Market Accountability Advisory Committee March Minutes

☒ **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	Market Accountability Advisory Committee Meeting Minutes June 8, 2022
Purpose/Scope	Review of the June 8, 2022 Market Accountability Advisory Committee Meeting Minutes to provide opportunity for corrections and historical accuracy.
Contract ID	N/A
Budgeted Item	☐Yes ☒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 June 8, 2022 Market Accountability Advisory Committee Meeting minutes.
Contacts	Kelly Booten, Chief Operating Officer

CITIZENS PROPERTY INSURANCE CORPORATION

Summary Minutes of the
Market Accountability Advisory Committee Meeting
Wednesday, June 8, 2022

The Market Accountability Advisory Committee (MAAC) of Citizens Property Insurance Corporation (Citizens) convened via Zoom webinar on Wednesday, June 8, 2022, 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
Jorge Hernandez
Lee Gorodetsky
Lissette Perez
Lori Williams
Susanne Murphy
Kelly Booten, *staff*
Christine Ashburn, *staff*

The following Citizens staff members were present telephonically:

Barbara Walker
Barry Gilway
Bonnie Gilliland
Carl Rockman
Jay Adams
Mathew Carter
Ray Norris
Stephen Mostella
Tim Cerio
Wendy Perry

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

Chairman Newell: Thank you, Wendy. Before we get started, thanks to Wendy, Barbara, and Bonnie for always helping us and navigating this committee and other parts of Citizens' committee structure. Thank you for doing all this and, especially for me this morning, sending me multiple links, so thanks, thanks, thanks.

Jorge, we want to welcome you to the MAAC committee. We look forward to working with you and getting your input on some of the issues that we tackle here for the Market Accountability Advisory Committee. So welcome. If you would like to say a few things, please do so.

Jorge Hernandez: Yes, thank you for having me. I really appreciate the opportunity, and I am excited to be here, thank you so much.

Chairman Newell: We look forward to working with you.

1. Approval of Prior Meeting's Minutes

Chairman Newell: Before we go too far into the agenda, let's go ahead and approve the March 9, 2022[1] meeting Minutes. Do I hear a motion?

A motion was made by Lee Gorodetsky and seconded by Brian Hodgers to approve the March 9, 2022, Market Accountability Advisory Committee (MAAC) Minutes. All were in favor. Motion carried.

Chairman Newell: Let's move into probably the hottest topic this committee has undertaken in a while, it's certainly the Market Update from our friend, Kelly Booten. So, Kelly, take it away.

2. Market Update

Kelly Booten: Good morning, Committee. Kelly Booten, Chief Operating Officer, for the record. Yes, this is one of those stories that unfortunately the news is not getting better with time.

The first slide is the Citizens' Policies in Force by Year and Account. No surprise here. We are continuing to grow as companies are shedding policies or temporarily shutting down business for various reasons. As of last Friday, our policies in force were 887,847. Last week our weekly in force growth was over 12,000, which included an influx of policies from Lighthouse Insurance Company.

On the next slide, we get into a little bit of analysis that our corporate analytics team has done on the new business. This first slide shows personal lines new business trends year over year, and by policy type. You can see the progression in the totals line at the bottom, where we wrote 81,980 new policies in 2019, and have already written 101,420 in just the first quarter of 2022. So, we are definitely experiencing a lot of growth.

The next slide shows the same data by geographic region. The high growth is in the Orlando and All Other regions.

The next slide shows the trends by Coverage A in the top graph and the year built in the bottom graph. We do have some newer, higher value homes available for depop for anybody that wants them. I am making a little bit of a sales pitch there.

On the next slide, we show new business policies for the top 10 prior insurers. Most of these names look familiar and are names you've heard about as letting go of policies or becoming insolvent.

The next slide is a pictorial representation of the concentrations of policies by year. 2020 is for an entire year, and the blue just extends into the middle of the state and up into the northern parts of the state that back in 2019 weren't there, and the first quarter of 2022 is starting to show those trends already.

Other information in recent market decisions that have impacted Citizens include policies that we've taken on from other carriers. For example, Avatar, which had an April 13th cancellation date, we wrote over 13,000 policies or approximately 39 percent of their personal lines business.

[1] Verbatim correction: Stated as 2020

For Lighthouse Insurance Company, so far, we have bound and approved 6,295 or 36 percent of that business. That had a May 30th cancellation date, and there is a few more policies trickling in from Lighthouse. For Fed Net, the 68,200 policies that have a cancellation date effective June 29th, we are in the works of loading that data. We actually loaded more than half of it last night and are continuing the load tonight, and that is to assist agents with quoting after they have appropriately marketed that business to just ease the burden with bringing those policies that need to come to Citizens. If the trend continues, we're probably looking at maybe 50 percent of those policies and that's just an estimate. Other companies that have recently stopped writing include People's Trust, Progressive, Southern Fidelity. So that's adding to some of our growth, as well.

On the commercial lines side of the house, we have been relatively flat as far as Policies in Force growth; however, the number of submissions and bound policies started doubling in volume month over month in early 2021, and in the last three months has doubled, yet again. We are writing more higher value properties and have dropped a number of lower valued properties. There are currently 172 A-rated buildings, and at the end of 2021, there was approximately 40. The top three prior carriers are Lloyd's, Avatar, and Heritage on commercial lines.

We are coping with the new volume. We've got lots of things in place for scenario analysis and taking measures to make sure that we stay ahead of this volume and handle it.

That is my report. If there are any questions, I will entertain them.

Chairman Newell: Okay, great report, Kelly, as normal. Committee members, certainly we have Kelly and Barry and certainly many of the other senior leaders at Citizens on the call. If you have any questions for Kelly, let's begin those.

Lee Gorodetsky: This is Lee. I have a question and it may or may not be for Kelly. With all of this going on, what I am already sensing in our agency is that Citizens' insurance in Dade County does go up to a million dollars of coverage, where in Broward and Palm Beach they don't, leaving a lot of people with really difficult scenarios. That is a lot of the Fed Net and Monarch business, higher value homes. Is there any talk of bringing Citizens' Broward and Palm Beach back up to the million where they were before?

Kelly Booten: Well, there's always a lot of questions about that. It's a statutory requirement at the 700 threshold. The Office can make an exception to that if they have enough evidence that there's no market available, and that's not something that Citizens would necessarily take the lead on. So, we follow the statutory requirement or an order from the Office, but we do understand the plight.

Brian Hodgers: This is Brian Hodgers. Dave, can you step in and comment as to whether or not the Office has been in further discussion on this? I know Citizens can't take the lead on it, but FAIA and the agents, are we putting any kind of pressure or in talks with the Office to do anything about this?

Chairman Newell: Well, Brian, I was going to interject, so I am glad you brought that up. Yes, FAIA and its Board has directed staff to entertain and have any conversations with the Office of Insurance Regulation to look at the possibility of increasing, and I know Lee directly said Broward, but certainly there are other counties that are impacted throughout Florida. So yes, we are having conversations internally, and then soon, if they've not happened already, externally with the Office to talk about a study and some things that we may be able to supply, some information to help facilitate that increase from 700 to a million. Especially, with the current state of the marketplace and then, as we all sit on this call, we know what's happening with Lexington later this summer. That's another part of the puzzle that will have to be taken care of. I know they were higher end homes, as well, but they have a broad book of business. So yes, Brian, FAIA has started that dialogue.

Brian Hodgers: Thank you.

Lee Gorodetsky: Very much.

Chairman Newell: Anything else for Kelly and the Citizens team at this point?

Brian Hodgers: Yes, I've got another question.

Chairman Newell: Okay.

Brian Hodgers: This has been brought up a couple of times in the past and I'm not sure if Carl is on the call or not. I've spoken with Carl about this. We've seen roughly an average inflation on Citizens' renewals around 18 percent, whereas the majority of the market is somewhere between six and eight percent. We're seeing a huge amount of call volume of people saying, hey, we knew rates were going up, but we read in the paper about 11 percent caps, but yet they're seeing an 18 percent increase in inflation in the coverage and they can't quite quantify the difference between coverage increase and rate increase, so we have to explain that to them.

And then of course, we're getting the request, can we lower the coverage. When we go in and do a new RCE using the exact same information from the previous year's RCE, we end up with, in pretty much all cases, a much lower coverage than what that inflation guard put on there. So, it's just creating a tremendous workload for us to submit the RCEs, get a signed request from an insured. I am just wondering if there is a way in which we can look at adjusting that, if there is any appetite to adjust that, or where we go from there? It just, especially in times like this where we are having to do so much rewriting, it's kind of adding insult to injury in the fact that we just don't have enough time to do it all on top of rewriting to deal with RCE issues like this.

Kelly Booten: I can address that. You know, the inflation factors aren't going to be precise because they're based upon a percentage across the board and not unique characteristics of each home. We applied the percentages that we received from CoreLogic, as recommended by them, and you know, you can override that, but you can submit an alternative evaluation based upon the specific characteristics as you are binding. We can take it back and look at it to see if there is anything we should alter going forward, but right now we plan to keep applying that inflation guard as is, but we will take it back and look at it.

Brian Hodgers: All right, thank you.

Chairman Newell: Anything else for Kelly at this point? You know, the only thing I was going to ask, Kelly, is, since you mentioned Avatar, Lighthouse, Fed Net and there are others that are certainly in the queue, but the process that you all have undertaken with the document deferral and some of the other things that you are allowing to happen to facilitate these transition of policies, I am just curious on how that process is working.

Kelly Booten: Well, nothing has escalated me that it's a problem. I know it has to be a help to the consumer and the agent, and it definitely is a help in underwriting, as well, as we have to process a lot in a short amount of time coming through underwriting. So overall, I feel like it helps everyone by doing this.

Chairman Newell: Yes, Kelly, that's my point. I think working together on these things has really helped the agent, helped the consumer, and certainly staffing, what you all have to deal with on a day-to-day basis, the volume that you are now undertaking on a weekly basis. So, that was really my point. I think that's been a helpful tool and, hopefully, many, many agents that find themselves in this situation are taking advantage of that and helping their clients better understand that they will have to provide the information in the future; it's just right now to facilitate the movement of the policy, they can defer some of that stuff.

Okay. With that in mind, I am going to bring in our friend, Christine, to talk about the Special Session, what happened during that weeks' time, and bring us up to date from a Citizens' perspective. Welcome, Christine.

3. Legislative Update – Special Session D

Christine Ashburn: Thank you, thank you, Chairman. Good morning, it's nice to be with all of you. Yes, so as many of you I know are aware, just prior to Memorial Day weekend the Legislature held a special session on property insurance in Tallahassee. Ultimately, there was also condo legislation passed in the wake of the Surfside tragedy that was added by the House and Senate to the ultimate bill. Next slide, please.

I am sure all of you are aware, most of this bill was effective upon becoming law, so we are quickly and furiously working through the bills internally with the work groups on implementation of processes and anything that may need to change for us and looking at the overall roof issue. But we wanted to provide you all today with a high level of what was included in both bills that passed at the last special session.

It does, as many of you I am sure have heard, create a short-term reinsurance to assist policyholders' program within the Florida Hurricane Catastrophe Fund. That is an attempt to provide coverage where there has been a squeeze of price and availability below the CAT Fund to try to help some of the domestic carriers that may need access to that coverage.

It funds the My Safe Florida Home program until October of 2024. This is a program that was created after '04 and '05 and has not been funded in a while. It's for mitigation inspections and matching grants for mitigation features with replacement cost less than 500,000 and those that are located in wind born debris regions around the State of Florida.

Many of you remember in Senate Bill 76, there was anti solicitation language that has ultimately been struck down by the federal court, but this language, while there are prohibited advertisements, it would include if they do not actually include certain disclosures about insurance fraud and the need to pay deductibles. So that is something that was in Senate Bill 1728 that ultimately did not pass during regular session.

It requires that the claimant must establish an insurer has breached the contract before seeking extra contractual damages under bad faith. This doesn't really specifically impact Citizens but was a good case law fix for the private market regarding bad faith claims. So, this is listed as a positive I believe by the industry and a small step forward on that one.

It prohibits attorney's fees from being assigned or transferred to a third-party. Remember in House Bill 7065, we created an entire fee structure and structure of AOB process, and this actually now prohibits assignment of benefits holders to actually stand in the shoes of the insured as it relates to attorney's fees. And so subsequent to this later in the bill, the section on how fees are structured for AOBs has been repealed.

It does allow for an optional roof deductible that is the lesser of two percent of coverage A or 50 percent the cost to replace the roof. This was also something in similar fashion that was looked at during the regular session, but this didn't make it across the finish line. So that is something we are internally reviewing right now on our own as I am sure many other carriers are. Next slide, please.

It does prohibit an insurer, beginning July 1st, from refusing to insure or non-renew a roof less than 15 years in age solely because of the age of the roof. As all of you know, there's been a lot of underwriting tightening around the roof ages and just roofs, in general, in Florida, and so this is an attempt to try to settle that down at a certain point. It also does provide that if you have a roof that is older than 15 years old and insured cost to an inspection that shows at least five years remaining useful life, that the insurer cannot solely non renew or refuse to insure based on a roof.

It requires that insurers must inspect a non-hurricane loss within 45 days from notice of the loss and within seven days of assigning an adjuster, an insurer must provide, upon request, information relating to the adjuster assigned.

It allows insurers to receive fees for suits dismissed for failure of the claimant to file a pre suit notice. This is an addition to Senate Bill 76 reform where today, or I guess today we could, but pre this bill there was no opportunity in this instance for insurers to recover fees.

It does establish a rare and exceptional standard for the attorney fee multiplier to apply on property suits. That's also a fix based on court action or inaction. It does clarify what services fall under an AOB and requires that pre suit notice be sent to the address outlined in the policy documents. That is something that was part of the Omnibus insurance bill during the 2022 session that was ultimately not passed; some clean up language I would call it.
It does change the requirements that a roof must be replaced if more than 25 percent of the roof covering is damaged as long as the roof was built, repaired or replaced in compliance with the requirements of the 2007 Florida building code or any subsequent additions of the Florida building code after that.

Mr. Chairman, that completes my report, but I'm happy to answer any questions.

Chairman Newell: Thanks, Christine. Yes, you were very busy during that week, so thanks for that report. Members, if you have any questions for Christine, she's in the trenches, she's well engrained in what is happening in Tallahassee. So, if you really have a question or two, please free to ask Christine and she will certainly provide the best response she can.

Lee Gorodetsky: Hey, Christine, this is Lee Gorodetsky, how are you?

Christine Ashburn: I am good. How are you?

Lee Gorodetsky: Very good. Thank you for all that, although I have been reading up on it since it has been going on. I may be among the minority, but I don't think this is going to do a whole lot to help. That being said, I'm concerned how the State can tell an insurance company what kind of roof they can take or not take if they're a for profit business. I don't know how the insurance companies are going to agree with that, because if they choose to not want to take a 15-year-old roof or a 12-year-old roof, why can't they do that? I agree, it's not a good thing for the state, but I don't know, telling a business you have to do that was a concern for me.

And this litigation, you said this multiplier, what is it established at? Because it was three times. I know they were talking about going to the Texas method of .8 or the national at 1.2, but I have not seen anywhere what the multiplier is.

Christine Ashburn: The multiplier can be applied by the Judge at one, to one and-a-half to two times I think usually. That has never been prescribed in law or by the court what the number has to be on a statewide level. What this does really, it does adopt what the federal standard is, which is the rare and exceptional standard for the multiplier, whereas that has not been the standard up until this point. If Tim or anyone is on the phone from the legal team, they can probably do better justice to that explanation than I just did.

Lee Gorodetsky: No, I appreciate it, because that is the only thing that is really going to help is litigation change. Everything else is just Band-Aids and stuff. I like the fact that the attorney's fees can't be transferred after AOB, which is great, but you said there was a time frame that the insurance company has to respond to get a claim before litigation?

Christine Ashburn: It requires that an insurer must inspect a non-hurricane loss within 45 days from notice of loss and within seven days of assigning an adjuster an insurer must provide upon request information relating to the adjuster assigned.

Lee Gorodetsky: And if it is a hurricane, it can be longer than 45 days?

Christine Ashburn: Yes.

Lee Gorodetsky: So, the litigation can't start until 45 days out basically?

Christine Ashburn: Well, it requires an insurer must inspect the loss within 45 days. This has nothing to do with litigation. I don't know that there's anything that would say that an insured couldn't sue in that time. I don't know why they would, but this is based off the insurance company requirements, not the lawyers.

Lee Gorodetsky: But they can still litigate day one which is a problem of course, but that wasn't fixed. I know there was a thing that when Texas had a 60-day or a 45-day something or other that they couldn't litigate until after that, giving the insurance company a chance to make a settlement before doing anything.

Christine Ashburn: Yes.

Lee Gorodetsky: Is that part of this?

Christine Ashburn: No.

Barry Gilway: So, Lee, just let me add one thing. SB 70 -- this is Barry Gilway for the record.

Lee Gorodetsky: Yes, thank you.

Barry Gilway: SB76 did create a notice of intent requirement. So, you cannot litigate prior to establishing the notice of intent, which is not 60 days unfortunately, but it is 10-days. You have a 10-day notice of intent which is designed to do the same thing that you are referring to, and that's allow for settlement. And then there is a time period following the 10 days which basically allows for the insurance company to decide whether they want to reinspect the loss.

Lee Gorodetsky: Right.

Barry Gilway: All, really, relating to more flexibility in trying to come up with a settlement.

The other point I would make, because you mentioned AOB, is that Citizens receives roughly 1,100 new litigated cases per month. 52 percent of those are AOB. And if I take the top 19 carriers in the state, then the average of those top 19 carriers is about 34 percent that are AOBs.

To me, there are many things that would improve the industry position. I don't think it's a perfect fix, but there is no question that the utilization of AOBs is going to drop, and drop dramatically, if the contractor is not allowed to receive fees for an AOB assignment. So, I do think that's probably one of the more favorable areas of the litigation.

I do know, and Christine would agree with me, we've had conversations with legislators following, and there is absolutely no question that they see this as an interim step, and that with new leadership after November there's definitely potential to make even more headway relative to the litigation issue and some real serious tort reform.

Lee Gorodetsky: While I have you. The 25 percent roof, having to replace it, does that seem like it's going to make a difference to you? Because I could just see the lawyers and roofers saying it's way more than 25 percent, and I can see the insurance companies saying it's not more than 25 percent and having arguments on that stuff. It's almost a moot point, I think. I don't know, it seems to create more litigation, I'm not sure.

Barry Gilway: Well, I think I'd probably turn this over Jay in terms of what the overall impact would be, but obviously, we're still looking at the potential of putting in or installing the roof deductible program. Really, I'm not sure whether we will move forward with implementing the roof deductible program in any form. There are some other ideas that we have that we believe might be more effective.

But Lee, nothing is going to stop litigation. I think that's a fundamental issue that I think you're getting at.

Lee Gorodetsky: Yep.

Barry Gilway: As you know --

Lee Gorodetsky: If it helps, we're all happy if it helps. That's a plus if it helps.

Barry Gilway: Yes, that's the key. I do believe that. As you know, there are two suits already challenging both the AOB provisions in the program and also some of the commercial provisions in the other bill that was passed.

Lee Gorodetsky: That was predetermined. I think they had that money lined up, before the session even started, to litigate it already.

Barry Gilway: Yes, I agree with you, Lee.

Lee Gorodetsky: Okay, thank you so much for the help, for the questions.

Lori Williams: Lori Williams here. Mr. Chairman. I had a question.

Chairman Newell: Go ahead Lori.

Lori Williams: Thank you. I would like to bring Lee's point back just a little bit about the roof and the insurers for less than 15 years in age. We have carriers now in central Florida that have limited, and all around the state, to homes aged five years or newer. Is this going to affect that or is that still going to be in play, or do we know?

Barry Gilway: Well, I don't think we know, Lori, in my opinion. I think Lee made a very good point, and that is, I think one of the most divisive and negative parts of the bill from an insurance company, private company standpoint, was the 15-year provision. As we all know, the one way to get around that is, obviously, very simple and that is simply not accept homes that have roofs that are in excess of five years, 10 years of age.

In fact, I read an announcement from one Carrier this morning, I think they established a roof age, it was either six or eight years, for eligibility for new business. I don't believe that solves the problem. I think there is a way to get around that provision, the 15-year provision, and that's simply not to write the business. And I know --

Lori Williams: Well then –

Barry Gilway: I am sorry, go ahead, Lori.

Lori Williams: No, go ahead, I am sorry.

Barry Gilway: I think you are keying in on the right issues. I think it's the first step in attempting to address the roof issue, but I think there are other potential approaches that will be discussed in the next session.

Lori Williams: Yes, because my concern is that the carriers may ultimately just say no more new business. You have some carriers that are shutting down in central Florida right now because their capacity is already full up through August, and then they'll reopen again in August. So, I think this is an ongoing problem and it's going to be a real challenge for everybody. Thank you.

Barry Gilway: Yes, thank you, Lori.

Chairman Newell: Thanks, Lori. Anything else for Christine or Barry?

Allen McGlynn: Hey Chairman, this is Allen McGlynn with State Farm.

Chairman Newell: Go ahead, Allen.

Allen McGlynn: This is probably for Christine and the executive team. You know, the bullet in here that talks about the piece in the legislation that refunds or re-establishes the My Safe Florida program. I will just say that from our perspective the previous administration of that program was pretty disastrous.

Our agents loved it, but the company didn't, because we had to re-underwrite everything where the My Safe Florida program had resulted in UMBI forms because of the inspections. You'll also remember the CFO's office, previously under Alex Sink, had to fire six of the eight vendors that they were using for the inspections because there were fraudulent inspections being done. You had 70 and 80-year-old people signing forms that they had been up on people's roof and inspected them.

You know, if people have done mitigation obviously, they should be entitled to these discounts, but I was just wondering from Citizens' perspective if you guys plan on talking to the CFO about the administration of this program this time around so that we can correct the errors of last time around from the fraud standpoint. Also, there was a lot of problems with standards in terms of lack of uniformity, what was a [inaudible], those type of things. Also, data on who has gotten an inspection or a grant, any of those type of things.

Christine Ashburn: Allen, it's a great question and the answer is, yes. One of the things we identified when we went through our internal work group on how to implement this bill, one of our notes was we wanted to reach out to the CFO's office, obviously, give them a minute to catch their breath, at a minimum to understand how we're supposed to know. There are some data requirements, as you mentioned, in the bill they would need carrier data on, how many people got grants, what the estimated savings was for that book of business. So, we do intend to find out who the right folks are at the CFO's office to talk to them about those kinds of questions that we already have, and I am sure there are many more.

Allen McGlynn: Okay, that's helpful.

Chairman Newell: Thanks, Allen. Thanks Christine. Anything else from the committee on that point or something else? All right, well, thanks, Christine. We really appreciate the conversation today. With that in mind, we're going to go ahead and move to tab four which is the Inspection Program. Welcome our friend, Stephen Mostella.

4. Inspections Program Update

Stephen Mostella: Good morning, Chairman Newell, and committee members. For the record, my name is Stephen Mostella, and I serve as Vice President of Underwriting at Citizens. This morning I will give the committee a brief overview and update on Citizens' Holistic Inspection Program. You can move to the next slide.

August of 2021, the Board of Governors asked for Citizens staff to expand our homeowner property inspection program. As a result, staff created a four-year plan and we called it Holistic Inspection Program, which started in January of this year, and extends into 2025. Three critical business results we will measure as part of the program will be to reduce our loss exposure, improve premium accuracy, and validate the risk information, which that last one, it is important to other carriers as they consider taking our policies from Citizens. With the high volume of inspections planned for the next four years, staff is leveraging existing and emerging technologies that will be beneficial for the Citizens company, agents, and policyholders. Next slide.

This page shows the volume of annual inspections planned for each year between 2022 and 2025. In the far right-hand bottom corner, we have a four-year plan to inspect about 1.4 million homeowner inspections during this period of time. That number could possibly go higher. If you look at the second column which is labeled, percentage of new business, and the fourth column which is the percentage of PIF, those percentages are fixed percentages, they are fixed numbers. Therefore, as Kelly mentioned earlier, if Citizens continues to grow with new business applications and PIF, the volume of inspections would grow proportionately. Next slide, please.

This shows our results through 2022 year-to-date as of May 19th. We have ordered over 59,000 inspections, and we have close to maybe 90,000 more inspections to order before the end of the year. And bring that up to today's date, as of yesterday, we have ordered 65,000. Next slide, please.

This slide outlines how we communicate with agents and policyholders when ordering inspections. The inspection team spent a significant amount of time developing this critical element of the process to ensure agents and policyholders are informed on the steps in the inspection process in a timely manner. When Citizens places an order with one of the three inspection vendors, number one, the agent is notified electronically through our policy administration system with some of the details about the inspection that is being ordered. That is followed up by an e-mail that we send to the agent and to the policyholder telling both of them about the inspection. The inspection firm then follows very specific steps to schedule the inspection with the policyholder. Those steps include calling the policyholder and, if needed, sending a text message to the policyholder. Next slide, please.

As you can imagine we are paying very close attention to the overall customer experience as it relates to the inspection program. There are three primary sources of input and feedback on the inspection program that we receive. There is a mailbox that agents can use to send us questions or inquiries about the program. Customer correspondence, those are letters or notes, or information sent to us from policyholders with inquiries about the program. And then we have the voice of the customer which is used by our customer call center where they periodically ask consumers calling in about different aspects and records that feedback.

Overall as you can tell by the percentages, we've had very, very little push back. In fact, overall, the results have been very positive. Last week we shared a similar inspection update with the Agent's Round Table and, overall, the agents had positive comments about the program. When we do run in those rare situations were a customer or an agent has a concern, we have a dedicated manager that handles all of the escalations, so we are very quick to address any concerns or any problems from agents or policyholders. But as I said a minute ago, the complaints, the issues, the concerns have been very, very minimal at this point in time.

Chairman Newell, this is the end of my presentation about the Holistic Inspection Program, and I am open to entertain questions from the committee.

Chairman Newell: Thank you, Stephen. Committee members, any questions about this process? Certainly, sometimes it can be challenging for Citizens to get ahold of the customer, so I know the agent is well engrained to helping that process. Any comments from the committee on this?

Lee Gorodetsky: Dave, this is Lee again, sorry. Actually, the program is a great program, I love it, I think it is a good idea. I'm just wondering what percentage of people are having problems with the inspections, like the roof is now too old or it's damaged or there are issues. Is there like a percentage? Is it a small number or is it a higher number? Because I thought you said you were doing older and smaller homes first, which I think would be more likely to have issues. I'm just curious on that matter.

Stephen Mostella: Yes, I would have to get the specific breakdown for you, Lee, in terms of what we are seeing so far. But in terms of the properties that we are inspecting, a lot of them will be 20 years or older. The HO3 family of policy type. So yes, a lot of them will be older, but I would have to get information to you back about the roof and what exactly is happening. We do run into situations where we are unable to organize and schedule the inspection, and we work with the agents, of course, to get those situations resolved as quickly as we can.

Lee Gorodetsky: Yes, and they have been great working with us. They've been awesome. I was just kind of curious in that. So, no hurry.

Stephen Mostella: Exactly, thank you.

Chairman Newell: Anything else for Stephen on this topic? All right, thanks, Stephen.

Stephen Mostella: Thank you, Dave.

Chairman Newell: And switching years, let's go behind tab five with Carl Rockman and Agency Management Services. Welcome, Carl.

5. Agency Management Services Update

Carl Rockman: Good morning. Thank you, Chairman Newell. For the record, Carl Rockman, Vice President of Agency and Market Services.

I will begin my report on page 3 which is a recap of our – I'm sorry, I will begin my report on page 2 with an update of our agent and agency counts. The committee will notice the net increase in agencies and agents statewide. These numbers reflect growth across the state, not just in the tri-county area. I did check the numbers this morning and we are currently stand at 9,937 appointed agents and 5,543 agencies as of this morning. So, we are nearing a milestone of 10,000 appointed agents at Citizens. Regarding agency size, we are experiencing net growth in our tier one through four agencies. All of these trends indicate an overall lack of capacity and more reliance on Citizens to provide solutions for consumers seeking property insurance.

Page 3 is a recap of our performance violation program and results for 2021. The key metric here is the box at the bottom where we report the impact on individual agents over the history of the program. The 2,119 warning notices issued through April of this year equate to 135 issued for this year. What we are showing you is a representation of the history of the program. We've only had five agents suspended under the performance program this year. This indicates that our warning notice process is getting the attention of the agent and allowing us to offer assistance to avoid a suspension.

Page 4 reflects our performance year-to-date. I am pleased to report that even with increasing new agent counts and increased production we have been able to maintain and even slightly improve the quality of the new business we're receiving. This is a reflection of our partnerships with our Underwriting team, our partners in Learning and Development and Corporate Communications, and also our agents who have engaged and committed to deliver a new business experience with a minimum of turbulence. Also, a shout out to our Agency Field Management Team and our Agent Experience Team who actively engage all new agents and agencies that get to the warning notice stage to offer support and guidance.

Page 5 recaps the second element of our performance program, late submissions. A remainder, a violation is charged if all required documents are not uploaded within 15 days of the requested effective date. Warning notices and suspensions are a fraction of what they are on the PVs and indicate that most agents are adhering to the program.

Page 6 will reflect our year-to-date results in this very important category. We will attribute the increase in alert percentages to some of the increased activities that we know agencies are going through as they try to meet the increased demand from consumers seeking solutions. But we are pleased that despite that we have not seen a deterioration in the violation percentage all the way over to the right.

Lastly, page 7 provides a report on our formal education and outreach activities. I'll highlight our recently conducted Agent Round Table meeting that Stephen mentioned. Great session with Barry, Kelly Booten, and Christine Ashburn providing market and legislative updates, and ART members providing us with great feedback on our inspection program, system improvements, and other areas impacting the customers we mutually serve.

We look forward to convention season this year and will be present to support all of the associations and the great work that they do. Our Powerhouse series continues along with our, our live training. And lastly, I will point the committee to our attendance at our May 4th event with over 1,000 agents taking the time to attend a live webinar with us. All this, in addition to the great support provided by our call center reps and the individual agency consultations, again performed by our agents and field managers.

Citizens is 100 percent engaged in supporting our agents to ensure that if Citizens is the only option, *if* we are the only option, that they can deliver the best customer experience possible to the premium paying customer. Thanks, and that will conclude my report. I will be happy to take any questions.

Chairman Newell: Thanks, Carl, very informative as usual. Any questions of Carl about his report from the committee?

Carl, what I was going to mention as a shout out to you and the team and, certainly, the field managers, unfortunately some of our folks have run a little sideways in this process and you all have stepped up every time to help that member, that agent, that agency and guide them through this path of getting on the right track, especially from a field manager perspective, always willing. So, anybody on the call that would like to utilize those services, certainly, please reach out to Carl and his team. Those field managers do a great job of going into an agent's office and trying to help them make those submissions, make that process a little bit better so they stay off the radar of some of these stats, so strongly, strongly recommend utilizing those talents and certainly that resource if you have not done so already, so thanks, Carl, for that. Anything else for Carl on this topic?

All right, Carl, tab six, Depop and Clearinghouse.

6. Depopulation & Clearinghouse Update

Carl Rockman: I will be happy to go through our traditional report on Depopulation, Clearinghouse, and FMAP.

Page 2 of this report details our Depopulation program year-to-date. We have not had any carriers come forward for the June and August personal lines depopulation, but in anticipation of increased carrier interest after hurricane season, we are announcing plans to add a November depop opportunity to our regular every other month cadence for personal lines. We encourage any interested carriers to approach us with questions and the OIR for approval to participate. As Kelly mentioned, we have a lot of policies that might fit your profile, and after hurricane season we are anticipating and hopeful that some carriers will choose to engage. But please remember, we are going to do an October, November, and December personal lines depop in Q-4.

Page 3 of this report will just provide greater detail on depopulations we did execute this year with Florida Pen and Vyrd.

Page 4 of the report provides results on the new business Clearinghouse where our results have remained consistent since 2021. Seven percent of our business presented gets an offer of alternative coverage, but only two percent of those are deemed ineligible for Citizens.

Page 5 presents the results of the renewal clearing house where the results are reflective of the eligibility rules related to renewal, and the price in both new business and renewals are reflective of limited carrier participation as we’ve mentioned in previous meetings.

Lastly, page 6 presents our activity and results in the Florida Market Assistance Platform, or otherwise known as FMAP. We will be reporting our progress and enhancements to this program in more detail at our Exposure Reduction Committee meeting in July, but we are investing in the FMAP program to make opportunities for consumers to engage agents more visible and, hopefully, to optimize the platform as we move forward.

Mr. Chairman, that will conclude my report for Depop and Clearinghouse.

Chairman Newell: Thanks, Carl. Any questions for Carl on the depop and certainly on the Clearinghouse process? Hearing none, Carl, thanks so much for those reports. We really appreciate it.

7. New Business

Chairman Newell: Thanks, Carl. Any questions for Carl on the depop and certainly on the Clearinghouse process? Hearing none, Carl, thanks so much for those reports. We really appreciate it.

Any new business for the committee today? All right. Now that we have talked about depop and some of the changes in the law and some of the things that are happening in the marketplace, I thought since Citizens stays so close to investment groups and different people that are trying to enter the marketplace and looking at their data to see if it makes a fit for their plan, I thought, if you don't mind, bringing Kelly and Barry back in and just seeing some of what has happened recently with legislation and certainly the activity that you all have undertaken over the last few years now with the growth; has private capital, private investment contacted you all to entertain or have discussions about what they're seeing and potentially looking at investing in Florida's property market? Just curious.

Barry Gilway: Dave, I will throw it back to Kelly, because her Exposure Reduction program really tracks all of the investors that we are in discussions with. I will say this that, as you well know, at the present time the driver behind investor interest is really reinsurance. You know, Demotech indicated just last week that of the 40 carriers that they rate, 30 had full placements and the 10 remaining had at least first event cover replaced, but they still had not placed the reinstatement layer as of yet. So, I think everyone is waiting anxiously, at this point, to determine, whether the remaining companies can effectively place their reinsurance. I was just reading an article on Heritage today, for example. That's a successful placement, but very clearly when the reinsurance is placed, they are paying a lot more for coverage. And in Citizens' situation, so far, we only have about 40 percent of our placement placed.

The bottom line is reinsurance, I think, and the availability of reinsurance and the pricing of reinsurance is going to have at least a short-term impact in terms of investor interest. I will turn it to Kelly, but yes, we are in discussions with several different investor groups, and frankly I think there's going to be a lot of interest particularly assuming that the 76 is successful, that both the Senate and House bills are successful and make a difference, and anticipation of the next legislative session.

Our book of business, and this is another pitch, our book of business has improved dramatically both through the inspection process that Carl reviewed with you, and frankly because so many companies, as Lori indicated, are simply shutting down and frankly, because they really can't afford the reinsurance cost, are moving really good business under the Citizens books. So, we have a better platform, better selection of business for investors, and they are well aware of this. They are looking very, very closely at investing and it's just a matter of time and making sure that things are in place that they need to be in place before they pull the trigger.

But I will turn it over to Kelly because she is very, very close to the discussions with various investment groups.

Kelly Booten: I'll echo what Barry said. We are kind of in a lull right now as people were waiting for the outcome of session and reinsurance. We do have a little interest on a couple of already established carriers in depop that were working. Carl, Adam, Norm, and I are working on gathering data for a Board report that we're doing in July on insurers and their appetite to be on the Clearinghouse, and we're getting a lot of good depop information out of that. That is why we added the November depop; it was feedback that the timing might be right in fourth quarter, so we wanted to have that extra month to take on people. We did get another carrier that subscribed to the depop file, and they're looking at it.

So, to Barry's point, it could start opening up now and after storm season, but we're in a little bit of lull and we've got probably six to eight different investor types that we keep engaged with to gauge their appetite.

Chairman Newell: Thanks for updating the committee on that. It certainly looks promising and, hopefully, some of those, because of some of the changes that are happening, will take advantage. Certainly, as Barry mentioned the book of business has certainly changed quite a bit over the last year and-a-half.

Anything else for Citizens folks at this point from the committee? All right, without anything else, do I hear a motion to adjourn the meeting?

A motion was made by Lee Gorodetsky and seconded by Brian Hodgers to adjourn. Motion carried.

Chairman Newell: All right, so folks have a great week, a great summer, and we will see you soon.

[Meeting adjourned]