

CITIZENS PROPERTY INSURANCE CORPORATION

**MINUTES OF THE
MARKET ACCOUNTABILITY ADVISORY COMMITTEE MEETING
Tuesday, September 27, 2016**

The Market Accountability Advisory Committee (MAAC) of Citizens Property Insurance Corporation (Citizens) convened at Sheraton Orlando North hotel in Maitland, FL on Tuesday, September 27, 2016 at 10:30 am (EDT).

The following members of the committee were present:

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

The following members of the committee were present telephonically:

Dennis Martin
Nestor Rivero
Susanne Murphy

The following members of the Board of Governors were present:

Bette Brown
Juan Cocuy

The following Citizens staff members were present:

Adam Marmelstein	David Woodruff
Andrew Woodward	Jay Adams
Barbara Walker	Jennifer Montero
Barry Gilway	Joe Martins
Bonnie Gilliland	John Rollins
Brian Donovan	Karen Holt
Carl Rockman	Kelly Booten
Carrie Thomas	Mark Casteel
Christine Ashburn	Michael Peltier
Dan Sumner	Violet Bloom

The following Citizens staff members were present telephonically:

Ariel Shami	Brian Weaver	Brian Woodham
Jeremy Pope	Clara McDaniels	March Fisher
Dian Gamble	Candace Bunker	

Call Meeting to Order

Roll was called.

1. Approval of Prior Meeting Minutes

A motion was made and seconded to approve the June 21, 2016 minutes. All were in favor. Motion carried.

2. Agency Services Update

MR. ROCKMAN: Thank you, Mr. Chairman, for the record, this is Carl Rockman, the Director of Agency Services. I am going to be brief with my update today because we have several members of Citizens staff that are going to present some high profile programs to you and give you an update in our Call Citizens First area, claim response for catastrophes and also depopulation. But in my regular update to you I always want to start with our agent population, agent count and what is happening in that space. So page 2 of my presentation, I would like to profile a couple of items for you. First of all, you will see in the Tier 1 and Tier 2 sections, you are going to see some drift where we have actually had a couple of agents in that space grow. So we have gone from nine Tier 1 agencies to 10, and in our Tier 2 space from 123 to 125. Now, while this is small, it again reflects the continued consolidation that we see in the industry. We do see smaller agencies being consumed by larger agencies. We are obviously supportive of this, but it is reflected of some of the things that are happening in the industry. Also noted below in our Tier 6 category, you are going to notice the drift. We actually have fewer Tier 6 agencies and I want to attribute a lot of this to the agreement completion. We did have a number of agencies that when we went through the agreement process in July, a lot of those folks that didn't have any Citizens business or had very modest amounts decided to take it upon themselves to exit -- exit the relationship with Citizens. Any questions on the agent count or agent profile?

CHAIRMAN NEWELL: Any questions? Okay. Keep going, Carl.

MR. ROCKMAN: Okay, so on page 5 of my presentation today I just wanted to bring some visibility to our continued efforts at agent outreach and agent education. This slide will detail the agent education events that we have conducted so far this year with corresponding attendance figures. I do want to point out that where you see Citizens produced webinar, those Webinars were designed primarily around the agent experience that we create in policy center. Those webinars are contemporary. They provide a lot of detail in the performance of policy center and how agents can use that system to their advantage. We have posted that webinar content so it is on demand. So while we have run those webinars early in the year, those webinars are available on our agent portal under training and our agency management team and our agent outreach team consistently will point agents to those on demand experiences. In about 45 minutes an agency or an agent or a licensed customer rep can preview those, those

webinars, learn about policy center. We have it structured by content, so if they are interested in commercial or endorsements or new business we believe those posted webinars also are a benefit to the agent community to better understand our systems and processes.

I would also like to report, not available on this update, but we are fresh back from Monroe County last week. In partnership with FAIA we were able to conduct three agent meetings in Monroe County. Those meetings not only consisted of a Town Hall, but also consisted of conducting our agency compliance program live, and we had great participation. We always like to bring that agency compliance program live experience out, provides us a chance to interact with agents so they better understand their compliance obligations and the agreement and the obligations that they have inside of their agreement. Again, very pleased to report to report some successful program last week, and we obviously have partnered with all of the agent associations with those types of events. We will continue that. We are looking at expanding our outreach efforts this quarter up to the panhandle of Florida, which is planned, and then obviously our regular routine visits to South Florida and the Tampa area will also be on the board. Future webinars and education events are really going to center again around policy processing. In the new business space particularly we continue to work with agencies to the better understand policy center, the nuances of uploading documents, the nuances of posting money. We have a team of dedicated folks reaching out to agents that are experiencing issues in that area and we are not really going to be satisfied until we see great performance from our agent community on that system in that area. So with that I will take any questions that the committee has regarding outreach.

CHAIRMAN NEWELL: Okay, Greg?

MR. ROKEH: Do you track the post webinar use of the information?

MR. ROCKMAN: The clicks that are on demand, Greg, we do, but I don't have that number handy, but I would be happy to report that later. That is available to us through our website team and I can report back on the number of clicks.

MR. ROKEH: I mean, you can keep track of whether or not they go through the whole program or if they just click on it and look at the first page and say, no, I am not interested.

MR. ROCKMAN: What I can track is a click. We really don't have the sophistication yet to say who clicked and why. That would involve us loading some of that content into our learning management system which we are committed to do, and are actually looking at some of the content that we can point to agents to validate the education.

MR. ROKEH: I understand that maybe you don't have the click numbers, but can you – is it significant? Are there a lot of people that are going back and looking at these old webinars or is it just kind of spotty?

MR. ROCKMAN: I wouldn't want to speculate. I do know that when our agency managers are visiting agencies and they are crying out for education or support, the first place we will point to them other than the in service work we do with them at that time is also point back to that curriculum that is posted, particularly if the agency is having a special interest in learning more about either about service processing, new business processing or managing the work flow inside their agency. But that, that work is still evolving. We are really not satisfied with our delivery systems yet from my department. So our agents' communities we are going to continue to evolve in that space. We really won't be satisfied until the agents have great connection to great resources.

MR. ROKEH: Thank you.

CHAIRMAN NEWELL: Any other questions for Carl? Anybody on the phone? Questions? Before we close the loop on this, I want to also say thank you all to Citizens. You all went with us last week to the Town Hall meetings that we hosted in Monroe County. We thought it was a very good exercise throughout the Keys. A lot of great participation and certainly a lot of interesting questions. So you all were there in force and having the leadership of Citizens there was a great opportunity for agents to meet and discuss issues. So thank you so much for participating. All right, let's move on to tab three, and I think before we go to tab three, right, we want to go to Call Citizens First. Christine, do you want to come up?

2b. CALL CITIZENS FIRST UPDATE:

MS. ASHBURN: Good morning, Mr. Chairman and members of the committee. I appreciate your time today. We just wanted to provide you a brief update on all of the efforts that we have been in front of you on before, the Call Citizens First campaign which as you will remember is really our overarching public education and outreach campaign aimed at letting our policyholders know what the impact is of quite frankly them calling us last in many cases when they have a claim, what it is doing to their rates, what is happening in the assignment of benefits arena. It is a major project and it takes up a lot of our time, but we are very proud of our efforts. In the pocket of your book you will see a number of the pieces that I am going to reference, and most notably the new assignment of benefits brochure that I am pleased to share with you that is new and will be mailed in all personal lines residential policies beginning in November, with the exception of mobile home, of course, because we are not having an AOB problem in mobile home and we already have two brochures mailing in those packets. We will of course readdress that if we see an AOB issue in the mobile home arena in the future. So this campaign really is all encompassing as I have talked about, assignment of benefits, water, you know, the policy form changes was part of what we worked on as well.

So starting in November, as I mentioned we will be getting, everyone will be getting this new AOB, this AOB brochure which really educates them as kind of what the pitfalls are of an assignment, what to expect, what rates you might be giving up. We are really excited and hopeful that that will educate our consumers before they have the loss in the middle of the night, all of the stories that we hear about that are so devastating and what that can mean for them with respect to being in control of their own claim in their own house. We also, the

personal lines ID cards that we have talked so much about, those have been amended to include some additional information about the policy form changes for those lines that are impacted, reminding them that they need to read what is expected of them. In addition, these will all be going live in the next few months. In addition, we also have a policyholder, a new policyholder notice letter that talks about the policy form changes for our H-06, H-03 and DP policyholders who are impacted by those form changes. We believe it is critically important to keep touching them wherever we can, because as you know, if they are not aware of what is expected of them following a loss, we can't expect the behavior to change.

Also included we have shared this with you before, the postcard that is being mailed to all impacted policyholders, about 238 or so thousand, of course, that number changes with depop. I wanted to show you the Spanish version, we have made this available to our agents. There is not really an easy or good way for Citizens to make assumptions about who our Spanish speaking customers are, but, of course, our agents know who they're customers are who are not fluent in English. And so we have made these available at no cost to the agents and have encouraged our agents to do direct mail to their own customers when – because they are better aware of who might need this. So we are happy about that because that is something that we do hear a lot about in southeast Florida where we do have a population of folks who may not understand, you know, speak English as a first language and we felt it is important for these policy changes for them to be able to get that information in both Spanish and English.

We will be able, starting soon one of the requests that I believe came out of this committee was, and also our agent roundtable which many of you have had associates who serve on, was the ability to make sure that when we do an agent of record change that the policy -- when that issues the mailing necessary for that change, letting the policyholder to know that their agent of record has changed, a new ID card will be printed and mailed with that, with updated agent information. So that is a positive. I think that was a request that came out of the roundtable so we are pleased to be able to implement that. There are still some lingering conversations regarding another request out of the agent roundtable with respect to at the point of sale, and we are working with legal on what might be available, what we might be able to do to make -- the agents have asked if they could print an actual ID card. There is some -- some legal concerns about that. As you know, the policy, you know, while many -- much of it does come inbound underwriting occurs and things could change and we don't want there be any confusion especially if something happens and the policy ends up not issuing, I don't want someone to have an ID card that makes them think they may have coverage when they in fact may not. So we are still working through those, with those requests, all great ideas coming from the roundtable. Agent outreach, Dave, you spoke briefly about our efforts last week. I was able to attend one of the meetings. We were able to talk about these ongoing efforts. It is really not a problem in the Keys. We are not seeing the AOB problem partially because we write mostly wind down there, but it is important as we get into southeast Florida work with our agents, LAIA, PIA and FAIA to really educate. Our agents are our first line of defense in what is going on in the neighborhoods with the door knockers and many of our friends, Dulce specifically, sends us all kinds of great information about what is going on out there and the things that she is seeing with the bad acting that is going on. Of course, Legislative and Cabinet industry stakeholder outreach, we are working the realtors, many of

their organizations. We are happy to share any of our materials, our information. The realtors reach 100,000 people on a weekly basis. They wrote a great article for us about assignment of benefits and the changes in the policy form. So we are really happy to be able to use our partners in these efforts to get the word out about what is going on and what it means. I think the piece that has been most critical that we are starting to get some traction on is that what is going on is creating rate needs. So if your neighbor gets a new kitchen when he didn't deserve one, you are going to pay for that. And so that is somewhere, you know, with the rate filing and I know Karen is going to come up and talk about the update on that. That is one of the main themes we worked on with the press and with our -- with our partners to really get the word out that this does impact all consumers, absolutely 100 percent. Legislative and Cabinet updates, we did an informational webinar on the policy, this is the first time we have done with the actual Legislative Aides in the district offices. We made an offer, did a webinar like we do with our agents and our learning, and our learning development team here internally helped us with this and had great participation. I think, I think we have like maybe between 20 and 30 different offices represented in the House and staff where we walked them through a more or less detailed version of what the agent training was, so they could help educate constituents and know what to expect when they get phone calls about the policy form changes and what it means and why they were necessary, and, you know, what we are continuing to see in the water and AOB arena. Media outreach, I have talked about the annual rate filings, the FAQs, the resource kits.

And then the last thing I wanted to share that I think we have touched on very briefly at the June meeting, but it wasn't 100 percent finalized. We had a unique opportunity to partner with the Florida Public Broadcasting station for a sponsorship of their hurricane season on tropical alerts where we are helping underwrite the cost of getting that out to the broadcast stations which includes 99 percent of the markets in Florida; your NPRs, TV and radio, and we are actually able when you get a tropical update it will say brought to you by Citizens. Remember, in the event of a loss, call Citizens First, here is their claim number. So we have gotten positive feedback on that. So we are doing really anything we can find in a creative way and an appropriate way for who we are to make it clear that we really need folks to remember to call us first and not last. And I am happy to answer any questions, Mr. Chairman.

CHAIRMAN NEWELL: Any questions for Christine? Anybody on the phone? Two things. I see you can get the brochures by contacting Sarah. Can you get them electronically, utilize that in a newsletter or some other form of communication with the client?

MS. ASHBURN: Yes, thank you, Mr. Chairman. All of our brochures are actually available for download on our website. They are all available in English and Spanish. The ability to contact Sarah is simply if you would like us to send you a box of printed brochures, preprinted on the stock we use for the professional printing. But absolutely, agents are welcome to print and download and print anything, they are all on our website.

CHAIRMAN NEWELL: Okay, and then the last thing, I know those that live in Tallahassee we had a little event, and of course, you know, most of us didn't have power for quite a few days, but the radio was working. Did you utilize PSAs at all for that, for Hermine?

MS. ASHBURN: Absolutely. Thank you, Mr. Chairman. The way the contract, the way our sponsorship works is that there are tropical updates two and three, I think two times a day when there is not a watch or warning, and those ramp up in the radio realm when we actually have a storm in the box, and as there is landfall and following landfall. So those tropical updates actually increase. And yes, the NPR stations, those are all leveraged in and around the affected area throughout the state throughout during the time of that storm and will be in any future storm this season.

CHAIRMAN NEWELL: Okay, cool. Thanks, Christine.

MS. ASHBURN: Thank you.

CHAIRMAN NEWELL: All right, hot topic last week when we were in Monroe County was rates. Karen Holt, would you like to join us?

2c. RATE FILING UPDATE

MS. HOLT: Good morning, this is Karen Holt, Director of Product Development. I would ask probably Brian or John, one of the two to come up and speak on the details of the rates. We do have some specifics. We did not have them at press time for these books, but we have them now. I can speak to you on the implementation timelines. We are running very, very close but as it stands now renewals will begin to quote on time. Renewals will go through Clearinghouse as scheduled for policies with effective dates 02/01 and later. So it has been tight this year, but we should be on time for everything. So you will start seeing those about 60 days, 50 to 60 days, depending on the line of business prior to the renewal. John, do you want to speak to the details?

MR. ROLLINS: I am sure we are going to have some discussion later today about the details of the order. We have received an order for personal lines as you know. We only had three major take-aways. One is that the OIR agreed with our methodology in the vast majority of cases, and allowed the rates to get approved as filed for most of our products. The second take away, they were just slightly more optimistic than we are on the water loss trend issue, and that did result in about one half of one percent difference, but only in the homeowners' line of business, the H-03 policy form. So they established a slightly lower rate level than we asked for on the homeowners' policy form, 6.4 percent average revenue impact versus 6.9. Everything else came out as we filed. And take away number three is the issue in Monroe County. There was significant public comment on that issue at the public rate hearing. We worked with Monroe County and heard their concerns. The representatives and elected officials in Monroe County weighed in and a decision was made by the Commissioner to allow the rate increase for the windstorm policies as filed in Monroe County, but to also address

Monroe County's concern over the wind models and the scientific validity of those models by referring, using their capabilities and seat on the Florida Commission on Hurricane Loss Projection Methodology to ask for a special inquiry during the 2017 work cycle of the Commission which is a scientific body of State University System experts that study the hurricane models and pronounce them fit or unfit for use in Florida rate making. So they will give special attention to Monroe County's issues. If Monroe County's issues, if issues arise out of the Commission study, then the Office did put a rider in that order that would allow them to order us to make a -- an interim or a special rate filing if necessary if studies indicate that it is necessary.

CHAIRMAN NEWELL: Any questions of John about the rates? Anyone on the phone? Well, the only thing and I don't know which one wants to ask this. Of course, this came up last week is also in that order was about the study that Citizens had appropriated dollars in order to do a study in Monroe County, and certainly that was also part of the order of looking at the results of that. Just if you don't mind bringing us up to date or what you all know as far as how that study is -- is going. John.

MR. ROLLINS: I can give you some details. I can't give you all of the details because we don't have a completed self-contained study in hand at this time. We do know that Monroe has been working on that and it is a several phase project. We don't frankly know how successful they are going to be because it is a multi-phase project and they have, you know, had certain -- certain difficulties, you know, with various phases. We do know that they have completed building inspections of some 700 properties or so in Monroe County who volunteered and they did forward us that raw data. We don't have enough evidence from that raw inspection data in our catastrophe models and our capability to indicate the necessity of making a special filing for Monroe County, and the Commissioner and OIR agree with us on that at this time. If further data emerges or a more comprehensive study emerges from Monroe County, as I said before the order does allow for the fact that should such a study emerge, the office reserves the right to have us make a rate filing to adjust any needed rates in Monroe.

CHAIRMAN NEWELL: Then the last thing, you mentioned personal lines has been approved. Any anticipation on commercial lines and what about A-rates?

MR. ROLLINS: We will be discussing a proposal for the Board to authorize at this meeting. The A&U committee will be discussing an indicated change for advisory rates or A rated large buildings, and then we will move that on to the Board if the committee approves. So that is the issue of A-rates. The issue of commercial lines rates outside of the A-rated large buildings, we expect an order from the Office any day now establishing the rates for the various commercial products. We do not anticipate significant differences or a different philosophy from the OIR regarding their agreement with our methodology. So we would expect it to be fairly routine with the exception as Karen noted that we do have several commercial products that also have to hit that February 1 effective date timeline and we are running out of time to

figure out what the rates are in order to hit that timeline. So we do expect action by the Office very soon to allow us to do that.

CHAIRMAN NEWELL: Question, because I am starting to get it because, you know, agents are looking that far ahead. So all right, well, thanks, John, thanks, Karen. Next up is Adam talking about depopulation. Another hot topic in the Monroe County.

3. Depopulation Update

MR. MARMELESTEIN: Good morning, committee members, Adam Marmelstein for the record. A relatively brief update for you this morning. We will start, we will start and end actually with some general trends in depopulation as we near the end of 2016. You can see on page 3 that 2016, has seen far fewer policies assumed than either of the two previous years. The line graph makes it pretty plain about 400,000 policies in 2014, about 275,000 in 2015, and we are projecting about 65,000 to wrap this year up. You know, this decline isn't particularly surprising given that you go back a couple of years and Citizens had approximately a million policies in the pool from which carriers could choose. We have depopulated approximately 700,000 in the last two and-a-half years, and our current policy count is just below half a million. You don't need to be John Rollins to know that a million minus 700,000 does not equal 500,000, but obviously in those intervening years you have also -- we have also written a fair number of policies as well. But now that we are below half a million, of course, this pool of desirable policies has shrunk considerably. And so we expect that 2017, will be much more similar to 2016, than either '13 or '14. There has been a lot of talk and there will continue to be conversations, of course, about the AOB issue. Although we can't directly quantify the impact of that issue on depopulation, I think it is clear that carriers are looking at that very closely and perhaps have become slightly more reluctant to depopulate multi-peril policies.

If you flip over on to slide five, you will see that on the plus side of the ledger we have had far more wind only policies leave Citizens and be assumed by the private market over the last few years. This is a positive trend and also ties to reinsurance costs going down which we have talked about and, of course, AOB doesn't, has not yet and hopefully will not affect wind-only claims. So you can see in 2014, about 40,000 in 2015, almost 60,000. Now, again, 2016, far fewer wind only policies to choose from because a lot of them left in the prior two years, but we are projecting about 22,000 to leave this year. Page six talks a little bit, too, about how the relative proportion of wind-only policies being assumed has changed as well. It used to be a relatively small slice of the pie. This year it is going to be greater than 25 percent of all of the policies assumed are going to be wind-only policies. So a significant change in the appetite for private market carriers. I think it is fair to say looking back over the last two and-a-half years that the depopulation process has been enormously successful, cutting the policy count roughly in half. It will continue that to remove policies from Citizens, get them back to the private market where they belong. However, the market has changed. It will continue to change and the program is going to change as well, and I will speak more about that at the depopulation committee later this afternoon. Thank you.

CHAIRMAN NEWELL: Any questions for Adam? Phil.

MR. ZELMAN: I have been pretty quiet this morning.

CHAIRMAN NEWELL: You have.

MR. ZELMAN: Questions pertaining to what is happening in the southeast as far as companies closing zip codes and agents and consumers not having the availability of the amount of companies writing. Are you starting to see an uptick going the other way with Citizens, you know, receiving more apps on a weekly basis?

MR. MARMELSTEIN: I am not a great person to ask new business questions of. Perhaps, Steve.

MR. BITAR: I am more than happy to handle that, yes. So for the record, this is Steve Bitar. Just in looking at our submission numbers we have seen an uptick on the personal lines, but it is very small. Last week alone I believe we had about, our total new business applications increased for instance week over week from 1,235 to 1,328. So not anything immense by any means and we expect that it will continue to trend up. Nothing significant yet, but based on what we are seeing with AOB, based on what we are seeing with depopulation appetite, based on what we are seeing in the Clearinghouse we do expect that there will be an uptick of new business coming our way. So we will definitely keep you posted on that and we are standing ready to handle that volume as it comes in.

MR. ZELMAN: Good. What we are not seeing is companies writing wind-only policies. So I assume you are going to continue to receive the wind-only applications where you have been receiving.

MR. BITAR: Absolutely. We do expect that. There has been some interest expressed from the Clearinghouse perspective for wind-only. So we may see some companies start to appear there and we have also heard some anecdotal stories, if you will, about other companies wanting to launch into wind-only. So we don't have any official word as of yet, but there could be some emerging markets on the wind-only side. So we hope to hear that confirmed soon, and have some additional outlets there. Based on the depopulation numbers that Adam shared, there seems to be an increase appetite year over year for wind-only policies and we do believe that there are companies that are wanting to break into that line of business. And so we hope to see some evidence along those lines soon.

MR. ZELMAN: Yes, as long as we don't have wind events, everything is great.

MR. BITAR: Absolutely. But thank you for the question.

CHAIRMAN NEWELL: Thanks, Phil. Anybody else? Questions for Steve or Adam?

MR. ROKEH: I have got one.

CHAIRMAN NEWELL: Okay, Greg.

MR. ROKEH: I mean, you mentioned that in the wind-only assignment of benefits hasn't been a problem. But isn't that really more -- have more to do with lack of opportunity? Isn't that pack of wolves out there ready to pounce just as soon as the opportunity presents itself?

MR. MARMELSTEIN: It is entirely probable.

MR. BITAR: Absolutely. I think that your instinct is spot on. The opportunity has not presented itself by any means and, you know, I can tell you based on some of the numbers that Jay Adams shared with us and he will up to give a Hermine update shortly. We have seen very little representation just with the most recent storm activity that we have there. I think the last number I saw was roughly out of 700 or so claims, three had representation on them. So we haven't seen it there, but that is not to say, quite frankly, my prediction would be, and again, I don't have a crystal ball, but if we were to see some significant hurricane activity like we did in 2004 and 2005, I believe that the trend would be away from water and to wind. But again, that is just my crystal ball forecast, take it for what it is worth, probably not much, but based on experience and what we would expect, we would probably see a trend in that direction.

MR. ROKEH: Thank you.

CHAIRMAN NEWELL: All right, thanks, Steve.

MR. MARMELSTEIN: Good, thank you.

4. Hurricane Hermine Update

CHAIRMAN NEWELL: Next up, it will probably be a good idea since, you know, you know, the proof is in the pudding at claim time. And so we thought we would invite Jay up to talk about enacting the claims strategy for Hermine and then anything else he wanted to address. So welcome, Jay.

MR. ADAMS: Thank you, Chairman and committee members. I believe last time we met here Steve presented a catastrophe update and it had a lot of different components in it. But one of the components was claims and how we deal with catastrophes. What I would like to do today is provide you a Hurricane Hermine update, and what I would like to do is walk you through our CAT plan execution steps, really how we arrived at where we are. So I ask you to view the screen and we will go on to slide number one. One of the things that I want to make sure that everybody understands is the claims department started tracking this storm system well in advance of it ever being named, right. So we keep an eye on all of that activity that is in

the tropics. That started back on August of -- August 22nd. On the 24th of August, the storm was upgraded to an invest and when that happens that means something different from what we do in our cat plan. So we move into what we call an imminent phase. So we had been watching it. During the watch phase we had our cat coordinators and really the Enterprise on standby. When we move into the imminent phase, at that point during the storm we felt certain Florida was going to have some type of impact. Initially we thought it have been in the Keys. And as that storm moved out into the gulf and continued to meander, we stayed into the imminent phase. On 08/29, the tropical depression nine was named and it had a potential landfall in the Big Bend. On 09/01, Hurricane Hermine was named, made landfall as a category one near St. Marks, and Claims officially started its response immediately after the landfall. This slide right here is an indication of what we get from the National Hurricane Center. So anybody can be on to their website and view this. And what this is, it is a cone of probability of where the center of the storm may pass. Anything under the white area is where they predicted the storm to fall.

Next slide, please. This is a slide that represents a tool that we built in-house at Citizens, and this tool was built specifically to help us forecast where landfall might be and what the probability of policies that could be affected. We gather that information and leverage that information so that we understand how we need to make our response. This slide right here is the same slide, and one of the things I want to point out is the orange line represents the highest probability of where the eye actually would travel. And if you notice the dotted line that is shaded is not symmetrical and it is not symmetrical for a reason. The reason that we did that was the storm had much smaller wind fields on the western side, about 70 miles, and on the eastern side of the storm it was about 140 miles wide. So for us to try to figure out exactly how many policies were in the path, we set up our storm in our system exactly what the system was doing at that moment in time. This slide also represents the dots would be the policies in force, and that would be all policies in force to include commercial. And as you can see, when we extract that data there was about 13,000 policies in the path of the storm. We use that as our starting point to understand how we needed to deploy our resources to get ready for the storm.

Next slide, please. We also have been leveraging the information that the National Hurricane Center provides for storm surge. This is new that they have put out this year but it has been in development for years. We have included this in our tool. This was really the first chance we got to leverage that. And again, the orange line represents the path of the eye, and at the coast you can see some jagged lines that represent different levels of shading. That shading is representative of where the storm surge was predicted based on the characteristics of that storm. Anything that has a dot under that would be a policy Citizens has, and we leverage this information to start making decisions around, did the wind create the damage or did the surge or was there some combination thereof. Next slide. This is just a blown up view of landfall. And again this shows the storm surge. The area that we are looking at is the area that had about nine feet. Next slide. So if we think back to the cone that I showed you that was lopsided, 70 miles on one side, 140 on the other, this is an extraction of what those policies in force counts looks like and we do it by policy type. And the reason we do that is we are very concerned about how many commercial claims are out there. When it comes to wind, many of

our coastal accounts have wind only commercial, and this becomes one of the greatest opportunities for representation after landfall. And I am going to come back and speak to that a little bit more. The next slide, please. So we can take that information with our policy in force and we slice and dice it many ways. And what we do is we start looking at the counties involved and where the policies in force are in representation to that so that we can kind of get an idea of how many folks we need to stage potentially county over county. The next slide. I know when Craig was here he talked about this resource calculator, and this is something that we designed taking the Enterprise CAT plan so every department within the Enterprise has their own CAT planning, they all have resource needs. We load all of that information into this tool. Then we take that information that we have extracted from the GIS tool that I showed, the policies in force, where they fall and that type of thing, and we load them into this calculator, and this calculator tells us based on claim volume about how many resources we are going to need to respond. We projected this storm to be somewhere between two and 3,000 claims based on the policies that were under the cone and based on our prior experiences with storms in that area. And as you can see, if you go out across that 3,000 line, that is about 35 people that we felt we needed to deploy, and that is exactly what we did.

The next slide. So to make sure everybody is fully aware and understanding. We have a normal claims model that we run every day that we with call managed claims model, and that is just a fancy term that indicates cradle to grave claims handling, and those claims are handled by independent adjusters. They are set up in teams, they are set up in geographies. We run all of our claims volume through those teams exclusive of non-weather water and fire claims. Those are what we consider to be the most complex. The reason we leverage this is this is our really catastrophe model. So what we do is we run as many adjusters through that program as we can so they understand our best practices. How to run the estimating system. How to run our claims management system and all of these pieces and parts. So on an everyday deal, that is up and running to handle those types of claims and they are handled on a transactional basis, meaning you get an assignment, you adjust the claim and there is a fee bill that goes with that. If you are not getting an assignment there is no billing that takes place. We keep that model over deployed all the time for reasons of handling pocket storms. So if we had a tornado or we had a bad thunder storm somewhere in south Florida or if we had a small catastrophe like what we experienced with Hermine.

Next slide. We also have to have the ability to be scalable, right. You can't handle 10,000 claims with a model that is handling 1,500 claims a month. So what we do here is we deploy independent adjusters to the field and we do that in a task base model and then we deploy resources to the Everbank Center which is really our headquarters for the CAT. We have a floor set up and designated that is on standby all of the time ready to house up to about 280 independent adjusters. We brought those 35 adjusters in, we gave them training, orientation, checked their ID's, made sure they could leverage the system and we sent about 25 of those folks out to the field in the landfall area and then we left the remaining folks inside and they would handle the claim from beginning to end, send it out to the field to get an inspection for the scope and the estimate, it comes back and then they handle it. We also have Citizens' oversight running in that same model. This is our non-catastrophe model that we run every day. We call this a modified model because we find that we can get claims turned around much

faster if we task them out to people who are doing nothing but writing estimates. Okay. Next slide.

So in a response there are, multiple phases of what we are doing on the back end prior to the landfall. So the first thing we do is we prepare to scale up. So we leverage all the tools that I talked about to try to figure out how many folks we are going to have to engage into the model. You don't want to pull the trigger on that too quickly because then you end up paying for a lot of resources that don't get any claims. They are no benefit, but you don't want to wait too late because those resources may deploy to another carrier or another part of the United States to respond to something else. So it is a real balancing act. But there is a time between when we start getting claims and we pull the trigger for the deployments or the deployments arrive on site, right. What do you do with the claims that are coming in during that time frame? We still want to make sure we are making contact with our customer. We are making sure we are assessing those claims to try to figure out, do they need special handling, are they large losses, are they surge claims and those types of things. So what we did in the very onset of this is we brought in Citizens staff and what we did is we contacted all of the claims that were reported on Thursday, the day of landfall, Friday and Saturday. Our independent adjuster resources arrived in office on Sunday. On Sunday we did a hand off, all right, our non-catastrophe managed claim model is where we pushed the first two to 300 claims for those guys to go out and handle those claims. So the customers that turned in claims first did not wait for an IA deployment to happen. We were adjusting those claims as they were coming in. On Sunday we turned the switch on and said we are in catastrophe response mode. All of the new claims that came in went to this group that we did in the deployment and then they handled all of the claims until they started to slow down, and then what we did is we started scaling down those resources and we turned it back over to the non-catastrophe managed claim model to handle.

The next slide. So what did we see from the storm? We really saw a lot of coastal tributary, canal, flooding and storm surge. Anything that was near the water, especially near landfall, had significant surge. Even in the areas north of Tampa, they sustained a significant amount of rain and they had a combination of flood and surge in many places. There was very little wind damage associated with this. Even when you go out to the areas that there were directly impacted at landfall, roofs may have a shingle or a tab missing slopes and siding and things like that, were not missing, there was not a lot of debris in the air with this storm. It really was a quick moving storm. What we saw was a lot of roofs that leaked and our Citizens policies require a direct physical opening to occur. So if all of the shingles are in place and you have an old roof and the water is blowing in around those and the flashing, those aren't covered. Another thing we saw is the average claim payment for the storm is so low that it did not overcome the hurricane deductible for a lot of people. Then when you back the flood or the surge out of that, that left very little claim for payment on many of those. Next slide.

So let's talk about the statistics that we saw from Hermine. As of Thursday last week we had received 827 claims. Now, by this time we have contacted all of the claims, all of the claims have been scheduled for inspection. We have closed 327 and we have paid out a little less than \$300,000 in indemnity. And again, the lack in payment is you had a lot of non-covered damages and you also had very high deductibles for the hurricane. Next slide, please. We also had the

ability to look at these claims across many different dimensions, one of them being severity. We make claim assignments based on severity. The ones that are severity five would be the ones that are called in and assessed as having the most damage. Excuse me. Those claims were immediately assigned to our staff, large loss teams, and we had staff out on site within 24 hours of those claims coming in. We resolved and looked at almost all of those claims before the end of Labor Day. The -- we also look at them by policy account types. So again, I mentioned earlier commercial, we are always nervous about commercial because that is where the biggest exposure dollars are. From this storm we only had four reported claims.

Next slide. We can also look at them across counties. And the only thing I really want to point out here is the landfall area in the east side of the landfall, believe it or not had the least amount of damage. Most of the damage occurred in the north of Tampa marketplace, and again, most of that was flood and surge related. One thing I do want to point out is our friends in South Florida reported more claims than the actual area that was hit by the eye in Leon County. Next slide. So because of our concern with commercial, what we did was that tool that I showed you early on, the GIS tool, when we extracted the policies out from under that cone, I know what the policy number is, I know the contact information, I know the coverage limits and all of those types of things. We segregated all of the commercial claims from that, and what we did is we actually had our commercial adjusting team that we deployed make outbound calls to all of those claims. And what we are trying to do is we want to get out in front of representation. We spoke to every insured that we had on the commercial side and asked them did they want to report a claim. We also explained the calendar year and hurricane deductibles to them to let them know if there is a subsequent storm we really do need to come out and write estimates and so forth. Again, as of the end of Thursday we had only had four commercial claims reported or wanted to be reported. So that concludes what I had today for the hurricane update. Any questions?

CHAIRMAN NEWELL: Thanks, Jay. Yes, Brian.

MR. SQUIRE: Hey, Jay, great report.

MR. ADAMS: Thank you.

MR. SQUIRE: Question. Out of the, how many claims are open still?

MR. ADAMS: There is about 50 percent of them probably still in an open status.

MR. SQUIRE: What kind of reserve amount is set for the ones that are outstanding?

MR. ADAMS: We have the ability to set a reserve when those claims are called in during the first notice of loss based on the severity type. So we can control what the reserve amount is. I will tell you that the reserve on most of these claims are going to be very low, less than \$5,000. Even the ones that were reported with the most severe damage, I am not sure that we have seen any that have exceeded like \$25,000 in payment.

MR. SQUIRE: Okay.

MR. ADAMS: We had one, one fire that will exceed that. When the power came back on they had flood, and they had a spark and burned the house down. So that one will be expensive.

MR. SQUIRE: Okay. Thank you.

MR. ADAMS: Sure.

CHAIRMAN NEWELL: Phil.

MR. ZELMAN: Jay, great report, I agree with Brian. I have heard part of this report before from another committee. How many of the claims were reported by third parties, either attorneys or public adjusters?

MR. ADAMS: As of yesterday we had about seven claims out of the 837 that had public adjusters. We had five claims that had assignment of benefits. Now, what we are monitoring and looking at it is, initially all of these claims were reported without any representation. And what is going to happen is we will start to see the AOB and the representation trickle in as time goes on. We have reporting set up to monitor that.

MR. ZELMAN: And the 25 claims in Miami-Dade, which everybody is sort of chuckling about a little bit, what type, what type of claims were those? The only thing we had was some heavy rain.

ADAMS: They will be likely leaky roof type stuff.

MR. ZELMAN: So it will be more like wind driven rain type claims or --

MR. ADAMS: Yes, and they just reported as Hurricane Hermine claims. So every time the state of Florida had any type of event that passes through, regardless if South Florida gets hit, we always have claims reported from that market. Now, one thing I do want to point out though is, the storm did get pretty close to South Florida, right, because it was, it went right over the Keys. Now, it was not an event at that time. It was still just a tropical wave. But they did sustain some serious rain. Very little wind damage.

MR. ZELMAN: Okay, so we are attributing that to the hurricane actually it would not have come under the wind coverage, it would have come under the regular deductible?

MR. ADAMS: If it was reported as a Hurricane Hermine claim, and it was reported during the reporting window where we apply the hurricane deductible, regardless of whether the storm passed over Miami, they would still ascertain the hurricane deductible.

MR. ZELMAN: Okay.

MR. ADAMS: As soon as Florida goes under a watch or a warning the hurricane deductible applies and it applies to 72 hours post the last hurricane warning or watch when it is lifted from Florida.

MR. ZELMAN: Okay, thank you.

MR. ADAMS: Sure.

CHAIRMAN NEWELL: Greg.

MR. ROKEH: Of the -- you talked about significant amount of these claims had -- had flooding or surge damage. Does your claims process track or question the insureds as to whether or not they had flood policies?

MR. ADAMS: We certainly ask the insureds that, and I do believe we track that in our --

MR. ROKEH: Do you have a number? I am curious.

MR. BITAR: I don't have a number. We could pull that. You know, if you are in flood zone A or B you are required to have flood coverage and we do request that from the underwriting perspective upfront. So we could go in and pull reports to see whether or not there was flood coverage, but again, remember, we don't cover flood. So at most it is going to defer to the flood carrier if they did have flood coverage and didn't opt out and file a waiver, if you will. But we do have that on file for our -- from an underwriting perspective.

MR. ADAMS: One thing that I will tell you is that feedback that we received from the field is that the flood carriers were waiting for a homeowner denial or a homeowner assessment before they would come out and inspect the loss. So many of the people that lived in the coastal areas or the tributaries where they were flooding, they were reporting claims based on what their flood carrier was telling them to do.

MR. ROKEH: I am just curious, do you know, did the surge get up into areas that were zone X for example? Did it, or did it stay into the known flood areas?

MR. ADAMS: That I don't know. We could probably do some analysis with that GIS tool with the surge, but we don't have anything that would overlay the flood zones with that.

MR. ROKEH: Thank you.

CHAIRMAN NEWELL: Thanks, Jay.

MR. ADAMS: Sure.

CHAIRMAN NEWELL: Awesome report.

MR. ADAMS: Appreciate it.

CHAIRMAN NEWELL: All right.

MS. MURPHY: Mr. Chairman?

CHAIRMAN NEWELL: Yes.

MS. MURPHY: This is Susanne Murphy. May I ask Jay a question?

CHAIRMAN NEWELL: Yes, you can.

MS. MURPHY: Thank you. Jay, if I am reading the report correctly, looking at the claims statistic page reflects 78 closed claims, is that right?

MR. ADAMS: I am sorry, I am not sure I heard the last part of that.

MS. MURPHY: I am looking at the claims statistic page. It is not numbered, so, I am sorry, I can't tell you what number, but it reflects 78 closed claims, is that correct?

MR. ADAMS: I am not sure that you have the most up to date. I believe we reported 387 were closed.

MS. MURPHY: I am looking at what is in the Board book because that is all I was given. But regardless, do you know of those closed claims how many were closed without pay?

MR. ADAMS: I don't have that number in front of me but we can certainly get that number.

MS. MURPHY: And do you know if – can you tell me if the reason they are closed without pay is that it is not covered, such as a flood loss or whether it was within the deductible, could I just get that?

MR. ADAMS: I am not sure that we would be able to give you that without data mining the files.

MS. MURPHY: Oh, okay.

MR. ADAMS: Our system is only going to be able to -- the only way I would be able to ascertain is close without pay is if there was a zero payment on the claim file. We would not know from our system if it was purely coverage, meaning it was flood or surge.

MS. MURPHY: Right.

MR. ADAMS: Or less than the hurricane deductible. It would take some I believe file reviews to make that determination.

MS. MURPHY: Okay, well, thank you. I won't ask for that, but it would be an interesting statistic to understand.

MR. ADAMS: Okay, thank you.

MS. MURPHY: Thank you.

CHAIRMAN NEWELL: Thanks, Suzanne. All right, Jay, now you can leave. New business, and we are going -- we are going to stay right on time. So new business? Phil.

MR. ZELMAN: I have an Fmap question.

CHAIRMAN NEWELL: All right.

New Business

MR. ZELMAN: Under new business. There have been some changes on how Fmap is being handled.

MR. BITAR: Uh-huh, correct.

MR. ZELMAN: And I understand that agencies are not allowed to -- they are now going to the Fmap system to use it for marketing. As of the past two weeks we have under covered one major agency that is using Fmap as a big marketing tool. The way we came about hearing it, and I normally don't bring my own agency's information into this committee, but one of our insureds received a letter from this agency saying that they are partnering with Citizens and Fmap to help depopulate Citizens and how is that being handled?

MR. BITAR: Adam has joined me and I know he is dying to respond. I will tell you as of July 1st, with passing of the latest round of legislation, agents are no longer able to request the

information from us from the policyholder list that we used to provide prior to 07/01 and market. As you know, we gave up the right to policy expirations when we launched the clearinghouse and we updated our agency agreement. So at this point no agency should be securing those lists for the direct purpose of soliciting to move anyone out of that agency's book to the private market. So that is how -- and we have reached out to all of the agents that were on our list in receiving those policy data reports and we have told them of the law change, that they will no longer be receiving those reports after 07/01, and that is how we have handled it in general. Specifically, on the case that you bring up has been brought to our attention and we are looking into reaching out to that agency directly so that we can remind them of the law change that they are out of compliance for sending such solicitations post 07/01, when the law changed. So that is how we will be addressing it with them. Adam, I don't know if you want to add anything additional.

MR. ADAMS: No, I don't. Thank you, Steve, as always

MR. ZELMAN: Okay, so we don't have an end result as to how besides just telling an agency that they can't do this anymore. Well, what kind of violation it is or what repercussions there will be.

MR. ADAMS: So that the change in statute prohibits the information from being used. I don't know that it provides for any specific remedy. Obviously, we have our own internal agency controls and our agency services management team looks at those closely. I think at this point as this is starting to come in, what we do and how we do it is going to depend a lot on what we learn as we start to uncover the particular facts of this single incident. You know, obviously, there are many reasons it could have gone out. Some may be more egregious than others. So I think this is going to be a good trial, a good test case for us to see the best way to proceed, but I imagine in the short term at least it will be handled in a similar fashion to other agency Citizens violations.

MR. BITAR: Yes, and to go one step further. Any agent who participates with the Fmap program up to this date, if they did not comply we could take action on their Citizens appointment. So if the agent that is soliciting, if you will, is also appointed with Citizens we can take some action on the Citizens' side and impact them there. Whether it be, you know, a violation of some kind, a warning, suspension, depending on the discipline and the record of that agency, we can take action from that perspective. You know, when an agent behaves inappropriately outside of us impacting their Citizens' appointment that would probably up to the Department of Financial Services who oversees the agents. So again, as we look into this and develop our case if we find that there is a need to refer that we will do so and then it will be up to the DFS who oversees agent behavior to take action appropriately.

MR. ZELMAN: Thank you.

MR. BITAR: You are welcome.

MR. ZELMAN: I have one other issue.

CHAIRMAN NEWELL: Go ahead, Phil.

MR. ZELMAN: This is dealing with a totally different issue. So it is not an Fmap issue, it is dealing with replacement costs on certificates that many banks are requiring. It is not legal for an agent to put on a certificate for replacement costs.

MR. BITAR: Right.

MR. ZELMAN: Many of the carriers when we go to issue a policy within minutes we get a dec page.

MR. BITAR: Uh-huh.

MR. ZELMAN: Which we can then use in lieu of a certificate. I have heard some rumor that Citizens is heading in that direction possibly.

MR. BITAR: I will say it is a rumor right now. I am sure Carl is trumping at the bit to come up here and join me because he has been working this issue directly. The situation that you are talking about is one that has involved us recently. We are entertaining that, we are working with legal to see how far we can go with regards to issuing such a statement. As you know, we don't use a cords forms currently for that purpose. That is an option that we are looking at right now. We did publish an agency technical bulletin agent communication a while back instructing our agents about the path to follow to try to deal with that situation specifically. It might not be as effective as we had originally hoped. And so we are working with legal to see if we do have any other options in that vein. I will let Carl, you know, supplement if he would like as well.

MR. ROCKMAN: Thank you, for the record, this is Carl Rockman. Phil, we are aware of the situation. Several of your members have brought it to our attention, we are really facing kind of a war on two fronts. One is the lender, the financial institutions putting demands on the agents that aren't reasonable and we need to look at our ability to step into that breach both on the individual moment or through the influence we have of different Board members who are in that industry that can really help us bring visibility to that issue. Second, when it comes to printing dec pages in your office, there is functionality in policy center that if the policy is bound and you have placed money on it and you have uploaded your documents you will get a dec page. That happens today. It is when money is pended or documents are outstanding, you can't, okay. We recognize that, but we want to bring visibility to what the system does do and if you have funds on the policy and all of your documents uploaded you can get a dec page which would more than satisfy the lender in those situations. So those are unique, not every case fits a bound approved circumstance but a lot do and we think that might alleviate some of the pressure on the agents that are put in that position.

MR. ZELMAN: Okay. Thank you.

CHAIRMAN NEWELL: All right, anything else for the good of the order?

MR. BITAR: For the good of the order if we have a couple of minutes, Mr. Chairman, we have one minute. Just a quick update to follow I think Jay's update. CFO Atwater last week actually sponsored a mock insurance village in the Tampa area, invited various carriers to participate to stage what would happen immediately following a storm and what type of response the carriers would have throughout the state. Citizens is one of the carriers that was invited to participate. I am very happy to report it was a successful event. Several carriers from around the state provided – did participate in that event and CFO Atwater as well as Commissioner Altmaier both attended that event, walked through what it would look like should we deploy an insurance village. And just for everyone's knowledge, you know, immediately following a storm you want to make sure that you have a central location as close to the damage as possible so that customers can all report to the same area, especially from a depopulation perspective, if a policy has been assumed it is the responsibility of the assuming carrier, but a customer might they are still with Citizens. So it is really helpful to have a central location where all insurance companies are located, where all consumers can report, the Department of Financial Services is there, Citizens is there and many of the other carriers are all located together. So if a claimant comes to us and their policy for instance has been assumed, we can walk them to the carrier that is now responsible for their claim, or if they are a policyholder of Citizens at the time we can take their first notice of loss right there and help them through the entire process. So it was a great event, we had several carriers participate and again I think it was great to see all the insurance companies come together in response to any type of storm. So thank you.

CHAIRMAN NEWELL: Thanks, Steve, for that update. Meeting adjourned, thanks, everybody.

(Whereupon, the meeting was concluded.)