

CITIZENS PROPERTY INSURANCE CORPORATION

**Summary Minutes of the
Market Accountability Advisory Committee Teleconference Meeting
Wednesday, September 8, 2021**

The Market Accountability Advisory Committee (MAAC) of Citizens Property Insurance Corporation (Citizens) convened via Zoom webinar on Wednesday, September 8, 2021, at 11:00 a.m. (ET).

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

Dave Newell, Chair
Allen McGlynn
Greg Rokeh
Kurt Lewin

Michelle Burkett
Steve Roddenberry
Susanne Murphy

The following Citizens staff members were present telephonically:

Barbara Walker
Barry Gilway
Belinda Miller
Bonnie Gilliland
Carl Rockman
Christine Ashburn
David Woodruff
Eric Addison

Jay Adams
Jennifer Dilmore
Jeremy Pope
Kelly Booten
Mathew Carter
Ray Norris
Scott Crozier
Wendy Perry

Call Meeting to Order

Roll was called and a quorum was present. Chairman Newell called the meeting to order.

1. Approval of Prior Meeting's Minutes

Chairman Newell: Thanks for those in attendance today. I appreciate everybody's time this morning, I know everybody is busy. Let's kick this off and go behind tab one for our first action item which is to approve the prior meetings minutes. Do I hear a motion?

Allen McGlynn made a motion to approve the June 23, 2021, Market Accountability Advisory Committee (MAAC) Minutes. Greg Rokeh seconded the motion. The minutes were unanimously approved.

2. MAAC Charter Review

Chairman Newell: Members turn behind tab two. Kelly Booten is going to discuss, which we do on a regular basis for this committee, the MAAC charter.

Kelly Booten: Good morning, members. This charter is actually a pretty easy one because it is prescribed by the statute, so it follows the statute almost exactly in section 627.351. We do have

in the charter an annual review and we bring it forward for any discussion or recommended changes to the charter.

Chairman Newell: Okay. So, we need to approve this, right Kelly?

Kelly Booten: Correct.

Chairman Newell: Do I hear a motion to approve the charter?

Allen McGlynn made a motion to approve the Market Accountability Advisory Committee (MAAC) Charter. Greg Rokeh seconded the motion. The charter was unanimously approved with no changes.

Chairman Newell: As we turn to tab three, we thought it would be a good idea to bring everybody up to speed on the claims part of our business. We've dodged a few events this year, certainly Louisiana is recovering right now, but Jay and his team continue to work diligently to prepare in the event that we have something, so we just thought it would be a good idea to bring the Committee up to date from a Claims perspective. So, welcome Jay.

3. Claims Update

Jay Adams: Thank you, Chairman, and Committee members. I would like to provide a claims update to you today and it's a little disconnected because it's multiple topics here. I would like to first cover the claims volume update.

What I have here is the claims volume that we've received through 2021 June YTD. That top row there "Number of Policies in Force", you can see as Citizen's policies in force count grows, so does the claims count. Back in January, we were averaging about 2,300 claims a month and in July we are closer to 3,000. Most of that is a result of the policies in force growth. If you look below the black line there, those are the two largest components that we have in claim volume. That first row is the number of non-weather water claims. You can see that we are averaging somewhere between 1,200 and 1,300 of those claims and we are starting to see that tick up a little more again with the increase in policies. Wind is the 2nd largest peril that we have from a claim volume perspective. You can see there that we are averaging around 500-550 per month. I'm going to go into a little more detail on the next slide about wind.

This slide is a representation of all the CAT claims that we have recorded in our system that have been reported in 2021 and we've received about 2,600 total claims. Only about 400 of those claims are a result of any storm activity in 2021. So, the real takeaway from this slide is, catastrophe type events, tropical storms and hurricanes, have a very long tail with Citizens. We continue to get reports of claims that are multiple years old, and we are still having that same phenomenon today. Next slide.

Now what we will do is look at the same type of information from a litigation perspective. So, we are looking over the period June YTD 2021 and we are averaging about 950 new lawsuits per month, and that number has been pretty static for the last 6-8 months. When we look at our litigation, we look at it in categories as well. So, we break it down and we look at Assignment of Benefits (AOB), and you can see there that we averaged around 250 AOB lawsuits each month. And, in catastrophe claims, we are somewhere in that 450-500 range on a month-by-month basis with the majority historically coming from Irma. Now, as you all are aware, there is a hurricane reporting statute that is in effect, and that is based on the new loss report. Litigation

really does not have a statute that prohibits bringing a lawsuit forward until a breach of contract has occurred and the breach does not typically occur until a suit is filed. So, we are seeing catastrophe claims prior to Hurricane Irma that are still coming in, in the lawsuit category. Next slide, please.

This is the same information and I have just broken it down by the peril. As I said earlier, on new claims, water and wind are the driver. Those are also the drivers when we look at litigation. Water is a claim that is very complex to adjust. The product language makes it very hard to do the adjustment process. That lends itself to plaintiff attorneys looking to file lawsuits in this space. They are leveraging the difficult product language in that space which again, causes us to have a large volume of water litigation. Wind, and again, most of those are related to prior hurricanes. Next slide, please.

Now this is looking at those same suit volumes by geography. Tri-county continues to be the leader for Citizens as far as where the litigation arises. But a trend that I want to point out is the West Coast of Florida. We are starting to see more and more lawsuit activity coming from there than what we have seen in the past, so this is something that we will continue to watch as we move forward. Next slide, please.

Now we will spend a few minutes talking about COVID. Last year in March when COVID really reached its height across the United States, we had to put some adjuster protocols in place to make sure that we not only protected our adjusters in the claim's adjustment process, but also the policyholder. So, what we have done is created a questionnaire that we ask the policyholder to complete prior to the inspection. The idea here is, we're just asking some basic questions around have you been exposed, do you feel sick today, have you been around anybody that has had COVID, and those types of things. The idea here is we want to protect the policyholder and the adjuster. If either the policyholder or the adjuster believes that they have symptoms or have been exposed to somebody that has symptoms what we do is, we delay that inspection for 2 weeks. We would leverage this exact same protocol in any type of catastrophe response we would have for the remainder of 2022, as well. Next slide, please.

This is a copy of the questionnaire that we are giving the policyholder and I kind of went through the questions in the last slide. Next slide.

Dave asked a specific question of me. Are we seeing the cost of goods being impacted specifically due to COVID? The answer to the question is absolutely, yes. Anybody who has kept up with anything in the building industry, lumber specifically, the prices of those items have skyrocketed over the last 18 months or so. We leverage Xactimate as our estimating platform. That estimating platform provides us a unit cost estimate that we give the policyholder. So, for every line item of scope that we adjust, the policyholder gets an actual price for labor and material cost. If their contractor comes up with a price that is different than ours what we ask is that policyholder reach back out to Citizens and our adjuster will work with that policyholder and their contractor to resolve whatever the estimate amount difference is. Now, one of the things that Xactimate does for us as an estimating tool provider, they do reach out on a monthly basis to specific contractors out in the local marketplace. And what they're doing is making sure that the unit cost estimates that the tool provides at the zip code level is accurate to the work that is actually being done out there in the field. That is kind of a double check for Xactimate for trying to keep the estimate as up to date and accurate on the pricing end. Next slide, please.

Now we will talk a little bit about our catastrophe preparedness. When we talk about CAT at Citizens, we really talk about it as an enterprise response. It's not just a claims response. In that mindset, what we do is, Claims does take the lead on all catastrophe response however, we have Catastrophe Coordinators that have been assigned in each division in the organization. Each one of those Catastrophe Coordinators write a catastrophe plan for their specific unit. The idea there is, when we have an increase in claim volume, they are already documenting what changes need to happen in their organization to support the influx in claim volume. That is all rolled up into what we would consider our master CAT plan. Next slide.

We do planning for catastrophe year-round. During the catastrophe season all the planning for that particular year is done. December 1st, we kick off CAT planning for the following year. During the planning meetings, we go through any kind of postmortem we've had from any storms looking for opportunities to make each individual business unit plan better. We also are validating that all of the individual Catastrophe Coordinator business plans are up to date and that they have really identified all of the strategic issues necessary for increased volume of claims. Next slide.

Whenever we talk about catastrophe, now we are really going to go into more of a Claims focus. We have to really figure out how are we going to do a response and house all of the folks that are necessary in that response. As you all know, we have been in a COVID environment here for about 18 months. When that environment started, we started allowing our Independent Adjustors to work remote wherever they may live, for anyone that was doing any type of desk adjustment type work. So, we really have been testing this for the last 18 months. We have seen no degradation in service, or quality. We continue to do our quality file reviews and so forth. So, if we need to respond to a large-scale event, we would continue to leverage Independent Adjustors being able to work remote, meaning they may not even be in the state of Florida, they may be wherever they actually live. We also have offsite vendor locations, and these are more specific to fast track and appraisal desk adjusting groups. These offsite vendor locations are often located outside the State of Florida and that is on purpose. The reason for that is, fast track are the easiest claims that come in. They are phone adjusted claims to begin with. Many of the storm systems that come through the State of Florida, for some reason exit through Tallahassee and/or Jacksonville. We don't want to have vendors here that need to be our first response vendors who might be impacted by whatever has happened with the storm event. So, having these folks offsite is really a strategic decision so that they can begin adjusting claims immediately as they start to come in. We also may set up a hotel strike zone and what that really means is, at ground zero we are going to want to have a facility available that we can train Independent Adjustors, answer questions, and may even have staff issues and concerns, so we will have leadership in hotel conference rooms a lot of times if the storm is large enough and it needs to happen. We also have a CSV strike zone vehicle and if we could go to the next slide, please?

This is what that vehicle looks like, it is a pull behind trailer. We have a vehicle where we can tow that trailer anywhere we need it to be. The benefit of having this trailer is our catastrophe leadership staff can operate in this vehicle and this really be our ground zero leadership for the event. This vehicle has generator power, and it also has satellite technology for data and for phone. This gives us the ability to set up a hotspot. Citizens has all of our claims documentation contained in electronic media, whether it be the estimate, the management file, so forth. It is mission critical that internet services be provided because adjusters have to connect to upload and download information. They can work remote on these laptops, but they need a refresh of the data so that it will send it back to Citizens and they can receive new claims. This vehicle

also gives us the availability of setting up a hotspot where the Independent Adjusters can just pull into the parking lot, get on our network, never have to leave their vehicle, upload/download, and do all of those things to keep the claims engine moving forward. Next slide, please.

This is a Catastrophe Response Center (CRC). Jeremy Pope and his organization are responsible for these setups. Really, this is designed to be a customer centric situation for all of our policyholders in the immediately impacted areas. Again, a lot of times these are set up in places where there is no power or cell phone coverage. These are self-supporting vehicles as well. They have generator power, and they have the same satellite uplink where they can take first notices of loss right there on the ground, the policyholder can come and access our internet if they need to reach out to loved ones, and we can issue additional living expense advances from this location, as well. It really is designed to help support the customer in those most devastated areas. We have multiple of those vehicles and many times if there is a large event, such as Michael or Irma, we send all of these out into the field, we leave them set up in a location until the traffic starts to slow down, and then Jeremy will work with our legislative affairs group and they will move those to the next most densely populated area that needs these services. Next slide, please.

Testing. So, every year, we go through what we would consider the highest-level testing necessary to make sure that we are ready to respond to an event. At the top of the list is our call centers. The call centers need to be able to scale very quickly to go from handling 150-200 calls a day to potentially handling upwards of 10,000-20,000 calls a day when we are in the midst of a catastrophe response. That test is designed to see if they can bring folks in, get them trained, and get them to take the appropriate information in the first notice of loss. We just talked about the CRC deployment, but that is a drill so that Citizens volunteers can go out there and actually see how to set this up, get real life experience. We run some dummy claims through there, we put some fake policyholders in there, and the whole idea is to give them some experience before they are actually deployed to the field. We do check printing tests. As you can imagine in a catastrophe response, our check printing is exponential compared to our daily claims workflow. We do load and stress testing on our systems. The reason we have to do that is during a catastrophe we are bringing in numerous increases in adjusters that are in our actual system, and we need to make sure that those systems can handle all of the transactions that are going on simultaneously to be able to respond to a CAT but to also keep our non-catastrophe operation up and running for our daily claims operations. And lastly, we did a test with Agility. They are the vendor that provides a portable office setup and literally, they bring out a trailer and that trailer has office equipment in it, it has generator power, and it has a satellite uplink. We can set those trailers wherever we need them if there were no hotel/motel options available at or near ground zero. Next slide, please.

I mentioned earlier that we do quality assurance work. On all of these catastrophe claims we do engage our Quality Assurance team. The fast-track claims and the inspection services, as those estimates start to come back to Citizens, the Quality Assurance team goes in and does a review of those estimates to make sure that they meet our best practices and our estimating guidelines. They also provide trainers to help assist with desk team operators. They deploy re-inspectors and do ride-alongs in the field, and really what they are doing there is trying to go out and touch as many of the catastrophe Independent Adjusters as possible to make sure they understand the best practices and estimating guidelines and can produce a quality estimate. As we get those types of things done on the front end of the catastrophe response, then they change gears, and they start to review closed claim files. They do re-inspections and closed file reviews. What they are looking for here is adherence to the best practices and guidelines. If we run into situations where we have independent adjusting firms that have adjusters that are not meeting

those criteria, we put those folks on notice and if they are not able to immediately fix those issues, then we may have to turn them off and send the business to a vendor that can get the job done appropriately. Next slide.

So, in conclusion, from a catastrophe response perspective, Citizens is ready now. We have the entire enterprise engaged, ready to respond. We've had multiple, I'll call them pocket storms, tropical type storms, that have come through. For each of those storms we run the full CAT plan. What I mean by that is, we are doing all of the planning in the background, we're having the CAT coordinator meetings, we are doing all of the things that we would do for a full-blown category 5 hurricane response. So, that gives us the chance to continue to practice as the season goes on so that when a real hurricane makes impact here, we will be ready for that.

Chairman, that will conclude my presentation. I would be glad to take any questions.

Chairman Newell: Ok, thanks Jay. As usual, great report and very thorough. I just thought it would be a good idea to bring the Committee up to date on Citizen's response and your ability to gear up as necessary, especially when we've had other events outside of Florida that may have taken some of those resources away. So, with that in mind folks, any questions of Jay about the Claims update and catastrophe preparedness?

Greg Rokeh: Chairman, this is Greg. Maybe just a suggestion, Jay. On your pre-inspection questionnaire that is getting handed out to the consumers, it might be time to update that. It looks like it's kind of locked in place from March of 2020. It has questions specific to where there were significant COVID outbreaks going on at that time and as the last year and a half has proved, if you haven't had one yet, you're going to have one sooner or later somewhere else.

Jay Adams: Right.

Greg Rokeh: Maybe something less specific as far as world travel and things like that.

Jay Adams: Okay. Yeah, good idea.

Greg Rokeh: Just a suggestion.

Jay Adams: Thank you.

Greg Rokeh: It's obviously dated when you read it.

Jay Adams: Right.

Greg Rokeh: It kind of jumps out at you.

Chairman Newell: Thanks Greg. Anything else from the Committee?

Jay, this is Dave Newell. Just a question. As we've had other events that have impacted the pool of adjusters, has that done anything to you and our organization as far as claims response? Because, of course, some of those people that you engage with in services may be taken elsewhere to handle claims.

Jay Adams: Well, first of all, that would be a question I would prefer you not ask. (Laughter) We have not had to test that at this point in time. I will tell you that that is certainly a concern.

During Hurricane Irma, a few weeks prior to Irma's landfall Harvey hit Texas and it did take a lot of resources and move them down that way. Post that event, Citizens has taken a lot of effort to try to find other ways to get these claims handled and not have to depend solely on independent adjusters. We have developed our fast-track model, we have developed inspection services, and so forth. But I will tell you that with what is going on over in New Orleans, we certainly have concern, especially if we were to get some type of significant event right away. Give it 4 or 5 weeks and I think things will return to a more normalized basis and resources should be available. I will tell you two other things. We do have contracts in place for enough adjusters based on what our need was when we took up the contracts. Those vendors continue to tell us that they can provide the resourcing we need to be responsive. Typically, during a hurricane type event the governor will issue an emergency order and we will be able to leverage that to enter contracts with independent adjusting firms while that order is active if we need additional resources. We did do that in Hurricane Irma, so I would anticipate that that could be something that could happen because we are kind of in that same scenario as we were with Irma if we were to get an event.

Chairman Newell: Sorry to throw that curveball at you but this entire industry, right now, is really reeling on a lot of fronts and certainly that resource seems to get a last look for some. We all know they are at the forefront on any event to be able to be out there adjusting, handling policyholder matters so, thanks for that. I knew you guys had kind of pivoted with some other resources, putting in place to help solve some of that. Certainly not going to be fully done in the future but certainly you're looking at other ways to deal with that situation.

Any other questions for Jay? Alright, thanks Jay. I really appreciate it. Again, thorough outline and thorough processes here that you guys have in place and continue to test from time to time. Hopefully, you won't need them anymore this year.

Jay Adams: Exactly, thank you.

Chairman Newell: All right, next up on the agenda. Kelly Booten is going to provide a Market and Underwriting Update. Welcome, Kelly.

4. Market and Underwriting Update

Kelly Booten: Thank you. Today, I will provide a brief update on Citizens PIF and some of the market conditions. As you know, our PIF has been continuing to rise. As of September 5th, we don't have the official August numbers out, but as of September 5th, it looks to be around 689,000 policies that we have in force, and our year-to-date growth is nearing 150,000 in growth. So, our PIF continues to rise, unfortunately.

On the next slide, it shows a different perspective of what it looks like from an exposure perspective. Again, as of September 5th number is approximately \$205 billion in exposure. Of course, that grows with the PIF, as well. On the bottom section of this slide is Clearinghouse numbers. Carl has a more detailed Clearinghouse update that he is going to show you. I think the message here is that it is a low amount of policies that are deemed ineligible through the Clearinghouse; however, we did get the change from 15 to 20% for eligibility. Right now, it is running approximately 85 policies a week that are deemed ineligible because of that change. Also, the other notable thing here is, the number of submissions has gone up and it's a leading indicator for our growth, what is coming through the Clearinghouse with quotes. Next slide.

This slide you have seen before. It shows the growth in policies over the last four months compared to the same average number of policies in the prior four months of the prior year. The trend continues a little bit lower in July than it was in June. It's surprising, with all of the turbulence we've been seeing, and I'll get to that in a moment, but it is 2.5 times what it was on average a year ago. If you go all the way back to August of 2020, we averaged 7,800. So, we have grown significantly in a short amount of time. You can see on the bottom part of this slide the policy county by geographic region. Pretty much all areas growing with maybe a little more of an uptick in the Orlando area than previously. Next slide.

This one shows the mix by Coverage A range getting a little bit more on the higher end and policies by age of home.

And then the next slide shows the same mix by prior carrier. This one has changed over time. When we first started doing this back in June of 2020, you could see all surplus lines carriers were at the top of the list as far as where the policies were coming from into Citizens and that's shifted now to Florida domestics, as you would expect based on changes in eligibility and the rates.

On the next slide, is a recap of some of the market impacts that have been important in the last few months. Of course, we did have our COVID turbulence where we were holding renewals and cancellations and doing a number of things to help consumers. When we started uplifting that, our cancellations and non-renewals have started picking back up to the regular numbers. We even had a spike in the February timeframe when we came out from underneath that.

From a market capacity, we've talked about this at the meeting prior, where the multiple double-digit rate increases that some are getting impact Citizens, and eligibility changes that come and go as the market needs to change their rules, also impact us. We had a number of consent orders for cancellations or insolvencies. The consent orders and insolvencies aren't a good thing from Citizen's perspective, but we really didn't get a lot of volume from all of this. For Weston, which was a commercial situation, the cancellations were dated April 15th and we only took on 58 of 391, predominately wind, actually only wind. For American Capital, which was a May event, we only took on 19 of 1,700 policies, so the private market picked up the remainder. Most of those were commercial residential multi-peril.

On the 45-day cancellations that happened in the June timeframe for Gulfstream, Universal Insurance Company of North America, and Southern Fidelity, we took 6,280 of 29,800 or approximately 21%. With the Gulfstream insolvency, which just happened with an effective date of August 27th, we only took 4,801 of 32,324 or 14.9%, so far. There will probably be a little more growth there, but not much. So, overall, the market has picked up a fair amount of this. I don't have any big heavy hitters on where it all went but it didn't come to us.

The other topic that has been heavy lately is the commercial condo collapse that happened back in June and changes that might be happening there. So far, again, we are tracking those numbers. It hasn't changed Citizen's volume as far as what we are getting in the door for commercial, but we did change some of our underwriting procedures to request recertifications, and we are making an underwriting rule change that further states that, but we are not using it as a "must have" because it is only available in two counties, so far, and there probably will be more changes from that, but we can use it in the underwriting criteria, and we can request it. We are also sending both commercial lines and personal lines policies for condominiums that have been evacuated into our unbound workflow to make sure we don't issue something that is in an

evacuated status. We are increasing our inspections.

Those are the things in the market impact area that are impacting Citizens. I will pause there for questions.

Chairman Newell: Thanks, Kelly. Certainly, great information. Any questions from the Committee about Kelly's report thus far?

Greg Rokeh: Chairman, this is Greg Rokeh. Question for Kelly. Kelly, I know that it sounds like there is going to be an increase in inspections, not specifically on the condo area but overall. Can you shed any light if there are decisions on how that's going to work and how that's going to come together? I have actually gotten some inquiries through the realtor side of this in regard to how this is going to impact consumers.

Kelly Booten: Are you speaking from both the personal lines and commercial lines perspective?

Greg Rokeh: Personal lines primarily but commercial lines also.

Kelly Booten: Yeah, and that's why I paused. I started to talk about inspections because I anticipated it. Yes, we did go to the Board at the July board meeting and asked to change our four-point inspection criteria from 30 years to 20 years. I think, at the last committee meeting, we talked about going to 15, but we ended up at 20. That has been submitted to the Office, and I can't remember if the Office has already approved it or not, but it would be effective 2/1. We also presented to the board in July, increased inspections for personal lines, and for commercial lines we already inspect everything, and we have been fairly low on that at 1-2% overall. We had in our budget this year approximately 3% and proposed increasing that up to 6%. We have a holistic inspections approach that's going to the board in September that further details even increasing that further for new business and increasing it over the next four years, adding more automation, adding more virtual inspections, and doing more inspections on HO6, DP3's that we hadn't necessarily been doing. So, we have a plan to increase that gradually over the next four years. Does that answer your question?

Greg Rokeh: It does, now is this primarily going to take place at renewal or just randomly during the life of the policy?

Kelly Booten: Actually, it is predominately new business and that number increasing significantly over the next four years, and also increasing renewal business but not as drastically.

Greg Rokeh: Ok, this will be something we'll be watching. If you could maybe give us an update at the next meeting as some of this stuff starts to come into focus a little better?

Kelly Booten: Yes, we will be happy to, and we are presenting the approach at the Actuarial and Underwriting Committee that is happening September 23rd, if I have the right date. And then Dave, I have one other thing you asked me to report on if there are no more questions on this section.

Chairman Newell: Anything else for Kelly before she moves on to the next section? Okay.

Kelly Booten: You also asked me to provide an update on the Replacement Cost Estimating implementation. We did transition from the Verisk's 360Value to CoreLogic's RCT effective 7/1 for new business and renewal. We did have training sessions and webinars for our agents, and training tools. Our Learning and Development department did a great job getting that all spun up. We did have a fairly seamless transition with minimal questions and concerns. The valuations were, more anecdotal than anything, slightly lower than the RCE; however, we do have the inflation factors going in, and they are effective 2/1 for commercial and 1/1 for personal lines, and they are pretty hefty. It's by zip code and up to as high as 25% in some zip codes in South Florida, so that's where I think we are going to hear the most about Replacement Cost Estimating. Again, that's new business only. No, backup, that is renewal.

Chairman Newell: That's why I posed the question to you because some of the renewals are starting to be kicked out and, of course, we had agents contacting us seeing if those numbers were actually true or accurate, which you came right back and said they were. Tell us, that estimator that you are using now, how often is that being evaluated and adjusted, based on current trends as Jay already alluded to on the Claims side, you are looking at it from an Underwriting perspective?

Kelly Booten: It's typically quarterly.

Chairman Newell: Okay. And we know other carriers are using that same platform, just depends on how often they update the tool.

Kelly Booten: Right. If they are taking the updates on the same cadence we are, it will be consistent with other carriers, as well, that are using the same tool. I would assume it's just, in general, going to be this way. To Jay's point, cost of lumber and plywood, those are the two largest increases.

Chairman Newell: Well, thanks again Kelly. Any questions of Kelly about the latest of the RCE tool change or are you hearing anything from your folks of concern? Alright. Thanks, again, Kelly. Appreciate it.

We will turn our attention to tab five and bring in Carl Rockman. Carl is going to give us an update on Depopulation and Clearinghouse. Welcome, Carl.

5. Depopulation and Clearinghouse

Carl Rockman: Thank you, Chairman Newell. For the record, this is Carl Rockman, Vice President of Agency and Market Services. I would like to provide the Committee with an update on Depopulation and Clearinghouse.

Page two presents our Depopulation results in 2021 and reflects the hardening of the Florida property market, and the reluctance for companies to take on more exposure until the market stabilizes. That said, we are pleased to report activity for an October assumption with our great partners at Florida Pen where they have been approved for 6,345 policies for assumption. Offer letters and notices have been sent to impacted policyholders and their agents. The selection period ends the first week of October and I'll be reporting results at our next MAAC meeting. We are optimistic on December depop. Those are due with approvals from the office late September. We are hoping some other companies may be in a position to come forward. But nothing has been reported or approved for December at this time.

Page three of the report will reflect on 2021 depop results by product form and by geographic location. You can see we had that modest one in February and those results are reflected here.

The next page will reflect Clearinghouse results for 2021. You will see a slight increase in the percentage of offers made, that 8.7% number that you see on the bottom right. We believe this is reflective of newer homes and better-quality risks flowing through the Clearinghouse, but our percent of ineligible risk is at a 4-year low, reflecting wider spread between our premium and the offer premium of the Clearinghouse carrier. The new 20% threshold for new business premium that was introduced in July is not reflected here but is having a modest impact. We have seen an additional 634 policies deemed ineligible since July 1st, and we are going to run rate that out, and predict that, and report that at the next committee meeting. We are seeing a slight impact with that new 20% rule that was effective in July.

Next page on renewal Clearinghouse. The results are more modest and a reflection really of the pricing rules which only allows a Citizens policy to be non-renewed when a carrier makes an offer equal to or less than the Citizens premium.

With that, Mr. Chairman, that concludes my report on Depopulation and Clearinghouse. I'm happy to take any questions.

Chairman Newell: Okay, thanks Carl. Any questions of Carl from the Committee? Well, you were so thorough Carl, I guess no questions.

It's a good sign. Florida Pen, and hopefully some others, will engage in this depopulation program that's been hugely successful over the years and we'll see what unfolds for December. Thanks again for the update, Carl.

Carl Rockman: Thank you.

Chairman Newell: All right, members. Let's turn to tab six and talk about FMAP or the Florida Market Assistance Plan. We'll bring in Kelly and Christine on this, so let's talk about some of the thoughts you have from an update perspective for FMAP. Welcome, Christine and Kelly.

6. Florida Market Assistance Plan

Kelly Booten: Thank you. The Florida Market Assistance Plan (FMAP) is a program that was authorized by the Florida legislature in 1985, to help Florida property owners obtain insurance coverage in the private market. The Citizens' board is also the FMAP board. It really is a free online referral service to match people looking for property insurance in the State of Florida with licensed agents and insurers offering coverage in Florida. So, it's a matchup. There are two components to it – there's the online referral program, which is the website, and there's a direct referral program, which is a call center offered through Consumer and Policy Services. FMAP is funded by a \$450 annual assessment on residential property insurers. Next slide.

This shows the number of consumers that put in requests through the FMAP and the property types, predominately houses and mobile homes. The number that was placed in the private market, that we were able to track by those that reported back, and the Coverage A placed in the private market and the amount of Coverage C. We have two primary drivers in our

opportunities to improve this which is to drive more requests to it and to drive more success. Next slide.

I'm sorry. The first slide was 2020 and this slide is 2021. Very similar results. Again, trying to drive more traffic to this FMAP site.

On the next slide is how the process works. Basically, the consumer who has a need for property insurance engages FMAP.org or the phone, but in this case, we are focused on FMAP.org. They enter the contact information, which is about 20 property data questions, and provide a need by date. Then there are agents that have pre-registered on the site for the different specifics they have on the types of customers that they will contact. A lot of it is based on geographic or whatever market they want to participate in and then FMAP matches that up. It also sends that to all the agents that are available in that place, so a consumer can get many calls from multiple agents to market the insurance through that agent. Right now, there is a minimum one carrier appointment that the FMAP agent has to have, and again, here are the opportunity areas circled in the red boxes. We also did a consumer outreach campaign through Consumer and Policy Services to validate some of the perspectives that we had on how this operated for the consumer. They had really good, positive feedback on the ease of use, ironically, most of the customers already had coverage and were just out shopping around, but they did validate the one thing that we felt was probably an issue with the current approach, which is they were getting marketed by many agents even after they had already moved on. So, that was an area of opportunity. Next slide, please.

In the proposed enhancements, we have kind of a short-term cycle here where we are trying to improve the current platform and then have some longer-term approaches. The first one is to increase program visibility and Christine is going to cover that one.

Christine Ashburn: Thanks, Kelly. So absolutely, I think Kelly's absolutely right. The short-term and long-term approaches are really important, both with what we are doing with the platform but also how we market FMAP and the ability for us to assist customers or potential customers in finding markets before they have to come to Citizens.

So, in the short-term we really want to target partnering with our friends at the Realtors, Greg. You guys have a phenomenal network of information that goes out routinely to your members about the existence of FMAP, mortgage brokers, and of course to work with OIR on what their thoughts might be on the program visibility in the short run. We also want to implement social media and public radio messaging and look at working actively on Google search optimization. We want to do that carefully, though, because what you just heard Kelly say in the short-term is we did find a lot of folks were just actually shopping coverage and already had coverage, but that they were being marketed by multiple agents. So, we want to ramp up as we move to future states to try to educate, really Floridians, about the existence of FMAP because, of course, this isn't about educating our customers necessarily, this is about educating those who aren't with us yet. So, they might be looking for coverage with their agent or their agent doesn't have a market before they come to the Clearinghouse. So, it's going to be a different, more dynamic targeted approach in areas where we know there is no one writing. For example, we can GEO and really focus in on where we need to be as opposed to doing statewide marketing campaigns and be more kind of slice and dice where we know there might be limited markets to try to get folks involved. So, that is really just my few comments on kind of where we are getting started partnering with Carl and his team on all of that.

Kelly Booten: Thanks, Christine. Also, some of the other enhancements are included on this page with enhancing the data prefill. Right now, they enter everything and there is a lot of prefill options out there in the market so anything we can do to make that easier. We've increased the agent appointments to ten plus to participate, we have plans to market some of the counties that aren't participating, and recruit companies. It is setup so that a company can participate, we just don't have anybody doing that right now. We also have a future new business eligibility platform that I am going to talk about here in a minute. Next slide.

So, the FMAP process doesn't necessarily provide the consumer with information on eligibility or premiums, it's basically just a lead generation tool. So, what we are doing is taking a look at the current Clearinghouse process in conjunction with FMAP and trying to come up with a model that provides an eligibility engine, so to speak, such that we can get more markets in front of consumers. The opportunity here is that the Clearinghouse contract renewal is up in August of 2023, which means we have to re-solicit it, so we're going out to the market to look for an opportunity that might somehow work with these two models blended, with the thought of making markets more available to consumers and not drive it to Citizens. Next slide.

Here is the recap of the intended benefits. Drive consumers to open companies, provide open companies with access to consumer demand, and improve the efficiency of new business. We hear from agents constantly about the difficulty of the Clearinghouse and some of the interactions with our policy systems, so we want to take a look at that in this endeavor, as well, to produce a better experience for both agents and consumers.

That is the last slide. Any questions on the FMAP/Clearinghouse plans?

Chairman Newell: Thanks again Kelly and Christine for the update on FMAP. Any questions from the Committee?

Okay, hearing none we will move on to tab seven and bring back Carl Rockman to give us an update on the current stats for Agency Management.

7. Agency Management Services

Carl Rockman: Well, thank you Chairman Newell. Again, for the record this is Carl Rockman, Vice President of Agency and Market Services. I'll begin our report on our current agency and agent counts. Please note the increases in agencies, agents, and LCRs in tri-county but also the net change statewide reflecting increased demand for Citizen's products. The agency growth you see, while we measure tri-county, you also can see a larger net change above. As total agencies have grown, so has their reliance on Citizens with the largest increases in policies in force centered in our tier 1, tier 2, and tier 3 agencies.

The next slide is really going to provide another summary of what Kelly has already updated you on, so I will not go into this in great detail. This slide will reflect what we executed on to roll out our RCT Express: a fantastic communication plan with six touchpoints, thank you Christine and her great team; specific education deliveries designed to make sure the agents understood the tool and can deliver on the promise to their customers, so thank you Violet and our Learning and Development department who made that happen. Look at those adoption levels, with over 8,000 appointed agents it was critical that we get their attention and I think this document really reflects our efforts. Look for this to be a core process for us as we roll out new things, we like how this has been effective and look for it to be a model on any large changes that we are

planning on implementing with our agents to make sure they understand the change and the benefit it can bring.

The next slide will begin our report on performance standards. A reminder that these standards are in place to help Citizens identify agencies that may need assistance understanding our underwriting requirements where failure to comply may result in a less than optimal customer experience. The box at the bottom of the page will show an additional 170 warning notices sent. Now, unfortunately, 22 agents suspended from our prior 4/30 reporting period. We continue to have good success engaging agents with additional education and support at the warning notice level as reflected by the resulting suspension volume and, as of this point, no agent has been terminated from the program.

Page five will present our month-to-month results for 2021. You'll notice a small improvement in July and, overall, we have improved by 1% over 2020 on significantly heavier volume, but again, we really are not going to be satisfied until these numbers smooth out and get as low as they can go. The better we are here, the better the customer experience, the better the agent is doing in terms of our underwriting requirements.

The next page will reflect results from late submissions. This performance standard is all about time and uploading required documents within 15 days of our requested effective date. The total agents under warning notice or suspension here are more modest and are reflecting good conformance to this requirement.

The next page will reflect month to month results where we have seen some deterioration in these numbers. We are going to increase our efforts to engage agents with volume signals at the early stage to ensure they understand our submission timeliness requirements, some of this may map back to the enormous amount of new agents that we have on board and having to remind them of this important performance standard.

The next slide will reflect the shifting dynamic in Citizen's production with the majority of our performance violations and late submissions occurring outside of tri-county. So, again, you can see it reflecting the demand outside of our traditional markets for Citizen's products and capacity.

The next slide will provide visibility into the level of agent adoption of our online education offerings. We are very pleased with the results of the new agent onboarding education series. We're going to continue to drive agents with needs to the Citizens Essential series and other top learning opportunities. An example of driving agents is found with the results, with the avoiding performance violation and late submissions for us highlighted in green. Agents who receive a warning notice are engaged by their agency field manager who will assign this course to them and work with that agency to ensure that they have the information they need to submit their business accurately and on time. This obviously results in the best customer experience possible. We are going to continue to work diligently to drive these numbers upward and increase agent adoption in this space.

Lastly, our agent outreach efforts continue with our commitment to regularly engage our great Agent Roundtable, our presence at the agent association conventions, our Citizens sponsored education webinars, and the Power Hour series we co-produce with our agent association partners. Our goal with our outreach efforts is to listen to our agency partners, to respond to their concerns, and deliver information education that will, after the agent's exhausted all of their

efforts to place the customer in the private market, give our agents an edge in delivering the best service to the customer.

With that Chairman Newell, that concludes my report. I would be happy to take any questions that the Committee may have.

Chairman Newell: Okay, thanks Carl. Any questions from the Committee on Carl's report?

Hey Carl, I just had one. This is Dave Newell. What I was thinking, as we have had some turbulence in the marketplace, and we continue to have some carriers that are adjusting their books of business, have you and your staff been called upon even more so lately, about working with agents and educating? I know with that uptick in new appointments, you just helped me through some issues just recently with some new appointments. So, I was just curious how the team is doing as far as responding to some of these requests.

Carl Rockman: Dave, the investment we made in the MyAgency platform a year or so ago is yielding great results. We are now able to manage agents requests and demands for additional education more dynamically, get an assigned field manager out to work with them. Any agents that are listening out there, if you need help, reach out to us and if we see a signal on a report, we are going to reach out to you to make sure that we are helping you. But Dave, we are seeing a steady demand for agent appointments week over week that has not slowed, and I think it is also a reflection of the marketplace and increased need for Citizens. So, we are prepared to respond, I think we have the right platform in place to assist agencies and we certainly monitor them rigorously for signals that indicate they may need help ultimately to make sure the customer is well served, and the submissions are submitted with quality and on time.

8. New Business

Chairman Newell: Okay, well, thanks for that update. Anything else for Carl before we end this committee meeting?

Any new business that we need to bring to the forefront today from the committee? All right, well, I want to thank everybody for their time and attention today, and for all the reports. This dialogue is necessary to bring everybody on the Committee and certainly your groups that you represent, information that could be helpful as we continue to navigate the Florida property market. So, I want to thank everybody, the Citizens team, and everybody else that helped support our efforts today. So, without anything else, I'll hear a motion to adjourn.

Allen McGlynn: So moved, this is Allen.

Chairman Newell: Thanks, Allen. Greg?

Greg Rokeh: Second.

Chairman Newell: Thanks guys and gals, y'all have a great day and be safe out there.

(Whereupon the meeting was adjourned.)