

**CITIZENS PROPERTY INSURANCE CORPORATION**

**MINUTES OF THE  
BOARD OF GOVERNORS MEETING  
Tuesday, May 11, 2021**

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened telephonically on Tuesday, May 11, 2021 at 1:00 p.m. (EST).

**The following members of the Board were present:**

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

**The following Citizens staff members were present:**

Barry Gilway	Kelly Booten
Jennifer Montero	Violet Bloom
Barbara Walker	Jay Adams
Bonnie Gilliland	Jeremy Pope
Christine Ashburn	Huw O'Callaghan
Belinda Miller	Joe Martins
Mark Kagy	Mat Carter

**The following people were present telephonically:**

Tim Cerio  
William Fawcett  
Kapil Bhatia

**Call Meeting to Order**

Barbara Walker: Good afternoon and welcome to Citizens Special Board of Governors meeting that is publicly noticed in the *Florida Administrative Register* – to convene at 1:00 PM. For any users who are attending today's session through the public link, you are automatically in listen-only mode. Citizen's board and committee meetings are recorded with transcribed minutes available on our website. Thank you for identifying yourself prior to addressing the board. May I proceed with roll call?

Chair Beruff: Please proceed

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

Barbara Walker: Chairman, you have a quorum.

Chair Beruff: Thank you. This is the Risk Transfer Program so it's basically in Jennifer's hands. Jennifer, go for it.

Jennifer Montero: Thank you, Mr. Chairman. In your materials you should have a Reinsurance Executive Summary, the layer charts and an action item. I'll briefly go over just a summary of the market conditions and go through the layer charts. Citizen's Statute requires that the Board make its best effort to procure catastrophe reinsurance to cover a 1-100 year storm at reasonable rates. The analysis to purchase reinsurance is evaluated by staff each year and a recommendation is made to the Board. Citizen's reinsurance strategy has been to eliminate the potential of an assessment in the event of a 1-100 year storm, which was first accomplished in 2015, preserve surplus, use aggregate coverage to address the impact of multiple storms and to optimize the use of both the traditional and capital markets. The Risk Transfer Program that we are proposing today accomplishes the goals set forth in our strategy. The Florida Reinsurance Market is more stable today than it was in 2020. Negative market forces such as litigation, social inflation and catastrophe events are being offset by positive forces of hardening rates, a reassessment of third-party capital and the investor appetite as well as alternative investment opportunities. While the global markets are improving, the Florida market is still experiencing dislocation due to litigation and social inflation as well as continued adverse loss development. There has been an increase in the capacity in the risk transfer markets in 2021 as compared to 2020; however, the traditional reinsurance market is still not experiencing as great of a rebound as the capital markets. Capital market pricing is lower in 2021 than it was in 2020 and traditional reinsurance pricing is either unchanged or experiencing minimal increases in the non-loss layers. Citizens' staff worked with its traditional and capital markets teams as well as our financial adviser to market the Risk Transfer Program. We conducted virtual global road shows and had numerous one on one virtual meetings with investors. Demand has been strong for Citizens' risk and the overall pricing is relatively flat on a risk adjusted basis. Citizens has experienced significant growth particularly in the Personal Lines Account which has increased traditional reinsurance pricing on a risk adjusted basis by approximately 5-10% while capital market pricing has decreased by approximately 10% on a risk adjusted basis due to strong demand. Citizens plans to transfer exposure in the amount of approximately \$1.7 Billion to the global reinsurance and capital markets in 2021 for the Coastal Account. Based on the proposed 2021 Risk Transfer Program, the total amount of surplus exposed in a 1-in -100 year event in the Coastal Account would be approximately 40% as compared to 48% in 2020. The proposed 2021 Risk Transfer Layers for the Coastal Account are as follows:

- The Sliver Layer will sit alongside the FHCF. It provides approximately \$133 million, in excess of \$601 million, of annual, per occurrence coverage which covers personal residential and commercial residential losses and would work in tandem with the mandatory coverage provided by the FHCF to include the co-payment of the 10% of losses not covered by the FHCF. This layer will be placed in the traditional market.
- Layer 1 will sit above the Sliver Layer and the FHCF. This annual, per occurrence layer provides \$100 million of coverage of personal residential and commercial residential losses and will attach after \$734 million of losses. This layer will be placed in the traditional market.

- Layer 2 of this program will sit above Layer 1. This single-year, aggregate layer provides \$250 million of personal residential and commercial residential losses and will attach after \$834 million of losses. This layer will be placed in the traditional market.
- Layer 3 of this program will sit above Layer 2. This single-year, aggregate layer provides \$250 million of personal residential and commercial residential losses and will attach after \$601 million of losses. This layer will also be placed in the traditional market.
- Layer 4 of this program will sit above Layer 3. This single-year, aggregate layer provides \$371 million of personal residential and commercial residential losses and will attach after \$834 million of losses. This layer will be placed in the traditional market.
- The two Capital Markets Layers sit above Layer 1 and alongside Layers 2, 3, and 4. Each layer is \$300 million, for a combined \$600 million of capital markets risk transfer placement split into two tranches covering multi-year, annual aggregate personal residential and commercial residential losses and will attach after \$2.035 billion of losses.

Citizens plans to transfer exposure in the amount of approximately \$926 million to the global traditional reinsurance and capital markets in 2021 for the PLA. Based on the proposed 2021 risk transfer program, the total amount of surplus exposed for a 1-in-100-year event in the PLA would be approximately 70% compared to 61% in 2020.

The proposed 2021 Risk Transfer layers for the Personal Lines Account are as follows:

- The Sliver Layer of this program will sit alongside the FHCF. It provides approximately \$166 million, in excess of \$749 million, of annual, per occurrence coverage which covers personal residential losses and would work in tandem with the mandatory coverage provided by the FHCF to include the co-payment of the 10% of losses not covered by the FHCF. This layer will be placed in the traditional market.
- Layer 2 will sit above the Sliver Layer and the FHCF. This layer will provide a portion of the \$1.17 billion of coverage from the capital markets and traditional markets, as follows:
  - A Capital Markets renewal risk transfer placement of \$110 million of coverage placed in 2020 through Everglades Re II. This multi-year, aggregate layer provides coverage for personal residential losses and attaches after \$2.000 billion in losses.
  - A Capital Markets risk transfer placement of \$250 million of multi-year, aggregate coverage for personal residential losses and will attach after \$2.412 billion of losses.
  - A single-year, per occurrence placement that will provide \$250 million of coverage for personal residential losses and will attach after \$749 million of losses. This will be placed in the traditional market.

- A single-year, aggregate placement that will provide \$150 million of coverage for personal residential losses and will attach after \$749 million of losses. This will be placed in the traditional market.

This proposed risk transfer program will result in a combined 2021 Risk Transfer Program of approximately \$2.63 Billion dollars which is approximately \$1.6 Billion more than the \$1.021 Billion placed in 2020 at a cost not to exceed \$240 Million. The increase in the 2021 placement is primarily due to partial layers placed in 2020 that are soon to be fully placed in 2021 and the additional growth that Citizens is experiencing, especially in the Personal Lines Account.

So, Mr. Chairman, I will pause there for any questions before I read the recommendation and the action item.

Chair Beruff: Any questions from the governing board? (pause) If there are no questions, I'd like for Jennifer, since we reviewed this last week, I wanted to confirm that essentially what you have negotiated is to place roughly \$2.6 Billion worth of coverage for approximately \$240 Million.

Jennifer Montero: That is correct. After the Board approves the purchase of the reinsurance, Firm Order Terms will be sent to the traditional market so they can try to fill those layers.

Chair Beruff: Okay. So, as we discussed, that's approximately a 9% premium.

Jennifer Montero: That's correct.

Chair Beruff: Okay, so that's my only comment, if there's any other board members that would like to comment or question Jennifer with any of her presentation. (pause) Hearing none, is there a motion you would like us to proceed with Jennifer?

Jennifer Montero: Yes, please. I'd like to read the recommendation if that's okay.

Chair Beruff: Yes, please.

**Jennifer Montero: Staff recommends that the Board of Governors take the following actions:**

- 1) Approve the recommendation to purchase traditional and capital markets risk transfer in the Coastal Account and Personal Lines Account at a cost not to exceed the amount of \$240 million; and**
- 2) Authorize Staff to take any appropriate or necessary action consistent with this Action Item.**

**A motion and second were made to approve the purchase of traditional and capital markets transfer in the CLA and PLA at a cost not to exceed \$240 million. Roll was called and the motion carried unanimously.**

Barbara Walker: The next item on the agenda is the Ad Hoc Committee Report. And that is Governor Holton.

Chairman Beruff: Please proceed.

Governor Holton: Thank you, Chairman. The Ad Hoc Committee has completed its work and I'm happy to say that we are advancing two really good candidates for Board consideration today. To briefly recap as everyone recalls, Chairman Rivard appointed yourself, Reynolds Henderson, and me to an Ad Hoc Committee to oversee the process of selecting a new General Counsel. We partnered with staff and DHR, and they're a nationally recognized Executive search firm to start the recruitment process in January. Twelve initial candidates were selected for consideration from a really, good pool. Out of those, five candidates were selected for interviews. Those interviews were conducted by Barry, the three members of the committee and a panel of four from the Executive Leadership Team at Citizens. Two really, good finalists were selected: Tim Cerio and William Fawcett. Mr. Chairman, before proceeding with some general comments and considerations on these, I'd like to thank the committee, Barry, staff and DHR for a great job in all the work they did in this whole process. It has moved along very timely and efficiently and it's great work by everyone. With your indulgence, Mr. Chairman, I'd like to recognize Barry for his report and recommendation on a selection.

Chairman Beruff: Please proceed.

Barry Gilway: For the record, Barry Gilway. We ended up with two exceptional candidates. Will Fawcett, very, very, strong property casualty background and leadership background. Tim Cerio is really an extraordinary knowledge of the overall Florida marketplace. My staff and I have a combined recommendation for the board and is that we move forward with Tim Cerio on the basis as stated by Commissioner Altmaier last week. This is the most complex insurance environment in the world and we're facing really, unprecedented issues from both the litigation and from Citizens' perspective, massive growth. And we believe that Tim Cerio is the most appropriate individual with his Florida background knowledge in order to help and support staff and the board to face all the issues that we are facing today. Our recommendation, Governor Holton, is that we move forward with Tim Cerio for the position.

Governor Holton (Chair of Ad Hoc Committee): Mr. Chairman, if you are willing to accept a motion, I will so move to accept Barry's recommendation and strongly endorse Mr. Cerio for the position.

Chairman Beruff: We have a motion. Do we have a second?

Governor Henderson: Second.

Chairman Beruff: So, we have a motion and second. All those in favor say aye. Barbara will you please take roll?

Barbara Walker: Yes, sir. Chairman Beruff?

Chairman Beruff: Aye

Barbara Walker: Vice Chair Lopez-Cantera?

Governor Lopez-Cantera: Yes

Barbara Walker: Governor Brown

Governor Brown: Yes

Barbara Walker: Governor Dunbar?

Governor Dunbar: Yes

Barbara Walker: Governor Fields?

Governor Fields: Yes

Barbara Walker: Governor Henderson?

Governor Henderson: Yes

Barbara Walker: Governor Holton?

Governor Holton: Yes

Barbara Walker: Governor Kastroll?

Governor Kastroll: Yes

Barbara Walker: Governor Thomas?

Governor Thomas: Yes

Barbara Walker: Chairman, it's unanimous.

Chairman Beruff: Perfect. Now are we going to proceed with the rest of the agreement? I would expect that the rest of the candidates are listening to the conversation and how do we go forward with this Mr. Gilway?

Barry Gilway: So, Chairman Beruff, the intent will be to first have a discussion internally relative to compensation and benefits associated with the new position. As you are aware, by statute, that must be approved before any discussion with the candidate, it must be approved by you, so we will be making a recommendation to you relative to compensation/benefits then I'll be reaching out to Mr. Cerio to discuss the details of the overall proposal and arrange for determining the time schedule to have him join assuming that he's comfortable with the recommendations that we make.

Chairman Beruff: Perfect. Well, then I'll look forward to hearing from you.

Governor Kastroll: Mr. Chairman, may I be recognized?

Chairman Beruff: Certainly, Governor Kastroll.

Governor Kastroll: Thank you. I want to thank Barbara for organizing all of the interviews. I was not a part of it, but I know the committee was, but thank you Barbara for organizing everything and thank you for

my fellow governors...Governor Henderson, Governor Holton, for doing such a great job in narrowing it down to two really, great candidates and then from there selecting what I think is the correct one and we unanimously voted on that. I thank you, Barry, for spearheading this charge. This is a very important position and you guys did a great job from where I sat and watched this. So, thank you so much.

Chairman Beruff: Any other board members that would like to comment? (Hearing none) So, I just want to echo Governor Kastroll's comments because I think the candidates that you found were exceptional and the final two candidates were both top-notch people who look forward to starting a working relationship as soon as possible, Mr. Cerio. Is there any other business?

Governor Lopez-Cantera: Before we adjourn, could I make a request?

Chairman Beruff: Sure, please.

Governor Lopez-Cantera: If Mr. Cerio is on the line maybe he'll want to make some comments to the board.

Chairman Beruff: Absolutely. Welcome.

Tim Cerio: Thank you. Thank you all for your vote of confidence. I'm very excited and really appreciate the opportunity.

Barry Gilway: On behalf of myself and staff, and I'm sure the board...we really look forward to working with you and will be in touch very shortly.

Tim Cerio: Thank you. Thank you, Mr. Gilway. I consider it my privilege and again am very excited and appreciate the confidence.

Chairman Beruff: We're excited to have you, Tim.

Tim Cerio: Thank you.

Marc Dunbar: Chair, may I ask a quick question?

Chairman Beruff: Of course.

Marc Dunbar: Tim, welcome aboard. We're happy to have you on. You're planning on staying in Tallahassee, right?

Tim Cerio: Yes. My family and I live in Tallahassee and my understanding is the legal office is in the Tallahassee office, but clearly if I'm needed to be on the road, Jacksonville included, that comes with the territory. So, I can be over in Jacksonville as much as needed; and elsewhere.

Marc Dunbar: That was it, Chair. Thanks. Again, Tim, welcome aboard and looking forward to working with you.

Tim Cerio: Thank you. (Whereupon the meeting was adjourned.)