

CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE CLAIMS COMMITTEE MEETING Wednesday, June 30, 2021

The Claims Committee of Citizens Property Insurance Corporation (Citizens) convened on Wednesday, June 30, 2021 at 1:00 p.m. Eastern.

The following members of the Claims Committee were present:

Scott Thomas, Chairman
Jillian Hasner
Reynolds Henderson
Jon Palmquist
Jay Adams

1. Approval of Prior Meeting's Minutes (February 23, 2021)

A motion was made by Governor Henderson and seconded by Mr. Palmquist to approve the February 23, 2021 minutes. All were in favor. Motion carried.

Chairman Thomas: Before we move on to our scheduled business, let me first say a very nice hello to Governor Hasner. This is her first time joining us, both on the Claims Committee and the first time we have met, albeit through Zoom, with your appointment recent, so we are very glad to have you on the Claims Committee and look forward to working with you on the full Board.

Governor Hasner: Thank you, I appreciate that.

Chairman Thomas: And I am impressed by the way that you already have a Citizens Board member background for your Zoom. Just showing me up in no time. And Governor Henderson as well, he is being shown up. Another quick comment by the way. This is my first meeting chairing this Committee. We are going to go forward in a fairly non-overly officious manner. We will obey protocol and procedure as much as we have to make sure we get this done in an efficient manner, but particularly for members of the Committee, this is not you have to be recognized and that sort of thing. I don't mind. We are a collegial body, and I think particularly when presentations are done, if there are questions, I think free flow is perfectly fine by me. With that, we will get moving.

2. Strategic Update

Jay Adams: Good afternoon, Chairman Thomas and Committee members. I would like to welcome Governor Jillian Hasner to the Claims Committee and thank you in advance for your participation in support of the Claims team. I would like to thank Will Kastroll for his dedication and support to serving as our prior Chairman and wish him the best in his new endeavors.

Chairman, I would like to start my Strategic Update today by covering a presentation on Citizens Litigation Compared to the Florida Market, and then I will follow upon a very brief update for the E&Y study. Could we more to the first slide, please?

This first slide represents all the litigation in the state of Florida for all the carriers, and we are looking at the time frame of 2013 to 2020. If you look at the chart on the left, that is the 2013 representation for lawsuits and that one on the right is for 2020 lawsuits. And really there are two compelling things to take away from this. Back in 2013, we had a little over 27,000 lawsuits in the market. In 2020, that number had grown to 85,000. If you look at the shading in the map, the darker the blue represents where the volume of these lawsuits are coming from.

Next slide, please. This next slide is a representation of the Carrier litigation experience from 2013 to 2020, and we get this information from the DFS service of process, and this is really just an indication of the total suits filed, and we break Citizens out separately. And really what is worth of note here, when we look at 2019 compared to 2020, Citizens' AOB litigation decreased by 48 percent, and our overall litigation reduced by 20 percent. And we will go into a little bit more detail about that in a few slides. And again, what is compelling here is while Citizens had a reduction in AOB up to 48 percent, the industry only saw a 37 percent reduction, and when we look at all litigation for all other, the industry only saw a one percent compared to Citizens 20 percent.

Next slide, please. This slide really is just a representation of the data on the prior page in a graphical nature. The graph on the left indicates Citizens specific and the graph on the right is the industry, and all we are trying to point out here is Citizens saw a significantly greater decline in litigation compared for the industry.

Next slide, please. This slide is a representation of the top 10 Carriers as of 2019, and the top 10 Carriers that had the most increase in lawsuits over the period of 2016 to 2019. And if you look in the far right-hand column, you can see that those top 10 Carriers all had faced triple digit increases, and if you look below the black line, that is a representation for Citizens. Citizens actually saw a 3.8 percent reduction in lawsuits over that same time frame.

Next slide. I would like to spend just a few minutes talking about Citizens specific results for litigation, and I am not going to focus on this entire chart. What I would like for you to review is in the far-left column the number of trials and look across that row. And you can see that Citizens has had significant success overall in any of the cases that we take to trial. And this is a representation that Citizens is really making the right decisions on the right trials to carry forward. The next one is the final summary judgment. And what you see here is an increase over the years, and this is where the court is ruling that the facts did not support the case as a matter of law, meaning that they should have never filed suit in these to begin with. And then the last row for "abandoned", these are voluntary dismissals and withdrawals without recovery from the client. You can see that these numbers have grown significantly over the last few years. And what this is, is an indication of frivolous lawsuits being filed by the plaintiff attorneys. These folks really had no choice of any winning of trials or anything in this particular category. And what happens is if these are based on contract, coverage, claim handling and such, we have made the decision

strategically that we would take those to trial, and on the eve of trial most of these Plaintiff Attorneys will abandon where we do not have to pay any kind of fees and costs to the plaintiff. And that increase again as I said earlier, really just speaks to the frivolousness of many of the lawsuits received.

Next slide, please. This graph is a representation of only our HO-3 multi-peril litigation rates. And what I would like to draw your attention to is the date in the left column, 3/31/2016. That was our all-time high of 52 percent, and what that means, that was the litigation rate for those HO-3 multi-peril policies. If you go to the bottom line there for the 3/31/2020, you can see that we have reduced that litigation rate down to 21.4 percent. And again, the strategies and things that I have talked about and the type of handling that we are doing in the litigation arena is impacting these litigation rates significantly.

The next slide. As you all know, back in August of 2018 we really launched our Managed Repair Program. So we went back to see what impact the Managed Repair program has had on litigation in the total. The chart that is at the top is for our Water Mitigation Services, and if you look at the last column of that data, what you can see is those folks that entered the Water Mitigation Services were significantly less likely to file litigation. For 2019 the number was 9.6 percent of them filed that were in the program and 25.9 percent that were outside the program. We had very similar results for the chart below, which is for permanent repairs. And really the conclusion here is our Managed Repair Program is having a positive impact in the overall litigation rate.

Next slide, please. So this slide here is a slide benchmarking the Florida Carriers that subscribed to CaseGlide. CaseGlide is a matter management system, and they were good enough to share some financial results for us so that we could make some comparisons. There are multiple carriers within the state that subscribe to CaseGlide, and that is where their data comes from. And what I really want to focus on here is the category here for all cases, and the left column is the CaseGlide aggregated data, and then the column beside it would be the Citizens market data. And really what you can see here is the average legal spend is the total amount spent for litigation. You can see that the market is around \$57,000 and Citizens is around \$35,000, meaning that we are getting better at settlements. The legal spend is broken down between average attorney fees and indemnity which are the next two rows, and you can see that we are spending a little bit more in defense costs but look at the indemnity savings we are garnering from that. I mean, it is significant.

Can we go to the next slide, please? And this slide is really the same type of layout of data, and really what it is comparing here is breaking out catastrophe and non catastrophe, and you can see that Citizens still has significantly favorable results when you look at it in a total basis compared to what is going on in the marketplace.

And we can go to the last slide, I believe that is it. I will be more than happy to take any questions before I move on to my next topic.

Chairman Thomas: Thank you very much, Jay. Any questions from members of the Committee? Jay, I have one. I noticed on the slide concerning the number of trials a substantial reduction in 2020. Am I correct, that is merely a product most likely of COVID and the absence of trials generally in Florida, not some strategic or macro reason beyond that?

Jay Adams: That would be correct. We did see a significant downturn in 2020. And historically we don't get too many trials on the docket in a year's time frame anyhow. You can see in 2019, the maximum we had was 42.

Chairman Thomas: Right, right. I thought it was very interesting and helpful that the report showing our total legal spend to include fees as well as the indemnity. I don't know that we can judge much though from indemnity unless we know what the underlying claim was, right? I mean, it is one thing if I spend \$5,000 in indemnity on a \$5 million claim, that is better than someone who spent, you know, \$4,000 of indemnity on a \$3,000 claim, right? Do we have any way of comparing that indemnity number to the overall claim value we face?

Jay Adams: No, because the CaseGlide data is in aggregate form. For Citizens, we could certainly tell the indemnity that we paid on these. The majority of these claims are either wind related or water related, because that represents the majority of the claims in the industry. And I can tell you from a water perspective, our average claim prior to litigation is somewhere between \$12,000-14,000 dollars. So that kind of gives you an idea of what the value of that indemnity was prior to litigation.

Chairman Thomas: Okay, thanks. I am not at all by the way surprised by the numbers of claims. We here in my office we subscribe to the courthouse news service which gives me a listing every day of the cases filed in whatever jurisdiction, and I think just yesterday, I looked at it before the hearing, I think 28 cases filed in Duval County and the majority of them were designated as insurance cases, even more than auto accidents. So we will get some relief from legislative enactments. Unless anybody has anything else for Jay, I guess you have more to your report though, correct?

Jay Adams: I think Governor Henderson has a question.

Chairman Thomas: Sorry Governor Henderson, go right ahead.

Governor Henderson: No problem. On page 6, if you look back at 2017 and really 2016, the favorable rulings if I am seeing this correct were significantly less than we are seeing today. What was the reason behind that? Was there a reason behind that?

Jay Adams: I don't know that there is any specific reason. What I can say is we have got much more mature in our litigation strategies as we have continued to move forward. We have worked really closely with our Claims Legal representatives to help set solid

strategies, and we are probably taking better cases to trial than we had in the past. And I will tell you another thing for Citizens, a lot of the times we invest in a trial is to try to get some case law established around some of these important things, such as being able to compel appraisal, for example in the marketplace. Once that has been done we would ask that the court allow the appraisal process to complete. So some of these results could be related to things like that.

Governor Henderson: Okay, thank you.

Jay Adams: You are welcome.

Chairman Thomas: Jay, in follow up, how do we measure what constitutes a favorable trial results? I assume it may be a trial that we have actually lost a judgment, but the net judgment is less than what maybe had been offered or demanded. What is the touch stone for deciding if a trial result is favorable?

Jay Adams: I believe it would be when we get a defense verdict.

Chairman Thomas: Really? So when we look at 2019, 81 percent favorable, that is 81 percent of the time it is just an outright defense verdict?

Jay Adams: That is correct. It would be a very rare instance for us to go to trial and get a result that was less than we had already offered. Typically, if the jury is going to award the plaintiff something, it is typically is a minimum of one dollar more.

Chairman Thomas: Sure that makes sense because you are going to put on a defense case which values what the law says, and that same value is what you would have used today to make an offer. I can see the scenario. You offer someone pre suit, they don't take it, you go to trial, you say the heck with that, I will get a new appraisal and we will go lower, that is possible, but that makes sense to me.

Jay Adams: All right. If there are no other questions, Chairman, what I would like to do --

Mr. Palmquist: Sorry, Jay, I was trying to find my mute button. Does this consider bad faith lawsuits at all?

Jay Adams: Citizens is immune to bad faith. We do get allegations of that and we do have to take them before the court, but we typically just ask for a dismissal in those. So these really are trials that are some offer of judgment has already been made.

Mr. Pamliquist: Do the numbers from the industry potentially include the bad faith lawsuits?

Jay Adams: That I do not know. I don't know because I am not sure how they may interpret that particular data. Like some carriers for anything that is extra contractual, code those dollars differently. Like I said, CaseGlide was good enough to share this information with us. I have no idea how they put that into buckets.

Mr. Palmquist: Alright. Well, that could account for perhaps some of the numbers and some of the differences if you are immune from bad faith and they're not. Thank you, Jay.

Jay Adams: You are welcome. So what I would like to do now is provide a brief update on the E&Y action plan status. As a reminder, the Board of Governors approved our E&Y action plan at the March Board of Governors' meeting. My update today will take our E&Y action plan and divide it into two sections. One for actions that do not involve any type of system change, and then combine all of the rest that are system changes into an update.

So for those items that were not system related. We had 14 action items, and the status of these are as follows. We have five that are currently in progress. We had five that have not been started, and they have not been started because our General Counsel just started. He is still trying to get his feet underneath him, and we do need to have some conversation with him. We are hopeful over the next 30 to 60 days we will bring some resolution to those five items. And then we have already completed four items.

And then for our system changes we have an additional 14 action items. We issued the solicitation for the matter management system on March 15, 2021. The responses were due on May 10, 2021. We received nine vendors and the negotiation process started June 9, and it will conclude on August 30. So once a vendor is awarded we will have to bring that back to the Board for approval, and then once we start the implementation we will take those 14 system related issues into consideration to see how we might be able to roll those into whatever the new vendor is that provides the matter management software. And with that, chairman, that concludes my presentation.

Chairman Thomas: Thank you very much, appreciate it.

3. Non-Litigated Claims Update

Craig Sakraida: Thank you, good afternoon, Chairman and Committee members. I wanted to give everyone an update on our catastrophe preparation and testing for 2021.

And next slide, please. Since there are some newer members on the Committee, I just wanted to go over a little bit of our CAT response phases. I know you saw a note that it was sent out with Tropical Storm Claudette a week or so ago that we were in the Monitor place. We have these five phases that we have established companywide to really kind of guide us in the CAT response. With Preparedness, naturally is our time when we are doing testing and prep work, Monitor is when there is something out there in some type of disturbance or system that we are taking a look at that may impact Florida. Activation starts once there is a tropical storm watch, hurricane warning, anything put up for part of

the state where we feel we are going to have to deploy some resources other than what we actually have out there. Landfall, we consider that the first 24 to 48 hours after a named storm makes landfall. And with some of the storms we have had over the past few years, you know, they impact the state for sometimes two, three or four days. So that may last a little longer than that. And then we have our Recovery phase which we really broke down into three parts because the response does change from the initial 30 days roughly to the midterm to then what I would call your closing response or what is commonly referred to as the cleanup phase.

Next slide, please. For our catastrophe preparation this year we completed our 2021 Catastrophe Master Plan which includes every business unit in the company has a plan of how they're going to respond, how they're going to scale out and that is compiled into one document. We have an IT catastrophe preparation readiness meeting and the numbers are 90 percent, really and what that means is about 90 percent of everything that is tracked, and there is anywhere between 125 to 150 items that are tracked by Robert Mayfield who runs through our Enterprise Resiliency group under Kelly Booten's leadership, really puts all the components together. These could be technical components, they could be systems enhancements, they could be logistics that are tracked, and as of June 1 we were at 90 percent, but as of about 11:00 a.m. today, I met with Robert and we are at 99 percent. We have a couple items that are out there that have to be taken care of that are minor that really don't impact our response, but we track them anyway. So we are in really good shape there. We have held our train-the-trainer meetings with our Independent Adjusting firms and that is where we go over expectations and requirements for this upcoming CAT season and we do that on a yearly basis, and then our drone and aerial imagery vendors, we have orientation scheduled with them to go over system changes, once again, expectations and what we would like them to do in catastrophe from anything that changed from 2020.

Next slide, please. We also do in the Preparedness mode, we do catastrophe testing, and these are the major tests that is we do every year to ensure that we are able to respond so that we can service the customers. We have an FNOL call center stress test. Our virtual adjuster onboarding and we test how the adjusters can access the systems, are we prepared to get them access to the systems, to answer any questions, and really hone our process down so that when we do onboard adjusters in a CAT event, that it goes smoothly and we get the numbers that we need to answer the phones and service the customers and get the inspections taken care of. Every year we do an IT load testing for our systems readiness. Our customer response center referred to as our CRC. Those are our customer outreach where policyholders can file a claim, get an advanced check and we can take care of their needs actually in the field. We do those tests every year. We have a claims service vehicle and generator readiness test. We have a claims mobile app which is unique in the fact that it can be used offline, but it allows the adjuster to really capture all of the details of the loss in one fall swoop and then it gets sent off and writes an estimate in the background. Check processing and our inserter validation to make sure we can print

the checks, and then we have a contract through our enterprise resiliency group with Agility Mobile Office, so if we need to set up a mobile office, we can do that in short order.

Next slide, please. Last year we had to adapt to COVID-19. All of those guidelines are still in place, and we abide by those for CDC regulations.

Next slide, please. One thing I did want to mention, our catastrophe plan, it is a dynamic plan and there are multiple levels of claims handling, because as you know some claims are more severe than others. Some claims can be inspected over the phone. So we have these different really processes and tracks, with fast track, inspection services, our task field adjusters, resolution units. We have large loss units and then we have commercial team adjusting. And really the fast track and the inspection services are your lower severity low dollar claims. The fast track adjusts the claim over the phone. Inspection services, they do lower severity claims that they utilize the app that I spoke about on the previous couple of slides, and then our task field adjusters, they handle the moderate to severe losses. Our resolution unit is really the phone. That is the lifeline for the customers. They answer the phones, they make sure everything gets resolved on the claim, can answer follow up questions, and they're commonly referred to as our desk adjusters when you hear some of these terms. We have a large loss team that handles the large and complex losses, or if we have a multi causation with flood and wind, they will handle those, and then commercial, we do a team adjusting approach on a lot of those larger losses just because of the nature and size of all the risks that we have.

Next slide, please. We use our GIS tool to overlay the PIF and to assist us in determining policies with the greatest risk for damage. We can plug that information into a resource calculator that gives us some idea of how many resources do we need. Every storm is unique, every response is unique, so we try to get as close and we can and have an understanding of what we are looking at as the storm is coming in. We have field management support through the claims service vehicle and contracted vendors for field offices. We have quality assurance support for the desk adjusters and review queues for submitted estimates as well as back up in the field to help us with training needs when we identify them. We have a robust communication strategy through the adjuster portal for our external resources. So as decisions are made, the items are posted out there so that they can access them and there is a record of it so we can go back in time and say, when this decision was made and what it was about.

Next slide. And I just wanted to touch on all the different ways that we use our communication to our external partners as well as our agents, policyholders through e-mail, press releases, social media, direct mail, radio, TV. We have a vast communication strategy put out there to keep the customer and our agents and the adjusters informed of what is going on. Chairman, that is the end of my presentation. I will gladly take any questions or comments.

Chairman Thomas: Okay, it thank you very much. Let's hope that the end of hurricane season we look back and decide it was a bunch of wasted effort. I kid. Anything from the Committee? I don't see it. So again, thanks for the good report and for the good hard work in preparedness.

4. Litigated Claims Update

Elaina Paskalakis: Good afternoon, thank you, Chairman. I believe the materials are found in tab 4A for you to refer to, and I would just like to provide you with a brief overview and kind of hit the highlights. For the first quarter of 2021, we had experienced a 54 percent increase in the new incoming lawsuits as compared to 2020. So we are averaging around 870 new lawsuits per month. Our pending volume has also increased by 19 percent, and we are almost 14,500 lawsuits total to date. 85 percent of all new incoming lawsuits continue to come out of the tri-county area. In terms of representation of the insured, 58 percent of the new lawsuits all involve claims in which the insured was represented at the first notice of loss. So when they first reported the claim to Citizens, they already had representation on board, whether it be a PA or an attorney.

In terms of new lawsuits, in 40 percent of those the insured did not dispute our position or our adjustments of the claim prior to bringing their lawsuit. And what that that essentially means is when we adjust a claim, we are always open to discussing our result or our position with the insured if they don't agree with it, and in 40 percent of the lawsuits that are filed we find that the insured never comes back to us, never brings up any new issues or expresses any displeasure or disagreement and then their next step is just to file suit. This is actually down nine percent from 2020. It was around 49 to 50 percent of the cases involved that situation, so we are starting to see that declining. We will see whether or not that becomes a continuing trend.

In terms of timing of lawsuits, 47 percent of the new lawsuits for the first quarter of 2021 were brought within six months of the first notice of loss of the claim. And we are starting to see lawsuits speed up. So that is faster than they were coming in in 2020. The trends have typically been that the lawsuits come in faster in relation to the FNOL following a CAT situation and then it is a longer period of time that trends when it is a non CAT situation. So this is a bit unusual in that we are seeing the lawsuits start to come in faster in absence of a catastrophe. The leading cause of loss for both new incoming suits as well as pending remains catastrophe lawsuits.

In terms of AOB lawsuits, we have a two percent decrease in the new lawsuits coming in as compared to 2020, and we have a 16 percent decrease in the pending volume for AOB lawsuits as compared to 2020.

For non-weather water lawsuits we have an 11 percent decrease in the new incoming lawsuits, and a four percent increase in the pending volume.

Overall, I think the biggest story of the first quarter is there is significant increase in new incoming lawsuits, and we attribute that mainly to the rising PIF at this time. So with that, that is all that I intended to update and highlight for today and I am happy to take any questions that you may have.

Chairman Thomas: Thank you, Elaina very much. Any questions from the Committee?

Governor Henderson: What was the last word, the increase you said, I couldn't understand the last word. What that term was. PIF?

Elaina Paskalakis: I am sorry, PIF, policies in force. So as we continue to take on new policies we think that that is driving the increase that we are seeing, this 54 percent increase in lawsuits.

Governor Henderson: And so it looks like, you know, people having attorneys before the first notice of loss, I mean, that is just kind of like they are just prepared to sue. I mean, it is just taking on these new policies you feel like, is driving this up more, or do you think it is just a cultural thing? What do you think it is?

Elaina Paskalakis: I think it is the litigation arena in Florida. So the represented insured when they bring the first notice of loss, that is trend we have been dealing with.

Chairman Thomas: Is it just Elaina with the technical problems, or am I having technical problems?

Governor Henderson: Governor Thomas, you are not moving. You look frozen to me.

Shari Hamilton: Chairman, we will have IT look into that right away. Chairman, can you hear us okay now?

Chairman Thomas: Yes, I didn't know I was the one with technical problems or if you all had technical problems, but I think it must have been me, correct?

Shari Hamilton: Yes, I think it is resolved now, thank you.

Chairman Thomas: Sorry about that, I dropped out and came back. Governor Henderson had a question that Elaina was answering, had that been completed?

Governor Henderson: It sounds like it. I am really just trying to understand people getting in line to sue. I mean, it just sounds like these lawsuits, it is like how do we reduce the lawsuits and it sounds like some of the people are just coming, coming immediately out of the gates lawyered up and filing lawsuits. So I am just trying to figure out if there is some strategy that we can start to reduce these, and I am just trying to educate myself on this.

Chairman Thomas: Elaina, wouldn't you agree hopefully that maybe, you may see a change based on the legislative enactment that affects the award of first party fees, the idea being that there is prior, because of the award of first party fees, there is really no incentive for the lawyer, for the lawyer that is going to bring the suit to delay bringing the suit. They want to get the clock running as fast as they can. So the insured comes in and step one almost is to file a lawsuit to get the fee clock running, right?

Elaina Paskalakis: Yes. Well, it remains to be seen. With the new legislation there is some questions on certain pieces of it but we are hoping to see some positive impact from the new legislation. This has been a trend for many years that there are always a certain subset of insured that are coming in the gate making the claim already represented, and we suspect already working towards setting up the lawsuit, because that is the only time the lawyers can recover from the insurance company, and we will see what happens under the new legislation.

Chairman Thomas: Governor Henderson, I think from my standpoint, until we have an effective means of some sort of pre suit process where there is an actual back and forth and a benchmark number put out that if you don't beat the benchmark number you don't get your fees, then the incentive remains for law firms to advertise aggressively to get these cases in the door and do ads where they explain the insurance company is not your friends and they are out to get you and file suit ASAP and that is just where the legal market is I think and where it has really progressed the last 10 years.

Governor Henderson: So when I said cultural. Some kind of the attorney culture is let's go ahead and advertise, let's get the lawsuit in, start the clock running as soon as possible. Am I kind of understanding this right from what you said earlier?

Chairman Thomas: That is my view of it. So any time you subsidize something you get more of it. And when you have areas of the law like this, first party insurance claims or certain employment claims have fee shifts you are incentivizing the lawsuit. Look, I am not saying that—look good lawyers bring these lawsuits, not all of them are good lawyers, but the financial incentive there is to get the suit going and the fee shift clock running as early as possible so they can say, look, we beat you, we did better, you owe us fees from day one. That is my view of it and hopefully we will continue, we have got some legislative enactment, hopefully we will continue to see an effort to allow the insureds an opportunity to kind of put their cards on the table first as a benchmark before they are looking at this sort of exposure to fees and so forth.

Governor Henderson: Thank you, that answers my questions, thank you.

Barry Gilway: Just a couple of comments. SB 76 does provide us with some additional benefits. The anti-solicitation provisions I think will have an impact on the industry. That is pretty compelling. I think what is creating the scenario that Governor Henderson was referring to is just outright solicitation of independent adjusters and contractors in

neighborhood, through door knockers, through advertising, Facebook, media, and I think SB 76 if the components of SB 76 can truly be enforced effectively, I really do believe that we will have an impact. Of course, SB 1586 also has some provisions relative to the role of in the independent adjuster versus making sure that the independent adjuster and not the attorney and not the loss consultant can actually file a claim. So I think there are some provisions in the current legislation that has passed that could have an impact.

Chairman Thomas: Barry, thanks for adding that. Anything else for Mrs. Paskalakis or from Mrs. Paskalakis?

Elaina Paskalakis: Thank you for the opportunity, appreciate it.

Chairman Thomas: Thank you so much. We appreciate the guidance and the info.

5. Non-Weather Water, MRP, and AOB Update

Michael Carver: Thank you, Mr. Chairman. It is my pleasure to update this Committee on non-weather water claims, the Managed Repair Program and Assignments of Benefits as I have for the first and second quarter of this year. We do continue to see increased volume in our non-weather water claims and that is fairly consistent with last year and through the first and second quarter of this year, which is not quite up yet, but we are seeing trends even as we reach the end of the second quarter.

The increased volume of non-weather water claims remains consistent with our policy in force growth. It is a pretty linear relationship when we look at policy in force to our non-weather water claim volume. I think everybody knows that we are increasing PIF at a pretty rapid rate, and just to give you an example, the PIF growth rate for the period of time that I am speaking about is about a 28 percent increase, and if that is pretty relative to what we have seen in non-weather water, the growth in non-weather water claims. Just to give you an example, the non-weather water claim reporting volume has increased from 1,051 per month during all of 2020 to 1,257 per month or approximately 220 percent growth in the first quarter of 2021, and non-weather water claims continue to represent about 45 to 50 percent of all claims reported to Citizens. And here again, it has remained consistent for quiet sometime now. So consistent with Citizens' policy distribution, as you can imagine, the non-weather water claims are pretty segmented in the counties that we have policy saturation in. So the majority, 88 percent of non-weather water claims continue to be reported from Miami-Dade, Broward and Palm Beach and the Tampa area. Of this 88 percent, over half or 64 percent are reported from Miami-Dade and Broward. Another 12 percent are distributed across the state. Plumbing leaks as you can imagine continue to be the most frequent cause of loss. At 60 percent rounding out the total, with appliance and other rounding out the total, most non-weather water claims are reported on the HO-3 policy form, 67 percent are on the HO-3 form and then another 17 percent on the DP-3 form.

Claims continues to experience high customer satisfaction scores during the first quarter of 2021, a total of 745 customers were surveyed resulting in an 88.3 satisfaction rate. This reflects that almost nine of 10 Citizens customers are highly satisfied in how their claim was serviced and handled to conclusion.

Now I will move to the Managed Repair Program, in other words, MRP. The Managed Repair Program offers a valuable service to customers with eligible policies whose homes have been damaged by water not caused by weather. An offer to participate in MRP is available to those who have an HO-3 or DP-3 non condo policy. MRP offers customers the ability to benefit from their full building coverage limit in lieu of the \$10,000 water sub limit. Once a network contractor is assigned, the covered repairs start with the goal of fully repairing a home and placing the policyholder in a pre-loss condition. There is also a five-year warranty on covered repairs. This program also provides the benefits of reducing overlapping claims from prior losses which we see when folks do not choose the MRP program. A lot of customers take the limit and they do not make the repairs. So the MRP program does provide a great opportunity not only for the insured to get their limits, to at least work up to their limits or have availability up to their limits, but it also maintains that they get their repairs done, and not only does it help in overlapping repairs, but it also helps provide proof of repair to the Underwriting department to determine continued eligibility.

As previously reported in previous quarters to this Committee, both the Emergency Water Removal Service and the MRP continue to be popular programs. In fact, we have continued to see more and more customers enter into the programs. Most customers who need water removal services accept the free, what we call EWRS, removal service which allows for the rapid removal of water from the home reducing further loss. This program also reduces the need for the customer to locate and hire a water removal company who typically requires the insured to enter into an AOB agreement. So what we do see is when the customer doesn't take the free water service which we scratch our head on quite frankly, we do see that they go out and choose their own company, and in most cases based on our file reviews, an assignment of benefits agreements is triggered. And it is also a gateway, the free water removal service is definitely a gateway to moving that customer, not only from the free water mit service, but getting them into the permanent repair service. And here again, I have explained the benefits of having the repairs completed by one of the network contractors.

Effective February 1, 2021 from HO-3 and DP-3 non condo policy renewals, newly implemented policy language took place. We are confident these same changes are further strengthening MRP, and that is what our goal is, constantly strengthen MRP based upon not only customer feedback, but the claim experience and the claim reviews that we complete. However, it will take a full year of renewals to get this new language fully implemented. Some of the changes included written consent to participate in the program as required. Previously only an oral consent was required, and a lot of times when the customer would orally consent, yes, I want to participate in the program, but there is a lot

of the contractor can't get on the property, the insured delays the repair work and those types of things. And so we are trying to tighten that up to bring some urgency to helping the customer make the repairs. The insured must also execute a contract with the network contractor within 10 days. That is to alleviate some of that time that more damage can occur and those types of things.

New eligibility criteria for terminating the program for participation was introduced. So sometimes we get into cases where a customer will say, yes, I want to participate in the program, but will not allow the contractor on the property, they won't sign a work authorization. There is something that is delaying that and sometimes it is attorney driven, sometimes it is PA driven. This actually gives us more, puts more teeth in what we are trying to do. We are really trying to move the claim forward to closure and help the customer get the repairs done. So the revised language is designed to better document the customer's decision to participate in the MRP and to get reasonable timelines for getting repairs started, to place the customer back to pre-loss conditions as soon as possible.

As I had mentioned, the non MRP customer satisfaction surveys, this is talking to the actual MRP customer satisfaction surveys. During the first quarter of 2021 we completed 181 surveys, and this is MRP related. How satisfied are you with either our free water mitigation, our water removal service or our permanent repair service, and I am happy to report similar to what I reported out on the non MRP claims, nine out of 10 customers are highly satisfied, or almost nine out of 10. In fact the customer satisfaction rating for the first quarter was 87.3 which is up when you look back at 2020, up from 86.4.

So with that I will move on to the assignment of benefits update. I think as the Committee is aware, this legislation, HB 7065 took effect on July 1, 2019. Since that time we have been pretty busy. We received 12,877 assignments agreements, and for the first quarter of 2021, we actually processed 2,860 assignment agreements with the majority of those agreements involving non-weather water and wind related claims. So we continue to see a steady flow of AOBs which is indicative of increasing policies in force and the overall growth in claim volume. And while I won't go through every single one of these because I know you have the information, but just to give you an example. For the first quarter assignment of benefits received, 85 percent agreements were related to non-weather water and wind claims. 60 percent of all agreements were compliant, so they were meeting the requirement of HB 7065. 56 percent of agreements involved emergency services and 48 percent were related to permanent repairs, and the three top work types that we see with assignment of benefits are water mitigation at 38 percent, fungi testing at 27 and then we have got boardup at 20 percent. Those are the three top.

And notices of intent to litigate represented about 13 percent of all agreements received. Many of the notices of intent for suit have to do with denials. So the majority of these are based on there was no coverage afforded because there was no coverage in the policy to extend and that is the majority of the those agreements. So of the total assignments, 71

percent are representative of this, 37 percent are Public Adjuster represented, 25 percent are attorney representative and another 8 percent have Public Adjuster and attorney representation. So with that, this concludes my report and I am happy to take any questions.

Chairman Thomas: Thank you, Mr. Carver, any questions from members of the Committee? I don't see any. Thanks for the report and keeping us informed. Before we move on, I had another little connection issue during that. Hopefully it is resolved. I am in my office, not in my home. If it comes up again, I don't want everybody waiting for me. If it happens during a transition point, Governor Henderson will just pick the ball up and run with it. I will get back at some point presumably, but I don't want everybody waiting on me because I have some miserable connection in my office.

6. Vendor Update

Greg Rowe: Thank you. Good afternoon, Mr. Chairman and Committee members. For this Action Item today Citizens is seeking to contract for software to streamline our claims vendor invoicing processes which includes invoice submission, review, approval and reporting. So today we contract with more than 25 adjusting firms whose staff assist us with both claim, daily and catastrophe related claims. And at this point Citizens processes approximately 5,000 of these invoices on a monthly basis, and in a catastrophe that invoice volume could spike to 50,000 invoices. So the software we looking to procure will replace our current manual process for all of our vendor invoices, and this current process really requires a submission of Excel templates that have been created by Citizens. And while these templates have some embedded business rules and fee schedules that automatically calculate the invoice based upon the amount of the claim, they still require a high degree of manual data entry from the vendor to ensure that billing is accurate. And then once that invoice is created and uploaded to the claim file, it has to be manually reviewed by both the vendor and Citizens before we can pay it as a loss adjustment expense. So the manual processes today are extremely time consuming and tedious for Citizens and it is vendors, and it does present significant challenge if either Citizens or one of our vendors needs to reconcile any billing discrepancies as we have to manually research those on a claim by claim basis.

So to obtain the software to help with this invoicing issue that we have, an ITN was released on October 19, 2020. We had four vendors that advanced to the negotiation phase, and on May 5 we had a public meeting and the negotiating team recommended that a contract be awarded to VIP Software Corporation. And this proposed contract provides a cloud-based software as a service solution that automates these invoices, the processes behind that and ensures that these invoices are submitted accurately and according to our requirements, while also expediting the submission and review process in general. This software will also reduce the time spent manually creating approving and reconciling vendor invoices and facilitate a much more streamlined workflow for Citizens and our vendors. So Mr. Chairman, I will pause there and see if we have any questions before I move forward with reading the recommendation.

Chairman Thomas: Thank you, Greg, any questions from the Committee? Greg, I have one. I know there is a budgeted item, there is a dollar that goes with this. That is an amount not to exceed, correct?

Greg Rowe: That is correct, over the life of the contract.

Chairman Thomas: So we are looking at, am I correct from the presentation and materials, a per transaction cost?

Greg Rowe: There is a per transaction cost, there is a minimum that is associated each year that we have to spend based on that contract, but it is, it does boil down to a per transaction cost. So there is both a flat rate and a transactional cost associated.

Chairman Thomas: The flat rate, if we have enough transactions to meet the minimum cost, then it is just we have met it. There is not a flat rate plus transaction, right?

Greg Rowe: So we have to based on the contract, whether or not that we get to 60,000 invoices a year, that is the flat rate. So once we are met that it is just the transitional cost. We don't think we will have an issue, especially with our PIF count getting to 60,000 invoices. But if for some reason if we didn't have 60,000, we would on the hook for that cost.

Chairman Thomas: That doesn't seem very likely. What is the estimate, do we have an estimate per transitional cost? I kind of ran the numbers about \$3, \$4?

Greg Rowe: It is \$3.65 for the first contract, and then once we move into the renewals it increases 15 cents to \$3.80 cents.

Chairman Thomas: That is it for me. Anything from anyone else on the Committee?

Mr. Palmquist: Greg, does this program apply to the commercial claims as well the residential claims?

Greg Rowe: Yes, it does. So it is really for any vendor that we have under contract, it would apply, commercial, residential and everything that crosses that spectrum.

Mr. Palmquist: Thank you.

Greg Rowe: You are welcome. Staff proposes that the Claims Committee review, and if approved recommend the Board of Governors: authorize Citizens to contract with VIP Software Corporation for an initial term of (5) years, and for a three (3) year and a two (2) year optional renewal term, for an amount not to exceed \$4,117,000 for the life of the contract, as set forth in this Integrated Vendor Invoice Submission Software Action Item;

and authorize staff to take any appropriate or necessary action consistent with this Action Item.

Chairman Thomas: Thank you, and with that presentation, do I have a motion?

A motion was made by Governor Henderson and seconded Mr. Palmquist to approve and recommend Board approval of the Integrated Vendor Invoice Submission Software Action Item. All were in favor. Motion carried.

Chairman Thomas: Thanks, Greg, appreciate the good work.

7. Special Investigations Unit Update

Joseph Theobald: Good afternoon, chairman Thomas and fellow Committee members. I will be providing an update on Citizens recent anti-fraud efforts. Just beginning in May of this year we were informed by the Division of Investigative and Forensic Services of the arrest of two key individuals engaged in insurance crimes. Carmen Contreras, a loss consultant with Contender Claims and Alexandra Cano, formerly with the Stremms law firm, both surrendered and were booked into the Broward County jail. Each are facing charges of insurance fraud and unlicensed public adjusting.

Now, these arrests stemmed from a proactive covert operation initiated by the DIFS which began 2019 with collaboration with Citizens. And while we are not at liberty to disclose all the details of this operation and we weren't privy to much of the investigation as it unfolded, it is our understanding that the individuals took part in submitting two false claims to Citizens. Now, specifically, Contreras last met with an undercover detective posing as the homeowner to provide a free home inspection. After inspecting the home and pointing out non-existent damage throughout the house, two claims were filed to Citizens, a kitchen water leak along with reopening of Hurricane Irma claim that had previously been planned and denied by Citizens. On the day of the inspection, Contreras sent her associate, Alexandra Cano, who also acted as a Public Adjuster. Cano arrived at the home before the inspection and instructed the undercover detective not to say anything to the Citizens insurance adjuster. Cano identified alleged property damage to use for the insurance claim. Additionally, a second undercover detective posing as a homeowner spouse, spoke to Cano prior to a three-way call with Citizens Insurance and had been coached on what to disclose and not to disclose to Citizens Insurance regarding the alleged damage. Now, due to Contreras and Cano's alleged actions, fraudulent insurance claims were submitted to Citizens in the amount of \$65,420, and if convicted each could face up to 10 years in prison. It's important to say that these individuals charged with a crime are presumed innocent until proven guilty.

Now while most insurance claims are legitimate, the submission of fake insurance claims occurs frequently, and the involvement of third parties such as Public Adjuster, the firms, contractors and even attorneys have become more commonplace over the past decade. These entities form tight networks that steal insurance benefits. Sometimes from

unsuspecting policyholders. Citizens leadership is committed to investigate and stopping these criminals. We will continue to deploy proactive measures and work closely with law enforcement in that endeavor. I will pause there for any questions.

Chairman Thomas: Any questions from members of the Committee? I don't see any.

8. Addendums

Joseph Theobald: You can refer to the addendum 08B included in the Committee materials where you will see Citizens briefing with our cases of interest. There is also a press release that was issued by Florida CFO Jimmy Patronis' office really recognizing Citizens in the collaboration and detailing the investigation. Thank you.

Chairman Thomas: Thank you, thanks for the excellent report.

9. New Business

Chairman Thomas: I am not aware of any new business, but I think we have come to the point of our agenda where we will entertain that if anyone has got anything for the Committee. If not, and staff can correct me if I am wrong on making this call, but I think it is time to entertain a motion to adjourn.

A motion was made by Governor Henderson and seconded by Mr. Palmquist to adjourn. All were in favor. Motion carried.

[Meeting adjourned]