

Market Accountability Advisory Committee December Minutes

ACTION ITEM

New Contract

Contract Amendment

Other - Committee Minutes

CONSENT ITEM

Contract Amendment

Existing Contract Extension

Existing Contract Additional Spend

Previous Board Approval _____

Other _____

Action Items: Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

Move forward as Consent: This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

Consent Items: Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

Item Description	Market Accountability Advisory Committee Meeting Minutes December 8, 2021
Purpose/Scope	Review of the December 8, 2021 Market Accountability Advisory Committee Meeting Minutes to provide opportunity for corrections and historical accuracy.
Contract ID	N/A
Budgeted Item	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No - Not applicable
Procurement Method	N/A
Contract Amount	N/A
Contract Terms	N/A
Committee Recommendation	Staff recommends the review and approval of the December 8, 2021 Market Accountability Advisory Committee Meeting minutes.
Contacts	Kelly Booten, Chief Operating Officer

CITIZENS PROPERTY INSURANCE CORPORATION

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

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

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

Dave Newell, Chair
Allen McGlynn
Brian Hodgers
Greg Rokeh
Lee Gorodetsky

Lissette Perez
Michelle Burkett
Obdulio Piedra
Phil Zelman
Steve Roddenberry

The following Citizens staff members were present telephonically:

Barbara Walker
Barry Gilway
Bonnie Gilliland
Carl Rockman
Christine Ashburn
David Woodruff
Eric Addison
Jay Adams

Jennifer Dilmore
Jeremy Pope
Kelly Booten
Ray Norris
Scott Crozier
Tim Cerio
Wendy Perry

Call Meeting to Order

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

Welcome everybody to today's Market Accountability Advisory Committee meeting on Wednesday, December 8th. Thank you all for being here this morning. We'll run through the agenda, but first before we approve the meeting minutes, I wanted to do a couple housekeeping items that I neglected to do, maybe the last time we met.

I want to welcome Michelle Burkett who's representing ASI/Progressive. Mandy Dawson was previously on the committee representing that group. She's moved on and Michelle has replaced her on the Committee. So, welcome Michelle.

We've had a couple other changes, as well. Florida Bankers Association - many of you knew Kurt Lewin who'd been on this group for a long time and knew him in other capacities. Kurt's time has expired, and he's been replaced by Obdulio Piedra. Welcome, sir. We look forward to working with you on this Committee.

Next, we had a Consumer Advocate position. Kenn Norberg, down in South Florida, was our representative for that group. Kenn has moved on and so we're welcoming Brian Hodgers to be our Consumer Representative on the MAAC Committee.

Last, but not least, we understand that our friend and colleague, and certainly somebody who's been the voice of reason over the years on this Committee and many other Citizens Committees, Phil Zelman. Phil's term is about to expire, and we won't meet again before that occurs, so I want to thank Phil for all of his years of service and dedication to this Committee and the insurance industry. I thought it would be, if it's okay for you all, to let Phil say a few words as he winds down, at least for this Committee. Certainly, he's going to stay active in the industry, but at least for this committee. Phil, if you don't mind, if you want to...

Phil Zelman: No, that's fine, Dave. I appreciate the time. I've been on this Committee through numerous changes in Citizens, the highs, the lows. Personally, I think the best thing that happened was Barry Gilway. He really has brought a lot of expertise and has sort of paved the way for the entire Citizens to function. It's been a long time; I think it's somewhere, maybe around 15 years that I've sat on the Committee. Thank you for giving me that availability and I know that my replacement you'll enjoy dealing with.

Chairman Newell: All right, good. Thanks, Phil. Really appreciate it and I'm sure we'll see you at other events. So, with that...

Barry Gilway: Mr. Chairman?

Chairman Newell: Yep. Go ahead, Barry.

Barry Gilway: Mr. Chairman, one comment. Phil, I hope you don't mind that I recorded your comments for posterity, so I sincerely appreciate that. I do want to add to what Dave said. I can't tell you how much we appreciate all of your input. You have been so active in this, you've provided so much advice, and you really have been so responsible for the journey that we've taken over the last several years. Speaking from my perspective and Citizens, we just simply can't thank you enough for your participation and all your help and advice. So, thank you, sir.

Phil Zelman: I appreciate that, Barry.

Chairman Newell: All right, any other comments? I guess we'll do that at the beginning. Any other comments about Phil's involvement with our group? Greg's been around a long time. Greg, any comments about Phil?

Greg Rokeh: Well, I think we are the last two original appointees, I believe, to the Committee, if I remember correctly from back when it was first started. Phil, you and I have been at these meetings, yeah 15, 15+ years or so. I learned a tremendous amount from you. Not being in the insurance business, especially in the early years when I knew nothing about what was going on here, you were a great source of information, and I've always appreciated your assistance and your helpfulness to me over the years.

Phil Zelman: So, Greg, I actually replaced Carol Everhart, who had become a board member. She was probably on this committee for a year or two. So yeah, we've been here a long time.

Chairman Newell: Alright. Well, thanks everyone.

Kelly Booten: I just want to thank you from a staff perspective. Thank you, Phil. Your expertise has been tremendously helpful to all of us. Thank you.

Phil Zelman: Thank you, Kelly.

1. Approval of Prior Meeting's Minutes

Chairman Newell: All right, folks. Let's turn to tab one, the approval of the prior meeting minutes from September 8, 2021. Do I hear a motion to approve those minutes?

Lee Gorodetsky made a motion to approve the September 8, 2021, Market Accountability Advisory Committee (MAAC) Minutes. Brian Hodgers seconded the motion. The minutes were unanimously approved.

2. 2022 Legislative Update

Chairman Newell: Behind tab two we're going to welcome our friend, Christine Ashburn, to talk about the 2022 Legislative Session. For those that don't know, session's early this year, it begins in January. So, a lot of activity over the last few months here in Tallahassee. Certainly, Christine will join us and give us an update from Citizens' perspective. Welcome, Christine.

Christine Ashburn: Good morning. Thank you, Chairman Newell. And yes, as Chairman Newell said, the session does start early and that is why I'm actually providing you a verbal update. As you know, things are changing constantly. Legislature did wrap up what we call Interim Committee Weeks last week. They've gone home to their families for the holidays and will return with Session starting on January 11. We did have a recent COVID special session that really kind of took over the last real committee week, so we didn't see any real activity on your typical issues other than the COVID issues that I'm sure all of you have read about in the newspaper.

This is an interesting year. Obviously, next year is an election year, that always matters, but what makes this a unique election year is, due to the census results, we are required, like every other State, to do redistricting based on where the population changes have been. That always, as you can imagine, takes up a lot of bandwidth because it impacts every legislator sitting in the 160 seats, 40 in the Senate, 120 in the House. There could be population growth that makes one district shrink or another district grow. We do also have one additional Congressional seat being added to Florida because of our population growth. So, all of that will play into everything that goes on during the session. It is not really a lobbying, special interest issue, although there are lobbyists that work in that space, it is a member driven issue that must be done constitutionally by the end of this session.

Of course, the other constitutional item that the legislature is required to accomplish each year is to pass a balanced budget. Thankfully, Florida's economy is doing well. I don't think the budget's going to be one of those contentious items where we have to make cuts and we see things due to the leadership of Governor DeSantis and CFO Patronis and other State leaders. Our state is doing well, as I'm sure all of you know, as residents of our great state.

So far, there are 900 general bills filed, and just on average, just so you're aware, we track about 100-125 bills a year. That's not all insurance related but you think about it, we're also running a government entity which also acts as a business as it relates to Workers Comp and all of those types of items. We also always follow what's going on in the commercial space and the

condo association world which, of course, with the Surfside tragedy at Champlain Towers, will be a major issue this session.

Right now, there are a couple of bills filed that do impact Citizens. One is what we call the Insurance Omnibus bill. That bill has been filed by Senator Keith Perry, and Representative Tommy Gregory, I believe, is carrying it in the House. There are a lot of what will be called "clean up items". We, as an industry, try to keep that bill non-controversial. There is a Citizen-specific item in that bill that was also in the bill last year that did not pass that would allow Citizens a little more flexibility as it relates to occupancy and short-term rental usage on wind-only for commercial residential with condo unit owners. Our current statute tracks the old CAT Fund rule, Florida hurricane catastrophe fund rule for coverage in that space. The CAT Fund rule has been relaxed since then, so this language would free us up to consider CAT Fund rule changes in the future as opposed to locking us into an occupancy and usage standard of short-term rentals, for wind-only. Again, not a liability issue, we're just really talking wind here.

Senator Jeff Brandes has also filed a similar bill to his bill last year, Senate Bill 186. It creates just a couple of items that I think are worth noting. It does create a tiered policyholder surcharge based on total policy count that would require that the Citizens policyholder surcharge by account, which right now is 15, 15, and 15, would increase incrementally as our policy counts increase. That was also in his bill last year. It defines primary residence for purposes of Citizens, and I'll explain why that matters in a minute. I would say now that it provides at renewal non-primary resident customers aren't eligible to remain with Citizens if they have an offer of coverage within 20% of Citizens' renewal in the Clearinghouse. As you guys all are aware now, the new business threshold for Citizens was just changed in Senate Bill 76 from 15% to 20%. The Clearinghouse renewal threshold currently sits at zero. So, if you have an offer of coverage from a private market carrier that's one dollar more than Citizens, you can choose to stay with Citizens, you are not deemed ineligible. This bill actually focuses only on non-primary residence, but as many of you are aware, and I'll get to this in a minute, the Board approach on this concept that they talked about in September, actually, we would like to see that threshold changed to be consistent for renewal customers to 20% for all renewal business regardless of occupancy type.

It also allows surplus lines carriers in his bill to participate in take outs and keep outs with certain surplus standards. I think what many people would tell you is that language makes surplus carriers that want to participate in the depop function a lot more like an admitted carrier to be eligible for that book of business. I think those are the key concepts.

What it does not include that I think is important to just note that was in the bill last year, last year the bill defined primary residence and wanted to treat customers differently based on rates. Senator Brandis wanted to pursue a new business rate for non-primary residences. That language was not included in this bill. I just wanted to kind of point out that big difference.

On to where we are on the Citizens side with Citizens specific agenda, which is, as I just mentioned, turning Clearinghouse renewal into treating everyone the same whether we're entering or exiting. If you're coming in the front door and the threshold is 20, it seems reasonable that if you are getting a Clearinghouse renewal, the threshold should be the same. You shouldn't get to stay if the offer you get is within 20%. Similarly, right now for depopulation, the threshold is whatever you want. The law allows customers to reject all offers no matter the

price. So, you can have a comparable covered offer from depopulation that is cheaper than the Citizens premium at renewal, and you can choose to stay.

As you all know, we've talked about this and for the new members it's been in the media, we are growing at an unprecedented pace. We know the market is restrictive. We know a lot of it is because there's not availability, it isn't necessarily pricing, but pricing does make a difference. We would like to see consistency across all places, so 20% for new business, 20% for renewal business in the Clearinghouse, and 20% threshold for depopulation. Of course, we can't require any consumer to accept an offer from a certain carrier, but we certainly can have the legislature tell us that we can deem them ineligible to remain with Citizens.

The only other small thing I would mention, Chairman Newell, is that all of us, and I take responsibility for this just like everyone else, we were so focused on all of the other parts of Senate Bill 76 last year, when we changed the new business threshold for eligibility, we actually only changed it for personal lines residential. Commercial is in a different paragraph, and it was literally the changing of a number, and so, as you can imagine, and I'm talking internal House and Senate staff, Citizens staff, the lobbying industry, all of us were like, how did we all miss it. So, that is something we would like to see made more consistent along with what we did already in personal lines.

As it relates to bill filings, we do have the Senator Brandis bill that could be a vehicle to include some of our concepts. We've met with Chairman Boyd and others, and Senate staff, and there seems to be interest in doing something on Citizens. I do think the ease of messaging on the consistency is resonating in the House. We're having great meetings, as well. We've got members who are interested in filing the bill and want to work with us. I think that some other folks have got some other ideas that we might see included. It is my hope and belief that we will have a stand-alone Citizens Bill in both the Senate and the House.

Of course, as all of you know, the roof problem is a significant issue still in Florida. Chairman Boyd has talked about it on panels, he's talked about it in committee, in the press, and while the roof problem has not historically been a Citizens problem because we didn't write in those areas of the state, we are growing like gangbusters in those areas of the state, so the roofing issue, the roof fraud, and lawsuit game is becoming a more relevant Citizens' issue. Based on Chairman Boyd's' comments, there seems to be interest, at least by him as the Chair of Banking and Insurance, to take another stab at something on roofs and maybe some other ancillary items that could help this market.

Just as an aside, Chairman Newell, and then I'll conclude, and I think Barry will say this at the board. When we talk to potential investors, Kelly, me, Barry, Tim Cerio, Jennifer Montero when she's meeting with reinsurers, the number one barrier to entry that we're hearing, right now, from new capital coming into Florida is the depopulation opt out. I know Carl provides great data to this Committee on all of that, but right now it's really hard to build a business plan, if you don't know what you're going to get, right? If you can't plan based on rate, who's going to take the offer? Right now, I think, Kelly correct me if I'm wrong or Carl, I believe, on average, about 15% of those policies that are tagged for takeout and receive an offer actually accept, is that right Kelly?

Kelly Booten: Correct. 15%.

Christine Ashburn: Yeah, and we've got some great data that I think we want to get ready for you all in a future meeting, and you'll see us use legislatively, Kelly, that shows that, and while our rates are getting worse not better, as it relates to the 20%, that if we had had the 20% in place, it would have had a significant effect in past depop and could, hopefully, help going forward.

With that, I'll conclude. If there are any questions for me or Kelly on data, I'm happy to answer them.

Chairman Newell: All right, thanks Christine. Any questions for Christine about some of the things that are being contemplated in the legislature for Citizens? Well, that's a first, Christine.

Christine Ashburn: Great. Thank you.

Chairman Newell: Excellent report, so thank you. I'm sure you'll stick around if there's other questions that may come up on other things, so thanks.

Christine Ashburn: Absolutely. I'll be with you for the full agenda. Thank you.

Chairman Newell: All right. Let's turn to Scott Crozier who's going to bring us an update on the Inspection Program. Certainly, many of you have probably seen the Bulletin, some probably not since you're not an agent, but there's been a lot of activity in and around inspections, Scott. So, welcome.

3. Inspections Program Update

Scott Crozier: Thank you. Good morning, Chairman Newell and Committee members. For the record, I'm Scott Crozier, Vice President of Underwriting and Product Development.

On the next slide you'll see the contents of what we're going to discuss. This is going to be personal lines focused as most significant changes we're making in our inspection approach pertain to personal lines.

On the next slide you'll see our Underwriting Guidelines. These are the words that are both our Manual and our Application that support Citizens' right to inspect.

On the next slide we will talk about the Admitted Market Intelligence. We conducted research on sixteen private market insurers and here's what we found regarding their inspection approaches. Overall, most inspect about 90-100% of their new business, and roughly 20% of their existing business, an annual basis.

Next, we're going to look at the Residual Market. I'd like to thank PIPSO for their assistance compiling this information you see in the chart. If you look at the 2020 Earned Premium, which is the second column from the left, you'll see, as many of you are probably well aware, that Florida is a significantly larger residual market than most other states in the country. Generally, the inspection program Citizens has is consistent with other residual property insurance carriers' approaches. Next slide.

Historically, you'll see the numbers of what we inspected at Citizens, and just to be clear, these numbers do not include four-point inspections, wind loss mitigation inspections, and similar inspections that consumers provide us to help meet insurability or to qualify for premium discounts. These are just the ones that Citizens orders.

For 2021, we are on pace to conduct 21,000 inspections, which is a bit of an increase over the last several years, but you'll see it pales in comparison to what we'll be doing starting next year. Finally, the bottom half of the slide you'll see the criteria that we generally use when we're selecting which risks to inspect.

On the next slide is our plan. This slide summarizes the holistic inspection approach that we're going to use the next four years. What you'll see in the chart is essentially our planning figures that were presented to the Board of Governors and approved by them back in September. The columns from left to right, the year for each of the next four years, then the percentage of new business. You'll see for 2022 we are planning on inspecting 13.3% of all our new business. That translates into the inspection volume which, next year, will be just over 39,000 policies. To the right of that, the percentage of our policies-in-force, so those will be inspections that will occur mid-term or prior to renewal offers going out, and we're going to do just under 7% of those, which should translate to almost 61,000 policies for a total volume in 2022 of 100,000 inspections. By 2025, that will ramp up to almost 360,000 inspections, and over the four years we're looking at about 876,000 inspections to be conducted. As we just discussed, we are planning on doing 21,000 inspections in 2021, so you'll see that 100,000 next year up to 357,000 in 2025 will represent a rather significant increase.

I do want to throw one caveat out. When you look at the percentages for both new business and policies-in-force, that's what we're going to aim for. These numbers are predicated off forecasts into the future. Given the market volatility these numbers could go down, unfortunately, they're more than likely, at least for the next year or so, to go up, so we may end up actually conducting more than 100,000 inspections in 2022¹. Next slide.

The reason for these inspections, essentially, will be the benefits. We're going to look to reduce loss frequency via inspections that are done during the 90-day discovery period for any new business that we receive, and we will also be doing it prior to renewals so we will plan on having an impact on loss frequency. We are also going to do it to ensure the premium that we're charging is appropriate and, finally, to reduce exposure. So, the first sub-bullet, it has an overlap with loss frequency where if we find through our inspections that a risk is not eligible for insurance with Citizens, that will either be declined, cancelled, or non-renewed. Christine was just mentioning with takeout carriers, part of our assumption program, we've met with - multiple takeout carriers and we have discovered that there is a lot of interest from them to have accurate and a relatively recent inspection to encourage them to want to assume more policies from Citizens. So, we think we could end up taking out anywhere from \$358-\$716 million dollars a year in total insured value by having inspections and getting that additional lift for the policies that are assumed. Next slide.

This is what we just discussed so, pending any questions, that concludes my presentation on what our plan is for the next four years with our holistic inspection approach.

¹ Verbatim correction: Stated as 2021.

Chairman Newell: Thanks, Scott. Very good report. I see Phil has raised his hand, so Phil, do you have a question for Scott?

Phil Zelman: Scott, good morning.

Scott Crozier: Good morning, Phil.

Phil Zelman: Talking about the inspection companies, are these the same companies that are doing the four point and mitigation for us currently or these totally different companies?

Scott Crozier: Right now, with the four points that consumers provide us, they're able to go to any company they want to contract with to have an inspection done. We did a solicitation about a year ago and there were six vendors total that were selected on the personal lines side to represent Citizens, so we're working with them to schedule it and make sure they can meet the expected demand that we anticipate in 2022 and beyond.

We are continuing to look at some technology, as well, and I did skip over this part, to gain some efficiencies. We're going to look at things like virtual inspections, whether that be a do-it-yourself with a smartphone or smart tablet, possibly looking at aerial imagery and third-party data to help us, not only with scalability, but with efficiencies both as far as costs and just being able to automate more of what we do. We're also going to be working with these six vendors to map their inspection results into our system so it gets into PolicyCenter® and there will be much less manual work. At some point, we are anticipating we will be able to gain some efficiencies with the system, PolicyCenter® actually telling us what our underwriters need to look at it and what can just go straight through to file. And then finally, we're also going to look at things like predictive modeling to help us with which risk we're going to inspect for both new business and renewal and which inspection companies to have conduct those inspections.

I got a little bit off on a tangent there, but did that answer your question regarding the inspection companies themselves?

Phil Zelman: Yes, it did. I have one more question and it's dealing with the roofs. This is something that's come up, year in and year out. I know, now, a shingle roof is only good for 15 years, or up to 15 years. When you go to put a new shingle roof on, your roofing people are telling you, no, they're good for 20 to 25 years, and we get caught in the middle.

Scott Crozier: Right.

Phil Zelman: So, that's something I think you need to be aware of, and it really depends on the quality of the of the installation more so than the quality of the shingle.

Scott Crozier: Right.

Phil Zelman: So how do you determine if I have a 15-year-old roof, and my roofer is telling me it's like brand new, and all of sudden Citizen says well, it's 15 years old, we want to get off it? All those situations, case by case or...?

Scott Crozier: Certainly, case by case we are always willing to take a closer look and make exceptions. As you've already alluded to, there are multiple factors, with installation being a key

part. Also, the quality of the inspection. Not all three tabs and not all architectural shingles are created equally. Some of them do actually last longer. Then you get environmental factors like how much sun are they getting, or shade, are there leaves and other debris falling on the top that are helping erode it. So, there's a lot that can go into it and our underwriters will absolutely take a look at the condition, as well as the age, to see how much lifting or granular loss there may be rendering a decision on whether or not we can stay with the risk. As I mentioned earlier with aerial imagery, one of the things we are looking into is the ability to use that aerial imagery to help us discern where there are patches on the roof that may have concerns versus roofs that are in good shape regardless of the age. We continue to leverage third party data and property appraiser sites just to check to see when permits have been pulled to help validate whether a roof has been replaced recently.

Phil Zelman: Which means, after we sell the first policy, we're going to have to continue selling the policy to the client, year in and year out, depending upon these reports.

Scott Crozier: When you say, "the reports", Phil, are you talking about the inspections themselves?

Phil Zelman: The inspections themselves.

Scott Crozier: We will not be inspecting, or we do not currently have plans to inspect a risk every single year. We would be looking to do this probably once every three years to once every five years, depending on the risk, to see what the overall condition of the home is and whether there are any concerns. When it comes to the roof right now, our rules will allow for up to three years of remaining useful life on it at which point underwriting would follow up three years later to see if there had been any changes or to look to see whether or not the risk is still acceptable.

Phil Zelman: Okay. Thank you.

Scott Crozier: You're welcome.

Chairman Newell: I saw Lissette raise her hand earlier. Lissette, you still with us?

Lissette Perez: I am. I have a question.

Chairman Newell: Okay.

Lissette Perez: Hi, Scott, good morning.

Scott Crozier: Hi. Good morning, Lissette. Good to see you again.

Lissette Perez: Good to see you, Scott. Question, can you tell us how these policies are being selected for inspection? What determines what's going to be inspected and what isn't?

Scott Crozier: On one of the slides, I showed some of the criteria. It can be location, prior losses, there are various things we're using. We are looking to incorporate predictive modeling to help us optimize it. It's not just best practices from our underwriting experience. Obviously, if we hear from our Claims peers on some losses, and if they don't have proof of repairs, we will often go out and inspect those, as well. So, there are various reasons when and why we inspect

a risk, and we are looking right now to improve those and, most importantly, to measure, to make sure that we are getting the results when it comes to loss frequency, premium accuracy, and exposure reduction. Is that granular enough for you, Lissette, or...?

Lissette Perez: Not really, but I'll take it for now.

Scott Crozier: If there's anything specific, please feel free to call or send me an email. I'll be happy to help.

Lissette Perez: My next question is, are we going to be able to have access to copies of these inspections?

Scott Crozier: You would have them within PolicyCenter® so you can see what the results are. So, yes.

Lissette Perez: Are we able to share those with the insureds if we needed to?

Scott Crozier: We typically do not do that, but that is a topic that we're going to have at a meeting later this afternoon, actually, to discuss some of that. So, at the moment, we don't normally allow that to occur, but I will let you know if we change that position.

Lissette Perez: Okay because that'll help. It's like you're requesting additional information or wanting to not renew the policy. It's something that would help us as agents show the insured this is the reason why you're going to be non-renewed, or how Citizens sees this. I didn't ask, but somewhere along the line are you going to be charging the customers for these inspections? Is that built in? Is it, is it...?

Scott Crozier: At the moment, all the inspections we do are at Citizens' cost, so it's just part of our normal underwriting expenses.

Lissette Perez: Alright. Thanks, Scott. Appreciate It.

Scott Crozier: You're welcome, Lissette. I see a couple other hands, Chairman Newell, shall I?

Chairman Newell: Yeah. Go ahead and call on them. I'm not seeing them but go ahead.

Scott Crozier: Okay, Lee, do you have any questions? Then I'll go to Brian next.

Lee Gorodetsky: Yeah, thank you, Scott. I appreciate your candid information. This question is a little bit off color. I like all the things you're doing, but I'm wondering how all of this is going to affect the replacement cost estimator with your depopulating and the reinspections because we've had a lot of cases recently, where I have one in particular, and I was talking to Dave about this, I believe, or someone about this, that their policy with Citizens was cancelled for claims. We were told we could rewrite it as a DP1, but then, of course, when we did the RCE, their policy was insured for 550, but the new one put it over 700, so now we couldn't write it and we had to go to surplus. So, is this replacement cost estimator going to be adjusted, as well, because that will affect a lot of people with higher premiums? And, of course, it might also improve the depopulation numbers because the rates of Citizens are, obviously, those low policies are too cheap.

Scott Crozier: Right. So, specifically, we are not going to be conducting replacement cost estimation with these instructions; however, as part of the benefit of trying to ensure premium accuracy, if our underwriters do look at a risk and there's something glaring, let's say there's 1,000 square foot addition that's missing, something like that, then they will look at it and we will adjust the RCE and have a discussion with the agent so they can then talk with the customer about it. So, there is the possibility of there being some changes in Coverage A, as a result of these.

Lee Gorodetsky: But then if there's not, this won't affect clients in regard to replacement cost of the home because it's costing a lot more money to rebuild homes today, with all the changes in Florida.

Scott Crozier: Right.

Lee Gorodetsky: Okay, good.

Scott Crozier: Brian?

Brian Hodgers: Hi, Scott. My name is Brian Hodgers. So, my question is, you have six different companies you're going to be doing these inspections with and obviously, as we see, inspectors are very subjective in what they're looking at, so we might get some inconsistencies between these six companies. We get a report back and it says, this roof is maybe below three years of useful life or too much granular loss, etc. They get this nonrenewal, go back to a customer, customer says well hey I had my roofing company come out here to give me an estimate to put a new roof on and they're telling me, oh no you've got five years left. How do we handle the difference with a licensed roofer who's saying no you're not in that bad of condition versus the inspection that was done by Citizens saying it is in poor condition? How do we handle that to where either the nonrenewal gets lifted, or what proof can they provide, and so forth?

Scott Crozier: Let me start with the inspection companies. We went through an extensive solicitation with, I don't remember the total number of inspection companies, but it was numerous. Scaled them down to six for the final negotiation and ended up awarding either primary or contingent contracts to all six of them. So, we feel confident that these inspection companies and the services they provide are top notch. Of course, we're all human and there are going to be errors, there could be varying levels of training and experience. In the example you just gave, Brian, where we end up nonrenewing because the inspection did determine that the roof is in aging condition that's not acceptable, and then a roofer comes out and tells the customer, they have five years. We would absolutely welcome a look at roof certification form that could be submitted to underwriting and we would look at that and absolutely consider what the licensed inspector said because that's their job, that's what they do. As long as there was nothing that was inconsistent with what the licensed inspector attests to versus what we're seeing for photos, not talking about something egregious like a blue tarp over a portion of the roof, and a licensed inspector saying, oh yeah, it's got at least five years left, which is an issue. But for purposes of demonstration, we would have no problem reconsidering a risk like that.

Brian Hodgers: Alright. Thank you.

Scott Crozier: You're welcome.

Chairman Newell: All right, anything else for Scott?

Lee Gorodetsky: Yeah. Chairman?

Chairman Newell: Greg.

Greg Rokeh: I guess not as much a question as a comment. This looks like it's going to be good for Citizens and going to be an absolute disaster for our consumers. Looking at this from the real estate side a lot of these new policies are written at the time of real estate closing. And then, for the consumer to find out two months later, oh by the way your roof, which passed your home inspection and had adequate life expectancy 10 weeks ago before you purchased it is now not up to the standard that Citizens wants and we're going to cancel. I can see just absolute chaos. When Citizens is, by definition, the insurer of last resort, I just see chaos on my side looking at it from the real estate position. We already deal with this. With Citizens coming in, and by the time we get to looking at your numbers, within three or four years you're going to be inspecting. What was the percentage? It was a massive amount, and all of this done after the policies were put in force. It's just going to be chaos for us and for the insurance agents who are going to be dealing with hundreds and hundreds and thousands of consumers all around the state of Florida who are saying we don't have a roof leak, we've got a roof that is solid, and now Citizens is saying it doesn't have enough life, and we get to now go into a battle of whose inspector or whose expert is best and which underwriter are we going to get today that maybe will let the insurance stand because we have no other options.

Scott Crozier: You know, thus far, that really hasn't been my experience of seeing much new business that comes in that has an inspection done for the real estate closing. If that inspection that the buyer gets says that the roof's in good shape, everything's fine, I see almost no instances where it wouldn't pass an underwriting inspection, as well. I'm sure there are exceptions to...

Greg Rokeh: But you're only inspecting 1% of them today. That's all going to change, that's going to soar in the next three years.

Scott Crozier: Sure. So, I've been in this industry now for over 25 years doing inspections, much greater percentages than what Citizens might be doing this year. I'm just telling you, in my experience, that's not typical what you're describing, so I'm not as concerned about the chaos. I appreciate your feedback, though, and we certainly will keep aware of that, because we realize it's a difficult time. The approach Citizens is taking, generally, when folks are closing on a home and they buy it and everything looks good, if there are concerns, typically, if everything that was put forth from the customer to the agent is on the up and up, and let's just say the customer thought the roof was in good shape because the inspector at closing told them it was good to go, and then a Citizens inspector comes out and says we've got some concerns with that roof, everything else is fine. They weren't lying about occupancy or trying to deceive us on losses or anything, everything else is straight up and up, we are absolutely going to work with the agent and the customer to help them, to give them time. Generally, and this is a generalization, generally, the most adverse action we would take would be a nonrenewal if nothing was resolved between now and the end of the first term.

I appreciate your concern that this might cause some ripples in the market. We are going to be doing more inspections so odds are we are going to find more risks that don't meet Citizens' insurability because, to your point about Citizens being the insurer of last resort, as you know,

we do have approved underwriting guidelines that sometimes aren't that different than the private market, so it's not as though we will take absolutely any risks.

Barry Gilway: Scott, can I make a comment?

Scott Crozier: Please.

Barry Gilway: So, Greg. I would say one of the areas in the marketplace where Citizens has really lagged the private market is really in the inspection criteria. We literally have not been inspecting homes even close to the degree of any of the private market companies that are out there. We just have not, and that's why you see such a low percentage of inspections.

Very clearly, one of the issues that we have to address is, yes, we are a residual market. You know, we hear all the time, well you're a residual market, you have to take everything. We don't. The reality is we have to get up to industry standard relative to the overall inspection approach that we're taking compared with the private market. We're already the cheapest company on the street, which is driving significant volume on its own right outside of the ridiculous capacity issues that our agents are facing. But the reality is we have to get back to a reasonable proximity to industry standard relative to assessing the overall quality of our book of business. That was the position that the Board took. I support it completely. I think the one area where, frankly, I have not been as aggressive as I should have been, is making sure that the overall quality of the Citizens book of business, it really doesn't meet industry standard. So, I agree. I think what we have shown in the past is that when situations do occur, whether it's a difference of opinion, etc., we're willing to work with the insured.

The inspection issue has been a real issue for Citizens and if we want to attract depop companies to our book of business, there's no question they're looking for high quality data relative to what their selection criteria is. I would just say I understand the issue but, frankly, we're going to do even less than what the private market is doing already, and that's important. We're not introducing anything here that you're not dealing with with any of the ten, fifteen, twenty companies that you're dealing with from a private market standpoint, in fact, we're doing less relative to the overall volume.

I just wanted to get that on the table, because it is an area where we've been lagging the industry and I think it's becoming more and more important particularly from a litigation perspective that we know what we have on the books, and we understand exactly the overall quality and evaluations that we have on the Book of business.

Kelly Booten: And Greg I do want to add that we do a good job of working with the agent when there are discrepancies and, as you'll notice, we're ramping up. We're not ripping the band aid and just starting to go inspect everything all at once. There's a lot that has to be put into place to ramp up and make it a good program. We can work through this as we ramp it up and put whatever procedures in place we need to be effective.

Chairman Newell: Okay. Scott, I waited till the end because I wanted to ask this question. You brought up what the guidelines are on having the ability under the rules to inspect. Certainly, what's been discussed here today is I've got a four point, I've got a roof inspection, I've got this, I've got that, and so to Greg's point, I've done all this stuff and supposedly this is an acceptable risk, and now you send your inspector out. Is there a process in place where a consumer can

say enough's enough? I'm sorry, I understand what the rule is but I'm not going to allow any more inspections. I've done everything, I paid for them, even though this may not cost me any money. I'm sure you guys have contemplated this because of the increase. What's the process, how can agents set their clients up to be successful when they do get that phone call or email?

Scott Crozier: That is something, Chairman Newell, we'd certainly be willing to consider, but at the moment the requirement, as you mentioned, is, if we want to do one, we do need to do one. I think there's going to be an opportunity, and I'm not committing to anything, but I do think there's going to be an opportunity as we scale this up, as Kelly just referenced, specifically with homes that are currently required to get a four point inspection, that perhaps, if we are at a point where we know any risks as a February 2022, if that's greater than 20 years old, is automatically going to have a Citizens provided interior/exterior, perhaps we don't need to require that they provide a four point with us, as well. Perhaps. From a Citizen perspective, that works well, potentially. It works so well for the Clearinghouse where they have to get through the Clearinghouse, first, and other carriers require four points, so there's a lot of nuances to it, but I think it's an excellent one for us to contemplate.

Chairman Newell: Yeah. There's going to be at some point, Scott, as Greg said, some fatigue here, and if we can help set the stage and set expectations, I think it'll certainly help the transaction, it'll make it a little easier.

Scott Crozier: Thank you.

Lee Gorodetsky: Scott and Dave, this is Lee. I would just add, I think these four-point inspections should be required by every carrier at 15 years. This is a laughable scenario that we have 30 year four points because so many people know they have problems and it's a 22-year-old home and they don't want to give us a four point because they don't want us to know about it. It's just a problem, and as much as I appreciate Greg's side of it, this is long overdue, this is three to five years overdue doing this inspection increase. Thank you.

Chairman Newell: Alright. Thanks, everyone, for the input. I'm sure Scott and Kelly, and certainly Barry, will continue to hear about this as they roll it out. Thanks for listening to the group and certainly we'll be more than happy to provide any additional feedback if you need it. So, thanks, Scott.

Alright, let's turn to tab four and bring in our friend Carl Rockman to talk about depopulation and Clearinghouse. We certainly have talked about that some here already, but Carl's going to bring us up to date on where Citizens stands currently. Thanks, Carl.

4. Depopulation & Clearinghouse Update

Carl Rockman: Thank you, Chairman Newell. For the record, Carl Rockman, Vice President of Agency and Market Services. I'd like to update the Committee on our progress in the depop, Clearinghouse, and FMAP space.

On the next slide we'll close out 2021 with these rather modest depop results. We'd like to thank our great friends at Florida Pen who participated in the depop. You can see, again, relative to the comments that Christine made earlier, our take rate right now in depop is 15%, and that's indicative of the issues that Christine brought up. Some changes in this area, perhaps a 20%

threshold, could net benefit both participating carriers and the ability to move more business to Citizens.

We would like to announce that we do have two carriers approved for the February personal lines depop. Our traditional friends at Florida Pen will be participating, and a new market entrant name Vyrd has been approved to participate. I don't want to get ahead of all the great news that Vyrd is going to bring, but I would advise the agents and other interested parties to watch. Vyrd, again, has been approved for the February depop, and they are working diligently to be part of the program. Hopefully, these numbers will pick up as certain new entrants come in to participate in the programs and potentially our existing or current carriers feel a little bit more appetite to take our business.

Chairman Newell, are there any questions on the depop slide?

Chairman Newell: Any questions, folks, so far? All right, keep rolling.

Carl Rockman: Alright, we'll move through our traditional update on the Clearinghouse.

The next slide – depop results again. This is broken down by one carrier, Florida Pen and, obviously, Tri-county risks assumed. We did have good spread between the regular state and tri-county, so certainly, this carrier did not avoid tri-county relative of their percent.

The next slide will show the Clearinghouse results at new business. Again, these results are still relatively modest. While we have eleven carriers attached to the Clearinghouse, we really only have two that are participating in terms of sending actual offers out. I would point the Committee's attention to the blue bar represented on the left. That is actually the trigger point where a customer is deemed ineligible for Citizens based on the percent of new business premium. These numbers are as of September, and I apologize for the typo where that says, "as of May", that should be "as of September". These numbers don't reflect the new 20% rule that was just announced in August. We are seeing some modest improvement in the 20% threshold versus 15%, and we'll be pleased to report that at future committee meetings.

The next slide, we'll talk about renewal. Again, to support what Christine mentioned, and a reminder to the Committee, on renewal if the offer is within \$1 of Citizens, they still get to renew with Citizens, and this is why you see the ineligible for Citizens at renewal to be incredibly modest, if not non-existent. A change here, potentially, in a 20% threshold for renewal, could improve these results, but the renewal Clearinghouse, right now, given the current statutory limitations is not yielding the type of results that we would hope it would.

The next slide, though, also to present this committee with some additional visibility on another program that we consider to be part of our exposure reduction platform, and that is Florida Market Assistance Plan. This is a free referral source for consumers who are looking for a homeowner policy. An individual homeowner can go out and look at FMAP and present information on their home as a lead and that lead is sent to participating agencies. What you're looking at here are the current results of the FMAP program through Q3 of 2021. We've been directed by our Board to look to improve this part of our platform, and we'll be announcing at the Board meeting some modest changes to the platform in terms of its usability, and then potentially some more significant changes as part of our Citizens Reimagined platform. We do want to include FMAP visibility because it is another place for the consumer to find help in the

private market through agents, and we want to make sure that this committee is aware of those actions and activities.

With that, Mr. Chairman, that concludes my report on depop, FMAP and the Clearinghouse. I'll be happy to take any questions.

Chairman Newell: Any questions for Carl on depop or Clearinghouse? Okay. Thanks, Carl. You're up, again, for Agency Management Services.

5. Agency Management Services Update

Carl Rockman: Thank you, Mr. Chairman. I want to present to the Committee our traditional report on all the activities to support our agents.

The next slide will show the Committee the growth in agencies and agents reflective of tightening capacity and more demand for Citizens' products. I point out to the Committee the net change in both agencies and agents since December of last year. You can see that this is reflective of more agencies needing Citizens' capacity to support the marketplace. I will also point out that this is not a tri-county phenomenon by any means. We are seeing more need for capacity at Citizens outside of the tri-county area, and these numbers reflect that along with our agency segmentation grid. If you draw the line from tier one agencies in December of '20, there were 15 agencies with more than 2,000 accounts. We now have 25 agencies with more than 2,000 accounts. You'll see the net growth in agencies and PIF all throughout that chart. This, again, is reflective of tightening capacity and more demand for Citizens' products.

The next slide is a reminder of what we do to help the agents perform well and to provide great service to the consumer. This is an update on our Performance Violation Program. Some of you are new to the Committee and I'd be happy to take any questions, but our program is actually outlined at the top. Our underwriting department rigorously examines risks and if they see an opportunity where the agent can improve or something where the agent didn't do correctly, given our rules, they code a performance violation and they're categorized as you see up top. Total volume in the program is reflected for '18, '19, and '20, and more importantly, the "Agents Under", the box at the bottom, I always like to bring the Committee up to speed on that box. This is reflective of what's happening since the inception of the Program. You'll see, as of our current reporting on 10/31/21, we've sent warning notices to 1,842² agents that have reached the threshold of at least getting a warning notice, and I'll remind the Committee that once an agent reaches a warning notice, we have heavy engagement plans for that agency to improve because a lack of performance here can lead to a lack of customer experience and something we don't want to create. We've had 177 more agencies get a warning notice, only 15 have moved on to a suspension where we've taken away their ability to write new business. We have not terminated any agents under the Program. Again, our goal with this program is not to terminate agents it's to reinforce our underwriting rules in order to create the best customer experience possible.

The next slide will just reflect where we are month the month. Trends are holding here. We do continue to hope for improvement. We are pleased even though with the volume of new business our percentages have held but work remains. Primarily, the biggest area is in

² Verbatim correction: Stated as 842.

signatures if you can believe that. Getting a simple signature on a wind loss mitigation form continues to be a big issue for us. We want to continue to work with agencies to appropriately get that, along with policing credits that are so important in making sure the competitive landscape is where it's at. Other than missing signatures and credits, you can see more modest results, but I think that the program speaks for itself in terms of giving the agents the standard to live into because if this standard isn't met, the customer is not going to get the kind of experience, we want to deliver.

The next piece of our Performance Violation Program is our Late Submission Program. The next slide will reflect the components of that. You can see here the total volume of late submissions warning notices has grown from 181 to 303. I'll remind the Committee that we did take a pause in the action last year due to COVID. We are now re-engaging on the Late Submission Program, and for the new members of the Committee, a late submission is generated when documents are not received in Underwriting by the 16th day after the effective date. We send a warning notice if an agent reaches a threshold and, obviously, the warning notice is getting the desired attention for performance.

The next slide will be reflective of the opportunity that lies ahead. This slide will show our month-to-month performance. You can see that the actual late submission violations are at 6% - that's the 16th day failure to submit the document. But the warning notices are where we really have our focus. We do send the agent a reminder at day six, you owe us documents. You can see that percentage is not moving in the right direction. This is reflective of new agencies coming on board, maybe some agencies that still need some operational support that we're prepared to provide. So, we're very, very focused on improving that late submission alert percentage but, again, the percentage of violations is holding.

And the last slide we'll just update you on our market outreach and agent outreach activities. On the left-hand column, we did complete another great meeting with our Agent Roundtable members and can't say thanks enough to the folks that participate in the Agent Roundtable. A very robust meeting where we covered the road ahead, our vision for the future when it comes to agency technology, and other issues relative to the support of the agents.

Great support from our Agent Associations in terms of convention participation and support for our Essential's class.

Third column is webinars, Citizens sponsored webinars. You can see the attendance figures in those webinars, again reflective of more need for Citizens. I'm pleased to report we currently have over 800 agents registered for tomorrow's webinars where we're going to continue to generate and deliver information that will help them deliver on the customer experience.

Then, our agent Power Hours that we do in conjunction with the Associations. Conducted a great one yesterday with the Latin agent's association as hosts but we do welcome and thank the Associations for their partnership in delivering that value to their members.

So, that completes our agent outreach report and concludes my report to the Committee.

Chairman Newell: Thanks, Carl. Very well thought out and great information, as usual. Any questions for Carl from the Committee on a lot of these metrics? Yes, Lissette.

Lisette Perez: Hey, Carl. It's nice to see you.

Carl Rockman: Good to see you.

Lisette Perez: Carl, considering the fact that you are getting an enormous amount of applications coming in, the fact that you're still trending at 6% on some of this stuff is remarkable to me. Are you still able to track these things as you need to despite the fact that all these applications are coming in in abundance?

Carl Rockman: Yes, the investments we've made in technology, and the great support we get from our metrics team here at Citizens, we're very, very capable of identifying where the opportunities lie and then delivering prescriptive education to help agents better understand what we need. While the volume is troubling, Lisette, our challenge and our role is, even in increasing volumes, we need to make sure the customers' well-served. We appreciate the concern, but the main thing we're looking for is good feedback from agents who do find themselves in this bucket. We are getting good feedback that they are treated fairly; they are thoughtful for the rules, and we do want to do what we can to be simpler and easier to do business with and that's a lot of our future. We are able to keep up, even with increasing volume, we do have aspirations to improve all of those numbers.

Lisette Perez: Well, that's good. That means that us agents are doing what we're supposed to be doing on our side so, I'm happy to hear that.

Carl Rockman: I will say that our agent community has been very receptive to the information we want to provide. They want to provide a great experience with customers, too, and we're partners in that.

Lisette Perez: Wonderful. Thank you, Carl.

Carl Rockman: Thank you.

Chairman Newell: Anybody else for Carl? All right. Well, Carl, thanks again for the reports. Really appreciated the good information.

6. New Business

Chairman Newell: Any new business to come before the Committee today? Lee's shaking his head no. Well, thanks everybody, again, for participating today. These are always good. Well thought out information that's provided to the committee and the back and forth is always useful on both sides. I know Citizens appreciates it, as well. If nothing else before this committee, do I hear a motion to adjourn?

Phil Zelman: Motion to adjourn.

Lee Gorodetsky: Second.

Chairman Newell: All right, meeting adjourned. Happy holidays. Good luck to everybody. I'm sure, at some point as we're looking to the schedule next year, Wendy has sent it to us, we are

going to try to have something in person, so we'll let everybody know when that's possible.
Thanks, again, folks and have a great afternoon.

Lee Gorodetsky: Happy holidays everyone.

Kelly Booten: Thank you, all. Happy holidays.

[Meeting adjourned]