

CITIZENS PROPERTY INSURANCE CORPORATION

**MINUTES OF THE
ACTUARIAL AND UNDERWRITING COMMITTEE MEETING
Tuesday, July 13, 2021**

The Actuarial and Underwriting Committee (A&U) of Citizens Property Insurance Corporation (Citizens) convened at the Orlando Marriott Lake Mary Hotel on Tuesday, July 13, 2021.

The following members of the A&U were present:

Carlos Beruff
Lazaro Fields
Erin Knight
Marc Dunbar
Scott Thomas

The following members of the Board were present:

Nelson Telemaco
Jillian Hasner

The following Citizens staff members were present:

Barry Gilway
Jennifer Montero
Barbara Walker
Christine Ashburn
Kelly Booten
Jeremy Pope
Brian Donavon
Tim Cerio
Mark Kagy
Andrew Woodward
Violet Bloom
Joe Martins
Michael Peltier
Jay Adams

The following Citizens staff members were present telephonically:

Scott Crozier
Karen Holt
Stephen Mostella

Call Meeting to Order

Barbara Walker: Good morning, and welcome to Citizens' Actuarial and Underwriting Committee this meeting is publicly noticed in the Florida Administrative Register to convene immediately following the Finance and Investment Committee. Those in attendance through the public link are automatically in listen only mode. Citizens' Board and committee meetings are recorded with transcribed Minutes available on our website. Thank you for identifying yourself prior to addressing the committee. I will proceed with roll call. Chairman Carlos Beruff.

Chairman Beruff: Here.

Barbara Walker: Governor Marc Dunbar.

Governor Dunbar: Here.

Barbara Walker: Governor Lazaro Fields.

Governor Fields: Here.

Barbara Walker: Governor Scott Thomas.

Governor Thomas: Here.

Barbara Walker: Chairman Fred Strauss our technical adviser will not be on the call today but you do have a quorum.

1. Approval of Prior Meeting's Minutes

Chairman Beruff: Thank you, Barbara. **The Chair will entertain a motion to adopt the December 15th Minutes.**

Governor Thomas: **So, moved.**

Governor Fields: **Second.**

Chairman Beruff: **All in favor signify by saying aye.**

(Chorus of ayes).

Chairman Beruff: The Minutes are adopted, thank you. And we will hear from Jennifer Montero who is still here.

2. Chief Financial Officer Report

a. Catastrophe Modeling Software Services

Jennifer Montero: Thank you. This action item is for Catastrophe Modeling Software. It seeks Board approval to contract with AIR Worldwide Corporation for Catastrophe modeling software services through the cloud basis. The software is a service, Citizens uses the software to estimate Citizen's exposure to hurricane losses through AIR's proprietary modeling methodologies approved by the Florida Commission on Hurricane Loss Projection Methodology. These modeled hurricane loss results are needed for rate-making and regulatory reporting, for making decisions as a storm is approaching and for estimating losses immediately after a storm. They're used in portfolio management and corporate decision-making to ensure actuarially sound rates, improve risk management processes, enhance risk transfer decision-making and assist in catastrophe reserving and catastrophe event response. The procurement method: the contract was procured pursuant to invitation to negotiate 20-0030. The ITN was issued on October 9th, 2020. Three vendors were advanced to the negotiation phase. Citizens' negotiation team recommended AIR Worldwide Corporation for award on April 13, 2021, after conducting negotiations with all three vendors. The contract amount is not to exceed \$4,849,039 for the life of the contract including the renewal term, and it is a five-year base term with one optional three-year renewal term. I will answer any questions.

Chairman Beruff: Any questions from the Board?

Governor Dunbar: Chair. Is this going to go to the consent agenda from here if approved?

Chairman Beruff: If we approve it. Yes, if we approve it, it will go to the consent agenda which can be taken off by a Board member for discussion.

Governor Dunbar: I just wanted to ask.

Chairman Beruff: Yes, that is the plan. So, this is the time to pay attention. I do have, I think going forward it might be beneficial to the staff and to us to lay out where you ended up with the other people that put in the numbers. Make it much simpler, I am going to ask the question, what was the next price?

Jennifer Montero: I don't know, that is what I am looking for.

Chairman Beruff: What were we, in the previous contract what were we paying for the same services?

Jennifer Montero: They are the incumbent.

Chairman Beruff: They are the incumbent?

Jennifer Montero: They are the incumbent, but I was given this information from vendor management. I just cannot locate it.

Chairman Beruff: So, it would behoove us to have the numbers that we were paying them before in the previous contract, and it would behoove us to have the numbers from the other people we negotiated with, particularly if we are going with a contract that is more money than the low bid. I understand I don't give all my jobs to low bidders for a multitude of reasons, but we are going to want to know, at least this person is going to want to know what those multitude of reasons are as we go forward.

Jennifer Montero: The previous contract for five years was \$1,182,287.

Chairman Beruff: Something is not making sense.

Jennifer Montero: I know.

Chairman Beruff: Because this one is \$4.8 million. So that is -- there has got to be --

Jennifer Montero: I have got to get more information. Can we come back to this?

Chairman Beruff: That is fine. Yes, let's go back to that and go onto something else. Unless --

Governor Dunbar: No, Mr. Chair, I was just going to follow up. It just seems to me that whenever, particularly following the discussion from the last committee that when we have this sort of just basic information, we probably need who is the incumbent, if we are moving from the incumbent, why, what the value of the last contract was and who is our low bid, and if we departed from the low bid, what are the bells and whistles for the reason. I think that is kind of a core group of information we need on these sort of renewal matters.

Chairman Beruff: I think so. So, what is the next topic? I think you are it.

b. Reinsurance True-Up Rate Filing

Brian Donovan: Good afternoon, Brian Donovan, Chief Actuary at Citizens, and I will give an update on Citizens' rates. This is referring to the reinsurance true up filing, I think you have a specific tab in your book, and I will go through a few slides. You can either follow along with the slides or you can follow in the document. The first slide I will talk about is page 2 of the executive summary. What you will see on the top of that page is a six column exhibit. So just as a reminder, the January Board meeting, the Board approved Citizens filing and recommended rate changes of 7.3%. And as we discussed at that meeting in detail, that rate recommendation had three adjustments made to it, initially we took the rates in December, back to January, we made some adjustments, and those adjustments were one we did add a risk factor to consider the cost of risk to Citizens' surplus. We limited all indicated decreases to zero percent instead of the traditional use, -10%. And we based the hurricane indication on the two highest model results. You know when we do our hurricane portion of the indication, we look at the results of four different models, in the past we have just stuck to the median. With this rate filing we selected, in between the two highest model results. So, in April we did receive the rate order from the Office and they directed us to remove the risk factor and the CAT decreases at -10%. They did accept the hurricane indication being based on the two highest models. This result in the final impact of the 5.2% and

the rates will be effective 08/01/2021. So, looking at the exhibit, so column three is the 7.3, what we initially filed, column four is the 5.2 is what the Office approved. And like I said, those rates will go into effect 08/01/2021. Now, a couple of things have happened since we received that order. First, we do have updated reinsurance costs, and two, Senate Bill 76 was passed. It has an impact. Our recommendation today is to adjust those rates that were just approved to be effective 08/01, and to adjust them for the more updated reinsurance costs and then also to take into consideration Senate Bill 76. And so –

Chairman Beruff: Brian, where were we, did the Senate Bill 76 do anything to keep -- so we don't have to go below zero on rate decreases?

Brian Donovan: It did not address that.

Chairman Beruff: So, the only thing we have is the OIR's determination that we could go -- we could stop at negative 10%?

Brian Donovan: That is correct.

Chairman Beruff: So, we still have regions in the state that if the actuarial tables come out in their favor because we have been successful in litigation and so forth, mitigation, we have to reduce the premium less than we paid the year, the subsequent year?

Brian Donovan: That is correct.

Chairman Beruff: So, in there is one of the issues I was discussing with one of the Board members where the craziness of this business where you are losing money. How many regions is the state broken up into?

Brian Donovan: Well, we look at territories, I want to say a –

Chairman Beruff: But it is 100 something different actuarial areas that you have to consider.

Brian Donovan: Right.

Chairman Beruff: Rates, correct.

Brian Donovan: Correct.

Chairman Beruff: So, if we are losing money in 95 of them and making a little bit of money in a few areas and we have to lower the rate.

Brian Donovan: That is correct. I will just point out. What you are describing is correct is that there are segments. Overall, we have a big double digit rate inadequacy, but there are segments where their indication is a decrease. It is not all necessarily geographic.

Chairman Beruff: Whatever those areas are it is still a small fraction of the total area where we are losing money operationally. The premiums don't cover our cost.

Brian Donovan: Correct. The premiums and just one thing to keep in mind when we talk about these large rate indications. It is not necessarily, like for example, 25% I think it was, we need to increase rates 25% and we got 5.2%. The difference there, a lot of that inadequacy is not actually losing money per se. It is not funding enough for future hurricanes. We are clearly not collecting enough money across the state, and then there are certain segments for whatever reasons, their indications come up negative and they will give a decrease as low as 10% to certain segments.

Chairman Beruff: Another thing that goes in our rate schedules, is as we take over businesses that fail, other insurance companies, the premium that they charge, let's say that they're charging \$4,000 for a one-year policy. We take it over, we get the balance of the unearned premium for that period of time, and then on renewal we charge, if our rate is less, we have to charge them the lower rate even though they were comfortable paying the \$4,000 a year premium. Is that a true statement?

Brian Donovan: That is correct. We would charge anyone written on Citizens' paper would be written by Citizens' approved rate plan.

Chairman Beruff: Did everybody just understand what I just said. It's crazy.

Governor Dunbar: Brian, we don't, let me make sure you I understand. You are recommending because of those two factors rate adjustments, right?

Brian Donovan: Right.

Chairman Beruff: Upwards, yes.

Governor Dunbar: Upwards?

Brian Donovan: Yes.

Chairman Beruff: Yes, he is doing a half year rate adjustment because SB 76 recommending to go to 7.6, correct?

Brian Donovan: That is correct.

Chairman Beruff: But you can only do it half year.

Governor Dunbar: Right, no, I understand that, but one of the assumptions that is missing, I think and I don't know if we can factor it in, is the condo collapse is going to significantly impact us.

Brian Donovan: Well, the information we have now, I believe we had a handful of condo policies with that particular building. I think you are referring more generally to having to take underwriting steps.

Governor Dunbar: Yes, I mean, I am as certain that we are going to be adversely impacted by that condo collapse as I am about what is going to happen from the implementation of Senate Bill 76. So, I guess the question is, are we not allowed to factor that in in the second half of the year rate adjustment, I guess is the question, Chair, that was trying to get to. I mean, are we stuck with the only factors that we can do in looking at the second half of the year?

Brian Donovan: Well, to make sure that I understand. Like your concern is like there is going to be disruption in the market and things might come Citizens' way and we need to make sure our rates are adequate, because right now with the inadequate rate for commercial is not so bad because it is so small. I think that is what you are saying.

Governor Dunbar: Exactly, but it is already happening. We know this time next year we are going to have a lot more of those policies. It is already happening. The Governor, he has announced his study, the CFO has one coming out, the Florida Bar has one coming out, the Legislature is going to have legislation. There is going to be more inspection that is going to be required which is going to increase our expenses. There is going to be additional costs associated with it and you got a bunch of surplus lines guys that are saying, we don't necessarily know if we want to be in this marketplace anymore and there are four commercial carriers that are even left writing, Barry, in that down there, is that it? We are getting this and it is going to be expensive when we get it, right. So, what I am wondering is if we are allowed to make a second half of the year adjustment are we not entitled to say there has been a material change. We are not. Barry he is giving me not a good look.

Brian Donovan: That is correct.

Governor Dunbar: I just wanted to ask.

Chairman Beruff: We are a reactionary firm, by law, not by design of the staff, but we don't have the right to do things until after it hits us in the back of the head.

Barry Gilway: Barry Gilway for the record.

Chairman Beruff: Mr. Gilway can I take Mr. Fields comment real quick?

Governor Fields: For either Barry or Brian. I just want to make sure we still have to take this back to the OIR and they have to bless this, right?

Brian Donovan: That is correct.

Governor Fields: And we are asking for a 2.3 percent increase which is going to become effective February of next year.

Brian Donovan: Correct.

Governor Fields: And we had this discussion before, but is there any concern that, just like items one and two on your summary, that they did not bless, is there any concern?

Brian Donovan: We have had discussions with them and they are open to this. This isn't radical or new. I mean, the reinsurance true up filings are commonly done, and then additionally adjusting for Senate Bill 76. I mean we are directed to do that. Our conversations with the OIR lead me to believe that it is favorable. I am optimistic about this being viewed positively by the OIR.

Governor Fields: And when do we have to get them? Basically, if this is going to be effective February 1st, how far in advance of that does the OIR need to have this for them to make a decision?

Brian Donovan: Our current timeline is to start filing keep in mind, there is I think 14 filings or something like this. We start filing two days from today with approval. So, it would be this Friday is when we would start the process, and each filing. Once we make that first filing the Office has 45 days issue an order on our recommendation.

Governor Fields: Thank you.

Chairman Beruff: Mr. Gilway, you have the floor.

Barry Gilway: Yes, just a couple of comments. One, first to Governor Dunbar. The issue fundamentally is we know it is going to get worse. We know it is going to get significantly worse. Brian has no control over that, because actuarial principles basically take a look back and then they indicate what the trend lines will be going forward, but they don't have the opportunity to look into a crystal ball and make adjustments in order to impact the overall rate.

Governor Dunbar: But to that point and I understood that that is why I was thinking that we have the ability to look back and understand something has happened. There has been an event that happened. And from an underwriting standpoint because of that event that is backwards, our underwriting of these businesses or these operations, these condos, these commercial policies, whatever our underwriting is going to be more expensive, we know that. I mean, we know that, right, operationally. So that is not, to me it is not like what is going to happen in the marketplace. We know that because of that our cost associated with that underwriting of that is going to increase. So are we not able to factor that in because it is a past event. I just didn't know if we could push it a little bit.

Brian Donovan: And I mean to Barry's point. I agree with everything Barry said and I understand what you're getting at, and I don't know –

Chairman Beruff: Can I expand on that. Can you tighten up the underwriting? Can we tighten up our underwriting as the flood of business comes in with all these commercial properties. Can you put standards that knowing what we know now, like we can't be blind to the fact that a building collapsed on Miami Beach?

Barry Gilway: Governor Beruff, that's what Kelly will be talking about. We will be talking specifically about the overall process that we utilize today for commercial. Recognizing as Governor Dunbar indicated, that will have to change. It will have to change dramatically, and the comments that are made by the Board are absolutely correct. It is going to be far more expensive to respond to increased number of submissions, and it is not just submissions, it is the complexity

of the submissions. Because we will either need to require a 40-year certification and review it and have a team review it, or we will have to have an alternative underwriting mechanism, such as an updated engineering report. And as we have all read in the press, there isn't an engineering company in Dade or Broward right now that has any flexibility and probably won't have for the next two years because they're all being required by current companies to do engineering reports on their current book of business. We have been fortunate to date because we have dramatically decreased the number of commercial residential policies, but we share your concerns and the real question really that Kelly is really responding to is just how aggressive do we get, and can we put in underwriting criteria that are very explicit. For example, we will not write a piece of business without a full structural integrity engineering report as an example. Do we need to require a 40-year certification, you know, in order to write a residential condominium, and by doing that we can stop the business coming in, but the issues that the Board has to face is how aggressive can we get when the market capacity goes down to zero for the condo marketplace under those circumstances.

Chairman Beruff: The other thing that we need to consider as a Board is what does this do to the rate payers, because as our book of business grows in that part of the world, it is going to affect your team's ability to get reinsurance, because they're going to calculate that into our cost if they see a down side for them that is significantly more than they did this last year when we placed all this in May before this happened.

Barry Gilway: I agree, Governor Beruff. What is happening in Dade and Broward relative to the condominium market, it has impacts across the entire organization without question. There is no question that over time we have been very expedient relative to staffing in the commercial underwriting area because of the drop. Now, we need, we are going to need commercial expertise at an increased rate. We are going to need more and we are going to need more sophisticated people who thoroughly understand the residential condominium marketplace. Governor Dunbar's father is probably the expert really in the commercial condominium marketplace in the state. I mean, this is an area frankly where we are really looking for input from our sources relative to what is an appropriate reaction to this marketplace. But I will tell you, the reaction could extensively be very severe. It could impact staffing, it could impact our overall, have a significant impact in our overall exposure and the last thing we want to do is get back up to that half a trillion dollar exposure level. So I think the issue is going to be a balancing act frankly between what our responsibilities are to the market and frankly what the overall impact is on accepting additional exposure from that marketplace and it is going to be a difficult balance.

Governor Thomas: Mr. Chairman. Brian, I guess all this leads to with me is the basic question in terms of this true up. We have a regulatory theme that allows a mid-year true up. Are we maximizing our ask in that true up, or have we in some respects self-edited ourselves, we are not asking for 10, we are asking for seven on a scale of one to 10, because we think it is more likely we can get seven. I mean, my concern is whatever the regulatory theme, whatever that allows towards a mid-year true up that we leave nothing on the table in terms of our ask.

Brian Donovan: That is correct, that is exactly right. We left nothing on the table in terms of our ask. I mentioned in addition to the reinsurance true up, accounting for SB 76, we included all of our actual reinsurance costs and then anywhere where there was a gap between a 1-in-100 year coverage for our surplus, I think back to the layer charts that Jennifer was showing where it was

green, where we didn't have reinsurance. We are putting a cost as if we did purchase reinsurance, and then of course a big impact is raising the cap from 10% to 11%. So, to directly answer your question, yes, we did not leave anything on the table. We did not say this will be easier to approve, let's do it this way. This is considering everything that we could consider.

Governor Thomas: Yes, I am just curious to the extent that there is a relationship between this and our other action item, and this is not part of the true up I understand, but the component of our last request included the higher end of the ranges for the hurricane models. Is that modeling that is done by this program that we were just talking about or is that modeling from the industry?

Brain Donovan: That is one of the models. When we do our rate indications we look at four hurricane models. One of those hurricane models we actually have in-house which is the AIR model which is what we currently have and what Jennifer was talking about earlier. So that model and the three other models. You know, you input all your information and it says, this is what you should be charging each year for that risk based on these characteristics.

Governor Thomas: And I don't mean to go back to the other item. Did that just produce one of the hurricane models of the four?

Brian Donovan: Yes, the AIR model, what Jennifer was discussing is one of the models and then there are three other models that we consider.

Governor Thomas: Was it one of the ones that produced the higher end range that we are actually using for our rate filing?

Brian Donovan: It varies by line of business and segment and area. And so, it would vary, but overall as I recall for HO-3 AIR was on the high side of that, yes.

Governor Thomas: I just think if we have four models and three are available in the industry, I would assume at no cost to us and the fourth is costing us a lot of money, I would hope that fourth one we are getting some – it is one of the models we are using.

Brain Donovan: Yes, I mean, they're very useful. They give different perspectives. The model we use in-house we use for many other things, such that type of thing. And then the other three models, one of them is the Florida public model which the OIR commissioned the Florida International University to do because it is open source, where the others are more black box, that was the purpose of that. And then the other two models, the RMS and the EQE and the current models we use, we get that information through our reinsurance broker. That is part of the agreement with the reinsurance broker.

Governor Thomas: I didn't mean to hijack the discussion. I saw it and was curious, thanks.

Chairman Beruff: All right, Mr. Donovan, do you want to go ahead.

Brian Donovan: Where does that leave us?

Chairman Beruff: I don't know.

Brian Donovan: I know, just to be clear, I think it is clear based on the discussion, it is clear to the committee members what I am proposing, but for the record I will read it clearly. As I mentioned we have rates going into effect 08/01/2021. We would like to - our recommendation is to adjust those rates to reflect the most recent reinsurance cost and then additionally consider SB 76 which allows us to not only use our reinsurance cost, but actually a hypothetical up to 1-in-100 year cost, use that, and then raise the glide path cap from 10% to 11%.

(Recommendation: Staff proposes that the A&U Committee review, and if approved, recommend the Board of Governors: a) Approve the above proposals to incorporate the final reinsurance costs and the impact of SB 76 into Citizens' rates; and b) Authorize staff to take any appropriate or necessary action consistent with the Reinsurance True-Up - July 2021 Action Item which includes filing with the Office of Insurance Regulation (OIR), system change implementations, and other relevant activities.)

Governor Dunbar: **Chair I will entertain a motion.**

Chairman Beruff: I have a motion, is there a second?

Governor Thomas: **Second.**

Chairman Beruff: All those in favor signify by saying aye.

(Chorus of ayes).

Chairman Beruff: The motion carries, thank you. Brian.

Brian Donovan: Thank you.

Governor Dunbar: Chair, is this going to go to consent? Will that go to consent, the same thing if someone wants –

Chairman Beruff: That will go to consent, yes. Are we -- where are we, to take back the item that we put on hold?

Jennifer Montero: We can give it a try.

Chairman Beruff: We just keep eating through the agenda, no big deal. We will give you all the time in the world.

Jennifer Montero: We will let Kelly go first.

Chairman Beruff: There you, that is what I wanted to know. Kelly you are on, thanks.

3. Chief Operation Officer Report

a. Property Inspection Services for Underwriting

Kelly Booten: Good morning, Kelly Booten for the record. The first item I have is the Property Inspection Services for Underwriting. This is an action item that was competitively solicited through an ITN that seeks approval to enter into contracts with five vendors for property inspection services for underwriting. The aggregate contract amount for the four-year base term is \$21,140,000. And this is a continuation of service. The current contracts expire at the end of October. On the first page of executive summary are the three recommended primary vendors. C&E Information Services, Muller Services and Sutton Inspection Bureau, and there were two contingent recommended vendors, Inspection Depot and Insurance Risk Services. Property inspections are used in the commercial and personal lines underwriting process to make better risk based decisions. Inspections are used for new business applications, endorsement requests and policy renewals. There is a matrix on the first page that has the primary types of inspections and which vendors provide those services. So, there is backup in redundancy for each of these types of services and it continues into the second page of executive summary. Citizens desires to inspect a significant larger percentage of policies to verify the insurability and property, potentially reduce claims frequency and approve the transferability of policies via the depopulation program. Accomplishing these goals will require a pool of inspection vendors that can provide high quality inspection services in a timely manner. We currently use four of the five, we have currently used four of the five vendors in the past five years. C&E, Muller and Sutton for personal lines and Inspection Depot for commercial lines. The contracts for the prior terms begin on October 19, 2016 and will expire on October 18th. And there is a table that goes through the current contract and the number of inspections ordered and the cost of each of those, and in those years we did not order a lot of inspections. So, you can't compare the total amount of cost on those, those contracts compared to the current contract from a volume perspective. As far as the going forward plan, we plan to inspect approximately six percent of our policies as opposed to the current one percent. The table on page 3 shows the current and forecasted volumes, and the average unit cost. The predominant reason that the average unit cost is higher for the new contract is because of the types of inspections we will be ordering which are the more expensive inspection types, not because of the cost.

Chairman Beruff: Ms. Booten, I look at the chart on page 3, executive summary, and where it goes gray, we are going up from \$60.24 average unit cost to \$70.88, correct?

Kelly Booten: Correct.

Chairman Beruff: And what I think you just said or I heard, that is you are asking for a more detailed inspection.

Kelly Booten: Correct.

Chairman Beruff: So, we have got to pay 10 more dollars on average in order to get more detail. And one of the reasons that we want to be better at our inspections so that our files are more complete, so if we are fortunate enough to find somebody with a lot of money that wants to depopulate our policies, we have a more complete package to offer them.

Kelly Booten: Absolutely. That is our intent.

Chairman Beruff: Is that part of the program?

Kelly Booten: Yes. And we –

Chairman Beruff: So, the cost really in the past doesn't equate to the future.

Kelly Booten: No. However, the pricing is competitive and we were able to keep the pricing for the inspection types currently being ordered at Citizens current levels or less for the first two years of the contract, and the proposed pricing for these inspections increased 15% or less during the full eight year term of the contract, and the incumbent for commercial lines has significantly lower pricing in this contract than the previous one.

Chairman Beruff: Can I ask Governor Dunbar who is more of a recognized expert on procurement. I thought there was some limit on how far we could go with contracts. I thought, well, there is seven or six and this one is eight.

Kelly Booten: However, I am only requesting the base contract term of four years. And the reason for that is because we are currently projecting what inspection usage, we are going to do based upon PIF volume and that is volatile right now. We figured that asking for just the first four years of the term was most appropriate, and then we would come back with the renewal terms, and I am going to have the renewal terms here in a minute. I think they're in the action item.

Chairman Beruff: It is a lot easier to take a four-year contract than an eight, for me.

Kelly Booten: Right, and the prospective terms are I believe two, one and one or two and two, but I need to validate that, but I am not asking for approval on those right now.

Chairman Beruff: Okay. So, what you are asking for if we approve this is a four-year contract that we can end in four years. There is no tail to it.

Kelly Booten: Well, we could extend it.

Chairman Beruff: No, I understand. We have the right to extend it.

Kelly Booten: Correct.

Chairman Beruff: And we're price protected, but it is unilateral, it is not bilateral.

Kelly Booten: Correct. We are price protected on the pricing that was in the solicitation for all eight years.

Chairman Beruff: Right. Mr. Dunbar and anyone else that would like to comment.

Governor Dunbar: So, we bid this before the condo collapse, right?

Kelly Booten: Right.

Governor Dunbar: I am anticipating underwriting is going to want us to be doing some inspections or even a Legislature, local government is going to be requiring that building to go through certain inspections that we may also want incorporate into our underwriting process. And what I am wondering is, is there potential that we are going to have to come in with contract amendments for inspections that aren't part of this bid. So, it could lead to contract amendments that are going to spike this ultimate cost. Do you follow what I am saying? To the point of we may be doing structural inspections, we may be doing some things on the commercial side certainly not, but that aren't anticipated and weren't part of the ITN or the RFP process.

Kelly Booten: I believe, I have Stephen Mostella and Scott Crozier on the line here and they can help me out here, but I believe what we are asking for in the commercial, we have commercial inspectors in the field, and we predominantly have been able to use them with the volume that we have had, but if the volume goes up we will start using this. I believe the types of inspections in here cover most of it, but I will let them answer that.

Governor Dunbar: Here is my concern while they're thinking about the question or about to answer is I believe that what is going to be required to be in this marketplace is going to evolve significantly down there, particularly in tri-county, but probably statewide, and I am concerned in locking ourselves into a contract for four years, when in reality we might need to be in the marketplace after the legislative session after we do our own internal homework on what we want to do in our underwriting process, after we understand how many of these might be coming to us and we may be wanting a different inspection process on the commercial side, and then we are stuck with somebody that we have a four-year marriage to that has basically quoted us lots of round blocks that we now have to put in a square hole. Are you following what I am saying?

Kelly Booten: I do, but these contracts aren't guaranteed. They're based upon only what we order. We could, I mean, we could do a supplemental. Let's just say whatever we conceive to do was not including in the scope of the solicitation, we would have to do another one to get that, I understand your point, but we could do a supplemental for those types of services while we are using these.

Governor Dunbar: And the supplemental is what I am worried about.

Chairman Beruff: We all have the same concern in this room. We want to sign a contract that doesn't have surprises in it, and because the legislation that we all anticipate is going to happen in the next legislative session, we are going to be mandated to do certain things in that arena. So then if we go back to the contractor, we signed a four-year agreement with, but I think you have the answer. You say, hey, we can go to another contractor and get these services because these folks will say, we already have a contract, we want to charge you \$200 to inspect a faucet that is leaking, extra. So that is what you are concerned about and we are tied to these people, but you are from I think you said, Ms. Booten, we don't have that issue, we can go completely around this contract and go to another service provider if this one is not reasonable.

Kelly Booten: Correct. And we -- but we still have to issue a solicitation to do that.

Chairman Beruff: Right, but we can do it.

Kelly Booten: Right.

Chairman Beruff: Yes, Mr. Gilway.

Barry Gilway: Yes, Governor Beruff I want to comment on both your comments and Governor Dunbar's. I don't believe there is any question with the direction that we are heading that we will have to increase the contract spend. However, at this point we have no idea what form that contract is going to take. In my opinion it would be a full structural integrity engineering report, which really is not contemplated in these agreements. What is contemplated in the agreement is an overall increase in general inspections. And I would have to say this. This is an area where we have lagged in the industry. So by that I mean that, if you take a look at the overall industry and the number of inspections they conduct, in terms of a percentage of their book of business, we are much lower than the overall industry. We have lagged in terms of the money that we have spent on inspections. What this is really contemplating is an overall increase in general inspections, but in no way contemplates, Governor Dunbar what you are recommending, as you know there are going to be full structural, at a minimum there are going to be full structural integrity, engineering reports and they are extremely expensive, and they take a very unique contractor.

Governor Dunbar: And that was what one of the calls I got was about, so we are going to inspecting one in 100 to going to inspecting six in 100.

Kelly Booten: For personal lines.

Governor Dunbar: For personal lines.

Kelly Booten: For commercial lines we inspect all.

Governor Dunbar: Yes, so on personal lines we are going from one in 100 to six in 100, and so to your point, what is kind of the industry standard, is it six or is it higher?

Barry Gilway: Significantly higher.

Kelly Booten: Closer to 50% and I have, again, Scott Crozier, on the line. 50 percent I believe is the answer, is that correct?

Scott Crozier: Yes, that is correct. For the record, this is Scott Crozier, Vice-President of Underwriting and Product Development.

Governor Dunbar: Okay, so this is where I was going to go with that because I was told that it was higher. So, to the Chairman's point earlier which is part of the inspection is to really give a nice shiny book to help Depop. Should we not be considering going even higher.

Barry Gilway: So, my response, Governor Dunbar is yes. I think this is our first step. There are two issues. Doing inspections, let me lay this out. Doing inspections is one thing. The staffing associated with reviewing inspections and doing a comprehensive review of the inspection, taking

the action on the inspection, the communication back and forth with the agent and ultimately the consumer is something entirely different. This in my mind is the first step. Given the fact that right now we have, HR is working overtime bringing on staff and doing a phenomenal job, but I think we have had 46 hires so far if I am not mistaken, but we need significantly more just to keep up. Increasing vendor costs, but just to keep up with the overall staffing necessary when you are increasing your customer base by 6,000 customers a week. And it sounds, that is an incredible number. When you start taking a look at the number, because everyone that comes in you need additional staff to assess that business and your old business is not going away.

Governor Dunbar: And to that point though, the more we inspect, the more likely it is we might not take them.

Chairman Beruff: That is what I was going to say.

Governor Dunbar: I am supportive of more inspections, I know we need to do it. My worry is though we stuck for the next four years at the six in 100 standard. I mean, I would like to, Chair, I don't want to hijack or whatever, but if we got to find the money or whatever.

Chairman Beruff: We are supposed to be the insurer of last resort, and we all know that we are in the insurer of first resort in 91 or 92% of the cases in this state currently. And on top of that we now have this commercial disaster that is going to come to our door. And my concern has been clear from day one, which is if you take aside all of the issues and we have a category five storm hit the wrong place in the state of Florida at the wrong time, we could wipe out our reserves pretty handily. And my thing is I don't want the taxpayers or the ratepayers of Florida to be stuck with an assessment because we didn't manage the business correctly. If we have the legal right and the morally correct right to make sure that we are getting only the same -- we are insuring properties that we have done our due diligence on, and to Mr. Dunbar's point, and I understand the staffing to review that. I don't know where the right temperature of the porridge is. Can we go to 12 percent without breaking the back of the people in the middle that have to review the inspections to make sure that we are discounting and not taking the policies, that if we inspect don't qualify. Since we are only expecting six out of 100, that means that 94 of them we don't know anything about. So, it is a fine, it is you and your teams that have got to tell us, because I would rather spend more money in this particular arena if indeed it gives us the results that we might get which is reduce the amount of policies that we have to take because they don't qualify under the laws and the statutes that we are allowed to operate under.

Governor Dunbar: Particularly for the new members, sort of looking in the crystal ball or looking backwards to understand what happens when we try to go through a Depop cycle, Barry knows this better than anybody. We are going to get Depop proposals where they're going to want us to give them money to take some of these policies away. The more money we spend on the front end, the less likely it is we are going to need to create depopulation incentives to these take out companies. So, I would much rather do everything we can to spend on the front end to make sure that they have a nice shiny book and they understand fully what they are getting, and on the back end have a takeout company that says, we will take 45,000 policies. Oh, by the way, we want you to cut us a check to go along with that. Right, Barry? I mean, I would much rather spend the money on the front end because I am really not going to be in favor of spending it on the back end for these take out companies.

Barry Gilway: Governor Dunbar we are in 100 percent complete agreement in terms of the overall objective. I see this as an interim step in order to ramp up the number of inspections which will require additional staffing. At the same time we require additional staffing and additional vendor spend in order to keep up with the overall increase of 25,000, 30,000 net new increases per month. So, we agree with you. I think it really is a matter of can you put enough resources to work, we can get in the inspections done, but then the recourses need to come in in terms of evaluating the inspections and the interaction back and forth. We know we are behind and that is why we are coming to you with this, Kelly is coming to you with this request.

Chairman Beruff: Ms. Booten, since I have become a big fan of meta data, when you come up with this inspection check list, is there a way you can stick it in a computer and it can digest which ones are the ones that are not hitting the dot so it doesn't take as much human eyeballs looking at all these inspections, because it is obviously working, Mr. Gilway has become an expert on direct insurance now because I have been pounding on him for eight months.

Barry Gilway: Chairman Beruff, we go a step further. As Kelly will tell you, we are now working with Jennifer's team on predictive analytics, and frankly the predictive analytics are determining what are the most likely policies to inspect. So, we when we do order an inspection, where are we going to get the biggest bang for the bucks. What are the risk characteristics associated with that? Paul Kutter, you know part of March Fisher's team is already working on predictive analytics program. I do have the wording down. We are already working on a predictive analytics program to say, okay, if we are only going to do X amount of inspections, let's make sure we pick the inspections that are the most likely ones that we have a potential, that need, let's put it this way, that need the evaluation the most and, in all likelihood, might not be eligible for a selection to Citizens.

Governor Knight: May I.

Chairman Beruff: Yes, please.

Governor Knight: I think my question is a little bit different. Is there a software that is an increased number of inspections can just run through instead of hiring humans to do that, if we increase from six in 100 to 30, 40, 50, is there a software?

Kelly Booten: Yes, we have a roadmap that improves the automation of this. That is another reason why the ramp up to scale for larger numbers has to happen over time. We have ordering, the ability to automatically push it to the vendors and then take it back from the vendors in an automatic way and process as much that we can electronically. That last part hasn't been implemented yet. But it can help with the staffing problem to some degree, but it can only do so much of course. So, it will impact the staffing. What I recommend is for the next meeting in September that we come back with a plan, because we budgeted for 2021 what you see in here for 2021, and then use that same number, extrapolate it. Predominantly it went up a little bit, extrapolate it out. We can come back in September because we are getting into budget time anyway and talk through the amount of money we are willing to spend and able to get automated and the staffing that goes with it in one holistic plan at the September Board meeting would be my recommendation. However, I would go ahead, this is my recommendation, that we go ahead

and approve these contracts because you guys can make a decision any time to extend the contract spend through an action item and you make our budget decisions. So that can be done by approving what we have today and extending later. And then for the engineering more sophisticated type inspections that we might want to do that maybe these contracts don't cover, that could be a different solicitation with a different vendor. That would be my recommendation to get us moving forward.

Chairman Beruff: She had me at holistic. Deferring this to September like we did the other one, I understand that is not what you are recommending, but you started in that direction and it was sort of hybrid recommendation, and to Governor Dunbar's point, we have got multiple things we want to do. One is giving you all the ammunition so that Mr. Gilway and Ms. Jennifer Montero can take and get us out of hundreds of thousands of policies. The better we arm you with what you are proposing to do by having more inspections and a better file I think the better we are going to do with that. So do we really want to enter into an agreement that could be refined between now and September. We could add even volume based upon what you come up with or specifications to increase it so we are more diligent in what we are handling, and the third component is we might get lucky and reduce the policies that we have to take with the defensible position because we have a report that says this is not something that meets the criteria that Citizens has. So, there is multiple reasons not to do the deal today and come back in September and get it done then. This thing, when does this expire?

Kelly Booten: End of October, October 18.

Chairman Beruff: This one is a little tighter than the February 1, I get that. Four-year agreements are not to be taken lightly, but there are three providers. So, the agreement is to provide these financial agreements are for the three and then you have two contingent providers, correct?

Kelly Booten: Yes.

Chairman Beruff: I just want to make sure I understand what we are doing.

Kelly Booten: Yes, three primary and two contingent.

Governor Thomas: What are we actually obligating ourselves here to do. We are just simply locking these vendors into this particular price and that is it.

Kelly Booten: Yes.

Governor Thomas: We are free for example next month to say, we don't want to use any of these vendors.

Kelly Booten: Yes, there is no minimum amount.

Governor Thomas: All we are doing is locking them in at these prices.

Kelly Booten: Correct.

Chairman Beruff: And they are guaranteed to deliver the services for these prices for four years.

Kelly Booten: Yes, the prices that I am proposing.

Chairman Beruff: Under that condition, it is an innocuous position to go for. I will entertain a motion for approval and then Ms. Booten will bring us more information on more stuff in September.

Governor Dunbar: And I will make the motion. Just so I understand from a budget standpoint because he said at the next meeting that is when we are going to start talking about budgets and everything. So, if we say the ramp up during that four-year period, let's not do six, let's do 10 this year, let's do 20, let's do 30, let's do 40 or whatever to increase to where we get a little more to industry standard on the inspections. That obviously is going to materially impact the budget that you three are building, right. I mean, do we just ignore this budgeted amount that is associated with these contracts or will it be –

Chairman Beruff: This is already in the budget more or less. We have to build it into the next budget.

Kelly Booten: Yes, you are approving the contract. The budget you have already approved for 2021, you will be proving the 2022 budget in December.

Chairman Beruff: Right, so we can ramp it up.

Governor Dunbar: That is what I am saying, as you are building your budget, you are going to be anticipating whatever our discussions are in September and building that ramp up for our 2022 budget, not these numbers on here, these numbers are immaterial.

Kelly Booten: Right.

Governor Dunbar: You are going to adjust them based on what the contract says. But I was worried that we were locking you into a number for budget purposes.

Barry Gilway: And Governor Dunbar the other issue is, we need the information relative to the position we are going to be taking on the commercial side, so we frankly have no knowledge at this point. We are just simply coming to the Board at this point and saying, look, we are going to have a problem relative to Dade and Broward and the condominium marketplace. We don't know what that is and we don't know what the requirements are going to be relative to the type of inspections or engineering reports that we are going to require. At budget, it will be our job to work with you on frankly estimating what that impact is going to be and then get you to include that into the budget. At the same time, I do believe that over time it is very, very clear we are in complete agreement with you, Mr. Chairman, we are in complete agreement that we need to ramp up the number of inspections. It does improve the overall book. It will ultimately make for a better opportunity for investors that are coming in with new money and for expansion of current, of financially sound companies to entertain Depop. So, we are in complete agreement with the overall objective.

Governor Dunbar: I'll make a motion.

Chairman Beruff: Please.

Governor Dunbar: I will move **approval of the staff recommendation.**

(Recommendation: Staff proposes that the Actuarial and Underwriting Committee review, and if approved, recommend the Board of Governors: a) Approve the primary and contingent Property Inspection Services for Underwriting contracts with the five (5) vendors listed in the Contract ID section above for a base term of four (4) years in an amount not to exceed \$21,140,000; and, b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.)

Chairman Beruff: Do I have a second?

Governor Thomas: **Second.**

Chairman Beruff: All those in favor signify by saying aye.

(Chorus of ayes.)

Chairman Beruff: Motion carries, thank you.

Kelly Booten: I have two more.

Chairman Beruff: Oh no.

Governor Dunbar: Barry as it relates to making the book better for Depop, is it worth, I know we are going to have a Depop committee meeting at the next Board meeting in September. Is it worth having industry representatives to come and talk to the Depop committee about what they would like to see us do to make the book better? Is it worth trying to get some of these investors and some of these other folks to come in and say, we would love to see you do X, we would love to see you do Y. I mean, I know we don't get a lot of public speakers coming to these meetings, but is there value in that and did you do that the last time?

Barry Gilway: When you say, last time, if you are talking seven years ago last time, yes, actually we actually did. We set up an overall program. I am not sure, I don't believe you were on the Board.

Governor Dunbar: No, I was not on yet.

Barry Gilway: But we had multiple investors come in, present their options to the Board relative to overall Depop. We spent, the whole team spent two or three hours with Governor Telemaco yesterday really talking about all the various, because we did not have a committee meeting, but we spent the time that we would normally do for a committee meeting really going over all of the potential options, FSU study results, what their recommendations were, which includes by the way really meetings with investors and companies to determine what would have to happen

basically in order to make Depop a more realistic opportunity. We have started those discussions with Governor Telemaco as Chair of the Exposure Reduction Committee now, and I agree with you, I think we should consider whether at the September meeting, Kelly we can consider at the September meeting whether we can introduce, identify the appropriate investor and say, this is what would make it more viable.

Governor Dunbar: They are already calling with their ideas. So, they might as come on here in here and put it on the record.

Barry Gilway: So, the opportunities that we are seeing, Governor Dunbar and I can't get specific obviously because, but we have multiple individuals and companies coming forward at this point basically, asking us when is the right time to pull the trigger. Right now, there is a massive capacity issue, and this is going to be part of my Board discussion, but there is a huge advantage to taking out Citizens' business right now. And Governor Telemaco and I spent some time on this because it's kind of an oxymoron. People ask why are you letting people take out your good business and leave behind the bad business. So that is always question one, the cherry picking. I think you and I, Governor Knight discussed this in detail. You are letting them take your good business, run that by me again. Well. So that is one issue. The issue is exposure reduction and frankly getting the right rate for the remaining business, but the second issue and I have talked to multiple investors over the last two months, the second issue is basically they are leaving the development behind with us and they are picking up a business that is free from Irma and Michael development and as Jay indicated in the Claims Committee meeting, if you are getting 900 litigated cases per month and 45% of those are Irma and Michael litigated cases still, three and-a-half years after the event, think of the advantage for a company. Now OIR is approving the appropriate rates and obviously that is causing some concern across the state because of the magnitude of the rate increases. They're approving those rates. So, a new company coming in and this is my pitch to anyone listening, they are approving the appropriate rates and they are leaving behind the development which in theory creates a significant Depop opportunity or a significant opportunity for new money coming into the state.

Chairman Beruff: And SB 76 reduced the window to two years.

Barry Gilway: I am sorry, Chairman.

Chairman Beruff: And SB 76 reduced the window to two years, right?

Jennifer Montero: The claim filing deadline, right.

Barry Gilway: Oh yes, the claim filing deadline.

Chairman Beruff: That is a huge pick up for guys who are picking up the business. They're not picking up a three-year tail, they are picking up a two-year tail.

Barry Gilway: Actually, you are not picking up any tail currently.

Chairman Beruff: No, I understand. But again, going forward the tail is two and you have cut it by the third.

Barry Gilway: Absolutely.

Chairman Beruff: That is a big number.

Barry Gilway: Keep the calls coming. But I do think to your point, you are aware of it, there are different types of organizations approaching us today that basically are interested in putting capital into the state, and they recognize some of the benefits associated with that. And it would not at all surprise me if we don't have Depop opportunities in the first quarter of 2022. I mean, we have grown from let's say 400,000 to 800,000. What does that mean? It means basically we have 400,000 policies that we shouldn't write. So, there should be some opportunities within that 400,000 book. I will stop myself, Mr. Chairman.

Chairman Beruff: Ms. Booten what is your next ask.

b. Property Updates – July 2021

Kelly Booten: My next ask is product changes, okay, and its behind tab 03B. Today we are recommending product changes having to do with legislative change and changes based upon review of our products for market change, claims trends etc. The first set of changes are related to the 2020 legislative session. I sent you an e-mail on this because it had the 07/01 effective date for the 20% eligibility change that needed to go into effect by 07/01. We filed that, it has been approved and it is in production, and we changed our clearinghouse and the application. There is also updates to contract language to reflect loss reporting timelines, requiring all claims to be reported in two years. These changes will be implemented with our annual form changes effective 02/01/2022. And also Brian's 10% to 11% is form changes and rule change, and all of those are effective 02/01.

Chairman Beruff: So that is an action item?

Kelly Booten: No, that is the first part. Then we have the personal lines eligibility requirement that has to do with during an ongoing review of personal lines programs, we have identified several opportunities to update and streamline eligibility rules and program offerings. The first is we would like to eliminate an exception that allows owner occupied risks with lower coverage amounts to be written on dwelling programs. These risks will be required to be written in the homeowner program unless prohibited by underwriting issues. Dwelling programs are typically used for landlord type risks and this change improves program consistency and requires risks to be written with the appropriate coverage and premiums. The next one has to do with modifying our homeowner HO-8 program which is the less coverage program that doesn't cover water. To allow owner occupied risks not eligible for HO-3 due to non-weather water losses. These risks are currently written in the dwelling program which has more limited coverage than is intended for owner occupied risks. The HO-8 doesn't include water but does provide other important coverages more appropriate for owner occupied risks. The next one is to update our new business eligibility rules requiring new applicants to provide a four point inspection for homes over 20 years. Currently that rule is for 30 years, and these are customer paid inspections. The next set of changes has to do with the certification. Here is the one we were talking about with regard to certification arising from the recent collapse, and we would like to update our eligibility to state

personal and commercial line rules to clarify that specific documentation regarding structural stability may be required. This document includes county required inspections, engineering reports and other relevant documentation. We have already started implementing it in the commercial lines for the two counties that have rules. All of the counties haven't implemented rules yet. We wanted to make this a little broad so we could zoom in based at the county level. And then we have some coverage form updates for alternative dispute resolution. We want to add a reasonable standard to appraiser and umpire fees and expenses and update the commercial lines contracts to introduce specific timelines for response to appraisal demand to ensure either party to a claim has adequate opportunity to evaluate more complex commercial claims and add specific commercial experience requirement to umpire appraiser qualifications. Then we also need to update language for the existing damage to better express the exclusion applies to preexisting damage for which a claim has already been made. Update the language regarding concealment fraud to include situation when claim information is presented by representatives of the insured. It currently applies to the insured only. Update forms to support better requirements under the Office of Foreign Assets Control. A change to the Managed Repair gram consent form to better reflect our current process and to adopt the ISO form regarding Terrorism Risk Insurance Act. And, that's all of the changes and if there are no questions I will read – We have a question.

Chairman Beruff: Mr. Dunbar.

Governor Dunbar: Our documents are different, and I wanted to make sure what the right ones relative to the second bullet on the second page.

Kelly Booten: Yes, it is 20 years. Yes, we updated it after we got feedback from the agent roundtable.

Governor Dunbar: I just wanted to make sure.

Governor Fields: Kelly, so the updated language regarding concealment and fraud to include situations when the claim information is presented by a representative of the insured. So, does that mean attorneys? That is what I am trying to understand, what is this changing?

Kelly Booten: Right now, the language only applies to the insured. So, it would be other people representing the insured, whoever they are.

Governor Fields: And basically does it create a cause of action against that third-party or make them liable for concealment or fraudulent representations, is that what we are getting at?

Kelly Booten: I am going to defer to Karen Holt on the phone.

Karen Holt: Good afternoon, committee, this is Karen Holt, Director of Product Development. Yes, what we are doing is expanding the current policy language that addresses concealment and fraudulent acts by the insured to also cover representatives of the insured, people like public adjusters. Because right now there is a little bit of wiggle room where somebody has lied or somebody has concealed information, but the contract only addresses the insured. So, we are expanding those contractual controls to other parties.

Governor Fields: Thank you.

Chairman Beruff: Mr. Dunbar.

Governor Dunbar: And this might take a little bit longer, Mr. Chair, but you and I had a discussion at the last Board of Governors meeting where we talked about venue you may recall. And one of the things that I brought up and we have had a lot of discussions about is trying to take advantage of the home venue privilege that we have for Leon County as it relates to commercial policies particularly. And I know you have done some ADR updating and Tim and I have talked about some different ADR ideas that we would push, but one of the things that I would like to see us do, particularly in light of the explosion that is about to happen to our commercial book, is I would like to see our forms include an acknowledgment and an understanding if anybody is going to litigate under a commercial policy of ours, they are coming to Leon County to do it, we are not going to chase all over the state of Florida. So, we can have predictability. And also recognize we shouldn't be in that marketplace anyway and we are about to get a bunch of policies. That is the most expensive book of litigation we have in terms of cost per case, even though it is a very small chunk, but we are about to get a lot more of it and I don't know why we wouldn't try and take advantage of it. A lot of people that are in that marketplace right now are writing through surplus lines, and surplus lines has been widely reported and heavily debated. Some of their venue clauses could take them to London to litigate under those policies. I don't think it is unreasonable since the courts have confirmed repeatedly that our home venue is in Leon County, that we require under the commercial policies for those pieces of complex litigation to have to come to Leon County. I think that will help get a little more control on the expenses associated with it and also some more predictability in that book, and I think it also might help with some of the problems we have with some of our brethren in the bar from south Florida that may push the envelope on some of the litigation tactics. I don't know how to phrase that in terms of a motion I would like to see in the forms, but I would very much like to see the commercial lines or at least discussed Chair, because I think we can save some money on the legal side by doing that. I think we should do it before this crunch that is coming.

Chairman Beruff: Mr. Gilway.

Barry Gilway: Yes, Mr. Chairman, and Governor Dunbar, we have taken a look at the home venue in the past and I am not sure of the right way to approach this, but maybe a report from Jay Adams or Elana or Tim relative to what positions we are taking today, because I do know that in many of the commercial cases we are requesting home venue in Leon County. Would it be acceptable just to present an evaluation of what we have done?

Chairman Beruff: The only thing I would like to add to the comments is that you could argue that our home venue would be Jacksonville, too, because there is a significant amount of people that our staff, I am talking about are out of Jacksonville, but the home venue in Leon County. I don't like to drive business to a particular group of individuals. What will happen is you drive the competitiveness of the people that serve our side and litigate are now limited to the people in Leon County or most of them. I am not so sure that I like that idea. I like the idea of a venue, because maybe you have three venues throughout the state that makes sense instead of one.

Governor Dunbar: I mean, the lawyers can litigate anywhere in the state. It's not going to change who we would use from a defense standpoint or who the plaintiff lawyers are necessarily. Home venue in Leon County is a function because we have essentially been determined an extension of the state and we could choose to do a contractual venue which may be more difficult and have Jacksonville, but our home venue has been affirmed, and historically the only reason I have heard on why we haven't taken advantage of it on the commercial side is we are concerned that the Legislature may take away our home venue. I think the Legislature, if we go in and try it and the Legislature wants to do that, it is always their desire, but the people that fought for that historically, they're not in the Legislature anymore. And I just think that we know that we have problems coming. If you look at the monthly litigation reports that we discussed at the last Board meeting and I encouraged the Board to look at it, particularly the lawyers, and if you go through those cases you can see how expensive and protracted it gets on the commercial side of our book. And we are about to approve I think tomorrow contract amendments to two law firms in Tallahassee when we did transfer venue for a complicated commercial piece, but it started litigating in south Florida. So, we spent money in central Florida and south Florida, we spent money and then we said, okay, let's get it up to Leon County. There is a significant leverage point to be able to have available to our litigation team to tell them to come on up to Leon County and fight the case. And having gone through the RFI process when we were trying to get the litigation consultants in, one of the things that I know we talked about and Jay that and I have talked about it quite a bit, there is certain things that happen in other venues where Judges just refused to dismiss a case, they won't dismiss a case. They will reject our motions that are based on very clear Supreme Court affirmed case law just so we can stay in court with the ability that maybe we will change our minds and settle. That is what I am talking about bench predictability. I think that it will help us considerably to not have to sit here and spend defense counsel money on frivolous motions when we should have had the case dismissed right from the beginning and we can't do it because a certain county bench or a certain circuit for whatever reason will not dismiss cases despite solid case law on our side.

Chairman Beruff: I am going to defer to the attorneys on what direction that is. I am looking this way.

Governor Thomas: I confess, I have not given it a lot of thought. I don't know if we are looking at the situation where we are talking about a mandatory venue or we preserve for ourselves the right to make that election on a case by case basis.

Governor Dunbar: We currently do it on a case by case and the discussion goes in and Dan would make recommendations and the team and then the decision would be made. Mine would be mandatory, that if you are going to sue us on our commercial policy you are going to sue us in Leon County or you are bounced out immediately. And then the other thing is I think it is the next logical step that we can also take advantage if we can get them up there to choose alternative dispute mechanisms like taking advantage of DOAH and resolving some of these cases in a way that is considerably less expensive than what we are doing currently.

Governor Thomas: I think another question is, I wouldn't think that a venue choice in Leon County would necessarily depress the number of suits we are going to see. No one is saying, I am not going to file my commercial claim if I have got to do it in Leon County. They will just do it there. Lawyers we would rather have on our side, but we are not going to see a reduction in that. Part

of the problem we have in this is we bear disproportion of the expenses in these cases because of the fee ship. We are still if a case is Miami-Dade, we are probably still looking at experts drawn from Miami-Dade, we are looking at inspections done down there. Are we looking at increasing our own cost to litigate cases that are really properly venued in Miami-Dade, for example, by reason of geographic location? It is certainly something that we need to look at and I am sure that Jay and Tim and everyone already are doing that. If there is certainly an advantage to it we certainly shouldn't turn our back on it. I don't practice much in Leon County, but I am loath to find Judges anywhere who will dispose of cases at the pleading stage. It is very difficult, it is a tough call, they are worried they're going to get overturned, the standard is very tough. You guys would know better than I, I wouldn't think we would see much better success in Leon County than elsewhere in terms of disposing of cases at the pleading stage, but I don't know. I don't practice there. So, I would defer to Marc.

Governor Dunbar: Elaina can talk about where we wind up having to a lot of the discovery and produce witnesses and things like that, and one of the beauty is it is a lot easier to move people from Jacksonville to Tallahassee or the people that are in Tallahassee being here than it is to move everybody around the state. But the other part about it you will start to get a more informed bench. The bench is going to, and one of the problems that I think we have and if you look, again, having read these litigation reports every month for the last few years, what you will see is the Judges are regularly making mistakes despite the case law being out there on lots of things and we get it. And one of the things that I have talked to Tim about that I would love to explore and it is going to take time is particularly if you start to figure out, and this is only in commercial lines. This is a tiny fraction of our business, a part of our business that we shouldn't be in. We should only be in it if there is absolutely no market whatsoever out there. I am not talking about personal lines. I am only talking about very sophisticated purchasers of products that right now are dominated in the surplus lines market that are about to come back to us, and I would like to try as best we can to stack the deck against them so that they don't come back to us a little bit. But if we can again go to an educated bench, even getting to the place where we had a body of DOAH Judges that were dedicated to handling our claims to where they knew much like if you are in the health care arena and you are doing a CLM litigation, you know you are going to get six or seven Judges because they are tasked with racking people with expertise. We could potentially get to a place where we have a very informed judiciary that is over our cases, and through our policy forms pushing everybody into what I would consider as an alternative dispute mechanism through DOAH that we would create over time. But the first thing is to try and see if we can get these people to come to a venue where we can start to educate the bench and have some predictability.

Tim Cerio: Can you all hear me? I have spent some time talking to Governor Dunbar about this and I do think it is going to require a deeper dive. Clearly the idea that to what Governor Thomas said, the idea that the bench is going to be ready and willing immediately to start entering dismissals. It is probably not the case, but there is based on what Governor Dunbar said, clearly the idea of bench education especially if the First District Court of Appeal when they start ruling and we get consistent orders there is a benefit to that, but I do think it is going to require a deeper dive. I have spoken to Jay and Elaina a bit about it. They have got quite a bit more experience than I do on the day-to-day with dealing with these issues, but I understand. I see a real benefit, but I just don't want to be premature. I think it does require a deeper dive and frankly some follow up discussions between me and Governor Dunbar, the whole team and Governor Dunbar and others who may be interested.

Governor Dunbar: I will make the motion we approve these policy forms as they are, but can we have a very laid out timeline on how we can look at this and have recommendations come back well in time for us to hit our policy form filings for next year? Not the six-month one that we are in now, but the one we are going to be looking at in February.

Kelly Booten: December.

Governor Dunbar: The next rate filing. Will that work?

Tim Cerio: I believe we can do that.

Kelly Booten: It would be the December Board.

Governor Dunbar: And I think as part of that to me the idea of an ADR system that is based through DOAH is something that if in my mind seems to be much more advantages than merely a circuit court venue selection. So, I think as part of that that would be something that we should take into consideration and look at that. I see, I think venue is probably important and there are lots of useful items out of that. I think ADR through DOAH has much more upside for us in the long run.

Governor Knight: I had a follow up question. On the language regarding concealment brought to include situations when claim information is not filed by an attorney or someone else, does that extend to the person filing it on their behalf.

Kelly Booten: Yes.

Governor Thomas: Is the idea there that somebody submits a fraudulent claim and we say the exclusion applies and they say, oh I didn't do it, it was not me, it was so and so. I think that would be captured by the current language, but if we want to make it cleaner, that is fine.

Kelly Booten: Some of these are clean up to strengthen the language.

Governor Knight: But does it put the liability on the policyholder or the person who made the claim on their behalf.

Kelly Booten: It is to extend it to the person that made the claim on their behalf.

Governor Thomas: What it really does, it is a coverage exclusion, right. What is the liability here? What exposure do they have under the policy other than they don't get a covered claim?

Karen Holt: It's a coverage exclusion, yes, it extends the coverage exclusion for incorrect statements of representations.

Kelly Booten: Can I read the recommendation?

(Recommendation: Staff proposes that the A&U Committee review, and, if approved, recommend the Board of Governors: a(Approve the above proposals to update Citizens'

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

Chairman Beruff: If you feel like it. **There is a motion, is there a second.**

Governor Thomas: **I will second the motion.**

Chairman Beruff: It is already in writing. All in favor say aye.

(Chorus of ayes.)

Chairman Beruff: See I saved you.

Kelly Booten: You did, thank you.

Chairman Beruff: You have got one more, don't you?

c. Commercial Underwriting Process

Kelly Booten: This was a presentation on the commercial lines that Governor Dunbar asked for, and if you go to Section 3C, some of this we have already touched upon. The first slide is the background we get into on slide four which has the current commercial lines book of business as of June 25th, 2020. It is by the coastal account and commercial lines account, and the thing I would like to point out here is that 83% of our commercial line policies are wind only. And then this next slide shows for Palm Beach, Broward and Miami-Dade what percent, what portion of the market do we have from 2009 to 2020. And this is 39% of Citizens total is Palm Beach, Broward and Miami-Dade. But our current market share in those counties is 10%. The next slide, this goes with the collapse discussion. What does Citizens cover of our buildings? Now, this is a building count, not a policy count that are 40 years and older. And the first slide six is Broward and Dade County. The first table is by policy type, so commercial residential wind, non-residential wind, residential multi-peril and non-residential multi-peril, and then the next table is wind only versus multi-peril just give you a different, two different takes on it, but the range is between 79 to 86%, depending on which way you slice it, of our buildings that are 40 years and older.

Governor Dunbar: A quick question on that slide. Just so I am clear, we have a billion six roughly in multi-peril coverage in our commercial book currently, right? Am I reading that right, 1.565 plus the 17, is that right? So, in the event of a catastrophic collapse our potential risk exposure to that type of event would be currently \$1.6 billion.

Kelly Booten: If everything collapsed, is that what you are saying?

Governor Dunbar: Yes, I am just trying to understand the current risk on our books to the event that just occurred.

Scott Crozier: This is Scott Crozier again. There is no coverage under our current commercial multi-peril forms for collapse.

Governor Dunbar: We have no liability.

Barry Gilway: Governor Dunbar, I think we both know there is a no coverage for collapse. But at the same time, I just wanted to clarify, it's still an issue, because from a litigation standpoint, collapse, they're not going to call it collapse.

Governor Thomas: What is collapse, is it collapse secondary to a sink hole, is it collapse secondary to flood. That is the argument, what is collapse that is not covered versus what is collapse is simply the damage that results from some covered activity.

Barry Gilway: But I would have to defer to the claims organization. It was explained to me that there are several coverages that could be construed as collapse, an earth movement, coverage for example it would be an example. Earth movement is not collapse, but it is earth movement. Sink hole is another issue that is explicitly included and covered separately as you know.

Governor Dunbar: But it wouldn't be the winds. Our vulnerability I guess is a better way to ask it is under our multi-peril lines.

Kelly Booten: And then the next slide has the commercial policies in force and exposure from 2010 to today. Quite a dramatic drop. In slide eight it goes into the reasons. Market conditions always has a big role in our book of business, and we also had significant depopulation in commercial between 2013 and 2019. From our product offering perspective, we offer a basic form coverage which is in some cases inadequate for getting, securing a loan, et cetera, because of the coverages we have, and a lot of commercial properties have to get what is known as a difference in conditions coverage to bridge the gap to get them whole on the types of coverages they need. That is probably a large contributor as to why we don't have as many policies in the commercial residential multi-peril. And then on slide nine, we do have renewal underwriting initiatives. Like I said, we do inspect all of the commercial lines products. We renew them, I am sorry, at renewal for every three years after that and then we had a current building update requirement just recently where we have approximately 979 commercial policies and 3,439 buildings that are out of compliance. We did get held up a little bit during COVID, but now they're set to expire over the next 12 months at renewal. Now, if they come back with proof that they remedied the problem those policies won't expire, but that also is just an example of things that we do in commercial lines.

Governor Dunbar: Kelly, of the 979 that are out of compliance, what percentage of them are wind versus multi-peril?

Kelly Booten: I do not have that number in front of me. I can get that to you afterwards unless Stephen Mostella knows the answer.

Stephen Mostella: Good afternoon, everyone, my name is Stephen Mostella, I am Director of Commercial Underwriting for the record. I can get that information for you before this meeting is

over. Our normal breakdown of our book of business is about 80% more wind policies and multi-peril, but we can get the exact number hopefully within the next few minutes.

Governor Dunbar: Thank you, and getting the information eventually is fine. We don't need it in the next few minutes, but I appreciate that. The only reason why when I saw that bullet point when I was going through the materials is we should be putting an asterisk next to the multi-peril out of compliance to get rid of those as quickly as possible.

Kelly Booten: Then we go into the new business processing which is a couple of slides forward. This just shows you the volume of new business applications over time. What we have received, what we have underwritten and the percentage for tri-county and Monroe County. We did have a little bit of spike in May and we forgot to put the June numbers on here, but June was at 105 received and 72 underwritten. And the little spike just had to do with American Capital and Weston. American Capital insolvency and Weston, but not dramatic. We didn't get hardly any of the business. Slide 12 is the general steps in the underwriting process. All commercial policies come in unbound. Agents do not have binding authority. They have to provide eligibility requirement, we have manual procedures for this. It is not automated like it is for personal lines just because of the complex nature of the commercial policies. The underwriter, thoroughly reviews the submission, evaluating proof of eligibility, property condition and policy elements, driving the premium. Then the underwriter obtains, decides to approve or decline and notifies the agent. Then the agent submits, if the submission is approved, the agent electronically receives the notice of approval and obtains the policyholder's signature and premium payment and then lines coverage.

Governor Dunbar: So, to our underwriting process, much like the question I had about the one and 100 inspections to the six and 100 and some companies do 50% or whatever. Are there things in our underwriting process that we do for commercial? Let me say it differently. Do other companies do things that we do not do in their underwriting process for commercial that we should consider taking on that might be an expense item that the Board needs to consider. I know we talked about the law is going to change, but are there aspects of our underwriting process that are more limited than some of the other players in the market?

Stephen Mostella: Kelly, I will be glad to respond if that is okay.

Kelly Booten: Go ahead, Stephen.

Stephen Mostella: Again, Stephen Mostella, commercial underwriting. I would dare say that the processes that we have in commercial underwriting at Citizens is probably more stringent than maybe what you would find with most other carriers. Most other carriers, especially for the larger commercial risk, they will go out, pay a vendor or have staff do the inspections which we also do, and Kelly will talk more about that in a moment, but we already do that at Citizens. So, from my perspective based on my knowledge of the industry and based on experiences from others, working with other commercial carriers, what we have in place at Citizens is pretty stringent, and I think if we have some agents on the call they would also reiterate what I just said. That it's tougher to write business with Citizens because we do have so many requirements in place on the front end.

Kelly Booten: And on slide 13 is proof of eligibility. The commercial underwriters validate proof of eligibility and then the agent has a number of documents they have to upload and have to show demonstration of the eligibility under the now 20% comparable coverage rule. The proof of eligibility documentation is issued by the authorized carrier and there is details here on this and the process we go through. They do not receive binding authority until all these things are done. And then on the next slide we go to the property condition. The commercial properties attempting to obtain coverage must meet minimal standards regarding condition which is closely looked at for eligibility reasons. There is numerous sources that we evaluate the property condition with, information on the replacement cost appraisal, photographs, roof inspections, wind mitigation forms and various third parties. If existing damage, the underwriter request documentation such as an engineering or construction report to assess the risk and take necessary action. If an application is ultimately approved for issuance, a field inspection is ordered and conducted by a Citizens field underwriter. And then on slide 15 we talk about accurate rating and pricing where we look at the building characteristics to validate that the appropriate costs for the buildings and structures are accommodated for, the construction type. The mitigation credits are valid and then in addition to the information provided by the agent, the underwriters use other sources to verify. In this case agents are assigned to underwriters, so there is a relationship built with the underwriter. Then we move into the field underwriting team and for commercial on slide seven we have a really awesome field underwriting team located in the field. They're highly trained and experienced. They serve as eyes on the ground for the company and do the inspections predominantly, have been doing all the inspections. And then they also assist other departments such as the SIU unit and Claims. And then on slide 18 goes through the primary functions of the field underwriter I won't read all that to you, but there is a lot of functions of that they do. And then finally we get into the recertification inspections, and we wanted to just give you a little bit of information on what we insured on the building, slide 20, which has the Champlain Tower South of course is the building that no longer exist. We actually had 10 policyholders that were impacted by this. The 11 was there, because one policy was canceled after the 06/24 date back to December, so it got caught up in the mix there, but there was 10 and it was canceled because they moved and there were different types of policies. None of these commercial, we didn't have any of the commercial buildings, but we did have some of the tenant or condo unit owner commercial type policies, personal lines policy, HO-6s, HO-4s, a few winds and then the dwelling three condo.

Governor Dunbar: Can I ask just a practical question. So, you take the condo and you go everything, drywall in, right, that is the unit that is owned by the individual and the contents in that. So that would be under an HO-6 or an HO-4. That would be a six?

Kelly Booten: Right.

Governor Dunbar: And when they go in to inspect, if they inspected that unit, so they were one in the 100 that got inspected and there was some evidence that there could be some leak or something in the unit, it would then move outside of the common elements to the walls or something. At some point then it touches up against the commercial policy. So which lines, which policy is that, and I know it is not one of these, but if we had the whole building plus an individual unit, we go from an HO-6 to then what is the building for the common elements for the condo association.

Kelly Booten: It would be the commercial residential, multi-peril policy if we had that and we had indications there were issues from the homeowner side of the house, we would refer that that I am assuming over to commercial lines to review it. And I am asking the team again to verify that that is what we would do.

Governor Dunbar: And this is where I was going. So, you basically have two insurance companies potentially, well, actually you could have three because it would be an HO-6 above you and then you have common elements and you have HO-6 below, it could be three insurance companies. We have a leak down in ours, we are trying to figure out where it is, is it common elements or is it the unit above. How does our team communicate when they're going through an underwriting process or an inspection process on that? Do we keep it all internal or are we on the phone trying to find out? Do we have an obligation to communicate beyond our policy while we are going through the underwriting process, do you see where I am going?

Kelly Booten: I believe our obligation is to what we do, but that wouldn't preclude us from going beyond that, but we probably don't.

Scott Crozier: Governor Dunbar, this is Scott Crozier again. We do not typically share that type of information external to Citizens. The scenario you gave, let's use water as an example, we currently do not typically inspect condo units on the personal line side from a cost perspective. It is not the best use of our dollars previously. That very well may be changing given what has happened recently. Secondly, if we were to insure the commercial residential with the multi-peril form, so we had the actual condo building itself, we don't provide water coverage under our basic forms, so technically we wouldn't have coverage there. I understand that could still lead to litigation and that would have issues with any tenants whether they are unit owners or people that are leasing units in that building. We do work within Citizens to reconcile buildings that are insured both commercially and with the units inside. Again, whether it is an HO-6 or an HO-410 or DP-3 condo. We do try to work between our commercial lines team and other personal lines team to remedy any concerns that might be found on either side, either personal or commercial so that we can take, to quote Kelly, a holistic approach to our underwriting.

Governor Dunbar: Yes, because one of the things to that point, I think changes we are going to have to deal with, and I use water because that is an easy one everyone can think about, but the reality, it's a ceiling crack. So, we go in and inspect and there is a ceiling crack and is it a function of the drywall in the unit or is it a function of something structural. And the inability to communicate amongst these insureds on the inspection side and all that is something that potentially might be changing and lead to significant expenses. I didn't realize we inspected no condo units. I thought they were part of one in 100.

Chairman Beruff: I am sort of glad we don't inspect them because ignorance is bliss. At the end of the day if you go into a building and you inspect the inside of the unit and then you don't recognize certain things that you should have recognized, puts us in a line of liability also that we should have known better. So, it is better to be ignorant. How many units did we have in the building that collapsed?

Kelly Booten: 10.

Chairman Beruff: And both the building that collapsed and the building that they collapsed purposely?

Kelly Booten: The north building we had nine, in the east we had 12. But south is the one that collapsed, we had 10.

Chairman Beruff: They took down 10. And are we racing to try to settle those claims as quickly as possible?

Barry Gilway: We just received two days ago a complimentary letter from Tasha Carter who is the state consumer advocate really complimenting Citizens on a phenomenal job. I believe eight out of the ten claims are not only settled, paid, and one example where the claim was put in one day and it was fully paid the following day.

Chairman Beruff: Obviously you are well focused on the same thing I am focused on. The last thing these people need is anything relative to a financial problem that we can take care of.

Barry Gilway: But there is one issue that is related to Governor Dunbar if I might add. The issue from an underwriting standpoint, it is both residential and commercial because today we are obviously writing either an HO-6 policy which is more extensive or we are writing a DP-3 policy, contents only policy, and the question is depending upon what the requirements are ultimately on the commercial side, then what action should we take. So, for example, if a structural defect is identified on the commercial building then what is our underwriting stance relative to any of the personal lines contracts that we might write.

Governor Dunbar: I mean, where I would like to be is in a situation where that company that is taking on the risk of the commercial policy, not us, but we have the units, whether it is contents, is that they are required to tell us that, hey, something showed up in our inspection we may want to give you a heads up on so that we have the ability to factor that in in our underwriting of the individual units that are inside there if we are just doing the contents or the units themselves.

Chairman Beruff: Wouldn't it be like an additional insured?

Barry Gilway: You could.

Chairman Beruff: We should be notified of something that becomes apparent to the commercial underwriter that is taking care of the building and they should just immediately notify us that there is a problem. Anyway, we can certainly kick that around.

Governor Thomas: I am not sure how that would actually work in practice. I don't know if the commercial would even know that we existed necessarily as an insured for a resident in their units. I don't know how, they probably do need to notify the residents, but I just don't know in practice how that would work.

Chairman Beruff: In practice the commercial insured building is actually bound by the HOA Board. So, they have an obligation to notify anybody that has a policy I think, or you could at least mandate that in our policy as a requirement.

Governor Dunbar: Is the way it would work is it flows through the association, the association Board is required to let the unit owners know. The unit owners I would like them to come and let us know, and if they don't let us know, then maybe there is an exclusion in the policy and just something to sort of think through so that if we do find out if that commercial insured.

Chairman Beruff: We have got a lot of work to do.

Kelly Booten: And the other thing that might come up here is going to be the confidentiality of the underwriting file. So, we will have to consider that as well. So, I think we are done. The next slide you have already heard.

Chairman Beruff: So, we are going to come back to Ms. Jennifer who has been sitting here all day waiting for her time patiently to try to get back to the one item that is left to take action on. Is that correct?

(Readdressed Item) a. Catastrophe Modeling Software Services

Jennifer Montero: That is correct. Thank you. This is for Cat modeling and the awarded vendor was AIR Worldwide Corporation which is the incumbent. Their contract before was \$2.1 million for five years and a three-year renewal for eight years. The reason, the main driver for the price going up to 4.8 is the required change in platform. They went to a cloud base. There were three respondents. You had AIR, RMS and CoreLogic. CoreLogic did not offer a cloud solution and did not at the same par level as AIR and RMS. They did have the lowest bid, but that is because they're not a cloud solution. So, we moved to AIR and RMS, and AIR provides for the \$4.8 million it provides the eight years, and it is for \$1.5 million or higher of policies. So, we are not restricted to a certain level policies. RMS has a limit, their price was \$4.6 million. So, it is almost \$250,000 less over eight years, however, you can't model anything over a million. So, to make them equal in case we grow to over one million policies which we have done, we would have to pay an extra \$17,500 a month which is an extra \$1.68 million which would bring their total to \$6.279,645.

Chairman Beruff: So, bring me back from the \$2.1 million to \$4.8 million.

Jennifer Montero: The \$2.1 million is where we are today. However, we are not in a cloud solution. We had to change the platform.

Chairman Beruff: Why?

Jennifer Montero: They are all doing it. We didn't have a choice; they are changing their solution.

Chairman Beruff: We have a choice, I can go to the cloud, but I like my servers so I can go look at them and touch them in my office because I am sort of old school. I mean, I understand the cloud.

Jennifer Montero: RMS and AIR are the two big Florida models.

Chairman Beruff: It is a big jump.

Jennifer Montero: Yes, and they both did it.

Chairman Beruff: 2.1 to 4.8.

Jennifer Montero: So, they both moved to the cloud. So that is the driver, that is the big driver of the price change.

Chairman Beruff: What proportion of that price is actually getting paid for cloud services that they're buying, do we know? Is that part of the information that they share?

Jennifer Montero: I don't think that we would know that.

Chairman Beruff: Well, if they are saying, hey guys, my price has gone up this much because I have gone to the cloud, they have to pay for cloud storage space. I think it behooves us to ask, how much of this huge price increase is because you are now paying for this better and more sophisticated service, hey, we just went to the cloud that is why it cost more money. That doesn't work.

Jennifer Montero: They did provide us a tiered pricing based off the number of policies that we can run at one time.

Chairman Beruff: I understand that. What I want to know is what does it cost them to take the 1.5 million policies we have and store it in the cloud for eight years, because what I just heard, unless somebody heard differently is that because they went to the cloud, the price went from \$2.1 million to \$4.8 million. So, then somebody has got to show me that \$2.7 million is passed on to Amazon or Microsoft or whoever cloud service they are using so that I can make a decision, otherwise they could be lining their pocket and just saying to us, hey, it's another 2.7 because we went to the cloud. I am sorry, it is just a very simple question.

Jennifer Montero: It is not just a cloud, it is also a SAS, software it's a service.

Kelly Booten: I will say that most of the software providers when they move to the cloud, this is a subscription based service, and the typical selling point is we do more for you so you have to do less.

Chairman Beruff: I am going to fall on the same thing that we did the defer to September and bring me more information so I can make an informed decision as to why we are going from \$2.1 million to \$4.8 million. That is where this Chair is at. I entertain a motion to defer.

Kelly Booten: I do have the answer to Governor Dunbar's question if I could real quick.

Chairman Beruff: What question was that? From the last topic?

Kelly Booten: Well, there is so many, but I have the answer for one. And that is on the building update requirement you asked what percent wind versus multi-peril was. It is 73% wind and 27% multi-peril.

Governor Dunbar: Thank you.

(Recommendation: To defer to September 21, 2021, A&U Committee meeting)

Chairman Beruff: I have a **motion is there a second.**

Governor Dunbar: **Second.**

Governor Fields: When does it expire?

Chairman Beruff: I'm sure they won't kick us out of their server but no, that is a good question, you are right.

Barbara Walker: The Cat modeling expires on December 16th, 2021.

Chairman Beruff: Anymore for the discussion, please? All those in favor signify by saying aye.

(Chorus of ayes.)

Chairman Beruff: Motion carries, thank you very much. Is there anything else on this agenda, or are we done? I think we are done, right. Any new business? This meeting is adjourned, thank you.

(Whereupon, the meeting was adjourned.)