CITIZENS PROPERTY INSURANCE CORPORATION

Summary Minutes of the Market Accountability Advisory Committee Teleconference Meeting

Wednesday, February 17, 2021

The Market Accountability Advisory Committee (MAAC) of Citizens Property Insurance Corporation (Citizens) convened via Zoom webinar on Wednesday, February 17, 2020 at 3:00 p.m. (ET).

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

Dave Newell, Chair
Allen McGlynn
Greg Rokeh
Kurt Lewin
Lee Gorodetsky
Lissette Perez
Mandy Dawson
Phil Zelman
Steve Roddenberry
Susanne Murphy
Kelly Booten, *Staff*
Christine Ashburn, *Staff*

The following Citizens staff members were present telephonically:

Barbara Walker
Barry Gilway
Belinda Miller
Carl Rockman
David Woodruff
Eric Addison
Jennifer Dilmore
Jeremy Pope
Ray Norris
Sarah Harrell
Wendy Perry

Call Meeting to Order

Roll was called and a quorum was present.

1. Approval of Prior Meeting's Minutes

Chairman Newell: Before we get into today's business, welcome everybody. Thanks for being on the call.

I want to welcome a couple of new committee members. Mandy Dawson from ASI Progressive, welcome Mandy. And, our friend, Allen McGlynn representing State Farm. So welcome two new members. Feel free to engage and discuss anything that we have being put forward today, and anything we can do to make you feel more welcome, please don't hesitate to let us know. So again, welcome aboard to Mandy and Allen.

With that do I hear an approval of prior meeting Minutes from December 9th, 2020?

Lee Gorodetsky made a motion to approve the December 9, 2020, Market Accountability Advisory Committee (MAAC) Minutes. Lissette Perez seconded the motion. The minutes were unanimously approved.

Chairman Newell: Behind tab two we will have an Agency Management Services update from our friend, Carl Rockman. Welcome, Carl.

2. Agency Services & Market Update

Carl Rockman: Thank you, Mr. Chairman and committee members. For the record, this is Carl Rockman, Vice-President of Agency & Market Services. I would like to provide you an update on our department's activities.

On the next slide we will start with our standard agency footprint report. This report reflects our distribution footprint in the state of Florida. I would like to point out a couple of highlights to the committee. The numbers that you are seeing on this report are really reflective of one month's activity. You will see where we hit the month of December with agencies, agents, and licensed customer reps at the top. The net change numbers that you see on the right are reflective of one month of activity.

You will see the net growth in both agencies and agents at the top, and then also, per the committee's request, we also like to reflect the tri-county numbers. What's interesting is while we are seeing net growth in tri-county, it's not all in tri-county in terms of new agencies and new agents coming forward needing capacity with Citizen's products.

Also, our agency segmentation report, you will notice we have seen a shift from the right to the left in our tier one and tier two agencies. A few agencies getting a little bit larger in terms of their need and dependency on Citizens, and that's reflected in the agency segmentation report. Still holding though, 59 percent of Citizens appointed agencies have less than 50 policies, but that number is trending in a direction where more are having more than 50 policies.

I will pause here on this report for any questions before I move into the new business production report.

Chairman Newell: Carl, this is Dave Newell, if I could ask a question. I am just curious. I know you give us the breakdown each committee meeting. That 59 percent of Citizens agencies have fewer than 50 policies in force. Has that fluctuated much over the last year?

Carl Rockman: If you refer back to prior reports, that number was as high as 67 and 68 percent I believe in prior reports. So, you are starting to see a shift in agencies now moving from maybe less than 50 policies to more than 50 policies. And again, that is a reflection of the marketplace...

Chairman Newell: Yes.

Carl Rockman: …decreased capacity, some of the other issues we have brought up. So, we monitor that rigorously, the more dependent an agency becomes, or the more Citizens they start to write, obviously, it alerts us to make sure that the support is there and that we are monitoring that agency's growth, if you will, to make sure the depopulation and clearinghouse when activated can certainly be pointed in that direction.

Chairman Newell: Well, thanks, Carl. Any other questions for Carl on slide number one? Okay.

Carl Rockman: Okay, moving forward on the next slide, this is a report that we began to present to the committee last year and it is a reflection of the changing marketplace. This report is solely focused on new business production at Citizens.

And what the report does is it takes a look at the preceding four months, in this case, September, October, November and December of '20, and compares it to the same time period one year prior and allows you to see the net change in new business productivity.

For example, you will notice for the same time period last year of these four months we were averaging 7,058 new policies per month, and you can see in September of '20, October, November and December of '20, how that number has jumped from 16,000 up to 17,783 in December. So obviously, this is, again, a reflection of the marketplace increased demand for Citizens products, shrinking capacity and obviously some of the rate activity that we have been discussing in previous meetings.

This has leveled off. It has not significantly increased, but nor has it decreased. In our projections, and things that we are looking at internally, this would lead us to believe that this number and this trend is going to hold at least for the short term.

This is also reflective, not only of the product lines by volume, but the areas of the state that the business is coming from. Once again led by south Florida, you will see the net increase from 4,000 a month to 11,000 a month in December from the south Florida area. But I would also point out the Tampa Bay area and also Orlando and southwest Florida. You will notice while the numbers are more modest, you still see increases in those areas. Again, reflective of the marketplace potential lack of availability and shopping activity. While we always see it in south Florida, we are starting to see a trend in other areas of the state.

On the next slide we will point out the breakdown of the types of new business we are getting. Again, this is reflective of some marketplace shifts. The top exhibit illustrates the Coverage A value of the dwelling. You would typically associate Citizens with playing in the more modest dwelling values, 100,000 to 399, but you will see our new business is still reflecting A values of 400,000 and above up to our max of 700,000, except for two counties.

You will see 14 percent of our new business is reflective of higher A values, and you will see that 400,000 trend jump each month. Also, in the space of age of home, you would expect Citizens to play in the older home stock, but you can see again homes under 30 years old are holding at about 16 percent, and we have seen a net jump in homes 20 years or less. You will see that stair step up each month on the report up to 11 percent in the last reporting month. And then under 10 years old, homes under 10, three percent of our new business in the prior reporting month was reflective of homes less than 10 years old.

The last piece of this report will reflect the source of the business - where is it coming from? We do see carriers here in terms of sources of new business led by some of the bigger carriers in Florida. Our surplus lines companies are represented. I would remind the committee that earlier last year we were seeing the surplus lines being the primary source of our new business that had prior insurance. Now we are starting to see reflective of regular carriers, admitted carriers in Florida being a larger share of our new business and source of new business.

So, with that, I will conclude this portion of my report and take any questions that the committee may have.

Chairman Newell: Any questions from the committee? All right, Carl, I guess not.

Phil Zelman: Dave.

Chairman Newell: Phil.

Phil Zelman: Hi, Carl.

Carl Rockman: Hi Phil.

Phil Zelman: So, from what we are seeing on these last two pages of reports, what would you say the percentage is for the tri-county area down here, because we don't have many companies writing in our office currently?

Carl Rockman: I certainly can do a deeper dive into the data - if we could go back to the first page of the production exhibit - were you more interested in volume or the property characteristics? What direction were you taking your question?

Phil Zelman: Well, I wasn't looking -- listen, we are writing more business on the higher value side, over a half a million dollars in Citizens because we don't have markets again.

Carl Rockman: Right.

Phil Zelman: So many of the companies that are listed are not writing in south Florida.

Carl Rockman: Right.

Phil Zelman: So --

Carl Rockman: Right. If your question revolves around the next page where we talk about the age of home and where it is coming from, I certainly can report back on that. I suspect though it will trend where our regular new business trends, and that is obviously the majority coming from the tri-county area. But we do acknowledge the market capacity restrictions that are happening out there has a lot to do with driving the business to Citizens and certainly it is resulting in what we are seeing here.

Phil Zelman: Okay, thank you.

Carl Rockman: You are welcome.

Chairman Newell: Anything else for Carl on those first few slides?

Barry Gilway: Chairman Newell, Barry Gilway for the record. I just wanted to point out about 65 percent of the new business is coming from south Florida, and Citizens market share has increased in south Florida from about 50 percent to 54 percent. So, we are becoming a larger percentage of the south Florida marketplace.

Chairman Newell: Thank you, Barry.

Carl Rockman: Okay, hearing no further questions we will proceed to the next section of my report. I would like to update the committee on our progress in the COVID moratorium space.

The committee will be reminded that last year Citizens enacted certain rules to support the COVID pandemic and to support our customers and our agents.

Those exceptions primarily centered around payment relaxation, and also some relaxation in our underwriting space when it came to required documents and other requirements. At the direction of the Board of Governors we are now back to regular order effective February 1st.

We have reinstated our regular payment rules and we have been able to notify customers that were still pending payment under that COVID moratorium. We have now appropriately sent them notice and given them an opportunity to pay that policy or have it canceled. That was executed on 02/01. And so, we are through the payment exception tranche for COVID and back to regular order on renewal payments and mid-term payments for all of our customers.

We have activated now the cancellation portion of the COVID moratorium. What that means is we are appropriately communicating with our agents on any exceptions that we made in this space, asking them to please submit the required documents in order to continue the policies.

Agents have been notified of all of the policies that are in these exception tranches, and agents will be notified via policy center for any information that we might need to continue the policy. Again, our goal here is to make sure the agents are fully communicated as to what customers are impacted and we'll be working closely with our agent community to get the policies in good order. Or, if they have to be canceled due to lack of underwriting requirements, that will happen primarily through a non-renewal process with proper notice, and the customer can still recover should they be able to remedy the risks and show us what we need to continue it.

Pleased to report we were glad to offer this support. We did get really good feedback from our agent round table and other agents in terms of Citizens stepping in to support what was going on, but at this point we are now back to regular order for both underwriting and for payments.

Any questions on COVID?

I would like to move on then quickly to our performance programs. We always like to update the committee on our progress relative to the performance program.

Obviously with offer 7,000 agents it's very important that we have certain objective standards to measure their performance relative to underwriting quality and staying inside of our underwriting requirements.

This report the committee is familiar with, it outlines what our underwriting department looks for relative to a performance violation on a new business submission. I would like to point out to the committee the box at the bottom. With increased productivity on new business, as you saw on the previous report, we are seeing an uptick in both performance violations and also warning notices. The box below is reflective of the program since its inception. So, since the program's inception we have issued 1,078 warning notices and suspended 123 agents. Now that's reflective of our ability to sense and respond. If an agent has a warning notice, our role is to engage that agent, offer support, offer education, and make sure that it doesn't continue, and I think these numbers reflect the success of the program.

What I am pointing out to the committee, though, in a three-month period you can see we had almost 100 more warning notices go out in three months. This again, is reflective of the program, allowing us to work with agents who indicate that they might have a need for additional education and support. Our goal is making sure our submission quality is exceptional because, obviously if it's not, it has an impact on the consumer, and any collateral folks that might be involved in that policy such as realtors and bankers.

We have suspended a few agents in the last three months, but again, reflective of the program being able to engage a producer that needs support, we believe these numbers are holding. So, I just want to point out that we are seeing an increased volume of warning notices, but again our system is holding in terms of our ability to engage.

The next page just breaks it down by month. You will see that we have been able to hold this at six percent and then the volumes of the types of violations are indicated here.

Lee Gorodetsky: Carl.

Carl Rockman: Yes.

Lee Gorodetsky: Just a quick question on that. Have you been able to, I know at one point we talked about it, but I know it has been crazy up there I am sure, as far as people who are repeat offenders? Has that been able to be tracked? Because I know, like in our agency's case, we have people that we say no to that we can't insure them. And then they say, oh that is okay, we got another agent to write us a Citizens policy. It happens regularly. It's not like it's a random scenario.

Carl Rockman: The beautiful part of our program, Lee, is that once an agent's on a warning notice, they are on that warning notice for a full 12-month period. And should they fall outside the lines in that 12-month period, then we start to activate the suspension piece. So, we feel the program holds in that regard that once we give someone a warning notice and raise their awareness of the behavior being not acceptable, we are hoping to tap that down.

At the same time, we do get referrals from agents who are reporting the type of behavior that you spoke about, egregious things where an agent is just doing something way outside the lines in order to win the business. We take that very seriously. We don't wait for the program to be activated to engage an agent even in one circumstance where that is brought to our attention. So, any agent listening out there, we bring this up in all of our education sessions. We take agent compliance very seriously, and with 7,000 agents competing for the business it is very important that all of them follow the rules as prescribed.

So Lee, in that regard if your staff or any staff out there that has an issue with a particular piece of business that they feel wasn't treated the proper way, please bring that to our attention and we have ways of engaging the producers on the other end.

Lee Gorodetsky: Thank you. And I have two kind of minor questions with it. One, if we know of case is not good, but we know it is going to get written, is there anything we can do as an agency to send it up to someone so that they are aware of it?

I mean, just had a case yesterday, we had a client who has a 28-year-old home with a 28-year-old roof, and the roof has one year of life, but there is no four-point required. So, some agent went ahead and quoted them, and we told them we weren't going to write it because we know the roof is bad and I don't want to put myself in that situation.

But we are just losing the business and they are getting the business, and I don't know what happens on your end.

Carl Rockman: That is an interesting opportunity you are bringing up. I will have to take it under consideration and bring that back to the committee. I know where you are headed, if there is some way that you can alert us that there may be something in the pipeline that might not be appropriate and those facts might be hidden from us.

Lee Gorodetsky: Or just as importantly from an underwriting standpoint, do underwriters look at a home that has 28 years of age and a wind mit that shows it's a 28-year-old roof? I mean, are there inspections done -- most companies are now doing inspections across the board, but not Citizens unless other things come up.

Carl Rockman: In the program, Lee, I will point you out to the exhibit. The uninsurable risk column is where that shows up. Our underwriters will review policy submissions, they will look at inspections, they will look at property condition, and if the risk was submitted to us as an uninsurable risk, it never should have been written, a performance violation is issued and the agent is held accountable to that, and they can't have too many of those before they start to fall into a warning or a suspension.

That said, though, the other issue you brought up in terms of some type of early warning or reporting, I will have to take back and consider just given the volume of the business coming in the marketplace and some of the things that we might want to get ahead of in terms of that.

Lee Gorodetsky: I appreciate that, because what I am finding is that agents who don't – or are four point not required by Florida law or Citizens? They are just not getting them because they basically don't seem to want to know, because if there is no need for a four point, they can just write the policy. When they get the four point now you know, so now you are bound to follow the rule, but if you don't get a four point you don't have to, and a lot of the homes fall into those categories.

Carl Rockman: Understood, understood.

Lissette Perez: I have a question.

Carl Rockman: Yes, Lissette.

Lissette Perez: Does Citizens have, maybe behind the scenes, do you guys have a way of tracking policies or houses that have been previously insured with you that had some kind of an issue that maybe are being rewritten with other agents that shouldn't be writing them? Is there some kind of program that you have behind the scenes that tells you that, because that can avoid circumstances that what Lee just mentioned?

Carl Rockman: Lissette, I will just say that we have a crack underwriting staff that takes quality very seriously, and if it was previously with us, we have ways of identifying it.

Lissette Perez: You do, okay.

Carl Rockman: Absolutely. But suggestions like Lee brought up are very welcome in terms of is there something else we can think of to get even more proactive, if there is a risk floating around out there that is not appropriate to us. Somewhere down the line it could fall into a place where we would want to know that. So that is not a bad suggestion. I just have to think about how to do it.

Lee Gorodetsky: And then, Carl, just one last thing in the scenario. I mean, obviously human error does come into play and sometimes you just get crazy busy and you miss something. So, when you get a performance violation, is there a time period that goes by where you don't have to worry about getting suspended, or is it so many in a certain time? How does that work?

Carl Rockman: 12-month move release. So, you will get them, and a month rolls on, a month rolls off. So, we hold you accountable for a 12-month period. So, if you fall into the warning notice, you are getting really close and you have to pay attention. I think that is why we have had the success we have had at that warning notice level.

An agent does not want to mess with their ability to have a Citizens market in this marketplace and that's why we have been able to, I think, get their attention. But still to your point, there are some agents out there that are just highly competitive and are potentially not looking to do the right thing and it is our job to make sure we police that as best we can, and we are very committed to it.

Lee Gorodetsky: That word, competitive is an interesting word in that scenario.

Carl Rockman: Great dialog. Any questions on the performance program? I want to flip the page though, one area of awareness I want to remind the committee.

During the COVID moratorium we did suspend one element of our performance program, and that is the late submission piece of the program. We do hold agents accountable to submit the underwriting documents, the application, the four point, the wind mit, any documentation that supports the new business decision in underwriting, those documents need to be presented in our system by the 15th day after the effective date given the standard.

We suspended the discipline on that program because of COVID and some of the exceptions we were under the direction to make. Effective 02/01 that has changed as well. We communicated that to the agency force a week and a half ago. So, we are back now to enforcing our late submission standards.

You can see that it is fairly modest in terms of warning notices, but I would like to flip the page and show you what we are watching right now. You will notice in the submissions with alert column. We do send an alert to the agent at day six. If they are six days past the effective date of the policy, we send them an alert indicating your documents have not been submitted, you are getting close to a violation.

You will notice the percent of submissions with alert has started to creep up. We think this is a reflection of our relaxation of the program. We are obviously going to work with agents that are out of pattern in this space, because starting 03/01, these will be aggregated, we will start charging them effective 03/01 and another part of our program starts to kick off.

So again, we are aware of it. We think the right thing to do is to bring it back and impose as needed discipline to make sure we are getting the documents in a timely fashion to move that policy along so we can make an underwriting decision and move on. But again, we are aware of this. I will report back at the next session our progress, but this part of the program we are bringing back effective 03/01 and we will certainly bring it back with the appropriate support for the agents.

Any questions on late submissions? All right. I would like then to round out my presentation with just a quick exhibit on the volume by tri-county. We always like to present this. Obviously as Barry mentioned, the volume coming out of tri-county in terms of new business, and you can see that our performance programs are heavily weighted to the tri-county agents by county as you see illustrated there.

On the next few slides, I would just like to illustrate or highlight our support for education. The committee has brought up on more than one occasion, what are we doing to educate agents, so they don't even get to the warning notice level? What are we doing to promote good standards and compliance and all those things?

This slide is going to be a standing part of my report to you. This slide represents adoption of the online learning that we have developed and are now presenting to agents. The New Agent Onboarding Module was new effective July of last year. With the implementation of myAgency and our new Citizens Learning Center online learning tool, we are now able to present to new agents a much more dynamic and comprehensive new agent onboarding class.

Six modules and you can see the curriculum titles there. What we are excited about is while every new agent is required to take it, you can see the attendance levels indicate more than new agents are taking it and we could not be more pleased. We have seen great adoption with agents executing this with their licensed customer reps, folks that wanted a refresher. We have seen a lot of voluntary engagement on this module because of the topics it covers and the value it brings. So, we are very pleased to report that. And while the attendance figures or completions in the other modules are more modest now, watch for them to grow. As you can see by the titles of these classes, they are designed to do what? Help agents and support staff understand what our requirements are, and to make sure that they're doing all they can to provide the best customer experience possible given our rules and requirements.

So, we are going to continue to report these numbers. We are pushing these forces out to agents as we engage them, showing them the opportunity to get better, and we are also seeing a lot of voluntary adoption. So again, I always want to report to the committee anything we are doing in the education development space and this will be a standing part of our report.

On the next slide, I would like to talk about agent outreach events for last year and then I list the element for what we are planning for 2021. This slide has always illustrated what we have done formally, meeting with our agent round table, and again, I can't say thanks enough to our agent round table members. We had a very robust meeting yesterday, two hours solid with our agent round table going through all kinds of topics. But we do applaud their efforts and do like to recognize them.

The pace of the meetings will continue this year. We value the agents' opinion, and it does a lot to help us understand what impacts our decisions are having on them and the customers we mutually serve.

Agent association conventions, we do hope to get back in business with the associations this year. We are hoping to get back personal with COVID and everything, but we do have those on the board and do want to participate at the conventions. One, to do education, but also to be there just to say hello to our agent community and make sure that we are well represented, and they are feeling our support.

The third piece was our webinar series. We did Citizens Essentials this year. We had a lot of demand for Citizens support and education because of the markets turning. You can see reflected there the number of webinars that we ran that we sponsored. Good attendance to great attendance, and you will see how we are going to plan for that in 2021.

And then the power hours, we do so value the only opportunity to work with the associations one-on-one to meet with your members in a sponsored event that you folks have been great to have us into. Another opportunity for us to send the message and to make sure that the agents are feeling the support that they so desperately need to make sure that if they're going to need Citizens, that we are all aligned with doing it properly.

On the next slide, 2021, here is the road ahead. So, we are planning in 2021 to continue our agent round table meetings. We are planning four this year. We will reserve the right to call an ad hoc if necessary, but we believe four is the right pace for personal lines.

We have formed a commercial and we will post that shortly. The convention associations, we do have a few of those posted as you can see planned for this year. The webinar series though will be new. We are going to go ahead and stand-up Citizens sponsored webinars, five events this year.

There is always going to be something to bring forward with the market being what it is. We think it's important that we have a proactive stance on our webinar education series, so you see those dates posted and some of the topics that we'll cover. And then we have already looked the power hours series with the associations. So again, continuing that great momentum to make sure the lines of communication are open.

With that, that concludes the agency services portion of my report. I will be happy to take any questions or closing comments.

Chairman Newell: Thank you, Carl. Folks, any questions for Carl for these last few slides?

Greg Rokeh: Dave, I have got a question. This is Greg.

Chairman Newell: Okay, Greg, go ahead.

Greg Rokeh: Carl, I would like to back up just a little bit, if we can, to the part where you were talking about reinstating the payment rules and the cancellations and non-renewals. Can you add some numbers to that? Can you give an idea for me what we are talking about in regard to the actual number of policies that this is going to affect?

Carl Rockman: I would be happy to, Greg, and I can follow up with you on specific numbers, but off the top of my had head in the payment space, we had around 14,000 policies that we gave a payment exception to or kept in force until such time as the moratorium ended. We are currently reconciling that right now because it just ended two days ago in terms of who actually ended up paying. But that was the actual number of policies that were in that tranche of exceptions. And then on the underwriting exception side, it's at least that many, if not a few more.

Kelly Booten: Hey, Carl, this is Kelly. It was in the 30 to 40,000 range of those with underwriting exceptions.

Carl Rockman: Yes. So that would give you an indication, Greg, of the support we were able to give during the pandemic to keep the market where it was. But those were the volumes. Thank you, Kelly, for providing that number. But both payments and underwriting exceptions, those were the volumes that we are dealing with now, unwinding and making sure that people are properly connected.

Kelly Booten: And Carl, too, some of that weirdness we were in with COVID with relaxed rules may be contributing to some of what you are seeing on the other things that you mentioned with not having inspections because we had to hold up on inspections, things like that. So, as we get out from underneath the relaxed COVID rules it will be tighter.

Carl Rockman: Yes. Thank you, Kelly. Greg, does that address your question?

Greg Rokeh: Yes, it does. Clearly you have got many, many weeks' worth of work in-house to clean that mess up.

Kelly Booten: Because of the noticing requirements on those, the first effective date that any action would be taken on that policy is July 1st, because of noticing, and that would be over the 12-month period.

Greg Rokeh: Yes. If you could, at our next meeting, kind of give us an idea of how that is progressing and whether some of these things are kind of working themselves out or whether it is going to be a big crisis.

Carl Rockman: Okay, and we will stay primarily focused on those underwriting exceptions, and I'll do a quick report on the payments, but happy to report back on what is happening in that, because it will be with us, as Kelly mentioned, starting 07/01 would be the effective dates, but happy to bring that back for the committee.

Greg Rokeh: Thank you.

Carl Rockman: You are welcome.

Chairman Newell: Yes, go ahead, Phil.

Phil Zelman: So, going through the Citizens Learning Center, there is a topic on Manage Repair. My question doesn't have to do with your webinar. It has to do with the actual Manage Repair. How are we doing in the tri-county area with Manage Repair?

Carl Rockman: I know we are pleased with the results so far. I don't know if I could call out to another Citizens team member that might be on the line with more visibility.

Kelly Booten: Are you looking for the adoption rate or the take up rate on MRP? I don't have the dashboard sitting in front of me with that number. I know Barry is on, he might know that number off the top of his head.

Phil Zelman: But it would be interesting to see how many claims came in and how many took advantage of the Manage Repair.

Kelly Booten: We will have that number to you before this meeting ends. I know where it is, but I don't want to get on VPN and mess up my connection.

Chairman Newell: I don't blame you.

Barry Gilway: Kelly, this is Barry, I am having the same issue trying to get to the dashboard. I think the adoption rate for the mitigation component before you get into permanent repair, as I recollect, was close to 50 percent. And I think the adoption rate, the pick-up rate basically for Managed Repair on permanent repair, I believe, is in the 30 percent range.

But we can confirm that when our head of IT can determine how she can –

Kelly Booten: I am telecasting to all the people listening, so I don't have to break my connection. We will get it.

Phil Zelman: Sorry about that Kelly.

Barry Gilway: I would make one comment, Chairman Newell and Phil. The Managed Repair program is just showing itself to be extraordinarily successful.

I think the real key in the Managed Repair program is litigation following repair, and it is virtually zero. So, if they do join the Managed Repair program, the satisfaction rate is in the high 80s. And the litigation rate, relative to claims that were covered under the permanent repair component, I think you can count the number of litigated cases for follow up on two hands.

So, very, very successful in terms of consumer satisfaction with the program, (A) and (B), the intended impact on litigation.

Phil Zelman: Thank you.

Chairman Newell: Carl, this is Dave Newell, and for Barry and Kelly, too. Are you all conducting some post claim polling of people that have gone through the Manage Repair program and getting feedback on the result of how they felt about it once the loss has been adjusted?

Barry Gilway: Chairman Newell, the answer is absolutely, and I think some of the satisfaction scores that I was referring to that we have satisfaction in the 80 percent plus range was really referring to the follow up surveys following the permanent repair component. So yes, we are doing the surveys and getting recommendations on how we can improve the program constantly.

Jeremy Pope: Hey Barry, I am sorry, this is Jeremy. I was just going to chime in because I have the results from 2020. We survey, as Barry alluded to, all policyholders that go through the Manage Repair program, and for 2020 we closed with an 86.4 percent satisfaction rate which is really good, and we have seen significant progress last year with those results. So, we get the verbatims and we also reach out to customers when they do have an experience where they're not satisfied, if you will.

Chairman Newell: Yes, I mean, that was going to be my follow up question. Did we ever get any intel of what the push back is for those customers that have decided against going into the Manage Repair program?

Jeremy Pope: So, as far as not going into the program, we don't necessarily get a lot of intelligence around that today.

Chairman Newell: Okay.

Jeremy Pope: But I can tell you that the main issue that pops up in regard to the Manage Repair program, a lot of times, is contractor availability – that is what it stems to a lot of times. And again, we work with our third-party partner on the feedback that we get, and we reach out to the customers. And the claims teams are all over it and they manage that internally as appropriate.

Chairman Newell: Hey Jeremy, Dave Newell again. Now is that any part of the state or is that in the tri-county area or can you identify where maybe some of that shortcoming of availability is?

Jeremy Pope: Dave, we would have to get back to you on that. We could definitely get that data for you, but I would need to get with the claims team to really pull out that data specifically, but we should be able to pull that out for sure. A lot of it was around COVID, so when COVID occurred…

Chairman Newell: Yes, yes.

Jeremy Pope: …there was a lot of that, yes.

Chairman Newell: Yes, okay.

Lee Gorodetsky: Hey Dave and Jeremy, this is Lee Gorodetsky. I mean, if we are having such success with that, maybe at some point based on third-party vendors, maybe that should be not given an option to avoid that litigation, because litigation is the stem of everything in Florida and south Florida is probably the king of that and maybe other companies would just go on that road and help avoid litigation by that kind of a scenario.

Barry Gilway: Lee, Barry Gilway. Yes, we would love to see it as a mandatory component. It just would not fly at this point. As you know, there are multiple Manage Repair programs over there. We think ours is probably the most consumer centric, but we don't believe that we'd be effective in getting agreement that we would have to mandate that. We don't believe we would get approval to mandate the use of our contracted program. I just don't think it would fly.

But the key here is going to be to really get this so consumer centric that other than, for the sake of the Trial Bar, we take every opportunity to provide that program as broadly as we possibly can. But I will tell you the results are pretty astounding.

For those people who truly want to fix their homes and they have legitimate claims, it is pretty extraordinary the success we are having with Crawford and the contracted program. But great idea, Lee. I just don't think we are in a position yet to push that.

Lee Gorodetsky: Are we not in the position because of having enough third carrier support, or is it that the clientele don't want it? Because I am thinking as the carrier of last resort where people are going to, almost voluntarily at this point, maybe there are things that we could eventually do over time.

Barry Gilway: Well, Lee, without getting myself in a lot of trouble here, let's face it, there are legitimate claims and there are claims that we call manufactured claims, and it shows up basically in the percentage of individuals who, as you know, our program literally provides free water damage mitigation and the pick-up rate on the free water damage mitigation doesn't even include a deductible. It's less than 50 percent. I think it's around 50 percent. So, you've got a huge number that don't even respond to the free mitigation component. And then of course, when you get into permanent repair, I do believe there is strong, strong evidence that many of these, well, some of them certainly are legitimate and they want to use their own contractor. There are others that are more of a manufactured claim and we are well aware that's happening more and more across the state whether you call it, I don't know care what your terminology is, whether you call it social inflation…

Lee Gorodetsky: It is called fraud.

Barry Gilway: …yes. Whether it is called social inflation or by some other term, the bottom line is, it is occurring more and more and more across the state and it is expanding, ergo the financial issues in the marketplace today.

Lee Gorodetsky: Thank you.

Chairman Newell: Anything else on this topic? All right, well, thanks, Carl, for the information and the reports. Certainly, some good dialogue there. So, I am sure you will bring us back some additional information at the next meeting.

Carl Rockman: Thank you.

3. Depopulation and Clearinghouse Update

Chairman Newell: All right. Let's turn the page to tab three, Market Services. Kelly and Carl are going to bring us up to date on Depop and Clearinghouse.

As you know, members of the committee, we normally have this as informational only, but we thought today we would just go ahead and just walk through the report and have Kelly and Carl kind of update us on this information. So, thanks, Kelly.

Kelly Booten: Good afternoon again. Today the first slide here is on the Depopulation Committee of the Board. We wanted to make you aware that, with the renewed focus on exposure reduction due to increasing policy growth, the Board is reconvening the Depopulation Committee that we had for many years. It went away for a while when depopulation was very successful and we had dropped to the point where it really didn't have a lot of volume, and that is why we went to just reporting. But it is going to be reconvened with a little bit broader focus on exposure reduction in general.

The committee members are listed on this slide, and the first committee meeting is on March 2nd, the day before the Board meeting on March 3rd.

Although it might seem counterintuitive because there is not a market right now, there are good policies coming into Citizens as we grow, and we are looking at trying to come up with creative ways to reach our current carriers. Carl's team has a road show going on; they're trying to get input on things we can do to make both clearinghouse and depop better.

Then there are also other items that we want to work on with the Board committee. Some of them are within our control and some of them probably aren't within our control. And Christine is going to talk about a number of items that are on the docket legislatively that relate to these two programs. We will see how that one goes, but we wanted to make you aware of it, that it was happening and if you have ideas, as well, we would love to hear them.

And then, Carl is prepared to go over the slides in general.

Carl Rockman: Okay. So, what I will do is I will walk you through our year end results in the depopulation and clearinghouse space.

On the next slide, these are our 2020 depopulation results by month. Compared to prior years, a little bit more modest, but we are still pleased to report 7,463 policies were assumed last year through the depopulation program.

Again, you will remember we were at all-time lows before which meant that the mix of business we had may not have been as attractive, but we are pleased to show these numbers. I will report it was not in time to make the Committee here, but we just did just complete our 2/23 assumption with our great partners at Florida Penn. They were able to pick up an additional 1,095 policies in the February assumption.

We do not currently have an applicant for the April assumption, and we will monitor our progress here. But these are the 2020 results for depopulation both by month, and then on the next slide we cover the depopulation results by participating partner and then also by tri-county.

Any questions on the depopulation results from last year?

Okay. We will move through to clearinghouse. Here are the standard clearinghouse reports. New business clearinghouse - you will see for 2020 the green bar represents that there was no offer received from a participating company in the clearinghouse. So, you can see that the carriers are maybe a tad more reluctant to make an offer inside the clearinghouse due to market conditions. Also, the ineligible for Citizens has dropped a bit, but this is the new business results. I also want to point out that the customer has gone through a rather stringent qualifying process before they hit the clearinghouse. Agents are doing their best to place business in the private markets. So, a lot of those customers, when they do come to the clearinghouse, they may be, from a risk characteristic standpoint, a bit more marginal. But none the less, these are the results coming in from new business.

And then the next page reflects renewals. I will remind the committee that the majority of our policies go through the renewal clearinghouse where our participating partner companies can select them for a look, a quote. And then obviously if they want to make an offer through the clearinghouse, that would declare Citizens ineligible, or at least make an offer out there that the agent can present to the customer. These are the results in those spaces. Again, the majority of renewals were not receiving an offer, and you can see clearly the numbers are very, very modest in terms of making them ineligible or offer received. But again, that was the reflection of the business we had in our book of business, but obviously that mix is changing as our new business numbers are showing.

And then the last slide is just a summary document of the number of –

Lee Gorodetsky: Carl, this is Lee. In that last slide, you don't have to go back, but I know just in the last five…some people I've seen were offered, were sent to our clients. At least three of them were six to $800 higher than Citizens. There used to be a rule that the rate had to be equal to Citizens, or not higher and with comparable coverage. Is that still in play or is it just whatever they are offering?

Carl Rockman: No, the carriers have always had the ability, Lee, to present any price they want to in the clearinghouse. And we think that is an important piece. Some of these coverages are broader. So, there is no restriction on the price the carrier can put in the clearinghouse. Obviously, within the threshold it could trigger an ineligible for Citizens, but we have seen prices that are significantly higher than the Citizens' price presented, but that doesn't mean they can't be offered or presented. But there is no restriction on the carrier presenting a higher price.

Lee Gorodetsky: I just have one case in particular that comes to mind, we tried to write a guy with one of the carriers. It got declined for prior claims on a rental property. We ended up putting them with Citizens and then got depopulated to that same carrier. So, we said, go ahead and take it, but is that guy at risk for being non renewed because of the reasons they didn't want him in the first place?

Carl Rockman: Well, in our depopulation program we really work with the carriers to identify the data in our files, and we make sure that the carriers know that if they make an offer based on that data that they need to maintain that offer. I'm not saying that things don't happen, but generally if the data is known and the carrier makes an offer. But again, Lee, there are one off exceptions that could occur, and it's unfortunate, but we can address those.

Lee Gorodetsky: Yes, of course.

Carl Rockman: But generally, that's not the case. We want to make that offer.

And then the last slide just summarizes High Level. Even though the results are fairly modest, we're still proud to say 7.3 billion dollars of Coverage A averted new business, 111 million dollars of Coverage A on renewal.

Again, it's about minimizing risks and averting risks. So, these platforms still stay in place and, hopefully, as things improve, we can optimize them even more.

We did, in 2020, also add mobile home, both new and renewal form, to the clearinghouse. And then we do have a new partner planning to join us. American Integrity has come forward to participate in the clearinghouse later this year. So, we are very pleased to report that progress and happy to welcome them as a clearinghouse partner.

With that, Mr. Chairman, that concludes my report on Market Services. I am happy to take any questions.

Chairman Newell: Yes, committee members, any questions for Kelly or Carl on the Depop or Clearinghouse update?

Kelly Booten: I did get an answer directly from the claims department, so I feel good about it, on the MRP adoption rate. The emergency water services is 68 percent acceptance and permanent repairs is 20 percent.

Chairman Newell: Okay. And Kelly, that is just statewide. That is not any --

Kelly Booten: Yes, that is not broken down. Did you ask more specific than that? Sorry, those are the overall numbers.

Chairman Newell: I think Phil was asking about tri-county, as well.

Kelly Booten: Tri-county? Alright, I'll see if we can get that yet today.

Chairman Newell: Okay.

Kelly Booten: We still have Christine.

Chairman Newell: Yeah, we've got time. So, thanks Kelly and Carl for that report and everything else.

4. <u>Legislative Update</u>

Chairman Newell: For many on the call we know the legislative season is in full swing in Tallahassee, Florida. So, Christine is going to bring us up to date on the 2021 legislative session. Welcome Christine.

Christine Ashburn: Thank you, thank you, it's good to be with you all. Well, I will say the pre-legislative session activities are in full swing, but they look a lot different than they normally do.

Chairman Newell: Yes.

Christine Ashburn: So, it is a learning, it is a new age and a new time for all of us in this process. It’s a relationship business and now it’s become a virtual relationship business, at least for the short term.

So, I don't have a written report for you, because as all of you know things change so quickly. If I had done a report that went out with your documents in the last two weeks, it would have been stale. So, I just wanted to give you a brief update.

As Chairman Newell said, we are busy and in full swing with the last set of committee meetings this week with a break next week prior to the start of the session on Tuesday, March 2nd. Right now, our focus has been on, well, first of all presenting in all three committees in January. Barry did an excellent job laying out some of what we are seeing in the growth area, the market issues, the rate differential issues.

Obviously, this market is trending in a not-so-great direction, and as we have talked about before, Citizens' growth and constriction in policy count is often one of the first markers of what is going on in the Florida property insurance market. We are growing. We have talked about that. You saw Carl's numbers on clearinghouse, success, or lack thereof here recently, and depop has slowed down.

So, ultimately, the reality is that we have a litigation problem in Florida. While we tackled AOB and we are seeing great results from House Bill 7065 in the AOB space, we still have out of control litigation occurring in first party claims. Citizens is having some luck through different programs, Manage Repair which you all talked about, in getting our arms around our litigation problem, especially in non-weather water we are seeing success and through other mechanisms.

The industry numbers are trending in a concerning direction. So, our focus so far with these interim committee meetings has been to educate, but also to be supportive of Senate Bill 76 by Chairman Jim Boyd who is the Chair of the Banking and Insurance Committee that would tackle four key areas.

One would be the attorney fee multiplier which I know you all are familiar with. It's been an issue that has been around for several years. That would seek to bring that standard back to what it was pre a Supreme Court decision here in Florida, to try to make that only used in rare and exceptional circumstances as opposed to more where we have seen it being used a little more commonly, although not every day, for fee multipliers in certain cases.

Number two would be a change in how and when claims can be filed. Right now, as many of you are aware, we have a two-year claim filing deadline for sink hole claims and a three-year claim filing deadline for hurricane and windstorm claims. But for all other causes of loss in property there is no stated claims filing deadline and that really defaults to the five-year Statute of Limitations on contracts. So, the language in Senator Boyd's Bill, the results would create a claim filing deadline for property insurance claims for two years across the board.

We know that we saw, for example with Hurricane Irma, incredible correlation between how long after the event a claim was filed and representation at first notice of loss. Only 10 percent of our claims that came in in 2017 immediately following Irma were represented at first notice of loss, and in 2018, that number jumped to 40 percent of the time they were represented by a PA or attorney, and then 63 percent in '19 and 64 percent in 2020.

So obviously, behavior changes the further out you get from a named storm event where it is very easy to track the date of loss. So, we are supportive of that provision to try to give carriers a better feel for what their losses are going to look like and when things are coming in the door, knowing that they were filed in a more reasonable time, reasonable manner.

The third provision in the Bill would allow carriers to offer actual cash value on roofs as opposed to what occurs now, where there are some carriers who have that option, but you have to have the mandatory offer of replacement costs. This has not been a Citizens servicing issue. As many of you know, we have not seen the trend in the roof claims and roof litigation that the private market has, and mostly that is because currently we have not been a large writer in the Tampa Bay and central Florida area where this roof issue has really grown and become a major issue for the private market.

Unfortunately, we are growing in those areas, so my fear is that we might be starting to see some of that in a more prevalent basis for Citizens. So, while we are generally supportive of the need to do something on roofs, we do not have the data or really, we can't be the tip of the spear on that issue since we, as all of you know, our ground zero has been non-weather water in southeast Florida.

The fourth issue in the Bill is really probably the lynchpin issue that would, if addressed, change the target, the direction of litigation and the skyrocketing numbers in Florida for first party, which is the way Senator Boyd's Bill is currently written, it really attempts to take the Texas law and address first party fee and first party litigation reform.

There are some issues in the technical nature in the drafting of that with respect to it being Texas statute laid in Florida Statutes and some unintended items that may need to be cleaned up, but overall the goal of that language is very well intended, which is to try to put some skin in the game for trial attorneys in first party litigation, because right now as you all know if a carrier loses by a penny all plaintiff's fees are paid for by the carrier. So that Senate Bill 76.

House Bill 305, which is by Chairman Bob Rommel in the House, is a similar Bill, although it doesn't currently contain the first party litigation fix that Senator Boyd's Bill has.

So, those are really industry focused Bills that would obviously benefit Citizens if passed in their current or similar form, and probably would really have a great impact on the overall direction of our market, maybe not overnight, but certainly would send things in a better direction. So, we do care about those, we are supportive of those generally, but those are market focused and litigation focused Bills that we support.

We also are confident that we are going to see a Citizens-specific Bill, to Kelly's point when she talked about Depopulation and Clearinghouse. We think that a number of items that have been talked about in in the FSU study and raised by our Board Chairman would be included in any Citizens-specific Bill, including, but not limited to, requiring a 15 percent threshold potentially for renewal business through the clearinghouse as opposed to the zero percent threshold now - if it is a penny more, they can stay.

Instituting some sort of similar threshold for depopulation - as all of you know right now, if there is a depopulation offer, a consumer for any reason can reject that offer and remain with Citizens. The concept we have suggested, and the Chairman has suggested, might be to be consistent with front door eligibility in the clearinghouse to do a 15 percent threshold.

While we can't force a consumer to go with any given carrier, we can deem them ineligible if you were to change the law to say that if the quote or the offer from carrier X is within 15 percent of Citizens, you don't have to take that offer, but you can't stay with Citizens. So those are the types of things we expect to see.

I think there is some growing conversation around the concern about our competitive nature of our rates and the impact that the glide path is having on that. I don't believe you are going to see the Legislature likely ever, but for sure not during a pandemic, rip the Band-Aid off and say, hey, Citizens, why don't you file actuarially sounds rates for tomorrow.

But I do think there is some growing interest in understanding how the cap works, the impact of the cap and what could be done that might be what I would call incremental or more stair step approach to try to get Citizens the ability to get a more adequate rate within reason.

I have not seen language on any of that yet, but there seems to be interest. We are getting questions from staff about just some data and so I think there might be an interest to take, for the first time really since the cap went into place, to at least take a look and understand how the cap really works in a real-world environment.

We don't want, by the way, I think you know we all want to make sure that would do it in a way that works if there is an interest by the Legislature so that we don't have a boomerang affect and go too far too fast and then end up regretting what passes that we have an outcry and end up losing like a rate cap ever in the future. That didn't do us any good.

So those are really the items that I think are the key items that we are working on that we expect to see this session. As you all know we have got COVID liability reform moving through the Capitol. That is a heavy lift, it is a huge priority.

You have got the overall handling of the pandemic and what is going on, it's still ongoing. As we all sit here virtually talking to one another, budget discussions that we may not have the budget dollars that were anticipated. I think Florida is still in really good shape, but all of that is going to take, you know, bandwidth at the legislative level.

And then of course, something that doesn't impact Citizens, but impacts the overall conversation in insurance is a lot of talk about changing the auto market and moving away from the PIP based system. While, of course, we don't write auto and that doesn't directly impact us, those are major policy conversations that are occurring that are complex, they take time, they take bandwidth of the committees and will impact, I think, if those move forward, how much can get done in property at the same time.

There is just only so much time, and which I didn't mention on the front end, we had a condensed committee schedule. Normally following an election, we would see the organizational session following the election in November, and then you might have some committee meetings beginning in December where you can do background, education for your new members, presentations from entities like Citizens and agencies under committee purview.

Well, because of COVID, and rightfully so, the House and Senate opted not to start committee meetings until after the first of the year to just give a little extra time for them to get their protocols in place and lay out how things are going to work in this different environment for all of us.

And so, they are already working under a condensed more limited committee schedule. So not as much work will have been done going into session that you might have seen otherwise in a normal year. So, I think all of those factors need to be understood to understand that there is a lot of work to get done and it is not just the property discussion, although I am seeing good indication that there is more and more understanding and concern about the direction of this market and what needs to be done to try to change the course of things in property.

I am happy to answer any questions.

Lee Gorodetsky: This is Lee, sorry.

Chairman Newell: No, go ahead, Lee.

Lee Gorodetsky: All right, sorry. Christine, in regard to the two comments, but one more of a question. In regard to the actual cash value on the roof scenarios.

Christine Ashburn: Yes.

Lee Gorodetsky: I am a fan of that because we see too many clients coming to us with 22-year-old shingle roofs and have two to three years of life and everyone wants to get it closed and get insurance. If that were to go through, does that present any problem to the real estate world, because they usually want at closing, they want proof of full replacement costs on the policy, and if it is going to be ACD on the roof that's not going to be doable I don't think. I am not sure about that.

Christine Ashburn: So, the real estate component specifically has not been raised, but what has been raised is Fannie and Freddie and the mortgage end and the banking end about replacements costs.

And I will tell you that there are several other states that have implemented similar provisions to what Florida is looking at doing and it has not seemed from any of the research that my colleagues have done, like I said, we are not taking the lead on this issue, has not been an issue with the real estate world and closings and with Fannie and Freddie.

Now of course, we are Florida, we are a very large state, it's a huge piece of our economy, so that doesn't mean it couldn't be an issue here. I will tell you it is a roof schedule, just to give you a little more specificity, that would allow for after a certain age of roof, 10 years, you could have a schedule, and the schedule would vary based on roof type which makes sense. And there would be a limit as to how far down you could go on ACD, and if there was a full and total loss there would be replacement cost on the roof.

So, if the home burned to the ground, you would not be able to apply the ACD schedule to those instances. So, it is definitely an interesting conversation. I think there is some hesitation by some folks on that. Like I said though, we have really not been taking the lead, but I think there is more to come on how the Legislature will end up tackling the roofs for sure.

Any other questions?

Chairman Newell: Any other questions for Christine? All right. I guess not. Thanks, Christine.

Christine Ashburn: Thank you.

5. New Business

Chairman Newell: All right, committee, any new business to come before us today? All right, hearing none I will entertain a motion to adjourn today's meeting.

Phil Zelman: Motion to adjourn.

Chairman Newell: Motion to adjourn. Do I have a second?

Lee Gorodetsky: Second.

Chairman Newell: All right, Lee seconded the motion. So, meeting adjourned. Thanks, folks. Be safe, and we will see you, hopefully, soon - maybe in person.

(Whereupon the meeting was adjourned.)