CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE
ACTUARIAL AND UNDERWRITING COMMITTEE MEETING
Tuesday, June 21, 2016

The Actuarial and Underwriting Committee (A&U) of Citizens Property Insurance Corporation (Citizens) convened at the Sheraton Orlando North on Tuesday, June 21, 2016, at 6:30 p.m. (EDT).

The following members of the A&U were present.

Jim Henderson
Christopher Gardner
Gary Aubuchon
Bette Brown (by phone)
Fred Strauss

The following Citizens staff members were present:

John Rollins
Barbara Walker
Barry Gilway
Curt Overpeck
Dan Sumner
Kelly Booten
Jennifer Montero
David Woodruff
Christine Ashburn
Jay Adams
Steve Bitar
Joe Martins
Karen Holt
Brian Donovan

Call Meeting to Order

Roll was called.

1. **Approval of Prior Meeting's Minutes** (March 15, 2016)

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

2. **Action Item – Annual Recommended Rate Filings – Effective February 1, 2017**

CHAIRMAN HENDERSON: Those against? Having passed, thank you very much. Our second item is an action item dealing with the annual recommended rate filing, and we do have a request to speak at this meeting And Steve, welcome from our southern-most county, thank you for being here. And I would ask maybe that the action be read and placed in motion and then we will open for comments and discussion. At that time Steve has three minutes to address information he would like to comments he would like to make to the committee here. So if I can move it back to John and group in terms of presenting the rate filing motion.

MR. ROLLINS: Thank you, Mr. Chairman, and for the record, John Rollins, Chief Risk Officer at Citizens. I am here to present the Actuarial and Underwriting Committee annual rate filing item. This is something we do every year and I will give you a couple of very brief contours and overview items and then I am going to turn it over to the actuaries who lead the team at Citizens that frankly does the real work which are Brian Donovan and Paul Cutter. Water losses have really changed the rate map for Citizens, and that has really become apparent in the past year. Last year we put up a map at the committee meeting and the Board meeting showing rate increases for the ri-county region of Florida for the multi-peril policy and rate decreases in every other county in the state. So the news would have been good if not for the water loss problem that at that time was impacting just the tri-county area, multi-peril policies. What we see this year and what you will see in more detail tomorrow during the President's special report is we will put up those maps side by side and show you that the decreases that we would have liked to pass through again this year outside the tri-county have turned into a checker board of increases and decreases. Some of the -- the most favorable areas for rates last year have sort of vanished this year and turned into places where actuarially sound rates require that we take an increase for the majority of our consumers, and unfortunately, the news is not better in South Florida this year. In the tri-county area as Brian Donovan will walk you through, we will see continued increases for our multi-peril policies this year as a result of the same factor that we discussed last year and we will discuss tomorrow in the President's report, which is the skyrocketing trends in both the frequency and the average cost of non-weather claims particularly claims for water damage. Now, you may have heard and many in the public have heard and this Board approved back in December a slate of product changes to address the process that is leading to those claims being represented at first notice of loss and placed in litigation far more often than was previously and historically the case. Our analysis and our assignment of benefits white paper that we wrote during the legislative session proves that litigated claims are much, much more costly and really the end game in terms of reversing the actuarial trends is reversing the trend of claim litigation for non-weather claims. We have tempered these rate indications and Brian will go into a little more detail on that for the likely effect of the product changes, but quite honestly the long term solution here is a change in behavior, and to the extent that product changes incent that they will be very valuable as well as the other initiatives that Citizens is pursuing together as an enterprise and Barry will talk a lot more about that tomorrow as our CEO. Finally, the final contour, wind only hikes. Wind only rates have been historically inadequate a Citizens. The glide path has worked in wind only and it has been shortened by the effect of very favorable reinsurance markets, meaning the gap between the historically inadequate rates and the rates that are actuarially sound given our ability to protect that surplus and by reinsurance and properly pass through that cost of capital, that gap has shortened because the cost structure is coming to us even as we come to the cost structure by taking the 10 percent or less increases that are allowed by law every year. That is all good news, but you will see in your maps that are behind tab two rate hikes in general for the wind only policies in the coastal areas of the state as well. Why is that if the reinsurance costs are so favorable? It is because we have depopulated so significantly in the coastal account. We have actually lost over 100,000 policies in the coastal account in the past 12 to 16 months of depopulation, and that has taken us from a 300,000 policy company down to about 188,000 policies in the coastal account. What that means is that the stuff that is left with us is the stuff that was historically inadequate and where we do have that glide path still operating. There will be much more on a lot of the why's and where we go from here's tomorrow, but now to complete this item I would like to turn it over to Brian Donovan to walk you through the components of the rate filing before we have the public comment and then the action item.

MR. DONOVAN: Good evening, committee members. For the record, my name is Brian Donovan, I am Chief Actuary here at Citizens. If we could open to tab two if you are not already there. As required by statute, Citizens has completed the annual analysis and recommended rates for 2017. What I would like to do is walk you through this packet of information. I am not going to go through the excruciating detail, I am going to kind of keep it kind of a high level to make sure you are aware of the important components and then we can open it up for questions. On this first page here you have seen before, I am not going to get into detail, this first page in this packet outlines all the statutory requirements and all the items that are included in the rate indications. As -- there is only one change I would call out on this page, it is different from prior years and that is the Florida public hurricane model. In prior years we have been required by statute to use the Florida public hurricane model to set the minimum benchmark for the wind rates. On this past legislative session that statute was loosened a bit to where Citizens is, you know, considers that as one of the floor models but it is not required to automatically use it as the minimal benchmark. This really only impacted one line of business which is HO-6, HW-6, and it kind of lowered our indications, we can talk about that when we get there if necessary. So if we could why don't we just go ahead and jump to Exhibit 1. So we are here looking at on Exhibit 1 is a summary of the total uncapped indications and the proposed rate changes by line of business and by account. Last year the, that is first, first we will talk about personal lines and then we will talk about commercial lines. So looking at personal lines, you know, last year the overall uncapped rate indication was 25.5 percent. This year, looking at column 11 in the personal lines section you will see that it is 64.7 percent. That is a huge increase. And before we talk about that I want to kind of remind you how this indication process works. Where applicable we actually do three separate indications for each line of business. We will do a hurricane wind indication, do a sinkhole indication and then we do an all other indication. In prior years, you know, as you might expect the hurricane was the main driver of the indication. From 2010 to 2012, sinkhole was the dominant force there. This year it is neither of those driving that 65 or 64.7 percent, it is, as we all know, water, it is really the water indication. This large increase in the indicator rate from last year to this year is driven by the continued increase in costs associated with water claims on an H-03 policy and to a lesser extent a DP-3 policy. The number of claims within assignment of benefit continues to increase. The reporting lag that is the difference between loss date and report date continues to increase and the number of claims going in litigation continues to increase. Statewide the water cost per policy has increased from around $600 two years ago to around $1,200 this year. So in a two-year span the cost just due to water alone has doubled. So as John mentioned, we do have these policy language changes going into effect 07/01, of this year, and this 64.7 percent actually was lowered in anticipation for the positive benefit from these policy language changes. For example, if you look at just the H0-3 total indicated change is 72.6. Without the policy language changes that indication would have been closer to 100. So we do, even given these policy language changes we have reasonably optimistically adjusted our indication, but we are still, you know, nowhere near solving the problem obviously as we all know. So that is water that is what is causing this issue. I know Barry is going to have a lot to say about tomorrow in his President's report, and I am sure this will be an ongoing discussion for probably years to come for now. You know, I mentioned just to talk about the hurricane impact of this indication. The indicated rate due to the hurricane risk relatively moderate. For example, the indicator rate need for peril wind for homeowners is only 15 percent. This relatively low wind indication is despite the fact that Citizens has again purchased reinsurance that will prevent assessments after a one in 100 year storm. The net cost to reinsurance continues to decline. Last year Citizens transferred $3.9 billion at a net cost of $200 million, this year we transferred $2.5 billion at a net cost of $149 million. This does translate into a lower cost being imputed into the wind indication. Concerning the sinkhole, as a result of Senate Bill 408, the number of newly reported sinkhole claims has continued to decline. In 2011, there was a maximum of 4,500 sinkhole claims reported to Citizens. Each year since that amount has declined. In 2015, there were less than 300 sinkhole claims reported to Citizens. Although there are clear signs that SB 49 has had the intended impact, some of these claims do remain in litigation, the final outcome is not known with certainty. Based on that for the third year in a row we are recommending a zero percent rate change for sinkhole rates. While the overall personal lines indication is 64.7, after application of the glide path the after capping rate impact of these recommended rates is 6.8 percent and the obvious question is, with such a high indication why are we not getting much closer to the maximum 10 percent rate, allowed rate increase. The reason is that there are concentrated pockets of policies with extremely high indications. For example, in southeast Florida there are pockets where the indications are in excess of 150 percent. Those policies will only get a 10 percent increase and there are other areas in the part of the state that have negative rate indications. So in the aggregate after the cap the average rate impact is 6.8. I think it will be, it is worthwhile to remind you, you know, by statute we cap rate increases at 10 percent. To kind of balance that off we, we have been, you know, over the past five or six years we also capped decreases at minus 10 percent. When you put that together that is how we thanked up with the 6.8 percent for personal lines. I think if you look at Exhibit 2 you will see what that kind of translates to and kind of what John had alluded to earlier. This is the multi-peril H0-3 county average rate changes. You know, the blues indicate increases, the darker the blue, the bigger the increase, greens represent decreases, the darker the green the bigger the decrease. You can see it is kind of a checker board across -- across the state there. So that is -- any questions concerning the personal lines rate?

GOVERNOR GARDNER: I have a question or a comment. In talking about the accumulated rate inadequacy, I think we kind of get lost on the fact that we are not really looking at rate adequacy from one year to the next, but in fact we are really looking back quite a long ways and we can only raise rates 10 percent. So I know a couple of years ago we were talking about in the coastal account and South Florida rates being adequate in the area of 60 to 70 percent. So to that end where are we now do you feel like on the March towards rate adequacy? And John, maybe that is a question for you.

MR. ROLLINS: Well, I will just start the response and I think Brian can give you some more detail as well. Our wind only indication is a good barometer of where we are wither insurance costs versus progress on the glide path. So the wind only uncapped indication varies by line of business, but in personal lines hovers around 30 percent. So as you point out, Chairman Gardner, those numbers were higher years ago. But there is two affects going on here. One is the, had we, if we had now the book of policies, the 1.5 million for example, about 400,000 plus of which were coastal account and of those I think maybe 250,000 wind only, if we had that much larger group of policies the indication would be lower and in fact our rates probably would be approaching adequacy on average. The issue here with wind only is that even as our cost structure improves due to the reduction in reinsurance costs and the efforts that Jennifer Montero's team has made with the support of the Board to get that efficiency in the reinsurance program while defraying assessments, what is also happening is the best policies under those scenarios as we work to achieve that are actually being depopulated. Now, a couple or three years ago we did not have depopulation occurring in the coastal account much less wind only policies. Now we have both. We had significant depopulation in the coastal account and within that account much of that actually was wind only policies where the competitively sound rate, if you will, if, whether or not that means the Citizens sound rate, was adequate enough to lure the private market and take those policies. What does that mean for the book that is left is the book that was historically more inadequate. So that is why we still do have some rate inadequacy in the wind only account.

GOVERNOR GARDNER:I hate to put you on the spot, but from an estimate did you say 30 percent?

MR. ROLLINS: Yes, on Exhibit 1, column eight, you will see overall lines of business, personal lines, 30 percent inadequacy in the wind only, but that is, the policies that are left are 30 percent inadequate. What we have are many of our policies have found a happy home.

GOVERNOR GARDNER: Correct.

MR. ROLLINS: In the private market.

GOVERNOR GARDNER: Got it. Thank you.

MR. DONOVAN: I would add this comment to that as well. I mean, you are exactly right, just a few years ago we were at 60 or70 percent and we just put it out it is down to30 percent. This is despite all the depopulation as John said to good policies being taken away, and in addition to that all of the additional reinsurance that we have purchased. So, so it is kind of remarkable that we would fall from 60 to 30 and in addition to that we have depopped and have greatly reduced the assessment risk.

GOVERNOR GARDNER: Got it, thank you.

A VOICE: (@18:20) But isn't it fair to say though that it hasn't been a steady march towards rate adequacy, but in fact been a little bit of an up and down cycle, because if memory serves me correct at the December Board meeting we were much closer to rate adequacy than we are right now.

A VOICE: Yes.

A VOICE: Given both our current situation of depop in the wind only accounts, but in addition to that the non-weather water losses that we are sustaining.

MR. DONOVAN: That is correct. I mean, there are these three components that I just kind of, three major components. What we were just addressing was wind only, we were at60 percent and we are making that progress, we are getting exposure off the bulk of reinsurance and we are getting closer to rate adequacy. But then these other things pop up. A few years ago as, you know, in 2009 through 2012, sinkhole was just blowing up the rate. That problem has been solved. Now we have water that is coming in and blowing up the rate. So you are exactly right. So if you, you really need to almost look at those three components separately to see how we are marching towards actuarial soundness and kind of try to figure out what is the next thing that is going to get in the way and create a speed bump on our path there.

MR. ROLLINS: The only thing that I would add to Brian's comment there is the way I look at this, Governor Aubuchon, I am looking, I am remembering two years ago and I didn't state this in the opening comments, but it is worth repeating. Two years ago this Board was here considering an overall average rate reduction for the entire state, including tri-county, and we were talking about rate decreases for seven to 10, seven out of every 10 Citizens policyholders. If you turn all the way to the back and you need not do this now, but in the back are histograms that show sort of what percentage of Citizens policyholders in each line of business will be getting decreases and increases, so you can actually sort of count the number of people that are getting increases and decreases in our current book. And, of course, that trend has now reversed and if you count it up it is seven out of 10 getting increases, because of particularly the tri-county area having a water problem, but also it is spreading to the other parts of the state. So my benchmark is 2014 when the entire map was green, you know, in the multi-peril policies and we are actually talking about an overall average reduction in rates, and it is frustrating that we have – we approached rate adequacy for the multi-peril policies two years ago and now it is receding.

CHAIRMAN HENDERSON: John, let's start off with the aspect of the adverse selection maybe commenting on that, because we have had, you know, so many take-out companies, worded whites, they take out policies and probably ultimately they only took out maybe a third of those or maybe a quarter or maybe less than half. And it seems like that as that time goes on there is even a lower percentage there. So the risk that Citizens now has certainly are those that have been picked through, if you will, maybe that word is not exactly appropriate, but in fact, we have had the adverse selection of those risks that other carriers would deem to be more protective, you know, or maybe better construction, or a better location. I will take those out and you take those that remain that we think are more in harm's way and more risk. So I guess are we trying to develop rates really to cover now exposures we have which is overall less than what we had five years ago?

MR. ROLLINS: I would say yes, yes, Chairman Henderson. I would temper my remarks as follows. In the multi-peril account I think it is less of a factor than it is in the wind only and those coastal policies because there are two things going on at once. One is depopulation, as you pointed out which leads us, what does that mean for a multi-peril policy? Typically an older home, a home with a lower Coverage A value, a home that is in a more exposed location, definitely. But the real driver of the cost trends in multi-peril is not that the mix of business has changed so much as the cost trends have applied to that entire book of business. So we are, the issue is not that the required premium is changing for that mix of business, the issue is that the cost structure is exploding across the board and when I say across the board, I do mean primarily water, but I mean it is applying to newer homes as well as older homes. So no matter what type of home you look at as far as the particular Citizens' policy you can slice and dice this and we did in our AOB white paper and the OIR did this as well when they looked at AOB loss trends by age of homes and some other things in their white paper and no matter which way you slice it you have an increase in water claim frequency and average cost, no matter what, no matter what profile a customer profile you look at.

CHAIRMAN HENDERSON: Thank you.

MR. DONOVAN: Concerning commercial lines. Commercial lines is basically behaving as we expected. Out commercial lines overall indication is 46.8. Last year it was 58.3. The unlike personal lines, these results are primarily driven by wind and it is the historically inadequate rates that are doing it and it is really the wind only on policies in the coastal account. For example, if you look in the middle on the page in the commercial lines section and you look at column eight you will see that for the wind only commercial policies that is 60.5 percent rate indication, and as I said, that is just rates have always been historically inadequate there. And then also the commercial lines in the past few years has been impacted by the depopulation where the more desirable risks were taken out. And so these high indications are not a surprise and we do expect them to continue on for the next several years at least. You know, the multi-peril commercial stuff is behaving, you know, as expected overall indication 12.5, the proposed rate change of 4.1. So putting all that together the commercial indication, the 46.8 after we do the capping we end up a nine percent. So that, any questions concerning commercial lines? That ends my presentation.

CHAIRMAN HENDERSON: Thank you. Yes, perhaps read that and put it before the committee and then we will open the floor for requests to speak.

MR. ROLLINS: Thank you, Mr. Chairman. The action item is behind tab two as well, and it is the annual recommended rate filing action item. As required by statute we have completed our annual analysis and presented it to you. We do need approval from the Board to file these recommended rates to the Office of Insurance Regulation so that they can establish our rates for 2017.Citizens staff recommends that the Actuarial and Underwriting Committee, A, approve and recommend that Citizens Board approve the 2017 annual recommended rate filings. And part B, upon Board approval the presented rate changes will be filed with the Office of Insurance Regulation for their establishment of our rates.

CHAIRMAN HENDERSON: You have read the motion. Do I hear a motion for approval? Thank you on -- before we get to a vote, the motion is on the floor, and before that we do have a request to speak. So Steve, if you would identify yourself and by good order you –

A VOICE: Yes.

CHAIRMAN HENDERSON: Please do, either -welcome.

MR. RUSS: Thank you, Chairman Henderson, Commissioners, I am Steve Russ, I am the Vice President of Firm Fair Insurance Rates for Monroe County. And I just had the opportunity to stop here, I was on a road trip and coincidentally your meetings and my trip coincided which was great. The other day I stopped in Daytona on that trip and had a chance to visit some old friends who I have known from Key West for 20 years. She is a nurse, he works in an electrical repair operation down in Key West, or did. A few years ago they managed to buy a house which had been their dream for years and years and years, and as their insurance rates gradually increased, that house became unaffordable for them and now they are living in Daytona. And that is I think unfortunately an example of many other cases that are happening down in Monroe County where insurance is being a primary driver of inability to afford workforce housing and contributing to an immense work force turnover problem. I know that we have in Monroe County paid in to Citizens over the last 20 years $1.6billion more in premiums than we have taken out in claims. We pay the highest rates in the state, and as our actuarial friends know here, If you run the hurricane models for Monroe County the four miles that we have data for, you can go anywhere from basically a $20 million annual loss to up to a $50 million annual loss in $10 million steps in the four models. So there is a great degree of uncertainty about what the risk really is and we continue to work with your staff to try and find solutions to that problem, whether it be depopulation, better models, better understanding of the interaction of storm surge and wind and the impact of that on the reduction and Citizens obligations to cover damages because the National Flood Insurance program picks them up. So in any case we are working with your staff to try and find a solution that really allows Citizens to provide an affordable product in the Keys and hopefully will give our homeowners some opportunity to plan and live and work in an environment that frankly requires nurses and teachers and policemen and firemen, and if we drive them all out we are going to be in a world of hurt. Thank you for your time.

CHAIRMAN HENDERSON: Thank you, Steve. Any follow up, any comments really from staff?

MR. ROLLINS: Only one, Chairman Henderson. And that is in a variety of roles over the last decade I have worked with Firm as well, from their founding until now and all of us at Citizens, as Mr. Russ said, we are, you know, working at a staff level with Firm to try and identify individual solutions, you know, to their problems, which are the thorniest property insurance problems in the state. You know, the original wind pool was designed to cover Monroe County in the '70s.So, you know, this is -- their property insurance affordable has been challenged for some time. Fortunately we have a couple of things breaking our way in terms of our ability to dialogue with them and perhaps come up with some new solutions. And one of them is just our leadership here on the Board in the form of not only all of you, but Governor Bette Brown who unfortunately is in the air right now but she will be here tomorrow to engage I think this conversation directly. Governor Brown has many things in abundance, some of which are roots in Monroe County as she really understands it and has lived there most of her adult life. She has a commitment to solutions, and finally she has a lot of good ideas, you know.

She is a very, very quick study regarding the insurance issues in Monroe. So I do think we have had an opportunity particularly under our governance and leadership right now to kind of advance the ball with Firm on some solutions. Another thing I will point out we just talked about depopulation, what is maybe a little less advertised than some of the other depop statistics is that we of have had some private insurers, seven or eight that I know ever come in and write several thousand policies in Monroe County over the past year or two. So that obviously raises a question, why are they finding these policies attractive and can we get them to do more of it. So there are some angles to the Monroe County insurance affordability problem that I think are worth pursuing and we have exactly the right leadership in place with the right passion to pursue right now, and maybe we can look at this less as a zero some gain of premium, some losses and more as an opportunity gain for consumers in the future to not only look at Citizens' rates and see what we can tweak to make them affordable in the right pockets for Monroe and to deal with the challenging actuarial as well as challenging demographic issues with teachers and firefighters living next to the second homeowners. There are also to maybe bring some private market options and just simply more insurance options to those consumers other than just Citizens. So I think there is a long way to go, but the timing is (@32:35) and I am glad to hear from Mr. Russ.

CHAIRMAN HENDERSON: Steve, any follow up comment?

MR. RUSS: I appreciate, I appreciate the funding you have gotten from doing some of the research. Thank you.

CHAIRMAN HENDERSON: Thank you. Mr. Chairman.

GOVERNOR GARDNER: I move to approve.

GOVERNOR AUBUCHON: Second.

CHAIRMAN HENDERSON: All those in favor, Aye.

(Chorus of ayes.)

CHAIRMAN HENDERSON: Opposed, all those opposed? We will note that Bette was not here and she will have an opportunity really at the Board meeting tomorrow to really likely cover some of the points, Steve, from you and, as a resident to cover. I think the Citizens, you know, is the Eagle really for the state of Florida and I think with passion and thought that we all want to make sure that no one local is carrying the weight of others in the state. We, I think we can only look to some of our panhandle counties that they get perhaps a little perturbed that they feel like they are supporting elsewhere. So I am not, I am not addressing (@33:52inaudible) of that but something about, about the view of it, but -- but your input is well received, thank you for taking the time to represent your neighbors and friends.

A VOICE: (@34:11) Mr. Chairman, if I may make some comments? You know, I look at this from a couple of perspectives, when I was in the Florida House one of my primary objectives was the advancement of affordable housing in our state, and in particular work force housing as well. And in sitting as Chair of the Claims Committee I am seeing the effects of the really fraud and abuse coming out of the tri-county area that is beginning to spread statewide in the non-weather water claims. And, yes, non-weather water claims. And you know, we are doing all we can as an organization to reduce our costs and therefore be able to pass savings along to consumers, and yet we have this fraud and abuse that we are only able to sort of nibble away at the edges with some policy language changes and so forth. We really need the help of the Legislature, and in order to raise this to the level of getting their attention the way sinkhole got their attention, it is going to take a broad constituency to appeal to the Legislature for reform. And for the last three years we just haven't -- we haven't attacked it with a broad enough brush to be able to bring so many stakeholders to the table. But it is so important that we do that this coming legislative session or we are going to be forced by statute to continue to raise rates. I don't think there is a person voting today that wanted to do this, but we have a statutory obligation to do that, and until we get the help from the Legislature that we require to address the abuse we are going to be forced to do this in the future. Thank you, Mr. Chairman.

CHAIRMAN HENDERSON: Good comments. Any other comments? There being none, is there any new business or announcements?

3. Action Item – Product Changes – Commercial Lines

MR. ROLLINS: Mr. Chairman, if it please the committee, we do have one other item for you that is listed behind tab three that does require action.

CHAIRMAN HENDERSON: Thank you, John, I guess it is the product changes.

MR. ROLLINS: And for that I would like to turn a brief description over to Karen Holt, our Senior Director of product development for a minor change we are requesting authorization to file in commercial lines.

MS. HOLT: Good evening. For the record this is Karen Holt. We have two product changes for commercial lines that we are bringing forward for consideration. As a result of the ongoing review of underwriting rules Citizens staff recommends these two changes be included with the annual rate and rule filings. The first item affects our commercial and non-residential multi-peril program. This program currently includes inspection fees that are charged for each building. The current fee is $150 for the first building and $75 for each additional building. These fees are not charged in any other Citizens commercial programs, and in order to improve consistency we recommend that this fee be eliminated. Are there any questions on that item?

CHAIRMAN HENDERSON: Any questions?

MS. HOLT: The second item impacts the commercial non-residential wind program. Citizens' current programs include codes used to identify specific types of business occupancy for each risk. The codes within this commercial non-residential wind program are limited and do not adequately distinguish all eligible occupancies. Staff recommends amending the classification codes to add additional business occupancy types supporting more specific and detail policy data. And to be very clear we are not expanding or we are not recommending that we expand eligibility. We are adding, we have currently about 350 codes. We recommend adding approximately 40 to better define the current lists that we have. We just want to improve the data. Any questions on that. Okay. And I will read the recommendation. Citizens' staff recommends that the Actuarial and Underwriting Committee approve and recommend Citizens' Board approve the items proposed above to modify the current commercial lines rules, to remove the inspection fee for the commercial and non-residential multi-peril program and to amend available business occupancy types with more detailed policy data in the commercial non-residential wind program. Upon appropriate, upon approval appropriate underwriting rule changes will be filed with the Office of Insurance Regulation and the necessary system updates will be implemented.

GOVERNOR GARDNER: Move to approve.

GOVERNOR AUBUCHON: Second.

CHAIRMAN HENDERSON: All those in favor, aye.

GOVERNOR GARDNER: Aye.

GOVERNOR AUBUCHON: Aye.

GOVERNOR STRAUSS: Aye.

CHAIRMAN HENDERSON: Passed, thank you. We will move then to the last I want to go back, I understand that Governor Brown may be on the phone now with us, is that correct?

GOVERNOR BROWN: I am on the phone, I just joined the call.

CHAIRMAN HENDERSON: Bette, welcome and we apologize for the airline. I have been there, it is no fun. But one of your neighbors is here, has spoken to us. Steve is from the Keys and has asked us to, you know, look, you know, further at -- at rate structure in the Keys and elsewhere in terms of fairness, and I think there is a communication with the staff here to do that. It is an ongoing effort, needs to continue, I believe it will, but I didn't know if you had any particular, any comments or anything you would like to add to that.

GOVERNOR BROWN: Well, there is concern and I have met with the actuarial group and with (@40:01) to see if we could find some, some relief and I think that is going to be the mission for the next year that we will get help in our coastal areas need, but they are still affected by -- by the cost of insurance that really runs the affordable housing issue to the (@40:37) and I hear him and want to talk to him more about that. We will work on it.

CHAIRMAN HENDERSON: Great, well, thank you, Bette, and we will -- I will plan to see you tomorrow.

GOVERNOR BROWN: Yes, and honestly, I – I am very apologetic that I missed this meeting. It was very, very important, the most important it is very upsetting that the airlines were not cooperative.

CHAIRMAN HENDERSON: Thank you.

GOVERNOR BROWN: All right, thank you.

CHAIRMAN HENDERSON: Great. Well, since I don't have another item I can jump over – I was trying to get us out of here. So really any new business or announcements? There being none a motion for adjourn?

GOVERNOR GARDNER: So moved.

GOVERNOR AUBUCHON: Second.

CHAIRMAN HENDERSON: Thank you very much, and thank you for the late hour of being here.

(Whereupon, the meeting was adjourned.)