☒ **ACTION ITEM**	☐ **CONSENT ITEM**
☐ **New Contract**	☐ **Contract Amendment**
☐ **Contract Amendment**	☐ **Existing Contract Extension**
☒ **Other Committee Minutes**	☐ **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	The Actuarial and Underwriting Committee meeting Minutes March 22, 2022
Purpose/Scope	Review of the March 22, 2022 Actuarial and Underwriting Committee to provide opportunity for corrections and historical accuracy.
Contract ID	N/A
Budgeted Item	☐Yes ☒No
Procurement Method	N/A
Contract Amount	N/A
Contract Terms	N/A
Committee Recommendation	Staff recommends the review and approval of the March 22, 2022 Actuarial and Underwriting Committee minutes.
CONTACTS	Jennifer Montero, CFO Kelly Booten, COO

CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE ACTUARIAL AND UNDERWRITING COMMITTEE MEETING

Tuesday, March 22, 2022

The Actuarial and Underwriting Committee (A&U) of Citizens Property Insurance Corporation (Citizens) convened at the Orlando Marriott Lake Mary, Lake Mary, FL on Tuesday, March 22, 2022.

The following members of the A&U were present:

Carlos Beruff
Marc Dunbar
Scott Thomas
Fred Strauss

The following Citizens staff members were present:

Barry Gilway
Jennifer Montero
Barbara Walker
Christine Ashburn
Kelly Booten
Brian Donovan
Karen Holt

Call Meeting to Order

Barbara Walker: Good afternoon, and welcome to Citizens' Actuarial and Underwriting committee meeting that is publicly noticed in the Florida Administrative Register to convene immediately following the Audit committee. Bonnie is placing the placards up at the front and it will just take a couple of minutes to convene. Thank you for your patience. Those in attendance through the public link are automatically in listen only mode. Thank you for identifying yourself prior to addressing the committee. I will begin with roll call. Chairman Beruff.

Chairman Beruff: Here.

Barbara Walker: Governor Fields.

Governor Fields: Here.

Barbara Walker: Governor Dunbar.

Governor Dunbar: Here.

Barbara Walker: Governor Thomas.

Governor Thomas: Here.

Barbara Walker: Fred Strauss.

Fred Strauss: Here.

Barbara Walker: Chairman, you have a quorum.

1. **Approval of Prior Meeting's Minutes**

Chairman Beruff: Thank you. I entertain a **motion to approve the prior meetings Minutes (December 14, 2021).**

Governor Thomas: **Move for approval**.

Chairman Beruff: **Second.**

Governor Dunbar: **Second**.

Chairman Beruff: The **motion passes**, thank you. Ms. Montero.

Jennifer Montero: I'm passing this to Brian Donovan.

Chairman Beruff: Mr. Donovan, there you are, thank you.

2. **Chief Financial Officer Report**

   a. A-Rates [AI])

Brian Donovan: Good afternoon, Chairman Beruff and committee members. I am Brian Donovan, Chief Actuary for Citizens and I will discuss A-rates. It has been a long time since we discussed A rates at the committee Board meetings. So, I will just give a quick brief summary of what A-rates are.

Chairman Beruff: I love this place; this is the one that OIR doesn't say anything about.

Brian Donovan: That is correct. So yes, subject to the approval of the OIR, insureds in the state of Florida may designate buildings to be subject of advisory rates, A/K/A A-rates, and really A-rates are applied to structures that have unique characteristics and should be treated differently than regular manually rated rates risk. In 2006, Citizens filed and received approval from the OIR to A-rate any building whose coverage amount was greater, was $10 million or greater. This applies to both CRW and CRM structures. In 2010, Citizens reached a peak of A-rated structures of just under

1,100. Over the year since then that risk count dwindled down to a low of 13 in 2019, but now we are starting to see some signs of these risks coming back to Citizens and increasing counts. So, A-rates are not subject to OIR approval process and not restricted by the glide path. We have evaluated the A-rates for CRM and CRW and recommend we implement the full indications for CRM. We are proposing a 29.3% increase, and for CRW we are proposing a 19.2% increase. I will pause there for any questions or comments before I read the action item.

Chairman Beruff: Please read the action item.

Brian Donovan: **Staff proposes that the A&U committee review and if approved, recommend to the Board of Governors to approve the proposed rate changes to Citizens' A-rates effective 08/01/2022, and authorize staff to take any appropriate or necessary action consistent with system change implications and other relevant activities.**

Chairman Beruff: Do we have a motion.

Governor Thomas: **Move staff recommendation**.

Governor Dunbar: **Second.**

Chairman Beruff: Signify by saying aye.

(Chorus of ayes.)

Chairman Beruff: Thank you.

Brian Donovan: Thank you.

3. Chief Operation Officer Report

a. Product Updates – March 2022 [AI]

Kelly Booten: Good afternoon, Kelly Booten for the record. Behind tab three we have some recommended product changes. As part of our ongoing efforts to streamline the underwriting process and refine eligibility guidelines, staff reviewed questions from agents that arise during the underwriting process, eligibility concerns that emerge from underwriting and claims, ran it by the agent round table, the MAAC, provided and seek input to really hone in on efficiency. So, we have a set of eligibility requirements that help clarify rules, and we have form changes that bring us up to ISO standards and industry comparison and seek to tighten up our forms and make it more clear on what we do and do not -- what isn't eligible and help with some of our product language for claims use. We have other litigation language changes that we are working on, and Tim is going to report on that at the Board meeting tomorrow that we will bring back in July. So, for today, on the first page is the product updates. Really just tightening up the language to make it clear what business use is acceptable, the farm eligibility rule, adult daycare, adult family care and assisted living facility usage, daycare rental, simplifying the rule, creating a definition for exotic animals. We picked up on things that were driving phones calls, and this was one of them, so we made it easy for the agents to go look it up. Material misrepresentation, arson, and fraud rule, changing that to align timelines to 15 years for all types. We added changes for SB 76 on the guide path so that we don't have to come back every year and ask for that approval. It is just going to be there with the glide path, and then we cleaned up an eligibility rule as part of the eligibility changes. These are all significant items in the executive summary.

On the next page are all the form changes that are highlighted in the executive summary, and then there is an appendix that goes into way more detail on every change, and there is an indicator on whether it was a change driven by ISO standard forms, or the market. There are a couple that the OIR recommended. It really has to do with modernizing our language. We haven't changed the forms in a long time. So, things like home sharing wasn't even recognized in our policy form. So, we added language to address that, and just tighten up the rules. We did not increase or expand coverage. We introduced a few limits. We added a couple of items I will cover at the beginning and then ask any questions, because I don't want to read the whole document to you. The first one expands the scope of actual cash value calculation to include labor, overhead and profit, taxes and fees. This applies to claim settlements when payment for replacement cost coverage is contingent upon repairs being incurred and only ACV is initially paid. This is an industry trend, including this in the hold back. And there is additional language requiring that the insured must incur the cost for matching undamaged items that are included in the claim estimate before payment will be made on those items. And then the other one I wanted to draw your attention to is an example of emerging language. It's the fourth bullet down. Update policy language to exclude coverage for smoke damage unless claim is reported within 180 days of date the fire was extinguished. And then the list goes on to explain all of the form changes that we are including.

Chairman Beruff: Any questions from the Board?

Governor Fields: Ms. Booten, I was reading on the first page of this appendix. It seems like we are updating the business use definition. Do we cover homes that are, I guess home sharing, you know, Air B&B?

Kelly Booten: No.

Governor Fields: Well, I am sure we probably do, but we just don't know it. But I guess a better question would be, if someone buys a Citizens' policy, one of the exclusions is that they cannot rent their home on any home sharing platform. Is that fair?

Kelly Booten: We don't cover claims if it is home shared. And I am going to ask Karen Holt to really state it more succinctly. She is our principal product manager on the line to make sure that it is accurately stated.

Karen Holt: Yes, good afternoon, this is Karen Holt. Can you hear me?

Chairman Beruff: Yes.

Karen Holt: So, on the home sharing what we are doing right now is we are adding some industry language to clearly state that those home sharing risks are not covered. Right now, there could be some gray area where we might get into covering some of them. So, we are adopting some much stronger industry language to make sure that we don't cover those risks. They're not eligible, but to your point we don't always know about them. So, we think this new language is appropriate.

Governor Fields: Okay, so we do cover homes that are rented on Air B&B or whatever, but we won't – let me -- again, that is a bad question. We write policies for individuals who may Air B&B their home, but any liabilities that arise from home sharing activities are not covered by a Citizens policy.

Karen Holt: So, we currently do not write them, but we probably have some, because it is not always disclosed. So, we don't currently write them, but in the event that we have one, we wanted to tighten up the policy language to address any loss exposure.

Kelly Booten: That would become ineligible technically.

Governor Fields: Okay, thank you.

Karen Holt: Yes, we would like to know about them, yes, we would non-renew them definitely.

Kelly Booten: Correct.

Karen Holt: But it is one of these things where people don't disclose it, or it changes after they have bought the policy. So, we thought that the coverage exclusion in the policy is appropriate in addition to the eligibility requirements for limitations.

Kelly Booten: This is very similar to like adult daycare where we might not -- they're not eligible and we might have them. So, we carefully look at our book to find them and then we would non-renew them if they -- if we uncover that.

Governor Fields: Okay, thank you.

Chairman Beruff: I have a question about the sharing of the coverage. So right now, we don't cover it, but what happens if somebody has a policy with us and they make a claim while they join Air B&B, and the tenant for two weeks does something that creates an insurance claim? Do we just say, we are not paying?

Kelly Booten: Correct.

Karen Holt: Yes, generally it would.

Chairman Beruff: So, the person moves back into the house three weeks later, because it is their primary residence that they leased out, what happens?

Karen Holt: This is Karen again. It would depend on the circumstances of the loss. There are -- and that is the reason we are tightening up the language. There are some loopholes in the policy where there would be coverage and that is why we wanted to tighten it up. In many cases if it was a relatively new policy and they disclosed on the application that they do not rent the property out to other people, then we would have the opportunity to go back and look at a coverage denial or a rescission of the policy for misrepresentation, but that is not always possible. So that is why we are also tightening up the coverage language.

Chairman Beruff: So, what are we going to end up with in a new document if you participate in home sharing, you are -- the policy doesn't pay. Should it be that clear or is it going to be that clear?

Karen Holt: The policy is going to say that if you file a claim for losses that occur while home sharing is happening, there will not be coverage.

Chairman Beruff: Right. That is what I am trying to get to. So, you have got – you have got a homeowner who decides to trade his house in the month of August and go to Spain, okay. So, his tenant comes in and something happens in the month of August when he is there, you are not going to cover the claim, that is obvious, right?

Karen Holt: Yes.

Chairman Beruff: Now, if the person moves back into their primary residence in September and there is a claim, we are going to cover that claim?

Karen Holt: If they have a claim while the owner, occupant, the policyholder is back in the house, yes, we would cover it.

Chairman Beruff: Why wouldn't we as an insurance company just preclude people from getting insurance if that is what they're going to do?

Karen Holt: And we do ask questions on the application at the time they buy the policy and they have to declare to us that they don't rent the home. However –

Chairman Beruff: But, however.

Karen Holt: But we don't always know. So, in the event they come to us in your example in September and maybe they have had a kitchen fire that happened while the insured is back in the house, we would likely never know that it had been rented in August, and it wouldn't have been – it wouldn't fall under that exclusion at the time of the loss. We would if we knew about it, non-renew the policy.

Chairman Beruff: Okay. That is exactly my point. Why don't we just, if we can prove that the people rented their home for any length of time during the time of the policy, is just disqualify the claim, period.

Karen Holt: We would do -- under case law and under existing statute and all the laws, if we can, we will. If we determine, and we do it all the time on adult daycare. If we determine that this is happening and they have lied to us, we will rescind the policy and say you never had a policy with us under the misrepresentation option. However, if we find out during the course of another claim that they might have rented the property out two months ago, depending on how old the policy is or the other circumstances, we might or might not be able to rescind it. We would certainly evaluate that and that is probably a question we would want to toss over to Jay for a little bit more depth of how claims would handle those.

Chairman Beruff: Okay, thank you. Go ahead.

Governor Thomas: I think what it would require for us to rescind it would be that the application have a material misrepresentation. So that if in the course of investigating one claim we found out that they rented the home out or did the Air B&B three months earlier and that was solely unrelated to that particular claim, it would be probably pretty difficult to rescind the policy then. We would mark them for non-renewal, but I don't think that would probably qualify as a kind of material misrepresentation because of the -- and Jay can correct me, because of the discrepancy between what the misrepresentation was and what actually gave rise to the claim.

Kelly Booten: I agree.

Chairman Beruff: Thank you.

Kelly Booten: Any other questions?

Chairman Beruff: Does anybody have any other questions?

Kelly Booten: All right. Can I read the recommendation?

Chairman Beruff: Please.

Kelly Booten: **Staff proposes that the Actuarial and Underwriting committee review and if approved recommend the Board of Governors approve the described product update proposals to update Citizens' product guideline forms and supporting documents and authorize staff to take any appropriate or necessary action consistent with the product updates, March 2022 action item, to include filing with the Office of Insurance Regulation system changes, updates to supporting documents, application forms and other relevant activities. Final changes in implementation timeline may vary based upon project complexity and feedback from the Office.**

Chairman Beruff: **Motion to approve.**

Governor Fields: **Second.**

Chairman Beruff: All those in favor signify by saying aye.

(Chorus of ayes.)

Chairman Beruff: We are good, thank you.

b. 2022 FIGA Assessments – Effective July 1, 2022 [AI]

Kelly Booten: All right. And the next one is behind tab four or actually still behind tab three, FIGA 2022, FIGA assessment. The Florida Insurance Guarantee Association, Board of Directors certify the need for a 1.3% regular assessment on its members, members, insureds at its February 28, 2022, meeting. The assessment is necessary to secure funds for the payment of recovered claims relevant to new insolvencies and FIGA's other accounts. The Office of Insurance Regulation issued an order on March 11th that levies a 1.3% regular assessment on all covered lines of business, except auto pursuant to Florida statutes. Citizens and member insureds will be required to collect an equivalent surcharge on new and renewal policies with effective dates beginning July 1st, 2022 through June 30th, 2023. If there are no questions, I will read the recommendation.

Chairman Beruff: Mr. Dunbar.

Governor Dunbar: FIGA has done two assessments, right, and I couldn't find where the first assessment was brought to the Board just from an information standpoint. So just make sure that everybody is aware, because it wasn't at the last A&U committee meeting that I just went through.

Kelly Booten: Yes, I think I might have done that one, and I have to go back and look. I did bring it forward and we found the action item and copied it from this one. So, it was either in the September Board meeting.

Governor Dunbar: I just went back through to look. It doesn't matter, I just making sure that the Board knows that we have two assessments for a total of two percent, because my next question was going to be, what is the total assessment that we are passing on to our – our insureds.

Kelly Booten: The dollar amount?

Governor Dunbar: Yes, the dollar amount.

Kelly Booten: Yes, I don't –

Jennifer Montero: (inaudible – speaking off mic).

Governor Dunbar: Right, so $600 million, or $60 million.

Jennifer Montero: $60 million.

Governor Dunbar: So, going to the math that you gave us at the FIC meeting on the average homeowner, right now, it was like 2,400, I think was that the math?

Jennifer Montero: Yes, (inaudible, speaking off mic).

Governor Dunbar: So, so our folks will probably be getting around a $50, right? Am I doing that right?

Jennifer Montero: Yes.

Governor Dunbar: I am just really bringing it up for the other Board members, so they realize, particularly in the context of tomorrow's discussion on reinsurance rates assessments and putting it in, you know, the bigger macro construct, that because of FIGA we are going to be assessing the average Citizens policyholder around $50 over the next year to cover the losses in the Guarantee Association.

Chairman Beruff: It is two percent based on the average policy cost of $2,400. That is 48 bucks.

Governor Dunbar: 48 bucks. And the reason is because we are going to be discussing surcharge and assessment, potential exposure.

Chairman Beruff: And inflation increases.

Governor Dunbar: So, you just kind of put it all in context of what -- when we were having the discussions at the FIGA meeting over the last two, I think we are probably going to have another meeting. I mean, I think Jennifer you dialed in. It looks like we might be having additional assessments from FIGA before the end of this year. So, it is just an ongoing problem, but I just wanted to pass that on for everybody's benefit.

Governor Thomas: And the irony of course is the main thing we get from FIGA are new insureds. The main thing we get from FIGA are new insureds, once their coverage goes belly up.

Governor Dunbar: Yes, it is a double hammer. They get to come over here and see our rates and then we get to assess them on top for the previous company.

Chairman Beruff: And they get to pay lower rates than they were paying when we take them over from the insolvent company.

Governor Dunbar: Correct.

Chairman Beruff: I have been beating that drum, so thank you.

Kelly Booten: Would you like me to read the recommendation.

Chairman Beruff: I think so.

Kelly Booten: **Staff proposes that the Actuarial and Underwriting committee review, and if approved, recommend to the Board of Governors, provide approval for staff to take appropriate action necessary to implement the policyholder surcharge, implement payments as described in the Florida Insurance Guarantee Association action item as required by FIGA and the Office of Insurance Regulation.**

Governor Dunbar: **So moved**.

Governor Fields: **Second.**

Chairman Beruff: All those in favor signify by saying aye.

(Chorus of ayes.)

Chairman Beruff: The **motion carries**, thank you very much. And I am passing the gavel, right. Or is there another meeting I have got to handle? This meeting is adjourned. Next.

Barbara Walker: Thank you, Chairman.

(Where upon, the meeting was adjourned.)