because our rates are going to be too high. That's going to have a detrimental effect on our local economy, so I concur with everything that Heather said. She's much more well-versed in this than I am, but as a business leader, a local representative of our local business community, I would implore you that you would reconsider removing this cap because it will have detrimental effects on our local economy. That's all I have to say. Thank you.

Chair Beruff: Thank you, ma'am, for your comments. Does that conclude public comment?

Barbara Walker: Yes, sir. That completes public testimony.

Chair Beruff: Now I will close public comment. I'd like to take some time to discuss with the board members my findings in this short period of time on this board. Most of you will understand and appreciate everything I'm about to say because you already know this to be true. We are at a perfect storm in time because we do have a pandemic, so the last thing we want to do is raise rates on people who are already suffering the consequences that they have no control over. Monroe County is one of those places where we have to be very sensitive because, at the end of the day, we are the insurer of last resort for most of Monroe County. So, I think with that in mind, if we are diligent and careful on how we implement anything we go forward with, we can solve some of the problems. I have to say that I've looked at Citizens now and recognize that we really can't run business because we're more or less . . . if you can get this picture, we're the Titanic, but it's high noon and you can see the iceberg clearly, on one side of the rudder, there's OIR and on the other side of the rudder there's the legislature who keeps us from doing the necessary things we have to do in order to right the ship. We have a very limited amount of things we can do in order to make this a healthy market. Some examples that I think you'll agree with – it is beyond comprehension for anyone who's rational and has common sense that an event in September 2017 called Irma allows people to file claims three years later. How can an insurance company properly size their litigation responsibilities when they have to leave that open for three years? You can't calculate your costs on how to run your business. You're simply not going to do business in Florida. So, one of the easiest things we can do and advocate for . . . by the way the legislative team in Citizens has done a great job putting together a concise program to try to get some improvements through the legislature . . . but reduce that period to one year. Who in their right mind can't figure out they had a problem a year after an event? It seems to me that it lacks logic and common sense, and we have to proceed with that kind of common sense in order to fix this so that insurers can better calculate the risk of doing business in Florida. Another thing – you can make a claim and file a

suit essentially at the same time Florida. There is no notice to cure; there's no notice for an insurance company (and not just Citizens, but all insurance companies) to say, "Hey, we think you owe us this money for these damages, and we give you 60 days to come assess it before we sue." To me, that is a commonsense solution that again should avoid and reduce the amount of litigation, which is running premiums up for all of the insurance companies that operate in Florida: simple, not complicated, most solutions are; they complicated it unfortunately because people want to complicate them for reasons that sometimes are not in the best interest of the public. So, as I move forward, and I see the third thing that I notice is that the policies Citizens owns (or we don't own them actually), so to depopulate our policies, if we wanted to reduce our balance sheet risk and move policies, we can't do that without the consent of every policy owner. So, I asked Mr. Gilway, and Mr. Gilway, correct me if my paraphrase is incorrect, but I said, "Who in their right mind would change policies from Citizens with an increase of 8% or 9% or what insurance agent would recommend to their client to move the policy knowing that we're the most solvent insurance company in the state of Florida and backed by the taxpayers in Florida?" Nobody! So, depopulation today becomes almost impossible for us to do. So, one of the things that we could also advocate for in the legislature is to let those policies be controlled by Citizens, and the OIR would have to sign off on the transfer. We certainly wouldn't want to transfer policies to a company that is not financially solvent and [would want to sign off to a company that has] the capital to be able to stand behind the policies. The other thing that became quite evident, and everybody on the phone calling in this board recognizes, is it there is significant risk of insurance companies that could fail, and we, by statute, have to absorb those policies. I'd like Barbara to put on my presentation, if you would – the PowerPoint. Can you do that?

Barbara Walker: Chairman, before we do that, we do have two action items to read for the rates piece. Can we do that?

Chair Beruff: I'd like to have the very open discussion with the board before we take those actions.

Barbara Walker: Okay, so you want your PowerPoint up?

Chair Beruff: I'd like that. I took some liberty and had staff create some very rudimentary charts for everyone to review. You want to hit the very first one? This is pretty straightforward. It's policy growth. We are at a trajectory . . . you can go all the way to the fourth page, which is the easiest one. If everybody looks at this, we've essentially grown policy risk around \$145B in 17 to 18 months. At that trajectory, we're going to be approaching \$200B in risk by the end of this year and that's if we don't have to absorb any policies from a failed institution. So, in order to protect Citizens in Monroe County, we need to be sensitive to the counties we serve, we need to do a better job of mitigating our risk. Our risk is related to the continued organic growth in our policies. The idea that this company can run on luck, hope, and prayer is not a good formula for success in running any company. So, as we now are in 91% of the cases the lowest priced provider in the market and the strongest financially, it bears that we have to do something about it. So, what I am proposing, is that we either are successful, and we hope that our colleagues in the legislature can help us with some very simple and straightforward and common-sense solutions to reduce the trajectory of litigation in the state not only for Citizens, but for all insurers. If we can't do that, then we are left with the only thing that we have the power to do to reduce cost to the consumer, and that is to reduce the commission rate that we pay our corresponding agents and potentially take into consideration bringing direct consumer services of insurance to save those costs. That's a big lift. I understand that but we are not the only ones that provide (can you go to that slide that shows the insurers that do provide direct to consumer services?) . . . this is a list of direct-

to-consumer service providers in the country which are pretty successful large companies that have done a good job. If we're going to reduce costs to the consumer, I also understand from Mr. Gilway (and he can correct me if I misstate anything he said) we currently do the lion's share of processing claims anyway. So, the lift here is in the middle of . . . it'll be IT related on how you transition. I would like for this board to consider potentially advising staff to go and see what it would take to get us there in a direction by October 1 of this year. By the way, for those of you listening on the line, any rate increases that were to come forward would at the earliest not impact anyone before October 1. We have to be sensitive to the Citizens who are suffering through a pandemic, and we want to be clear that there is no potential rate increases at all before October 1, 2021 at least what Mr. Gilway has told me. That's how long it would take for rate hearings and all of the rest of the process. Is that right, Mr. Gilway?

Barry Gilway: Yes. Any rate increase, at this point, given the deferrals we've had, I think October 1 would be the earlier date. I would make a one comment, Mr. Chairman, and I know you're fully aware of this, and that's any change along these lines will make significant changes to Citizens Plan of Operation and Citizens Statute would have to be . . .

Chair Beruff: Nothing worth doing is easy, but sometimes those are the things . . . the hard decisions that have to be made for the good of the public and for the good of the organization and for the good of the people that we're supposed to provide insurance for, which of the people who can't get insurance like our citizens in Monroe County, which represent a very small part of our book of business. So, those are the ones that we need to protect, I think, the most because those are the ones who are in most harm's way as it relates to historic events of hurricanes which is what Florida has to suffer with. I appreciate the board allowing me to speak, and now before we take any further action, I'd like to have an open discussion with every board member to voice their concerns, their opinion, any solutions that they think can help us reduce the trajectory of growth in Citizens so that we do not become the insurer of last resort and that we bring back a healthy, free market-based insurance market in Florida and we do not become or adopt the policies of states like New York and California where the citizens are reliant on the government to solve their problems. Thank you very much for your patience. Whoever wants to speak, please identify yourself.

Marc Dunbar: Can I ask Barry a quick question?

Chair Beruff: Please, Mr. Dunbar, proceed.

Marc Dunbar: Barry, I shot you an email about Louisiana Citizens and the news on their depop. Did you learn anything since that email that might help shape this discussion on things we should look at?

Barry Gilway: Yes, Governor Dunbar. Kelly Booten and I have been working on an initiative to reach out to all of the residual market plans, and we have pretty comprehensive responses from Louisiana Citizens, Texas plan, North Carolina plan, South Carolina plan, and Massachusetts. The interesting thing about the Louisiana plan, and we have a pretty comprehensive overview provided by Richard Newberry who is their CEO, is that it's a very different plan in that the plan basically only handles wind, you know, coverage. It does not cover primary property coverage; however, you are exactly correct. The result basically is that Louisiana has gone from 175,000 policies down to 35,000 policies. The reason that they indicate they have been so successful really is the topic of the conversation today and that is Louisiana's requirement that the rates must be actuarially sound plus 10%, and secondly that the rates must exceed

the top five companies with the highest market share within any given parish. So, it really comes down to the fact that the requirement in Louisiana is that the plan be non-competitive; that basically they did use as their base the 2007, you know, Citizens model, you know, when they initially instituted that first change. They have been so successful, by the way, they revised their depopulation program and limited the program so that they had enough revenue in order to fund the overall servicing of their residual market mechanism. So, that is from Louisiana. We have similar information from Texas which also has . . . of course, they have two plans: The Fair Plan and the Wind Plan. They have a similar model that basically states that they will be uncompetitive with the private marketplace. North Carolina and Massachusetts all have plans that basically indicate that that they must be uncompetitive, you know, with the overall private marketplace. So, the fundamental difference between Citizens and virtually all of the plans that we have assessed so far – this is confirmed, by the way, by the Florida State University (FSU) team that reviewed some of this information – we really are the only major plan that competes directly with the overall private marketplace, as such causing issues in the private market relative to competition. As Roger Desjardon indicated so well, the issue basically is that, you know, if we are the most competitive player on the street, and as Chairman Beruff indicated, we're the most financially sound player on the street, then it's very, very hard to determine basically other than rates, how business is going to be limited coming into Citizens. I do have a belief today that the limitation is not necessarily rate related today; I believe it is a capacity issue within the overall Florida market. I can go on forever on that issue. There are very, very, very few companies today in the private marketplace that will not write in Monroe, but they also will not write in the Tri-County area and increasingly in the western counties and most definitely in the in the central SOLO counties. Capacities are drying up across the state and it's a very uncompetitive marketplace. To your point directly, Governor Dunbar, you're exactly right, we've done a complete analysis of the Louisiana plan statute, and it all really comes down to the position that they must be non-competitive, you know, with the private marketplace.

Marc Dunbar: Thanks a lot, Barry. I appreciate it.

Chair Beruff: Thank you, Governor Dunbar. Other comments?

James Holton: First off, in mentioning these different states, too, I would urge all of the board and staff, of course, if they haven't already done so, to read the current Senator Boyd bill in the legislature now that addresses some of these concerns, especially on the litigation front. I think, again, I will mention that there's a very strong need for us to adopt the federal rule in the state here for attorney's fees. We have examples of an underlying claim of \$40,000 with an attorney fee award of \$250,000. It's naturally a Citizens case. I think this gets a little bit crazy in the world, so I would urge us to look at some of those things. As to the specific issues here today, again I think we're hearing over and over and over again that we have to be actuarially sound, and I feel for Monroe County. Perhaps, there needs to be a special kind of process for them down there with the OIR or the legislature, but I don't think a school teacher in Clay County should have to pay higher rates because we have an across the board policy of capping artificially low rates in the state. To be fair to everyone, again with in mind maybe working something out specifically with Monroe County, I would urge the board today to adopt the uncapping proposal because I think it's the most actuarially sound proposal that we can tangibly take today to start making these changes that have to be done.

Chair Beruff: Thank you, Governor Holton. Next?

Bette Brown: So, you just heard, I think, 10 residents of Monroe County talk about the issues that we have, and as a resident living in Monroe County for 43 years, I can attest to that. It's a very different place than any place in Florida. It really leads the state with issues frequently and the affordable housing issues are real issues in Monroe County and the cost of insurance is a real issue in Monroe County and always has been. We've been pretty successful in holding costs and not raising rates for several years now, but it's been interesting . . . I want to make sure that those speakers and everyone is also aware that the 10% rate . . . the rate cap will drop off new business and not current business. But I had some thoughts about what we could do. Just so you know with Monroe County, in most cases, the only wind insurance we can get in Monroe County is Citizens, and that's not the case throughout the rest of, most of the rest of Florida. So, it's not so much that, you know, because of where we're located. It's more that there's, as Barry said, there's not a lot of competition here. And I know that Citizens has tried to help with that but there's still not many options, so if you're going to buy property or mortgage your property, you have a great option in Citizens because Citizens is a strong company, but it's the only option in most cases. That is what's different in Monroe County and many of the other counties, so I just want to make sure you are aware of that. Some thoughts on that are that I like the idea of putting a cap on the removal of new policies; in other words, we write new policies but there would be some cap on the increase. That's one thought. The other thought is, and I don't know if we can do this, if we have a client that has been a Citizens customer and has been kicked out now and does actually have insurance elsewhere but has to come back to Citizens for their wind, perhaps we give them some consideration. It's their only choice. They were a Citizens customer, so they're not new to us – just a thought. I really do think we have to keep in mind this is a very unique community. I know I represent the state, not necessarily Monroe County, but I live in Monroe County. I can attest to the fact that this increase in rates will really hurt a lot of the working class people. Key West especially feels it because they're so far from the mainland. They have no choice – the people who live and work down there; they must rent or own. They can't drive up to Homestead, which is a 2.5-hour drive. It's a tough nut. Thank you, Governor Holton, for identifying that perhaps Monroe County should be treated differently when we talk about this. Those are my comments. Thank you.

Chair Beruff: Thank you, Governor Brown. Next?

Lazaro Fields: Thank you, Mr. Chairman. Perhaps a question for Barry. There's been some talk especially from Monroe County about their concerns and what they will face, with potentially uncapping new business. Is there, and perhaps this is a discussion for another day, Barry, you know, 30,000 feet level, if there's something we can do for them, maybe in line with what Governor Brown was just mentioning? I do have some concern about housing affordability and sustainability and that kind of stuff. Do you have any thoughts on that?

Chair Beruff: Governor Fields, can I interject and piggyback on your question for Mr. Gilway?

Lazaro Fields: Of course.

Chair Beruff: In the past, has there not been special consideration paid to Monroe County? Right, so could this board entertain a rate increase to actuarially correct rates for new business and cap them for Monroe County at 10%? Or would that not be allowed?

Barry Gilway: Mr. Chairman and Governor Fields, I think to be clear, the OIR would be the one to determine if any exceptions, you know, would be made. In the last two rate hearings, for example, for

various reasons, Monroe County was excluded from the rate increase. So, there is a history of treating Monroe County differently. So, the board's responsibility would be to . . . if you would, to move forward with the recommendation, then the recommendation basically would be to have OIR consider the applicability of uncapping new business rates and possibly extend that to, you know, with consideration, you know, to consider the application overall and to Monroe County . . . I'm not sure that we would indicate to OIR that Monroe County should be different but certainly we could indicate that, you know, consider . . . in the application of uncapped new business rates that some consideration should be given to the outliers. That would be a recommendation that the board would make to the OIR because ultimately, they would determine whether they believe the uncapping of new business rates is a statutory issue or a regulatory issue and secondly, they would indicate, you know, whether it would be appropriate, as they have in the past, you know, to create a variance, if you will, for Monroe County versus the rest of the state. So, it really is a recommendation to the board to (and I know I'm being redundant) it's a recommendation the board would make to the OIR A) that they consider the uncapping of new business rates – that is a decision that has not been made yet by the OIR; it's been a decision that Brian and team have discussed. It is a significant issue. In the December meeting, you'll remember that we really talked in more detail about the outliers. So, it is a simple application of the uncapping of new business rates creates some wild outliers. There could be some with a 200% increase. As a result, it would be appropriate for the OIR if they were to take a position that we could implement uncapping new business rates to come up with an overall plan that addresses the outliers overall . . . because it addresses not just Monroe County, but it addresses the outliers overall . . . and maybe take Monroe County into consideration. But, basically, that really would be the OIR's call.

Lazaro Fields: I appreciate that. I'm very sensitive to our policyholders in Monroe County and the effect on whatever we do here today and ultimately on whatever the OIR does and the effect it'll have on the entire housing market down there. I'm sensitive to the, you know, grandmothers – abuelas – who live in Miami Dade County who may be paying twice as much as her neighbors are paying. I'm very sensitive to that. Notwithstanding that, I think that in essence the chairman described it well. I feel like it's a dog that's chasing its tail in circles. This, where we are at now, with what's being proposed and with what Brian and his team have done are getting us on the right track to the extent that we can. I'm very appreciative of, Brian, your hard work, and Mr. Chair, for your work as well on this proposal. I think that we should all support it. Thank you very much.

Chair Beruff: Next speaker, please.

Scott Thomas: Thank you, Mr. Chairman. Look, there may well be good policy reasons why areas of the state would be treated differently, for example Monroe County; although, I would suggest, it's probably a little more complicated than at first glance. For example, we heard a lot about a lack of affordable housing, but I would suggest that there may be an idea that if you have subsidized property insurance rates, that may cause dislocation, which unnaturally inflate property values, which lead to lack of affordable housing. These aren't necessarily simple things to deal with from a policy standpoint, and I don't think that's within our wheelhouse. I think what we have as a board is a statutory mandate that we charge actuarially sound rates. And, if we're not charging actuarially sound rates, we're not competing against the rest of the market. It's not direct competition. It's unfair. We're undercutting them; we're price gouging them, in essence, in the reverse. Now we have this anomaly because we have this 2006/2007 capping of rates followed by the glide path with a 10% increase, which puts us in this thing where we are never going to catch back up to our basic mandate to charge no less than actuarially sound rates if we continue to apply the cap to both existing and new business. And, to the

extent that we have an opinion that says we can discriminate legally between those two, that is a method for us to solve what is the underlying problem here, which is we are tasked to deliver insurance and we are captured by this glide path of not being able to charge a market rate for doing so. As long as that's the case – and you combine that with the great service we do provide – we're not going to have any depop success. So, to the extent we need to meet our statutory mandate to do what we can to present to OIR and to the legislature (in a sense, the policymakers) what steps we can take to get to actuarially sound rates. And, if there are then policy decisions, legislative decisions made about areas in the state, then, my goodness, those policymakers can debate it and make them; but we have to meet our statutory mandate. And I think this is something that furthers our goal in doing that. Thank you.

Chair Beruff: Thank you.

Reynolds Henderson: Thank you, Mr. Chair. I echo what Mr. Thomas said. Our job is to govern this organization. We have a mandate, and we are anti-competitive right now. It stinks that we're in this position, but we are in this position. As leaders, I think we have to make hard choices, which is no fun. Monroe is definitely an anomaly county, but I would wonder if what the goal is here which is to become competitive if you're kind of destroying the whole intent of all we're trying to do here by uncapping new business if the board decides to approve that. I would be concerned that with us taking Monroe, and having a different approach to Monroe, with the overall concept we're trying to do here. Thank you.

Chair Beruff: Thank you, Governor Henderson. Next? Any further comments? Not seeing any requests to speak. I'd like to make a couple more comments for clarity on the legislative front. Most of us here know how things work and how we can better communicate with our colleagues to support the agenda that the staff has come up with, understanding that if we could reduce the term to file a claim to one year, that in and of itself is a very big deal for the insurance industry in Florida and for Citizens. And also, I want to be clear to the public who is listening in is that doesn't preclude the claim continuing forward. You filed in a year; you have whatever: you have a year, two, or three or whatever it takes to get through litigation. You just have to make the claim. The other policy that I think is of paramount to us is to be able to get the whole insurance market back on its feet because the insurers simply cannot quantify their losses when they're doing the projections to see if we could get legislative change that requires before we are sued – “we” as an insurance industry and not “we” as in Citizens – that they mandate a demand letter with a 60 day write to cure or something along that line. I'm not an attorney. I'll leave that to brighter folks, but everybody understands what I'm advocating for. Then the policy that makes those things come forward for the staff to move to help them with anything they can do to advance that legislation . . . back to the other thing that I said that has not been discussed by anyone further was the fact to take a look at going to a direct-to-consumer provider of insurance services. We collect about \$1.4B in premium according to Mr. Gilway. It will increase to \$1.8B. At \$1.4B in premium, if we're paying 7% commission, it's \$98M a year that we're paying out in commission premiums. So, that's a whole lot of money you can save to implement a change in this company to provide direct insurance. Again, our job is to be the insurer of last resort and take into consideration special situations such as Monroe County. There may be others that I'm unaware of, but Monroe County is certainly the one . . . we have about 7,800 policies there. Is that correct, Mr. Gilway? So, it is not a huge amount of our business that we can't find a way, and I understand Governor Henderson's comments because I'm driven by the same philosophical arguments that he is about free markets and being fair. I think, Governor Henderson, if we can get this market to be a real free market, then we can get other people to write insurance in Monroe County. Right now, no one is going to write there, so some of these policies that we can potentially get changed and legislation should open those markets up and hopefully will find

insurance companies . . . at some point in our history, insurance in Key West in Monroe County was written by others. Is that not correct? In the past, other insurance companies wrote insurance in Monroe County?

Barry Gilway: In the very distant past.

Chair Beruff: We are now the insurer of last resort, and it's okay. That is the reason we were created: to be the insurer last resort. If Monroe County is the one place, then we have to be sensitive and then we can afford that luxury because that's our mandate and our statutory mandate to sort of address Mr. Henderson's comment as to why we may treat Monroe County differently than the rest of the state. So, at that, I'd like further discussion of the board or entertain a motion to let the staff move forward with the rate filings with new rates at actuarially correct rates for new business and the 7.2% rate increase for the rest of our policyholders. It'll become effective sometime after October 1, 2021, and any further discussion? Mr. Gilway, you have further comments.

Barry Gilway: I believe there would be two separate action items that we would recommend the board take. Action item number one would be to recommend that we move forward with the rating plan, you know, as recommended by Brian Donovan and presented to the board. That would be an independent recommendation. The second recommendation would be that the board recommends that the OIR consider the option of providing uncapped new business rates.

Barbara Walker: Chairman, would it be possible to read those into the record?

Chair Beruff: Please.

[multiple speakers]

Brian Donovan: I just want to get some clarification. The action items as written are discussing an 8/1 effective date and not a 10/1 effective date. So, I just wanted some clarification around . . .

Chair Beruff: Thank you, Brian, for bringing that up. I was reacting to a conversation I had with Mr. Gilway due to the nature of rate hearings and all of the necessary statutorily required notices. We realistically didn't think that we could make that before October 1, but I defer to you and the staff to clarify that. I'm sorry. If you can repeat the question when they're finished with that comment, I'd appreciate it. Thank you.

Marc Dunbar: I'm sorry, Mr. Chair. Are you talking to me or are you talking to Brian?

Brian Donovan: I believe the question was to Governor Dunbar, I think.

Marc Dunbar: I just want to understand where we are relative to the last meeting. So, in the last meeting, we said we were going to the OIR for all the options. You guys are going to bring them back and then we were going to have a proposal for the filing. I believe that was the first motion. The second motion, tying it back to the last meeting, relates to charging rates for new business, which was, for a lack of a better term, died on a four/four vote. Are those the two motions where we're at? I just want to make sure I understand where we are.

Brian Donovan: Yes, that's correct.

Marc Dunbar: Okay. I'm not 100% sure we are procedurally where we need to be. Is it appropriate . . . if it's the same item we already voted on, is it appropriate for me to move on to reconsider the vote if it's the same item so we can get it back in front of us?

Chair Beruff: Governor Dunbar, I think what we'd like to do with your concurrence is . . . Barbara, would you like to explain the differences?

[multiple speakers]

Marc Dunbar: The thing I'm worried about is from a litigation standpoint is that if someone jumps up and challenges that part, as I mentioned the last time, we don't have any certainty, and I don't want some procedural aspect to tie up litigation. I want to be able to know for certain. If we need to do something to get it procedurally proper in front of this board, I want to make sure we do that, so we don't, you know, have to deal with procedural aspects in the event of a litigation.

Chair Beruff: That's a great point, so one action doesn't risk the other action. I think that's a great point, and I think that's the way we're handling it with the way the action items are worded. If we let

Belinda Miller: Chair, perhaps it would be good to let one of those action items considered and then . . .

Chair Beruff: Right. That's what I was about to advocate. Barbara would read the one action item. Governor Dunbar, then you can best opine on how you feel we're handling it and then go from there. So, Barbara, will you please read the first action item.

Barbara Walker: I'm going to defer to Brian Donovan to read that action item. He has that in front of him. Thank you, sir.

Brian Donovan: The first action item is related to the recommended rate filings and the rate changes. This action item covers what we discussed about the rates for renewal business. After the application of the glide path capping, the recommended rate is 7.2% for Personal Lines and the recommended rate for Commercial Lines is 8.3%. Citizens staff recommends Citizens Board of Governors approve and recommend the 2021 Annual Recommended Rate Filings; and upon approval, the presented rate changes will be filed with the Office of Insurance Regulation. I will point out that the effective date is 8/1. That is our timeline.

Barry Gilway: After our discussion, it might be possible to meet that 8/1 date.

Chair Beruff: I appreciate that clarification. I was advocating for an 10/1 date because of the economic conditions that the Floridians are suffering under the COVID-19 pandemic, and I didn't see where postponing that rate increase for a couple of months would be dramatically detrimental to us, but it could be very positive to many citizens in Florida that are affected by the rate increases. I will defer to the wishes of the board on that. My preference is that we implement them 10/1 to give people more time to get them on their feet as we are now clearly coming out of the pandemic with the vaccinations with what Florida has done successfully over the last 11 months. I would entertain a motion or any discussion on the first item.

Marc Dunbar made the motion to for Citizens Board of Governors approve and recommend the 2021 Annual Recommended Rate Filings; and upon approval, the presented rate changes will be filed with the Office of Insurance Regulation. The motion was seconded.

Reynolds Henderson: Thank you, Mr. Chair. Is there a problem with changing the motion to 10/1 instead of 8/1? Is there any issue to that? Can we amend that? Is it a bad idea? I guess we can talk about that.

Brian Donovan: If I may, I'll answer that question. Really, there are two considerations when we do that. First off, the indications themselves do depend upon the effective date that the rates will be in effect. It has to do with loss trends, premium trends, other items. So, if we were to delay – to push the date to 10/1, then, the numbers presented today would change. It wouldn't change dramatically, and maybe not in a material way, but they'd probably change. But second, and I don't know the answer to this off the top of my head, then we have to start worrying about if our data is stale and if we have to redo our data and add a whole other quarter . . . now we're talking about a redo of the indications, which would be substantial. For those two reasons, you know, I would put forth those two reasons to consider, in keeping the effective date at 8/1.

Reynolds Henderson: Thank you.

Chair Beruff: Governor Henderson, it appears that no good deed goes unpunished.

[laughter]

Chair Beruff: Governor Brown?

[multiple speakers]

Marc Dunbar: . . . file as soon as possible so it doesn't prejudice what we're trying to do.

Chair Beruff: Okay, Governor Brown?

Bette Brown: Again, I would be hard pressed to approve this unless we had some indication that we might consider some options or holding on the rates for Monroe. I don't see that in this action item. I'm not sure we can amend the action item. But, if there is a way we can set aside . . . we have done that in the past – Monroe, so we can look at other options for this county. Having said that we have 7800 policies – it's not going to kill us to do it. That would be my recommendations. Those are my comments.

Chair Beruff: I'd like some clarity. This action item doesn't deal with the actuarial rates? That's the next item, correct?

Barry Gilway: That's correct, Mr. Chair.

Chair Beruff: Let me see if I have this right. Let me make sure I understand it. What we're advocating for does not affect the new rates for new policies, Governor Brown.

Bette Brown: Understood.

Chair Beruff: So, in this policy action, it's strictly the renewal rates we're dealing with.

Bette Brown: Understood. Yes.

Chair Beruff: So, I think, when I get to the next policy, I'd like to add a comment to that and see how the board feels about it. I think, Governor Kastroll, you had wanted to speak also on this item?

Will Kastroll: Yes, thank you. I just want to clarify or get clarification. Last meeting this was the proposal. I thought we were going to come back with a possible proposal with increased rates other than this standard rate. I'm just asking the question. This is the proposal essentially that was presented at the last board meeting, correct?

Barry Gilway: Governor Kastroll, we followed the board's direction, you know, following the December meeting, and there have been an extensive number of meetings between OIR's actuarial staff and Citizens' actuarial staff. Those meetings basically resulted in the OIR agreeing to consider the three adjustments that Brian Donovan, you know, discussed earlier, which basically changes the rate increase from 4% to 7.1%, Brian?

Brian Donovan: 7.2%.

Barry Gilway: 7.2%. The basic direction we took was to meet with OIR to determine if they would consider any adjustments that were consistent with actuarial standards of practice, and these are the three items that they agreed to consider. The separate item occurred in discussing the uncapping of new business rates. The OIR did not take a position in our discussion relative to whether or not that . . . whether they believed that this was a regulatory decision that they could feel comfortable in making or whether they believed it was a statutory requirement or a policy requirement that would require a legislative change. That's why we are really offering two action items – the first focuses entirely on the actuarial sound rates as we would normally do annually and the second independently a recommendation from the board that would recommend that the OIR consider the uncapping new business rates.

Chair Beruff: Does that answer your question, Governor Kastroll? You're muted. It looks like you're good. [laughter] Any other comments on the question before we call on the vote? Not seeing any. Barbara, you want to call the vote?

Barbara Walker: Chairman Beruff?

Chair Beruff: Yes.

Barbara Walker: Governor Brown?

Bette Brown: No.

Barbara Walker: Governor Dunbar?

Marc Dunbar: Yes.

Barbara Walker: Governor Fields?

Lazaro Fields: Yes.

Barbara Walker: Governor Henderson?

Reynolds Henderson: Yes.

Barbara Walker: Governor Holton?

James Holton: Yes.

Barbara Walker: Governor Kastroll?

Will Kastroll: Yes.

Barbara Walker: Governor Lopez-Cantera?

Carlos Lopez-Cantera: No.

Barbara Walker: Governor Thomas?

Scott Thomas: Yes.

The vote to approve the 2021 Annual Recommended Rate Filings, and upon approval, the presented rate changes will be filed with the Office of Insurance Regulation carries by majority (seven for and two against).

Chair Beruff: Thank you very much for that. Do you want to introduce and read the second proposed action item? Is that Brian also? Please go ahead and read the proposed motion.

Brian Donovan: Citizens Board may recommend that Citizens' staff file with the Office of Insurance Regulation to charge new business the actuarially indicated increases but cap any decrease to a 0% change.

Chair Beruff: Discussion on the action item? Basically, this is the one where we are requesting the OIR to allow us to charge new business actuarial sound rates that will bring us into more conformance with where we should be and hopefully help invigorate the insurance companies to come into Florida. That is the action item in front of you. As it relates to the sidebar, I wanted to have the board, if we can cap that motion for Monroe County for no more than 10% or whatever the OIR feels appropriate but not more than 10%. With that modification to the action item, if that's not too troublesome for staff, that's what this Chair would advocate for, but it's up to the board. I'm just one of nine. Discussion?

Will Kastroll: Two points. Two questions. First, I think the capping for Monroe should be a separate action item. Just my opinion. Two, this is for Governor Holton. Governor Holton, you presented to us at the last board meeting something similar to this. Is this close enough to the proposal that you were looking for? What are your opinions on it? Thank you.

James Holton: Yeah, it is. I presented essentially what was Senator Brandes' proposal to the board which is basically this, which is to uncap new business to be grandfathered into existing business. This accomplishes the same result, I think, even a little tighter than the original recommendation. So, I am in support of this motion. I concur with you that something in Monroe County needs to be done, but I think that potentially needs to be a separate motion and not to plough this issue in a statewide situation. So, per the Chair's request, I would be happy with moving on with the third motion to request the OIR to give a special kind of consideration in their discretion to Monroe County because of the urgencies down there, which we are all very sympathetic to.

Will Kastroll: Thank you for that.

Chair Beruff: Thank you for that clarification. The Chair will follow that recommendation, Governor Holton. We'll stick with the motion as presented for now. Any other discussion? Not hearing any other comments . . .

A motion was made and seconded for Citizens' staff to file with the Office of Insurance Regulation to charge new business the actuarially indicated increases but cap any decrease to a 0% change.

Chair Beruff: Thank you for that. Almost fell out of procedure. Barbara, will you please poll the governors?

Barbara Walker: Chairman Beruff?

Chair Beruff: Yes.

Barbara Walker: Governor Brown?

Bette Brown: No.

Barbara Walker: Governor Dunbar?

Marc Dunbar: Yes.

Barbara Walker: Governor Fields?

Lazaro Fields: Yes.

Barbara Walker: Governor Henderson?

Reynolds Henderson: Yes.

Barbara Walker: Governor Holton?

James Holton: Yes.

Barbara Walker: Governor Kastroll?

Will Kastroll: Yes.

Barbara Walker: Governor Lopez-Cantera?

Carlos Lopez-Cantera: No.

Barbara Walker: Governor Thomas?

Scott Thomas: Yes.

The vote to approve Citizens' staff to file with the Office of Insurance Regulation to charge new business the actuarially indicated increases but cap any decrease to a 0% change carries by majority (seven for and two against).

Chair Beruff: Thank you so much. Now because of the comment and the direction Governor Holton introduced, which, I think, is the proper method, can we create a third action item or a motion – to entertain a motion that Monroe County get special consideration to cap the actuarial new business rates at some number not to exceed 10% or lower as OIR may determine . . . or, something along that line if someone can say it better than I can.

Bette Brown: I would add to it that the continued discussion of the rates going forward because of the cost of living. In the past, we've talked to the legislature and been able to . . . especially with the issues going on right now with the pandemic, it might also be a consideration. We've been able to cap the rates for Monroe County not just on new business but on all business. I would amend your motion to that.

Chair Beruff: Is someone going to make a motion to that effect then because the Chair can't make a motion. Governor Kastroll, I see you'd like to make a comment?

Will Kastroll: Yes. I think this is a very important issue for Monroe County. Thank you, Governor Brown, for championing the cause. You really do care about the folks you live around (the neighbors you live around). There's not a "but" around here; there's more of an "and." I think special consideration should be considered for new business for them. I just want to make sure that we are . . . that we have an actuarially sound number where Citizens staff and OIR can look at and say, "This is what our risk is, and this is what we are assuming the risk to be to grandfather these folks in" and do an analysis of it. So, we know what our risk is. Right now, I don't think we know what our risk is but we're willing to assume some risk for folks in Monroe County because they are in a very difficult situation. But I want to be able to show that analysis to every county in the state of Florida if asked, so they understand why we're doing this. My thoughts are just on new business, and at some point in time, we need to go ahead and show the numbers on the risk we're assuming. But I'm not opposed to doing something for their new business or grandfathering them in. Governor Brown really does have the interest of her people around her. I'm just a little hesitant on considering it for all business because, you know, if someone

were to move down here and let's say start a coffee shop in Monroe County, if they know what the risks are ahead of time when they put their business plan together and they can stomach the insurance that everybody else can in Florida, then that's something that should be considered. But, for existing and grandfathering those policies, that's something we should consider. Thank you so much.

Chair Beruff: Thank you for those comments. Mr. Gilway, would you like to add to that?

Barry Gilway: Thank you, Mr. Chairman. This is more of a question for Brian Donovan. Governor Kastroll, I believe that within the rate filing, you know, we have an actuarial indication by county, and that actuarial indication is reflective of the risk, you know, the actual risk associated with jurisdiction versus what we are charging. The only point I'm making is that it's already been done and it's really a part of the filing, and it will be clear in the filing as to what the actuarial indication is, you know, for Monroe County versus what our rating recommendation would be. Is that correct, Brian?

Brian Donovan: That is correct. As we mentioned early on, we do include all uncapped and capped information with the rate filing. I think what Governor Kastroll is referring to is what the uncapped indication is. What is the real risk there? That is included for every county and even more granular, actually every territory. So, that information is part of the filing.

Chair Beruff: Thank you for the clarification. Governor Holton, would you like to speak?

James Holton: I concur with that. I think generally . . . I'll defer to someone else to make a specific motion as to Monroe County because I think others can better handle that than I can.

Chair Beruff: That makes two of us. I can't make a motion anyway. [laughter] Governor Brown, maybe?

Bette Brown: Sure. Sure.

Chair Beruff: Would you like to try to give us the motion?

Bette Brown: Yeah. Let me just . . . **my recommendation would be separate Monroe County out of the pack for now and ask OIR and our legislature to help us with options that may be available because the county has no competition (and thank God we have Citizens but it's our only option) and prices are very important. It's not competitive because we are the only option. I would ask that we separate them out for a period of say one year to again go back and look to see if there's something we can't do to help those 7,800 policy owners in Monroe County. That would be my motion.**²

Chair Beruff: Governor Fields?

Lazaro Fields: Can I ask a question of staff? If I understood your proposal, it was to cap new business at 10% from Monroe County only, and then Governor Brown suggested, I think (this is where I think I'm confused) but to cap existing business? I thought that was already in statute. I guess I'm a little bit confused on what we're doing.

² This motion was further discussed but did not go further.

Chair Beruff: I think what this board has passed is a proposal on existing business, to increase those policies by 7.2%. Is that correct, Mr. Gilway? Confirm my understanding.

Brian Donovan: That's correct but I just to be clear that does include an 8.2% increase for Monroe for the renewable; that's part of the ~~7.3%~~ [7.2%].

Chair Beruff: Right. Understood. So, what we're discussing which is below the 10% threshold that we're governed by 20% almost . . . so, what we're discussing, I believe, is for new business, which we just passed an action item that goes to actuarial correct rates with essentially no cap, right (or, whatever it says) . . . but as it relates to Monroe County, my idea (because it's not a motion; you folks have to make the motion) is to cap Monroe County at no more than 10% for new business. Now, some of the governing members rightfully have said, "Well, we should really understand what the rates should be and the risk." Brian answered that by saying that this territory has already been addressed. I would suggest to you that the rate in Monroe County, if we didn't cap, would go up how many percent? 50 something percent or something ridiculous?

Brian Donovan: That's correct. In excess of 50% .

Chair Beruff: In excess of 50%. So, by capping it at 10%, we're reducing the actual risk profile for that territory by 80% because we're not raising it to the 50+ percent; we're only raising new business by no more than 10%, okay? So, if I stated that correctly, I appreciate . . . Brian, please.

Brian Donovan: I think you have stated it correctly but just to make sure . . . so there would be an 8.2% increase of renewal and then on top of that for new business there would be the additional 10% or whatever . . .

Chair Beruff: . . . understood. New business essentially would be paying approximately 18.2% more than people who are already on the books.

Brian Donovan: Correct.

Chair Beruff: So, is everybody clear?

Christine Ashburn: It sounds like what the board is saying is that you would simply not be pursuing uncapping new business rates for Monroe and leaving everyone under the cap because if you're talking about no more than 10% of new business, that's the statutory cap for new business today . . .

Chair Beruff: No, no. That is not what we're saying. What we're saying is the 8.2% plus the 10% for new business, okay? But, capping it at 10% when in reality, according to Brian, the increase that would be actuarially correct is north of 50%

Christine Turner: Got it.

Chair Beruff: So, it's a significant . . . I know that this may not completely . . .

Vice Chair Lopez-Cantera: . . . to go only to 11:30. I'd like to make a motion to extend the meeting?

Chair Beruff: Oh, thank you. I thought it was to 12:00. Yes.

Vice Chair Lopez-Cantera made the motion to extend the meeting. Bette Brown seconded the meeting. All were in favor. Motion carried.

Chair Beruff: Thank you so much for that help. So, it doesn't get it us . . . you know, obviously, Governor Brown, taking care of where she lives is the right thing. We're trying to do the best we can and also to be sensitive to Monroe. But I think it's a good place to be for this board, and it gives Governor Brown some assurances. If we can do better . . . if OIR or the legislature can do better than that, I'm perfectly good with whatever comes up, but that would be the worst case. So, I think . . . Governor Brown, go ahead. Please.

Bette Brown: I didn't get a second, so it sounds like that motion . . . you know, there wasn't a second to that motion, unless someone wants to second it. Should I state another motion?

Chair Beruff: Either Governor Brown or someone else can dictate a motion, or otherwise, at this point, it's going to die on the vine.

Bette Brown: Okay. **So, I'll make a motion that we cap the rates for new business to 10% for Monroe County and ask the legislature to consider other options for Monroe County in the future.**³

Chair Beruff: Governor Kastroll, will you unmute? I think you want to speak but we can't hear you.

Will Kastroll: Governor Brown, will you be willing to amend to put the wording there "**due to the fact that Monroe County doesn't have a lot of insurance competition.**"? I think that would be a good signal to the rest of us . . .

Bette Brown: Yes.

Will Kastroll: . . . in the state of Florida that have competition . . . that this is the reason why we're doing it.

Bette Brown: Yes, sir. That would be wonderful. I would be happy to do that. Thank you.

Chair Beruff: So, we have an amended motion. Governor Henderson would like to speak.

Reynolds Henderson: Just a question. So, the 7800 number that you spoke about, policies that we have right now . . . do we feel like there's a of the policy amounts going up with this action? I don't know Monroe County that well. I've been there. I love it. It's beautiful. I just don't know what is the max amount of policies we could be looking at?

Chair Beruff: Mr. Gilway, you want to take a chance at that one?

Barry Gilway: I would have to get back to you on the actual count. Do you have an indication, Brian, in terms of how many policies would fall under that?

³ This motion was further discussed but did not go further.

Brian Donovan: If I understood the question correctly: what is our potential for growing with the new business keeping it at 10% rather than it going to actuarially sound? I don't have that in front of me, but I think we know . . . we had that information . . . what our market share is and what it could potentially be . . .

[multiple speakers]

Reynolds Henderson: . . . low end. Are we at the low end and looking at some increased risk? I'm not disagreeing with it, but I'm just saying I don't know the max amount of policies that are possible.

Chair Beruff: I think it's a valid question, Governor Henderson. Ms. Booten joined us and might be able to give us some insight. She seems ready to give us some direction.

Kelly Booten: I was going to mention the number of policies. There are 16,000 policies in Monroe County, and we have about 80% of the market there. I don't know what that translates into for the question at hand, so that's the totality of it.

Chair Beruff: Okay, so there's 16,000 total policies of which we currently have about 7,800, correct? No?

Kelly Booten: We have 16,000 policies.

Chair Beruff: Oh, I'm sorry. I've been told we have only 7,800 for some reason.

[multiple speakers]

Vice Chair Lopez-Cantera: Who is the General Counsel with Dan no longer with us?

Belinda Miller: I'm here. This is Belinda Miller.

Vice Chair Lopez-Cantera: Belinda, do we have statutory authority to do what is being proposed? I don't believe we do.

Belinda Miller: What we would be doing is the board would be recommending that OIR consider economic considerations in Monroe County and cap outliers in new and renewal business.

Bette Brown: Yup. Exactly.

Marc Dunbar: Can I jump in, please? I'm looking at the statute and I empathize with the folks in Monroe County. But we're not the politicians. We are the board members of a corporation with a statutory charge, and we are limited to our statutory authority. We can urge the legislature to do lots of things, but the statute says that we can establish different eligibility requirements and operational procedures for any line or type of coverage for a specific county. It doesn't say we can charge different rates. You know, I went along with the prior motion because I know that that was something that we want to try and tee up over there, but I don't think we should be continuing to send stuff to OIR that sets us up for additional litigation and wastes time on what we need, which is to increase rates in a legal

fashion all over the state, so that the legislature will hopefully eventually address this problem to get the private market stabilized. I would caution everybody to while we can feel good, we're not the elected politicians. I'm not here to represent Leon County, even though that's where I live on Citizens. I'm sure a bunch of people in Leon County don't want to subsidize the rates for people in Monroe County. I'm indifferent to that. I don't think we have the statutory ability to start cherry picking counties because of mitigating circumstances. Monroe County has elected officials that can do that; they should do that. I just don't think that's our role in our statutory charge, and I think it's pretty clear when you review what we are able to do and what we're not able to do.

Chair Beruff: Those comments are well-made. I guess if somebody wants to call . . . there's no second on a motion, so I believe the motion is going to die for a lack of a second. That pretty much concludes . . . go ahead, Governor Henderson.

Reynolds Henderson: Thank you, Mr. Chair. I guess Governor Brown's motion . . . isn't it an urging to look into . . . I mean are we asking the legislature to look into this? There's nothing we can do; I agree with Governor Dunbar. I think we can say this is a great idea and we hope they'll move in this direction.

Chair Beruff: I think we can direct the staff without an action item to pursue that in the legislature. What we were discussing was a potential action item to recommend to OIR.

Bette Brown: That's correct. Yes.

Chair Beruff: But it doesn't seem to be the favor of the board from what I'm hearing.

Bette Brown: I'll clarify it. Do you need me to clarify it because it's not the legislature? **We would ask the board to cap the rate on the new business on top of the 10% and asked OIR to consider Monroe County rates differently in the future.** It's not the legislature; it would be OIR. I'm sorry if that wasn't clear.

Chair Beruff: So, now we have a clarified motion. Is there a second?

The motion was seconded.

Chair Beruff: Any further discussion? All those in favor of the motion? Barbara, would you call the role, please?

Barbara Walker: Chairman Beruff?

Chair Beruff: Yes.

Barbara Walker: Governor Brown?

Bette Brown: Yes.

Barbara Walker: Governor Dunbar?

Marc Dunbar: No.

Barbara Walker: Governor Fields?

Lazaro Fields: Yes.

Barbara Walker: Governor Henderson?

Reynolds Henderson: Yes.

Barbara Walker: Governor Holton?

James Holton: Yes.

Barbara Walker: Governor Kastroll?

Will Kastroll: Yes.

Barbara Walker: Governor Lopez-Cantera?

Carlos Lopez-Cantera: No.

Barbara Walker: Governor Thomas?

Scott Thomas: No.

The vote to approve to cap the rate on the new business on top of the 10% and asked OIR to consider Monroe County rates differently in the future carries by majority (six for and three against).

Chair Beruff: Thank you. I think that concludes our business for today or . . .

Barbara Walker: We need to look at product changes

Chair Beruff: Who is making that presentation?

Kelly Booten: That's me. It has to do with the product changes that go along with the filing and a couple of other things. The 2021 product changes in the outline in the action item were approved at the December Actuarial and Underwriting Committee, except one item was removed, which was the revised definitions regarding land surface training in wind eligible areas. We plan to bring that one back at a later date. Today we would like your approval for three items. The first two are contemplated within the rate discussion we just had: commercial lines property valuation and updates to program manuals to support the annual changes. Citizens' Commercial underwriting guidelines currently require that all buildings must be insured at 100% of replacement cost value. The intent is to ensure that policyholders maintain adequate coverage and that policy premiums are appropriate for the risk assumed. The Commercial Residential and Commercial Non-Residential Wind programs also include policyholder options to accept a premium surcharge to waive policy co-insurance provisions. These options conflict with the requirement to insure at full replacement cost. Staff proposes that Citizens' Commercial Lines guidelines, rating rules, and policy forms be modified to better align with Citizens' requirements.

Changes will include elimination of rating factors related to coinsurance, related policy form language governing the co-insurance provisions, references to Agreed Value options and updates to first loss rating factors. The requirement that policies must be insured at 100% of replacement cost will remain in place. The proposed annual rate changes include necessary adjustments to rates. The proposed annual changes include updates to wind mitigation credits. The third item is the recommendation to retire underutilized personal lines products. During ongoing review of Personal Lines programs, staff has identified the opportunity to streamline program offerings by retiring three product lines with limited usage. In most cases, the risks written in these lines can be accommodated in other lines. The only risks that no longer will be accommodated are tenant risks with extensive loss history or unacceptable liability exposure. The products will be eliminated in phases. New business no longer will be accepted and in-force counts will be allowed to reduce by attrition. As a final future step, policies will be moved to comparable lines of business. If there are no questions, I can read the recommendation.

Chair Beruff: Any questions?

Marc Dunbar: I have one question. I mentioned this to Barry before and I talked about it with Dan and was also part of the FSU study and asked about it at the last meeting. Has there been any consideration on looking at alternative resolution mechanisms, particularly for the commercial lines to help reduce our litigation expenses; and if not, can we, please, take a hard look for next year's filings, consider incorporating it into our forms for the commercial side, a requirement that those that are under those policies all agree to alternative dispute resolution mechanisms?

Barry Gilway: Governor Dunbar, we will do just that. The alternative dispute resolution and different mediation methodologies have been discussed pretty widely during this legislative session, and we will follow that with any considerations for any policy language changes that would incorporate that within our form.

Marc Dunbar: Thanks, Barry. I think it's worth us taking advantage of our role in the marketplace, particularly with a softer market on the commercial side, to force people into a less costly place to resolve these disputes for both sides, and also with the idea of hopefully for these commercial claims to accelerate the resolution for the insurer because we've had instances where condo communities and things like that. . . these folks, you know, have gone a long time without being able to get resolution and they are living in units that have damage. It would be nice if we could try and create some mechanism where the lawyers aren't the only ones who win. Thank you, Barry.

Chair Beruff: Any other comments? The Chair would like to entertain a motion. Read the action item, Kelly.

Kelly Booten: Staff recommends that the Board of Governors approve the above proposals to update Citizens' Product guidelines, rating rules, policy contract forms and supporting documents and authorize staff to take any appropriate or necessary action consistent with the 2021 Product Changes Action Item to include filing with the Office of Insurance Regulation (OIR), system change implementations, updates to supporting documents or forms and other relevant activities. Final changes and implementation timeline may vary slightly, based on project complexity and feedback from the OIR.

A motion was made and seconded to approve that the Board of Governors approve the above proposals to update Citizens' Product guidelines, rating rules, policy contract forms and supporting

documents and authorize staff to take any appropriate or necessary action consistent with the 2021 Product Changes Action Item to include filing with the Office of Insurance Regulation (OIR), system change implementations, updates to supporting documents or forms and other relevant activities. Final changes and implementation timeline may vary slightly, based on project complexity and feedback from the OIR.

Barbara Walker: Chairman Beruff?

Chair Beruff: Yes.

Barbara Walker: Governor Brown?

Bette Brown: Yes.

Barbara Walker: Governor Dunbar?

Marc Dunbar: Yes.

Barbara Walker: Governor Fields?

Lazaro Fields: Yes.

Barbara Walker: Governor Henderson?

Reynolds Henderson: Yes.

Barbara Walker: Governor Holton?

James Holton: Yes.

Barbara Walker: Governor Kastroll?

Will Kastroll: Yes.

Barbara Walker: Governor Lopez-Cantera?

Carlos Lopez-Cantera: Yes.

Barbara Walker: Governor Thomas?

Scott Thomas: Yes.

Motion carries.

Chair Beruff: We're on the new business. Is there any new business?

A motion was made and seconded to adjourn the meeting. The meeting is adjourned.

Chair Beruff: I look forward to meeting everyone as much as possible in person in March in Jacksonville where we'll have hopefully a more robust meeting and some direction in what we can accomplish in this legislative season. Thank you so much for allowing me this special meeting out of sequence. Everybody stay healthy and see you in a little over a month.

FINAL