

**CITIZENS PROPERTY INSURANCE CORPORATION**

**MINUTES OF THE  
MARKET ACCOUNTABILITY ADVISORY COMMITTEE MEETING  
Tuesday, June 21, 2016**

The Market Accountability Advisory Committee (MAAC) of Citizens Property Insurance Corporation (Citizens) convened at Sheraton Orlando North hotel in Maitland, FL on Tuesday, June 21, 2016 at 9:30 am (EDT).

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

David Newell, Chair  
Skip Boylan  
Gordon Jennings  
Phil Zelman  
Nestor Rivero  
Brian Squire  
Greg Rokeh

**The following members of the committee were present telephonically:**

Dennis Martin  
Susanne Murphy  
Steve Roddenberry

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

Juan Cocuy  
Jim Henderson

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

Adam Marmelstein	Joe Martins	Jennifer Montero
Alden Mullins	Sue Register	Karen Holt
Carl Rockman	Barry Gilway	Michael Peltier
Erin Vickory	Barbara Walker	Kelly Booten
Craig Sakraida	Bonnie Gilliland	Andrew Woodward
Violet Bloom	Cindy McVay	
Dan Sumner	David Woodruff	
Matt Gerrell	Bruce Meeks	
John Rollins	Christine Ashburn	

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

Ariel Shami	Tom Popko	Doug Filaroski
Kelly Abell	Dian Gamble	Candace Bunker
Sam Rhody	Marsha Watson	Carol Williams
Brian Woodham	Sara Golding	

**The following people were present:**

Steve Ross

## Call Meeting to Order

Roll was called.

CHAIRMAN NEWELL: Okay, thank you, Barbara. Yes, we will welcome Susanne. It is amazing how these things come full circle. But Susanne is now replacing Dave Altmaier on our committee and she is the Special Deputy Commissioner at the OIR, and so we will welcome her when she is on the line. So without further ado let's --

MS. MURPHY: Actually, Mr. Chairman, I am actually on the line.

CHAIRMAN NEWELL: Okay, well, welcome, Susanne.

MS. MURPHY: Thank you.

### **1. Approval of Prior Meeting Minutes**

**A motion was made and seconded to approve the March 15, 2016 minutes. All were in favor. Motion carried.**

### **2. Agent Services Update**

MR. ROCKMAN: Thank you, Mr. Chairman. For the record this is Carl Rockman, Director of Agency Services here at Citizens. I want to give you a brief update on our activities in the agency management space. On page 1 of tab two I would like to cover our regular update on our distribution footprint. You can see that we continue to see a downward drift in both agency and agent population. We think this is a good thing. It reflects less reliance on Citizens inside of agencies in terms of size, and then obviously the consumer is benefited by more choices and you can see that reflected in our agency segmentation slide. You will see that we continue to see downward drift in the size of agencies, and again, this reflects that the agencies are less dependent on Citizens. Consumers are finding choice and we continue to look at the statistic where 63 percent of the agencies have less than 50 policies. Again, this is a good thing but I think hidden inside these numbers is also some consolidation we are seeing. We are seeing, there might be some agencies getting a little bigger through acquisition, but overall agency and agent footprint continues to trend downward. So any questions on distribution footprint or the activities there?

CHAIRMAN NEWELL: Any questions? No. Great.

MR. ROCKMAN: If we will move to slide four then, I would like to cover and provide the committee an update on our progress rolling out new agency agreements, providing education around the new agency agreements and our manage my agency roll out plan. To remind the

committee, this is all initiated by our third party information privacy and security project at the direction of the ISAC committee, making sure that our third party providers of which agents and agencies are providers to Citizens, to make sure that we have good standards for information privacy and security in place. The first component of that plan was updating and revising our new agency agreements. You will see on the exhibit that we began to mail out offers to renew or actually accept the new agreement on 04/18, to both our agency principles and agent population. I am pleased to report real time, I don't have this in the exhibit because it is very fluid, but as of yesterday afternoon at 5:00 we have 91 percent of our agencies accepting the new agreement, and we have 85 percent of our agent population accepting the new agreement. Now, we are not looking at that as the end. We still have two weeks to go. We have incredibly aggressive contact plans involving both our agency management team and our agent administration team. We are reaching out to the agents and agency principles that may have missed an e-mail or may have questions about the agreement, but we are not going to let anyone not know that we are actually out there looking to establish new relationships with these new agreements. Obviously the deadline for all of that is 07/01, and I will be reporting to Citizens staff and subsequently to you what the results of that as of 07/01 are in terms of total agent and agency principles staff retained and those that terminated.

Along with that in the month of May we ran two webinar series related to the agreement and related to cyber education, and also in those Webinars we also did quite a bit on our new policy language. You will see that we had 1,166 folks attend those webinars. Again, those webinars were designed to bring visibility to the fact that new agreements were out there, cyber education was important and there was policy language changes. So we are pleased with the level of adoption we have for the webinars.

The third component piece was the cyber education. You will notice on the exhibit that we began to stage the cyber education. It is the line called online LMS. We started to stage that on 06/13. I am pleased to report that so far we have had 1,483 agents complete the cyber education that we have offered. We are obviously looking for wider adoption there and will continue to work with those agencies that haven't had a chance to engage the education. But again we believe that online LMS component is important for them to understand their obligations in the information privacy space and primarily to help them with the development of a written information security plan.

The next component to this whole initiative is what we call MMA or Manage My Agency. On 07/11 of this year we will be standing up a new agency administration system. This system will face the agents in very dynamic ways. The number one thing it will do is allow the agency principles to onboard and off board staff quickly and efficiently. They will be able to manage the staff that have a credential and they will also be able to provide a credential for all licensed people that are touching Citizens and we believe this is a dramatic improvement in our footprint and our ability to manage users and manage information privacy and security. And with that I will take any questions that you might have around this initiative and where we are today.

CHAIRMAN NEWELL: Any questions, anybody on the phone have a question?

MR. ZELMAN: Quick question.

CHAIRMAN NEWELL: Phil.

MR. ZELMAN: If an agent doesn't sign the agreement they can no longer write for Citizens effective 07/01, correct?

MR. ROCKMAN: If an agent no longer signs the agreement they will no longer, their relationship with Citizens will not be in good order. We are going to need appropriate transition time to take those agencies down. We also think that the termination notice to those agencies may prompt them to pay attention. But I would say, Phil, on 07/01, is the deadline to administer your acknowledgment of the new agreement. I am going to need appropriate transition time depending on how many might be left. On 07/02, I am not going to be terminating every single agent on that agreement. I am going to need appropriate time to contact them, terminate them and bring them down, but they will be considered to be not in good order and will be working through appropriate suspension of their record and limiting their access to the system as quickly as we can.

MR. ZELMAN: Dave, one other comment.

CHAIRMAN NEWELL: Going ahead, Phil.

MR. ZELMAN: I have a recommendation that not everybody on this committee is a licensed agent with Citizens. Many have been on the committee for years and have gone through, you know, a lot of the processes, but when a licensed agent and an agency principle now has to take these mandatory webinars for the cyber for example, I would think it might be a benefit for the people on this committee to be able to also have that privilege of taking the class. I mean, it is all of 20 minutes to a half hour maybe.

MR. RODDENBERRY: Uh-huh.

MR. ZELMAN: But this way at least they know they can feel, and I don't want to really mean the pain, because there is no pain in taking this, but they can feel what an agent has to do in order to, you know, maintain their license, so.

CHAIRMAN NEWELL: Well, we are now joined by General Counsel of Citizens, Dan Sumner. Dan.?

MR. SUMNER: Thank you, Mr. Chairman. Members of the committee. I want to make a finer point on what happens as of July 1. I think that Carl is right, as of July 1, if the agent has not executed a new agreement we still have some contractual issues, but they do not have a contract under which to write as of 07/02. So I want to make a distinction between if an agent has not executed a new contract they do not have a contract to write business on as of the date

of the new contract. Whether or not that the contractual relationship is fully severed is a different issue, but I think that agents need to be aware if they have not executed the new contract or agencies that they do not have a contract under which to produce business as of the new date.

MR. ROCKMAN: Let me bring some clarity to that question as well. On 07/02, if you haven't executed your agreement you will be suspended from the system. You will be unable to produce business, period. What I was leaning towards was the transition of the books of business and other administrative functions that come with severing your relationships. I want to be crystal clear, no agreement, no new business production as of 07/01, okay. But again we are aggressively contacting folks to make sure they don't fall into that if they have just missed something, because we don't want that to happen. But no new business as of 07/01, if you haven't executed the agreement and then we will need time to transition the books of business that they have -- that they certainly have.

CHAIRMAN NEWELL: Okay, Phil had a follow up on that.

MR. ZELMAN: So just a quick follow up on that. What happens with commissions effective 07/02, if they haven't signed the new agreement?

MR. ROCKMAN: They would still be owed their June commissions.

MR. ZELMAN: Okay.

MR. ROCKMAN: Okay.

MR. ZELMAN: But past that point?

MR. ROCKMAN: Past that point, yes. The commissions would not be payable because they have no relationship.

MR. ZELMAN: If somebody is paid quarterly and they are due a commission in August or September, there is no commission coming?

MR. ROCKMAN: There is no relationship, there is no commission.

MR. ZELMAN: Okay, I don't know if agencies that haven't signed if they are aware of that.

MR. ROCKMAN: We can certainly bring more visibility to that as we work with them towards the end, but that would be the practical reality.

MR. ZELMAN: So just make that comment.

CHAIRMAN NEWELL: This is Dave Newell. Dan or anybody on the panel, you talked about new business. Well, during that transition there is going to be existing business to be serviced. What will their ability be to service the business after that 07/01, date?

MR. BITAR: They will -- this is Steve Bitar. They will have access to the system but they will be in suspended status and this goes back to what Carl was talking about with regards to being able to have a smooth transition. Our goal is to make sure that the customers that are impacted by this, if the agent chooses not to continue their appointment we want to make sure those customers are cared for through that transition. So a lot of times you have multiple agents in an office and if the relationship is such that the agency owns the business which as you know, it is something we have talked about in detail for many years now, or at least since the statute passed that brought that relationship into question, we want to make sure that those customers are served. So it is very possible we work with the agency principle and we can move those policies from the agent in the agency to another agent within the agency. That is what we are trying to do, is ensure smooth transition. The last thing that we want is for Citizens to have to get involved with any of the servicing, but we are prepared to do that if we have to, but again, that is not our goal. That is why we have had such an aggressive program to reach out to the agents, to track the numbers to see that we are roughly 90 percent overall for acceptance and we are making outbound calls to everyone to try to avoid any of this happening. And I am happy to say, too, I think the last time I looked at the numbers we had maybe about 18,000 customers that represented about that 10 percent of agents who had not yet accepted the agreement. So when you look at a total book of almost 490,000, I think we have been very successful thus far and we are continuing to turn up our measures towards the end of the month.

MR. SUMNER: Mr. Chairman, if I could just -- Phil, to your point. The purpose of this transition is not for people to lose their rights under the old contract. Whatever rights they had under the old contract, they will still have. But the point that has to be emphasized is when the old contract ends they cannot travel under the old contract going forward. They will only have the rights which are granted under the new contract and if they do not have those rights they cannot operate under whatever that new contract grants them. I think that is the clearest way. So in terms of things like commissions and transitions, an agent or agency has rights under the new contract with regard to that transition. Those will not be lost simply because we have a new contract, but they will only have those rights if the old contract gives them.

CHAIRMAN NEWELL: Greg.

MR. ROKEH: I was just kind of was doing the math in my head. Now, the webinars are a requirement, is that correct?

MR. ROCKMAN: The webinars are not a requirement. The on --

MR. ROKEH: The online --

MR. ROCKMAN: The online is a requirement.

MR. ROKEH: Online is.

MR. ROCKMAN: Yes.

MR. ROKEH: But the educational piece is a requirement.

MR. ROCKMAN: Yes.

MR. ROKEH: And that is a requirement by July 1st?

MR. ROCKMAN: Yes.

MR. ROKEH: Okay, the math in my head is about a third of your agents have taken it, is that fair?

MR. ROCKMAN: We have about 20 percent so are far that have taken it.

MR. ROKEH: Twenty percent that have taken it. Since your, you pushed the button on the, on the online education which is, it looks like just about a week ago, do you know what the number has been that took it in the past week in the online piece?

MR. ROCKMAN: Well, we initially sent the invitations to take the course around 06/13. So respectfully the numbers that I am reflecting would be --

MR. ROKEH: That would be the --

MR. ROCKMAN: Yes.

MR. ROKEH: Okay. As -- as you get closer to July 1st, and I am sure agents in the insurance side are no different than agents in the real estate side, they are going to be last minute. Is your system robust enough to handle three or 4,000 people all logging in on the same day on the last day, for example?

MR. ROCKMAN: Yes. We built appropriate support inside, not only for that capacity, but also should they need help with password resets or access in the system, we built enormous programs to react to that and feel confident in our ability to respond.

MR. ROKEH: Okay, thank you.

CHAIRMAN NEWELL: Any other questions? I had one final question. With just a very small portion of the agent population not signing the agreement as of yet --

MR. ROCKMAN: Uh-huh.

CHAIRMAN NEWELL: And trust me, I have heard from many agents that have got those calls from you guys, so you are doing a great job on the follow up.

MR. ROCKMAN: Uh-huh.

CHAIRMAN NEWELL: What has been some of the push back? Has there been a theme to the push back why some are not signing it, the ones that you have talked to?

MR. ROCKMAN: Great question. We have had some inquiries come up through our agency management team and I have been handling those directly with our chief privacy officer and inside counsel. The primary questions that agencies have, once they get beyond the what is this because it looks a little unusual from that standpoint, is primarily around our ability to audit during a security incident, is where it all really lands. The perception that we are going to be doing things in that space that would be -- they would not be aware of. Now, when you read the agreement you can't make that interpretation, but as they look at it, it seems like Citizens is going to be doing things without their knowledge and clearly the agreement says when we talk about security audits and things like that, those are done for our mutual benefit with their knowledge. But Chairman, there has really been, other than that specific area, there has been general questions around it but there has been no significant agency that has come it us to say this is placing an unfair burden on us and I am talking about the agencies that have a lot of policies with us. They were the ones that did speak with us and once we had a general conversation they understood our approach and were able to meet that. So we don't feel that these changes made any significant impact on the agent relationship and their ability to help us service customers.

MR. BITAR: Yes, and if I could just add, if you look at page 4, slide four, kind of lays out the timeline, if you will, for this entire roll out and the deployment. I just want to add a little bit more color and Carl will keep me honest here. We launched the agreement, itself, that was approved back in March on April 18th. So that actually went out and our goal was to give agents time to read it, absorb it, understand it. That is the baseline. From there in May we held our webinars which were not mandatory but they were optional to give additional knowledge, flavor, understanding for the agreements, to be able to answer any questions. Keep in mind those webinars are recorded and available 24/7 on our website. So any agent who did not attend a webinar can watch that on demand whenever they like. From there we launched the online education piece on June 13th, and keep in mind, that piece takes about 15 minutes to complete. It is very short, but it is clear, concise and it hits the highlights. We understand that agents are business professionals, their time is valuable. So it is not an exhaustive training requirement whatsoever, but it hits the necessary points that it needs to to prepare and arm



agents as they move through this period of transition. And so that is really the intent here in what we are trying to do. So if anything we want to get the word out, don't be afraid of taking that course because it is a 15-minute course and the feedback we have gotten thus far from those that have taken it has been very positive.

CHAIRMAN NEWELL: Okay, thank you, Steve. Carl.

MR. ROCKMAN: Okay, moving to the next topic on my agenda, that is the relaunch of our binding violation program. Slide number five will provide an overview. Just to take you back a piece, we did originally roll this binding violation program out in January of 2014. It was intended obviously to impose discipline on agencies that weren't meeting our underwriting requirements. You will recall that it had, it wasn't a one and done type thing, the agents would be coded with a binding violation, that violation record would build over time. There was a lot of tolerance in the system, so it wasn't a one and done situation. We ran that program up until March of 2015, when we decided to take a pause. When we rolled out policycenter we recognized the significance of that change and the challenge it might present to some agents to fully understand the system. So the last thing we wanted was a new system and a disciplined program imposed on top of that. It didn't seem like the right thing to do. But at this point in time we feel now is the time to bring back the binding violation program. We are intending to stand it back up on July 1st. We are going to be communicating to the agencies that it is coming back via an agent technical bulletin on July 24th. I did want to point out to the committee though, that when we bring this back it is going to be really directed and pointed at agents that we believe truly need the help. You will notice in the statistics I provided based on total submissions of 39,000 and a very modest amount of binding violations I don't think the majority of our agents are going to be in jeopardy at all. But I will point the committee out to the bottom boxes on the right. We do continue to see risks submitted that are uninsurable, and just to define uninsurable for you, these are vacant properties. These are properties in disrepair. These are properties that are over -- they clearly do not meet our standards, yet they are submitted. We need the binding violation on that policy so we can work with that agent, both through our underwriting department but also through my agency management team to bring proper awareness to that agency that, you know, even these risks are not suitable for Citizens, okay. Uninsurable risk is the top category, circumventing the system is the second. Posting a premium to an unbound risk gives the customer the impression they are covered, really shouldn't happen. So the binding violation program will be pointed at that, and then we do have some risks that are ineligible given our criteria with statute. So those are the big categories that we continue to see. This is measurement from the beginning of this year, because we have been sending BVs but we haven't been aggregating them for discipline. That will begin July 1st, and we will be reporting back to you during our committee meetings on our progress in that space.

CHAIRMAN NEWELL: Any questions on the binding violation relaunch? Okay. Phil has a question.

MR. ZELMAN: Are you going into an education program on the binding violations again

prior to July 1st?

MR. ROCKMAN: We are featuring binding violations in our Thursday webinar. We also when we announced the binding violations on June 24th, that agency technical bulletin will point them to resources on avoiding binding violations, appropriate education we posted on our website. An agent that looks at that bulletin will have appropriate resources to remind them what is a BV, how it is counted, what they can do to avoid it and offer appropriate support through our agency management team should they have questions. I will also mention, too, that should an agent find themselves in a binding violation issue, we have appropriate notice to them obviously and they obviously have appeal rights should something happen on the discipline side. But we review those, our goal is not to terminate an agency with this program. Our goal is to help an agency that is inappropriately submitting risks, and that is our intent.

CHAIRMAN NEWELL: This is Dave Newell. Just one last question. So when Manage My Agency comes online that will be able to tell amongst their staff members who potentially is in these categories, these buckets, these four, there may be others but these four top ones?

MR. ROCKMAN: Yes.

CHAIRMAN NEWELL: Is that correct?

MR. ROCKMAN: Absolutely. Our measurement programs, when we reinstitute this, the agency principle will be notified of the binding violations at the agent level and then through our Manage My Agency system our key performance indicator screen will give the agency principle a real time indication of where they are. So there should be great visibility on what is happening. Again, with the intent of not letting anyone fall into a situation where an agent is suspended or terminated due to the program.

CHAIRMAN NEWELL: Okay. Moving on, policy center enhancements.

MR. ROCKMAN: At the request of the committee we wanted to bring some visibility to the tremendous work that we are doing here at Citizens to continuously improve our policy center system. What I have done is I have broken down the enhancements in both the customer experience and agent experience columns and categories. I wanted to notice that these, what I am representing here is by no means the entirety of what we are doing. These are the highlighted, high level areas that we believe are going to impact customers and agents. The ones you see at the top planned for June release, I am pleased to announce that the June release was this weekend. So these are, these enhancements are actually on the street as we speak and let me walk you through them. From a customer experience standpoint we were able to program the changes that are around our lender placed insurance coverage changes, so now agents can facilitate doing a lender, if the lender had placed coverage on a policy, we have got new underwriting rules and things in that space. The policy center now supports the

appropriate submission of that risk. We also enhanced our renewal payment system. We had some issues there that were causing some concern. We have corrected those and now our renewal payment process will be a lot smoother for consumers. On the agent experience side we are very pleased to report that agencies now, if they have three or four or five appointed Citizens agents in their agency, each of those agencies can now see each other's activities. This is a huge enhancement, because before an agent could only work their follow ups and their enhancements and it was incredibly difficult for agents to potentially share renewal activities, depop activities, et cetera. This now gives the visibility with a push of a button, I can see the other activities in the agency. In our multi agent offices, this is big and we are out there communicating it and this is a prominent feature in our Thursday webinar, to bring visibility to this enhancement.

The other piece that we have developed for the agents is we have smoothed out our account and policy infrastructure. We are now, you can pretty much facilitate a mailing address change with one process versus two. There was a little issue there that we cleaned up and we believe that is going to provide for a better experience.

Coming soon, the future enhancements. Again, this is by no means an exhaustive list, but I wanted to bring the highlights to what we believe are really going to improve the customer and agent experience. First our invoice, our customer facing renewal invoice. We are going to make our pay by phone feature a lot more prominent. We are obviously offering pay by phone. This is a huge consumer enhancement where they can call us and we will take a payment out of their bank account. Significant. We want to bring more visibility to that on the renewal invoice at the time they need it most, which is at renewal, particularly if they may be paying a little bit late.

Also we want to more prominently feature our overnight mailing address and adding the property address on the invoice. Big request from our agencies. We want to make sure that the property that is insured is on that invoice, not just the customer's main address, so those are coming.

And then significant changes with depopulation. All of these will be involved and some things we will cover in the depop committee but those will consume some system resources, but I can assure you that those changes, the programming time involved is going to really enhance the customer experience at policy center.

From an agent experience side, again, not exhaustive, but we are going to be working very heavily late this year to enhance the download experience. We have over 1,000 agents that participate in download that manage their Citizens customers on their agency management system. We believe this is a good thing. Agents have requested commission downloads and can you please download those same activities that I now can see across the office. We are going to work on those plus some other small enhancements to that experience. So those will be some things you can expect in the next and upcoming releases, and again, as I have noted at the bottom, this is not exhaustive. There is a tremendous amount of work at Citizens to make sure that we are listening and that we are doing what we can to make sure that the customer and the agents' experience with this system is as good as it can be. Mr. Chairman, any questions on that update?

CHAIRMAN NEWELL: Any questions from the committee on this section? Nestor?

MR. RIVERO: Yes, I have a question, you are saying that the agents now are going to be able to see each other's book of business or whatever, be able to go into the computer, correct? Is that what it is or did I misunderstand?

MR. ROCKMAN: They can always service -- in the same branch they could always service each other's, but it was these activities. When the underwriting writes out for an additional document or your cancellations, those would only stage by agent previously.

MR. RIVERO: Okay.

MR. ROCKMAN: Now, with a push of a button you can pull up the other agent's activities in the office, protect -- someone in the office might just work the cancellations. Now they will be able to pull up and see the cancellations versus each one having to be dependent on each other.

MR. RIVERO: Is there anything -- how about the CSR? Can the CSRs see this same stuff?

MR. ROCKMAN: They will, Nestor, when we stand up our manage my agency platform and you are able to give that licensed CSR a credential, they also will be able to facilitate it, yes.

MR. RIVERO: Because I know that has been an issue in the past.

MR. ROCKMAN: Absolutely. We really need and will have on July 11th that is manage my agency platform. We are very excited about what that is going to do to the service levels in your agency, bring more visibility to who is working the Citizens business. But also allow them access, appropriate access, to policycenter based on their own credential.

MR. RIVERO: Thank you.

CHAIRMAN NEWELL: Any other questions? All right. Yes, Skip.

MR. BOYLAN: I really like the idea of this depopulation choice program. I mean, it is truly something that probably should have been here years ago. I realize the work that went into doing this, but I think for the consumer of Florida this is really a great move. So thank you for that.

MR. BITAR: We thank you for your support. And just so you know, House Bill 931 did indeed pass. We are analyzing every facet of it now and a lot of this work that Carl talked to is to develop the changes needed so we can stand that up for the 01/01 implementation date for 2017. So a lot of pre-work is happening now so we can launch the new program. So stay tuned for additional details on the new program. I will be happy to return with Adam and we will walk you through what the new program will look like. Many of the requirements are legislatively

driven, but others came straight from our depopulation work group. And so we are going to be able to pull all of those together and really improve the program in general. So we look forward to bringing that back to all of you.

MR. ROCKMAN: Okay.

CHAIRMAN NEWELL: Anything else?

MR. ROCKMAN: And I just included a brief update on our education program and attendance. That really speaks for itself. So if there is no other questions that will conclude my update.

CHAIRMAN NEWELL: All right, thanks, Carl, thanks, Steve. All right, we are happy to, okay, I want to bring up some folks on the CAT preparedness update. Steve is going to stay with us, but we are going to invite Craig Sakraida, Erin Vickory and Alden Mullins to give us a brief update, but I think Steve is going to have some opening remarks.

MR. BITAR: Thank you, Mr. Chairman. You did request, I believe it was Mr. Squire requested at the last meeting that we talk a little bit about our preparedness for a catastrophe. With it being the June meeting and the start of hurricane season I think it is very timely and appropriate to do so.

I don't want to steal the thunder of any of these very capable people that are sitting here to my left. I am going to let them talk about their joint efforts in this space, but I think it is important to note, to be prepared for a catastrophe, everyone has to be involved and everyone has to play a part, and that is why we felt it necessary to bring these three people here because they are just a small contingency of what happens on a global scale within the four walls of Citizens to make sure that we are ready.

So with that I am going to turn it over to Craig Sakraida and allow him to kick off this presentation and share for you just how ready we are.

### **3. Catastrophe Preparedness Update**

MR. SAKRAIDA: Good morning, for the record, my name is Craig Sakraida. I am the director of catastrophe operations at Citizens. I am going to give everyone an overview of our catastrophe preparations and what we focus on.

Citizens is ready is a program that our communications department has put together and Alden is going to go into that in a little more detail later in the program. We are going to talk about the scalability. That is the most important component of our catastrophe plan that we are scalable to handle a storm of 10,000 up to 250,000. Our CAT resources that we have available to us and then our CAT testing. The scalability, like I said, is the most critical component of it, of the response. Being able to quickly respond to a catastrophe event by incorporating the storm severity, the projected number of affected policies within a storm's path and then staffing models used by our supporting business units.

In order to further achieve scalability the plan relies on vendor resources, both independent adjusters and temporary staff in addition to employees. What we have tried to do over time is make this as efficient as possible by utilizing people in critical roles in other areas in the catastrophe response, and one thing that I always try to explain to everyone in a catastrophe response is it is not necessarily just the first response, it is after the claims are closed and then they start reopening and we start getting appraisal demands or mediation demands or litigation, and how we utilize our company to meet those staffing needs as we move on. So it is, it is not just, oh, the storm hit and we are, you know, we staff it with adjusters and we handle the claims and we make payments. It is really in a major storm it could be a two or three year process. As we have seen if you have been in Florida for many years, we have seen with the 2004 and 2005 hurricanes, they lasted for several years.

As I mentioned, the scalability, the claim handling work flows and just briefly we have two primary work flows. One is a manage claims model and that is where the adjuster handles the claim from start to finish in the field. We are going to utilize that only for a specific purpose in a small catastrophe. The other model is what we call our modified MCM model which is where there is two adjusters involved with it. A desk based adjuster which will be housed either in our walls or at a vendor site. And then there is a task adjuster that is just responsible primarily for taking photographs, contacting anyone that is needed to go out on the claim with them as far as if it is an engineer or anything like that. Writing an estimate and submitting it back to the desk adjuster who will actually determine coverage, evaluate the estimate, make any needed changes, correspond with the policyholder and finish up the claim and be the point of contact for that policyholder.

CHAIRMAN NEWELL: Craig, can I stop you there?

MR. SAKRAIDA: Yes.

CHAIRMAN NEWELL: This is Dave Newell. A couple of weeks ago we had a little blip on the screen. What -- what model went into effect here and how did that process work and what did y'all feel about that since it was kind of a smaller type event?

MR. SAKRAIDA: Okay, and that ties right into the next slide. The scalability, this is kind of the how we would work it out. Stage one, small storms, estimated claims are fewer than 10,000, and that number could vary. That is just a number that we have as a baseline. That number varies on the capacity of our adjusters. And what I do when there is a storm approaching is I start looking at the capacity of our adjusters. We have daily reporting that comes out as far as how many claims they have. I can contact the managers and see how many activities they have. I can look at that in the system and make a determination to say, okay, we want this adjuster to have X amount of capacity. They currently have this capacity. So what is the gap there? What can we really handle? So that decision, 10,000 is what we have kind of used in the past. It could vary though, if we have a couple, three or four small storms that add up and then maybe we get one that we could have handled at the beginning but now I have got, you know, the adjusters at capacity, we may make that -- we may have to make that switch

because we want to service the policyholders as quickly as possible. So there is always a dynamic portion to this.

Category two is what we would call a small hurricane, where we would utilize, we would be able to utilize people that are -- have touched or have been with Citizens in the recent past. So they are familiar with our systems, they are familiar with the process, they are familiar with the material.

Stage three would be a major catastrophe, a category three, four or five, large hurricane event where we are going to have to bring people in and do a full orientation. They aren't familiar with the catastrophe plan that we have, they haven't worked in our systems in the recent past. Now all of these adjusters are credentialed in our system. So we have done the background research, we understand that they meet the needs based on what we have in our contracts, but still they just aren't familiar with our system. So that is a little bit more involved that we have to get with them to get them up to speed. So that is a major event and that is what we plan for.

What we do, just briefly, there is four basic phases to this, and we have a -- it is a spreadsheet, but we have a task list that outlines everyone's tasks that is involved in a catastrophe based on stages. So we have a watch phase, an imminent phase, a landfall phase and a recovery phase, and depending upon the nature of the storm, we may have to do some of those tasks before or some of them after. But it is a guideline, it is really a basis for what we do when we have our catastrophe calls. We had one for Tropical Storm Colin. We knew it wasn't going to be a lot of claims, however, we wanted to make sure that everyone at the company was aware of what we were doing, aware that we really weren't enacting any portion of our catastrophe plan. However, be aware that in this watch phase or this imminent phase that these are the tasks that you have to complete for us to be successful. And the responsibility of the catastrophe coordinator for each business unit is to work with my team and say, hey, Craig, we have this issue here or we need more time for this and then I can coordinate the response as a whole. And it works fairly well considering that we have I think there is about 90 people on the distribution list and we probably have about, you know, there is 31 departments that are involved in the actual catastrophe response within Citizens. So it is a big task and there is a lot to coordinate.

The scalability that we have with our buildings, we have Everbank Center downtown. We have the fifth floor which is solely dedicated to the catastrophe response. It is just tables and computers ready to go. As well as we have additional space within Everbank that we have identified that we could house up to about 425 people from that response. Once we get past that we have approximately another 150, 160 seats that would be available to us in our Tampa office, and then we also have built into our contractual language with our independent adjusting firms that they have to provide office space for us. So based on their commitment level, so and we verified and validated what they have, that it is up and ready to go. So what we try to do is make sure that we are planning for that 250,000 claim event and we have enough resources and if we don't what do we need to do to get those resources in that time. One thing that we have done also is we have hotel convention center space identified for the adjuster orientation or if needed to stand up as an office, as well as a strike zone field office based on the severity of the storm. That would be something that would be post event, you know,

probably day 45 to day 60 as the adjusters are handling the claims and we need that office located there near the storm site so that they could go in, meet with contractors, meet with insureds, meet with condominium associations, so on and so forth, because it is just easier to do that because once you get in to the complexity of some of these claims there is sometimes several people involved in the actual handling of the claim from both sides.

One thing that we have done this year is we have got some corporate travel coordination. We have worked with some temporary housing vendors to procure us hotel rooms for our employees that we send out on an EOC deployment which Erin is going into in a little bit more detail in her presentation, as well as the rental cars, because it is key that we have this available to us and now we actually have a plan and process in place and vendors that are going to work with us to accomplish this. We have worked with our accounting department to put some procedures in place for P-Cards that we use for purchases to increase some of our limits so that we could cover the expenses of this fairly easily. So I think we have made some enhancements there this year.

One of the resources that we use is our GIS tool, and this is -- it is a pretty, pretty neat tool. What it does is it incorporates the GIS data, overlays our policy information as well as we can also import once there is an active storm track in there we could import the storm track over, that overlays the policy information. So this helps us in making our predictions on how many policies possibly could be affected and what type of policies, because it may be a little bit different commercial response as opposed to a residential personal lines response. So it helps, helps me in determining, giving the information to the leadership team to say, hey, we have got a huge commercial exposure with this storm, or no, we have got a mobile home exposure with this storm. So we, we are able to not only do this ahead of time, but on the back end of the storm the claims data can populate in it, too, so we could compare one versus the other and see if there is a need for, you know, hey, maybe this area we need to focus on in the claims. The other -- the other thing that I use primarily in our CAT resources is it is a resource calculator and what this does it combines staffing numbers with historical production and historical claims data, and gives us an out of the gate idea of how many resources we will need. So we can plug in some information, the size, the projected size of the storm from a GIS tool as well as the severity of the storm, and based on historical data and production information we can come up and say I am going to need 200 adjusters, I am going to need 100 commercial adjusters and it breaks it down by business unit so that when we make that call out to our independent adjusting firms or our temporary staffing vendors that we can make an accurate call. We also secured emergency power and data solutions. We have two 800 kilowatt generators that are ready to go. One is in Jacksonville, one is in Tampa, and we have two satellites that we contract with that are up in Atlanta that on 24-hour notice can be anywhere in Florida. So if we did have an issue where we needed to stand up an office or we had something happen to our primary site we could stand up another office and still run and handle the claims. So that is key to be able to be prepared. And here is just, the next slide is just a picture of the satellite and our generator.

And then the last thing that I am going to touch on is the catastrophe preparedness testing and this is almost a year round process. It usually starts right after catastrophe season ends and it runs right up until, it actually just ended last week. So what I try to do is work with



the business units to identify what areas need to be tested, did we have any challenges last year that we need to try to validate. Is there anything that we have that we think should be tested and to what level it should be tested and then we put together plans for how we are going to test it and expectations for the test. And this year we tested several different areas. We tested the accounting claims support check printing capabilities. That is one of the most critical things. If we can't get checks in people's hands we are going to have -- we are going to have issues, we are going to have complaints. Our first notice of loss call center stress tests is very important also. The call center folks do a good job of coordinating that. A catastrophe deployment exercise and desk adjuster deployment, this models our adjuster orientation. This year we did in our Everbank Center to test the logistics of getting in and out of the building, and as well as the parking that we have now that we are downtown Jacksonville. Erin is going to touch on the emergency operations center deployment exercise. We did a test this year with personal and commercial lines, underwriting, with their vendor and work flows, as well as every year we test the satellite to make sure that is up to -- up to speed and the capability that they have contracted for the generators and then the telephony to make sure our internal phone routing is working properly. With that I will turn it over to Erin unless there is questions.

CHAIRMAN NEWELL: Questions so far for Craig or anybody? Phil?

MR. ZELMAN: Yes, just a quick question. Going back to the claims handling work flow.

MR. SAKRAIDA: Yes, sir.

MR. ZELMAN: How are the insureds going to be notified as to what the work flow is, whether they are going to deal with the one adjuster who is outside or the adjuster who is inside, you know, the desk adjuster, how is that going to be handled?

MR. SAKRAIDA: That will be handled on the first contact by the adjuster. So if it is -- if it is the desk adjuster model, the modified MCM, the desk adjuster would call them and say, hey, I am Craig Sakraida with Citizens Property Insurance, you know, let's talk about your damages. What is going to happen is I am going to refer this claim to Bob Jones. He is going to be the field adjuster, here is his contact information. He is going to be calling you and we have them set an expectation within this time frame, and then the claim gets sent out to Bob to set up the inspections. But they, part of the training is to make sure that the policyholder understands the process of what is going on. They are always the point of contact for the claim. However, if they have any questions they need to contact them, but the inspection is going to be completed by somebody different, and I have worked in that model before. It works fairly well as long as we communicate that up front, but that is built into our training.

MR. ZELMAN: Will that also be communicated to the agency? Will the agency get, as we get now we get a claims notification when something occurs on a policy, will we also get that same notification in a CAT situation?

MR. SAKRAIDA: Not at a claim level. However, it will be communicated in an agency as far as what we are doing. So if we have a major catastrophe we will say we are using the modified MCM model and we are going to have two adjusters on it, so that you are aware, and it will -- because we are not going to co-mingle work flows in the catastrophe. So it is going to be one response or the other. So you will know that when we sent those notifications out to the agency group to say, hey, we are using this work flow, so please make sure that the desk adjuster is the point of contact if there is any issues or concerns on the claim handling.

MR. ZELMAN: That is great, because we haven't had that major catastrophes in the past and what has historically happened is then client calls us and says we haven't been contacted or we saw an adjuster a week ago, we haven't heard anything since. So at least this way we will have some contact information and be able to follow up along with the insured.

MR. SAKRAIDA: Yes, and we have an internal -- we have a plan for an internal, what we call a resolution unit. So there will be somebody that can actually understand the claim and get the information to either the agent or the policyholder and make note in the file and then get in touch with the adjuster to make sure that things get taken care of in a timely manner.

MR. ZELMAN: Great, thank you.

MR. SAKRAIDA: Thank you.

CHAIRMAN NEWELL: Craig, apparently you have sparked something here up here on the committee, but I am going to go to Nestor first and then Skip and then Greg.

MR. RIVERO: Just to follow up on what Phil said, and this was a big problem with Hurricane Andrew, we knew nothing of what was going on as far as the company doing stuff. So I congratulate you for what you are doing here at Citizens. But I didn't understand exactly how, if there is an -- if there is a claim and the insured calls me, and this is a problem that we have and I think you addressed it, but I really didn't understand it, the insured calls me, he wants to know who the adjuster is, he wants to know a phone number, why aren't they here, what is going on. Is there a piece of paper you are going to send us with all of this information, or is there a way that we can contact Citizens through the computer to find out this information? This is incredible. First of all, nobody has a policy so the first thing that they do they come to the office to get a copy of our policy. And number two is where is my adjuster, I haven't seen my adjuster. And I am not saying anything about you are saying now, I am saying what happened in Andrew 20 some odd years ago, and we were like, oh, you know, we didn't know anything. And sometimes you don't even have a phone number or a company to call because it is not like it is today. Question, is there anyway besides paper documentation where we can get into your computer and find out that Joe Doe, that blew his roof off, is being handled by Mary, and Mary is doing this and something, some kind of a track so that when the insured calls me they are at least a little bit happy that we know what is going on? And number two, on the adjusters, is there any kind of classes for those independent adjusters, when they come in, are you training

them? Is there any maybe a webinar that you can have getting ready for them? Some people didn't even know what an address is or some of the signs were down, I don't know. I feel like the independent adjusters that come in do not have enough knowledge on the claims and stuff. Anyway. Just a note.

MR. SAKRAIDA: I will address the easy one first, which is the training of the adjusters. We do several things during the year. We have an annual train the trainer which goes over our expectations of our estimating guidelines and our best practices and some claims center information which is what they work in with the trainers and the folks at the independent adjusting firm. They are tasked with giving that out to their adjusters. But we do have the availability of online courses. We do do webinars and we have in place claim center training when they start as well as several different, I wouldn't call them classes, but several different, you know, webinars, modules that they can go through to understand our best practices. Everything is online, so they will have access to it. Some of it is on the portal that they can just get to not even being activated by us. Other things, once they get activated, they are tasked with going through that, and we outline that with our independent adjusting firms. So I agree and I understand. So we try the best we can to give them all of the information to be successful. What they do with it I can't control, but I think we have done a great job over the past three to four years to get them the information that they need. The other question about the look of the agent into our system. I don't think there is anything -- Steve.

MR. BITAR: Actually, no, agents can currently log into policy center and you can file a claim. We also do expose some basic claim information, the claim number and some other basic information about the status of the claim. So you do have electronic access that is granted to you through your policy center access that actually pulls from claims center. I would like to do a take away though, because I think it is a great enhancement opportunity for us to see exactly what level of information we provide to the agents so that you can take some of those questions and inquiries that you get, but regardless of what, you do have basic information, you will have the claim number. I am going to look to see if we expose to you or not the contact from an adjustment perspective and a contact phone number, but we do have that internally. So worse case you can at least see the claim has been filed online, even if you didn't file it yourself. You can see the status of the claim as well as some other basic information and then you can always call in to us and we are more than happy to provide you additional information and we can view the contact information. But I think there is an opportunity here to maybe give you guys a little bit more without jeopardizing the claims process and being able to arm you with some information. So the let us take that back.

MR. RIVERO: All I am asking for is just general information like you are saying.

MR. BITAR: And that is there.

MR. RIVERO: And that will save you some also from us having to call you guys.

MR. BITAR: Absolutely, and it is there.

CHAIRMAN NEWELL: Skip.

MR. BOYLAN: In your contracting relationships with the independent adjustment companies, will you have dedicated adjusters, because I think we learned in the past that many of those companies contracted many independent adjusters, but in that contractual relationship they weren't dedicated to Citizens. So they were working at the same time for two or three other companies and it created maybe some confusion or it created lack of attention to the total handling of the claim that you all thought you had them working on.

MR. SAKRAIDA: Yes, sir. Catastrophe wise they are dedicated to Citizens. That is all they can work. Non catastrophe is a different story because of the volume, but catastrophe they will be dedicated to work Citizens claims only. If we find out different we won't do business with that adjuster again.

MR. BOYLAN: You are talking about that adjuster -- excuse me. Are we talking about that individual adjuster or are we talking about the lack of management from the adjustment company to allow that adjuster to be rearranged?

MR. SAKRAIDA: It will be addressed at both levels.

MR. BOYLAN: Okay, thank you.

CHAIRMAN NEWELL: Have you got a question?

MR. ROKEH: Yes, I have got a question.

CHAIRMAN NEWELL: Greg, go ahead.

MR. ROKEH: I guess mine is probably for Steve. In following up, it appears that the insureds probably have very limited access through the website on what they can see also. I know I was in the real estate business of course when Andrew came through and I know entire real estate offices disappeared, ceased to exist, along with all of their records and I would assume the same, same was, the same occurred with whole insurance offices. How -- how prepared is Citizens to be able to step in in the absence of an agency that has essentially ceased to exist? There may be some cloud records that are out there, but as a physical, as a physical entity they have been devastated. Can Citizens step in and meet the needs of those -- of those policyholders in the absence of the agency?

MR. BITAR: I am going to answer it very quickly by saying, yes, and I don't want to steal the thunder of Erin and Alden because each of them are going to address different components of how an EOC is at ground zero as well as different communications plans that we have to

show that we are ready. So I am going to leave it there and allow these two ladies to provide their additional information, and I think that will answer it and then I will come into close and I can hit anything else that might need to be addressed.

MR. ROKEH: Just to take it one step further.

MR. BITAR: Yes.

MR. ROKEH: And, of course, the natural progression seems to be going there.

MR. BITAR: Yes.

MR. ROKEH: But, of course, to make more information available to your consumers is huge and I think that should be a direction you continue to go with.

MR. BITAR: And I commit to you that is something that is on our radar and being looked at. There are a lot of different self-service and mobile opportunities that we definitely can see for the future. So while we can't commit to a delivery date, that is something we are researching and hope to do. So I will leave it there and then allow the ladies to provide their update.

CHAIRMAN NEWELL: I think Brian has a question.

MR. SQUIRE: Just a couple of things. One is I just want to be clear. So when a consumer calls into Citizens, a claim number is assigned, the claim is filed, at that point a contact. Are you able to assign an adjuster over the telephone?

MR. SAKRAIDA: They will be assigned. It goes into a cue and it is based on several different components. So if it gets to a point where the adjusters are auto assigned it is auto routed. So they will get assigned. If we get to a point where it gets backed up they will be put in a cue for assignment and at that point we have a resolution unit. If there is a question or a concern about the claim the resolution unit can handle it and extract the claims as needed. But we don't want to overload the adjusters and give them too many claims and then the policyholders aren't being contacted and the claims have to move. So that is kind of how it works. So once we hit capacity then it gets round robin'ed.

MR. SQUIRE: And then when an agent files a claim they are just filing, I guess they can call in also but typically it can be done by the computer?

MR. SAKRAIDA: Yes.

MR. SQUIRE: And at that point all the agent is doing is filing a claim and they don't see anything, correct?

MR. BITAR: They see some very basic information, the claim number and a couple of things about the status of the claims. They do see that and they can also a call in and we can go into the actual claim system and give more information if we need to.

MR. SQUIRE: Just from an efficiency standpoint, I mean I think the biggest connecting point here is, you know, within a couple of days if the agents somehow can go in and just see that an adjuster has been assigned.

MR. BITAR: Yes.

MR. SQUIRE: And provide that data to the consumer.

MR. BITAR: Uh-huh.

MR. SQUIRE: That is key. So as long as that information is available then hopefully that avoids multiple telephone calls to Citizens.

MR. BITAR: Very good.

CHAIRMAN NEWELL: All right, we are going to bring this in for a landing, but Phil, last question.

MR. ZELMAN: I just have one quick comment on Greg's remarks. I think many agencies today are different to what it was back in Andrew days or even back in the '04, '05 time period, now have online capabilities that they didn't have and have web systems that they didn't have. So I will tell you that if my building is destroyed, I can go set up anyplace else in the country and have my system up and operating in a very short period of time, and with our phone lines and computers and be able to, you know, continue to operate and service our insureds. So that is a little bit different. So is Citizens a lot different than when it was back in '04 or '05, so I just wanted to add that in.

CHAIRMAN NEWELL: Okay, now we are going to get into the emergency operations center.

MS. VICKORY: Yes.

CHAIRMAN NEWELL: And you are welcome.

MS. VICKORY: Thank you. This is Erin Vickory, I am the project portfolio services manager and consumer and agent services and I act as the EOC coordinator for Citizens. So the emergency operation center is a fully functioning remote office. We can set up these centers anywhere else in the state where a catastrophe has hit in order to help our policyholders as

soon as possible. Our goal is to have these up within 48 to 72 hours of a catastrophe hitting or when it is safe for us to travel to the area. The pictures you see here are of our field service vehicles. This is a second year that we have these vehicles. You may be familiar in the past we had what we referred to as MERVs which were our mobile emergency response vehicles and they were old Winnebagos that we used. These new vehicles are custom built and are much more functional for us. They can be hauled to any location by the hauler company that we have contracts with, and they hold all of the equipment in them that we need to set up than an entire emergency operation center. It is a fully functioning remote office. So they have generators and satellite solutions so we can go out to anywhere and be a fully functioning office. We currently have two that we obtained last storm season that we still have this season that are ready to go and we have a third one that will be coming on line in about a month.

To prepare for the EOC each year we start by recruiting our customer service support. So this year we have identified 103 volunteers. These are Citizens employees that represent almost every division of the company and we, they are prepared to come out and be the customer service in our operation center. For each EOC should we need to deploy we would deploy 12 to 15 volunteers at a time and each of these volunteers is prepared to be deployed for up to 21 days. Should a catastrophe, should we need be out there longer because of a catastrophe then we would swap out volunteers after that time frame. Before the storm season we train all of our volunteers. In this training we incorporate our technical procedures that they are ready to perform in an EOC as well as some enhanced customer service skills so they are ready to help our policyholders in their greatest time of need. I did mention the FSV vehicles. On those vehicles we have all of the equipment that we need for the EOC, so that includes tables and chairs and tents. It has all of our technical equipment. We work very closely with our IT field services team on this. We have all of the laptops that we need, telephones, printers, office supplies, everything that we need to have a full mobile office. We also have a backup trailer that has satellite and network capabilities so should that function fail on one of the FSV vehicles we can deploy this trailer out to where the FSV is and hopefully get back up on the network.

I will speak a little bit about our testing that we do in this area. We do what we call our EOC deployment exercise. So we select a group of our volunteers and we actually deploy one of our FSVs and do a full EOC set up. We have claims employee volunteers that come through and act as our policyholders for us and we have those policyholders go through our entire process at the EOC. So just to give you an idea of that we have a scalable model that we set up. We have a greeter station, an area where the policyholders can be waiting until they get helped. They will actually be helped by a Citizens employee who is able to look up all of their policy information on the laptop, give them any information they need. We are able to do the first notice of loss to get the claims process started for them, and then where they are deemed eligible we are able to give them additional living expense check right there on the spot. We do have some check writers that sit inside of the FSV for security reasons, but we are able to give them money right there on site if they are eligible.

To kind of go to some of your questions, we do have a form that we give them at the end of this process that has all of their Claim's information on there, a number they can call, they will know who helped them at the EOC. So they should have all of the information that

they need also in paper in case they can't get to a system or can't get to their agent when they do leave our EOC. So these slides just shows some pictures from on our exercise this year. You can see the full set up of our folks ready sitting at tables with laptops to help our policyholders. And here is just another picture, you can see the trailer in the background and you can see that we -- it is a scalable model but it goes up to five tents that we have all of the different areas set up for the policyholder to go through and to help them through the process.

Lastly, I just want to show you a time lapse of our exercise this year. This shows the full set up from the trailer, all the way to the EOC being completely set up. It takes us less than an hour to set this up. It was a little, it was about 50 minutes this year to do a full EOC set up and be prepared to help our policyholders.

MR. BITAR: They say a picture is worth a thousand words.

MS. VICKORY: We do have it set up where we can offer our policyholders water if they need it, we have fans set up. We will be getting some additional fans to make sure that they are comfortable as they are waiting, as we -- so we can get them through the process as comfortable and quickly as possible.

MR. BITAR: I think it is important to note as well that we try to pick the location of where we set up in Insurance Village. So we are very connected to the State EOC and decisions that are being made from a governmental perspective. So once an insurance village is identified at ground zero or as close to that, Citizens will co-locate usually with the DFS and other insurance companies. So as people approach us and they may believe they are insured with Citizens we may look up their policy and find, oh, you were taken out a year ago and here is your new insurance company and guess what, they are set up right over there at this side of the parking lot. So we like to co-locate in Insurance Village, that way if a customer has a need, even though they may no longer be our customer, we can direct them appropriately and we all like to set up together. So it works very nicely and it is very customer centric.

CHAIRMAN NEWELL: Go ahead, Phil.

MR. ZELMAN: Steve, this question is directed to you. So if an insured has been taken out by a carrier that is not represented in this area where many companies set up, will you then go ahead and help them file a claim with another carrier?

MR. BITAR: We don't have the capabilities to do that, but what we do have is the phone number where claims can be filed through that company. So we will provide that to them. A lot of times the DFS is there with us as well and we can bring them over to the DFS for assistance when that is appropriate. But we absolutely point them in the right direction because we do have the claim numbers for all of the take out companies in our system, so we can at least give them that.

MR. ZELMAN: Okay, great, thanks.



CHAIRMAN NEWELL: All right, well, we heard a lot here so far about communication. So Alden is going to tell us all about the messaging that goes on certainly before and after a CAT. So Alden.

MS. MULLINS: For the record I am Alden Mullins, Assistant Director of Insurance Communications. Communications has a large part in the Enterprise wide efforts that take place during storm season and is involved in all aspects of a CAT event, including preparation, monitoring and responding. Our messaging targets all audiences using multiple outreach channels and throughout all phases of the storm. We want our customers to know that Citizens is ready. We will help our customers be prepared to know we are monitoring and that we will respond with timely information to assist them in the event that they suffer a loss. Our communication channels include e-mail, press releases, Facebook, Twitter and we do have Twitter accounts that are focused towards our policyholders and then agents and industry stakeholders, direct mail, radio and television. Preparation is the first component of our plan. Of course, one of our major preparation efforts this year has to be inform policyholders that if they have a loss they should call Citizens first. We want our claims reporting phone number to be easily available. This effort has included magnets, policyholder ID cards and a brochure titled "Reporting a Claim in Four Easy Steps". The ID card and brochure are included in all personal lines, new business and renewal packages. There is a policyholder letter in the new business and renewal packets and a postcard going to policyholders. These items will not only re-enforce that they should call Citizens first, but are designed to remind policyholders of their responsibilities following a loss.

We've developed informational pieces for our policyholders to help them prepare, what is in a hurricane prep kit, checklists and other informational materials are available on our website and will be shared via social media throughout storm season. There are videos and brochures in the learning section of the website and topics for these include hurricane preparedness checklist, preparing a home inventory and are you weather ready. Social media will be used to share the website resource materials with consumers and agents throughout storm season. The Twitter agent feed will be used to share bulletins, did you know articles and other information that is important to our agents.

Monitoring is the second component of our plan. Communication monitors storm activity around the clock during storm season. Twelve people are given assignments for week nights and weekend watch duty. Citizens requires that no matter the time of day that if a storm watch or warning is issued for the state that the ability to bind coverage be suspended immediately. So turning off binding is the first task for communications. The second is to send an e-mail to agents, our staff and other external stakeholders advising that a watch or warning has been issued and that binding is suspended. And this has to be done within 30 minutes of binding being turned off. Then we add an alert to the website. This procedure continues even after the watch is issued because when the watch is lifted binding has to be allowed again, e-mail sent and the website updated. So basically we have to undo everything. The monitor page of our website has been updated recently. From this page you can see the NOAA storm tracker feed along with our customer focused Twitter feed and our Facebook feed. We will post and

tweet NOAA and other web -- other weather forecasts. During this phase of the storm we will use social media to encourage people to bring in furniture, provide preparation ideas, prepare for evacuations, keep all receipts for temporary repairs and, of course, reminding them to call Citizens first. We will remind agents that they can file a first notice of loss on behalf of their policyholders. One of the key features of our new website platform which launched in February of this year, is to quickly be able to make changes. It is now very easy to adjust and change the website to reflect what we want our agents and consumers to know. This includes banners, informational boxes and alert messages on the top of the screen.

Candace Bunker, our Legislative and Cabinet Affairs manager has a seat at the Governor's EOC headquarters. So we will have a representative present as state officials monitor weather conditions and to hear if they declare a state of emergency or order evacuations. Additionally and for the first time Citizens has partnered with the Florida Public Broadcasting stations to inform Floridians about current weather conditions and precautions. The 13 radio and TV stations in the network reach 99 percent of Florida households. This sponsorship includes radio and TV spots and web banners on public broadcasting websites.

Responding to the event is the third component of our plan. Once the storm has passed communications will partner with the EOC teams to notify stakeholders where Citizens centers are located. This information will be contributed through all the communications channels I have mentioned. We also have a pre-negotiated emergency advertising contract in place which if it is needed will be used to promote the EOC locations and the claims reporting hotline, and this advertising will be done through radio ads, TV spots, social media and newspaper announcements. In conclusion, Citizens 2016 CAT plan is a comprehensive plan that defines roles of all supporting business units. With year round planning and testing this collaborative plan will guide Citizens' dedicated team to respond fully to its customers in their greatest time of need. Citizens is ready. Thank you.

CHAIRMAN NEWELL: Thank you Alden. Any questions from the committee on that last presentation?

MR. BITAR: If there are no questions I have a couple of answers I would like to provide.

CHAIRMAN NEWELL: Okay, go ahead, Steve.

MR. BITAR: Thank you to Carl and our wonderful technology and team back in the office. We were able to confirm that agents are able to see a wide amount of information from claims status perspective which includes not only the status of the claim, but also the claims adjuster that it has been assigned to and a telephone number. So you can go in electronically into that agent access in policy center, you can pull up the open claim, you can see some information on its status as well as direct contact information. So I am happy to report that.

CHAIRMAN NEWELL: Okay. Well, thank you all very much for that update.

MR. SAKRAIDA: Thank you.

#### **4. Managed Repair Program Update**

CHAIRMAN NEWELL: Well, we are going to go into tab four, the managed repair program. Jay is unable to be here today. So Steve is going to step in and give us an update.

MR. BITAR: I will be happy to provide a quick update. As you know, first of all, I will invite you to the Board meeting tomorrow morning where President Gilway and members of the executive leadership team are going to be providing a wide update, very vast, if you will, on the history of the water situation in Florida as well as the assignment of benefits. Epidemic, I will call it and our situation with regards to how we are going to be addressing that. One component that we are looking into is a managed repair program. You may have heard of us talking about that previously, and we did have plans to move in that direction. That still is the case, however, what we really want to do first off is make sure that we gather the right information and build the program the right way. So what we have done as a team, Barry accompanied by members of the executive leadership team actually met with three of the providers, insurance carriers in the state of Florida that have successful managed repair programs and had access to their management teams as well and was able to really do a Q and A and really dig deep, if you will, into the pros and cons of the components of each of their programs. So we were able to gather some great information, bring that back and it gave us a great opportunity to really step back and look at building our program the right way. And at the heart of this program needs to be the customer. So for what we plan on doing now is really stepping back, reengineering the program, making sure that it does have the customer focus that it needs in order to be successful and then we will be looking to roll that out most likely first quarter of next year. So we do commit to coming back to this group with the details of that program once it has been redesigned. The last thing we want to do is rush something to market that isn't fully baked. So from our perspective we want to do the work, do it right and roll it out appropriately and so we are targeting first quarter next year to do that. So that is a brief update with a commitment to return with additional details once we have worked through the program. I will be happy to take any questions you may have.

CHAIRMAN NEWELL: Okay, thanks, Steve. I want to invite Karen Holt up now to talk about some of the contract changes and policy language changes, Karen.

#### **5. Product Changes Update**

MS. HOLT: Good morning, everyone, this is Karen Holt, Senior Director of Product Development. Steve and Dave asked me to come and talk a little bit about the product changes that were implemented, and these were implemented with effective dates of 07/01/2016, and as I think we all know, water has been a primary topic of conversation for a while. These contract changes were introduced to attempt to stem some of the water losses. Now, we know that not all of the problems with water losses are related to the contract, but there are areas of abuse in the contract that we felt like we could address. So the document that I have provided

to you is one of the communications pieces that we have used. Alden and her team have done a great job of creating some really nice communications that are suitable for agents and for policyholders, and in those communications we have tried to keep the focus on the things that the policyholder really needs to know. So the changes kind of center around three areas, and two of those revolve around duties after a loss, and those are the things that are most important for policyholders to understand because if they don't they could inadvertently interfere with their own coverage.

The first section is regarding emergency measures and these are one of the duties after a loss requires that the policyholder take reasonable emergency measures to prevent further damage. One of the things that you continue to hear is the assignment of benefits issue, and there are related problems around this coverage where there is just abuse of the amount of coverage available and we see bills that are far excessive regarding what the amount of damage was. So we have introduced a policy limit of \$3,000 for reasonable emergency measures. These are temporary repairs that are needed to, you know, put a tarp on a roof, stop water from running, things like that. The \$3,000 or one percent of Coverage A for higher value homes is available immediately for the policyholder. In the event that the policyholder needs more coverage they are able to call Citizens and request more coverage. So it isn't a hard limit, it is really just a stop point to call Citizens and let us get in there and understand what is going on. We have committed that we will get back to them within 48 hours and if we do not then that limit on coverage is lifted, but we should be able to in almost all cases get to them within 48 hours and we felt that it was prudent to put a limit on Citizens in the event that something happens the policyholder isn't stuck with no recourse.

So the next area that we addressed also falls under duties after a loss and that really gets around loss reporting, and I believe you have heard numerous times that a lot of our claims now for water are coming in very late, sometimes 20, 30 days after the loss has occurred. Many times the repairs have been completed and most of the losses that come in late are already represented by an attorney. So in an effort to address this we did introduce some limits on the way coverage works regarding reporting. So the policyholder now, once they report the loss they have to give Citizens time to get out and inspect the damage. And the way this works is if they do not, they are not allowed to begin permanent repairs until one of the three things have happened. The first is 72 hours after the loss is reported. So we have 72 hours to get out and look at the loss and if we don't respond within -- within 72 hours the policyholder is free to begin repairs. The other two triggers are when the loss is inspected. So if we get out there sooner within 24 hours or so the policyholder can go ahead with repairs or at any point when they receive verbal or written approval by Citizens. So those three triggers are in there to slow the policyholder down and try to give us time to get in there. And one of the messages that we are trying to convey to agents and to policyholders, we want to get out there to help the policyholder. Some of the problems that we see now, especially when repairs have been completed, there may not be coverage for everything that was done and what we want to do is be able to get out there and help the policyholder understand what is and is not covered, so that they don't authorize repairs that will be out of pocket that might not be necessary. So those are the two categories that we think are most important for the policyholder to understand up front.

Then the other category of changes really addresses abuse of the contract. And the best way to explain it is what we have seen is the contract has expanded gradually over time from a coverage for sudden and accidental loss to trying to cover maintenance type issues. So we have changed the policy language to try to reign that coverage back into what was originally intended. We will still cover sudden and accidental loss. What we are trying to limit are the things that are not part of the loss, but are really just necessary because of a system being worn out or a maintenance issues. Some of the things that come up that are now restricted are things like trenching when maybe a sewage pipe leaks underneath the slab. What we were seeing in a lot of the claims is the claim that was submitted was for trenching the entire house to replace all of the sewer lines in the house. Well, if one spot failed, we want to pay for the access to get to that pipe to repair it, but we don't pay for access to get to all of the rest of the pipes in the house. And it should be noted that historically the contract has not covered the actual repair to the plumbing, but we do pay for the access and then we do pay to put things back. So that was changed and we have also introduced language in the policy to get to the subject of the pipes not being repairable, or the system is in such poor condition that it can't be repaired. Sometimes the plumber will get out there and they actually can't find a healthy enough pipe to connect to. So it is necessary to replace the whole system but the policy does not cover it. So those are the three primary areas of coverage changes and I would encourage you to go to our website. There is a lot of great information out there that explains it I think in very user friendly terms. If you would rather we can read contracts, but I don't think anybody wants to do that. So a couple other things I want to touch on. We did file a very, very minor policy change update last week. We are removing a paragraph that we think isn't necessary, but that does not have any coverage impact that you need to be concerned with.

And additionally, we have been asked to do an update on the changes that are coming with the annual rate filing, and just out of respect to the actuarial and underwriting committee I think we will hold on the rates and let the committee discuss that and hear about it this afternoon. I can let you know that we have very, very minimal product changes. We won't be doing a lot of product changes with the annual changes this year. We typically do contract changes with the annual changes every year. We are not going to do this year because we have just done contract changes and it gets a little bit overwhelming, especially for our claims staff to try to keep up with multiple rounds of changes. So those will not be happening this year and hopefully not for a while.

And then the other update is related to what Steve just touched on with managed repair. We had presented to the Board previously that we would be doing some product changes to support the managed repair program. Those changes are on hold as well while we step back and really look closer at this and figure out the direction that we want to take. So we will either proceed with those changes eventually as we took them to the Board or we will go back and provide an update and you will hear more about that in the future. Any questions?

CHAIRMAN NEWELL: Any questions from the committee? Hearing none, thank you, Karen.

MS. HOLT: Thank you.

## 6. Market Services Update

MR. MARMELSTEIN: Thank you, Mr. Chairman, there is no place I would rather be, especially given the temperature of this room than the hot seat. Good morning, committee members, Adam Marmelstein for the record. We have all heard a lot of excellent information from my peers this morning, a lot of great detail. Recognizing that and that we are coming to the end of our allotted time here I will be very, very brief in providing you with an update about both Clearinghouse and Depopulation.

Just to hit on the high points, Clearinghouse was began back in 2014, as we come to midyear in 2016, I am delighted to report that Clearinghouse has resulted in Citizens being able to avert the addition of approximately seven and a half billion dollars in Coverage A from being added to the Citizens books. We also continue to increase the rate at which homeowners' policies are rendered ineligible. It is really the focus of the end of 2015, and beginning of 2016, to go out and speak with our carrier partners and help them align the underwriting criteria they put in the system with the risks that they desire. So we have seen an uptick of about 68 percent. So the rate at which policies are being averted from Citizens homeowners' policies has gone up from approximately 10 percent to 14 percent. So we continue to see improvement along those lines. The last time I was here I spoke with you a little bit about HO-6 policies, condo policies which had then just recently been added to the Clearinghouse. We saw some very strong initial uptake there in terms of policies being averted. I am happy to report that that wasn't a blip. Now that we are approximately nine months in I can say that it is a very strong trend and we continue to see those policies be averted at a rate of about nine percent. So what is interesting here is not only the strength of the marketplace, but that result has been achieved in less than six months where with HO-3's it took the better part of a year and a half to reach those numbers. And again I think it is a credit to the carriers recognizing the opportunities are there and our work with them to help them get the risks that they want.

Renewal results continue to be strong and I will just throw one more number out there for you in terms of removing policies from Citizens' book as opposed to preventing them from coming in the door in the first place. We passed the \$1 billion in Coverage A mark earlier this year. So I think that is an important milestone when you can talk about numbers that have that many zeros we are clearly working together to make a significant difference. We continue to move forward though, and look to add more carriers and opportunities for them and they are responding. On page 6 we will talk a little bit about the fact that Monarch National and Federated National are going to add the HO-6 products. So they are going to participate there so we hope that will increase ineligibility rates as well, ineligible here meaning ineligible for Citizens. Usually ineligible is a negative, in Citizens' speak it has a very positive connotation, so that will be third quarter and fourth quarter of 2016. Also Safe Harbor is going to join and start writing the dwelling fire line towards the end of this year.

The last few pages are the usual break down of which carriers are doing what and how. And the last page here, page 11, talks about HO-3 new business submissions continue to decline as they have every year since Clearinghouse was introduced in 2014. And that concludes the Clearinghouse update.

CHAIRMAN NEWELL: Any questions for Adam on the Clearinghouse? All right. Depopulation.

MR. MARMELESTEIN: Excellent. Even briefer here, two slides which is a personal best for me. We have a total number at the bottom here, year to date of 40,000 policies have been assumed. We will have the June assumption numbers shortly. There will also be a small assumption this July, there will be no assumption in August, and there was no carrier interest in assuming policies. It might have something to do with hurricane season. I will let you decide. And then the last page of course is the year over year monthly comparison of '14, '15 and '16, and not surprisingly given that the policy count has diminished greatly since 2014. There is a commensurate decline in the number of policies that are being depopulated from Citizens. And thus concludes the depopulation update. Thank you.

MR. ROKEH: What is the policy count?

MR. MARMELESTEIN: Just under 500,000, about 490,000, I believe.

MR. BITAR: Yes, that is correct.

CHAIRMAN NEWELL: All right, any questions of Adam or Steve while they are still up here?

### **New Business**

CHAIRMAN NEWELL: Any new business before the committee? Do I hear a motion to adjourn?

MR. ZELMAN: Motion to adjourn.

MR. BOYLAN: Second.

CHAIRMAN NEWELL: All right, thank you, everybody, thanks to those on the phone and have had a good afternoon.

(Whereupon, the meeting was concluded.)