

CITIZENS PROPERTY INSURANCE CORPORATION

**Summary Minutes of the
Depopulation Committee Teleconference Meeting
Tuesday, March 2, 2021**

The Depopulation Committee of Citizens Property Insurance Corporation (Citizens) convened via Zoom webinar on Tuesday, March 2, 2021 at 3:30 p.m. (ET).

The following members of the Depopulation Committee were present telephonically:

Carlos Beruff, Chair
Bette Brown
Marc Dunbar
Jim Holton

Will Kastroll
Kelly Booten, *Staff*
Christine Ashburn, *Staff*
Jennifer Montero, *Staff*

The following Citizens staff members were present telephonically:

Adam Marmelstein
Barbara Walker
Barry Gilway
Belinda Miller
Carl Rockman
David Woodruff
Eric Addison
Jennifer Dilmore

Jim Fiorino
Judy Grunewald
Karen Holt
Ray Norris
Sarah Harrell
Scott Crozier
Stephen Mostella
Wendy Perry

Call Meeting to Order

Roll was called and a quorum was present

1. Depopulation Committee Mission

Chairman Beruff: Thank you. We will proceed with Kelly putting on your presentation.

Kelly Booten: Well, the first order of business was just a brief discussion on the mission of this committee which is being reformulated again with the focus on exposure reduction. And I don't know if there is any further discussion that you want to have on that topic or not?

2. Historical Milestones, Clearinghouse & Depopulation

Kelly Booten: No? Okay, then I will move immediately into the depopulation and policy count trend which is the history of depopulation. This is a pictorial over time, and when we were preparing this slide, we found that there's a lot of things that have happened in the history of depopulation throughout the years.

We started with 2007. Prior to 2007 there were take-out bonuses that came and went and were very popular. Then in the 2007 era, we had the rate rollback and freeze, the addition of the 15 percent rule for new business, and wind mitigation credits were double back in that timeframe which had a significant impact. And also, the glide path was implemented in 2010. In 2011, as a

business decision, we eliminated ceding commissions which did improve the success of the depopulation program.

In 2013, right before the Clearinghouse went live in 2014, was another surge on depopulation ahead of the Clearinghouse. Also significant in 2013 was the agent ownership of expirations. Then Clearinghouse went live and a bill in 2016, that was implemented effective 01/01/2017, changed the way that consumer choice was implemented from an administrative perspective, where Citizens took over the administration of the policyholder choice, whereas before it was more in the hands of the take-out company and the agents. The agent and consumer completely and clearly had choice over decisions regarding whether or not they left Citizens. And then in 2019, the AOB reform was passed.

But also significant to this is market conditions. In 2011 through 2017, a lot of factors contributed to the success of depopulation: low insurance rates, minimal hurricane activity, availability of capital, the profitability of the private market, and then significant market growth by the Florida domestics.

Now you can see that it's really dwindled to nothing and we did get to our lowest PIF count at 427,000. So, the less desirable policies were available for take-out which was also another contributing factor.

This is the history slide on depop, and a little bit of Clearinghouse. Next, we would like to go through the process for Clearinghouse and then Depop. I am going to turn it over to Carl Rockman, Vice President - Agency & Market Services to run through the process.

Carl Rockman: Good afternoon. For the record, this is Carl Rockman, Vice President of Agency and Market Services.

We thought with the formation of a new Depopulation Committee we would take just a few minutes and talk about the two big components that we have in our programs to transfer policies to the private market. Those two programs are the Clearinghouse program and our Depopulation program.

I would like to go ahead and explain how the Clearinghouse currently operates. The Clearinghouse is a mechanism to allow better pricing at the point of sale. But I want to make sure that as we go through this that there are no misunderstandings about what the Clearinghouse is or isn't.

In this illustration that is currently being displayed, we are going to work on a scenario where a customer is going to purchase a new home. So, this is a person who is purchasing a home newly in the market, what do they do.

In our current model, the customer is going ahead and contacting a local insurance agent and that local insurance agent is going to take in the characteristics of that home and the consumer, and that local agent is going to go ahead and provide a price to that consumer. They're going to shop it in the private market. They're going to see what capacity; what availability exist in the private market.

It's very important that the Committee understand that this is the first step in the interaction. The Clearinghouse has not even been presented yet. The agent is going ahead and looking at his

local markets, at the markets that are presented and that agent has capacity with, and he is presenting that risk to the private market.

If the private market offers a policy to that consumer, if the price is proximate, if there is capacity with that private company, typically the agent is going to go ahead and close the sale right there with the customer. Clearinghouse is never a thought, nor is Citizens.

It's in these situations, though, where the consumer is encountering a price that may not be competitive, or their risks may be ineligible for some reason, or that agent is lacking the capacity to place that risk in the private market. That's when the agents will then turn to Citizens and the Clearinghouse.

At this point the agent is reentering the information and risk characteristics into the Clearinghouse and that information is being sent out to the Clearinghouse companies that we have, and those companies are then looking at those risk characteristics and then returning an eligibility decision and a price decision.

If the price decision is below Citizens by 15 percent, it renders the Citizens policy ineligible. The agent and the consumer cannot proceed to Citizens. But if the price comes in over 15 percent, then the consumer is allowed to move into Citizens based on the current statute. Also, the carriers may return a non-eligible decision.

But this is essentially how the new business Clearinghouse works. The agents are shopping the risks prior to them coming to the Clearinghouse, and then, obviously, if they get to Clearinghouse, the carriers are bidding on the risks. If prices come in that are below 15 percent, then the risks cannot proceed.

But this is how the new business part of the Clearinghouse works, and I will take any questions on that if there are any.

Hearing none, let's go ahead and move to the renewal Clearinghouse. I am being told by our committee that we have just a slight break. We have just a little bit of issue with the presentation materials, and we need just a quick break to rekey them for just a moment. So, with the indulgence of the committee we need just a moment.

Barbara Walker: Thank you for that break. We have our technical issues resolved. Would you please continue.

Chairman Beruff: Please proceed.

Carl Rockman: Thank you. I did want to point out to the Committee that we do have eleven companies attached to the Clearinghouse with eight fully participating. I think that's important for the Committee to understand that we do have partner carriers out there, and depending on their capacity and willingness to bid on our business, they are attached to the Clearinghouse, but 11 Florida domestic companies, eight currently active in the Clearinghouse bidding on policies at some level.

The next part of the Clearinghouse is the renewal Clearinghouse. So, while Clearinghouse sets up necessary barriers to policies coming into Citizens, we also use the Clearinghouse to shop

our renewal risks every renewal. And the next slide will illustrate how the renewal Clearinghouse works.

In the renewal Clearinghouse the risks that are eligible to be put into the Clearinghouse are all put into the Clearinghouse engine automatically. So the majority of our risks are placed into the Clearinghouse where the companies that are part of the Clearinghouse can look at those risks, see if they have the capacity, make a decision on if they want to offer a price or not.

Samples of risks that those companies are looking for - they are looking for the location of the property, they are looking for prior claims, they're looking to see if they have capacity, and these are also characteristics that the companies look for.

There are three outcomes. Either a policy that is renewing with us receives no offers. If the policy receives no offers the consumer is eligible to renew with Citizens and continues.

In some cases, the carriers will make offers, but they're not qualifying offers. The price does not allow Citizens to be non-renewed. It allows the Citizens policy to continue, but an offer is still made nonetheless, and we work with our agent community to ensure that the customer understands those offers and our agents have the opportunity, that even if that offer is a few dollars more, the agent is still in a position to offer that to the consumer and see if they can move them out of Citizens.

The last part of it is there are offers that do make Citizens ineligible. They come in at the right price point and now Citizens cannot continue. The Citizens policy is then non-renewed and the customer is given the opportunity through that agent to be placed with a company that bid on it, or in some cases, the agent may have an alternate company that they can place that consumer with.

But again, we have policies going through the renewal Clearinghouse every year designed to bounce against our partner companies to see if those companies would like to make a competitive offer, and then our agents are at the center making sure that that facilitation happens moving those customers out to the private market.

The results of both components of the Clearinghouse are represented on the next two slides.

On the new business results you will see how many unique risks are submitted, and I will point out to the committee the 2018, 2019 and 2020. If you want to see an illustration for the demand of Citizens, look no further than that 2020 unique risk submitted. That is an indication of the demand of the marketplace for Citizens policies.

The green bar indicates that an offer was made by a participating carrier. This means that an offer was placed out there, but the Citizens policy is still eligible. You can see that our carrier partners are coming in with some price proximity, but still not close enough to get the Citizens policy to be ineligible. Then we do have some partner carriers that are able to come in with price proximity, make the Citizens policy ineligible, and then we do have some risks that are submitted that are completely uninsurable, primarily due to prior loss --

Lost audio with TIAA building

Barbara Walker: We need to take a quick break to sort out technical issues.

The Committee took a break while IT worked on technical issues.

Barbara Walker: We apologize for the technical difficulty. I'd like to do a quick roll call.

Roll call was attempted but those on the phone couldn't hear Barbara. IT continued to work on technical issues.

Barbara Walker: Again, thank you for your patience. We had almost completed the Depopulation Update. The next thing on the agenda was the Legislative Update and that will be given tomorrow at the Board meeting. Thank you for your patience, and I apologize for the technical complications, but we are going to go ahead and cancel this meeting so that we can figure out what the problem is and have it fixed for tomorrow's meeting.

Thank you for your participation. If you have any questions please don't hesitate to contact me at Barbara.Walker@CitizensFLA.com. I appreciate your patience and your consideration of the cancellation. And please join us tomorrow.

(Whereupon the meeting was concluded.)