☒ **ACTION ITEM** ☐ **New Contract** ☐ **Contract Amendment** ☒ **Other – Board Meeting Minutes**	☐ **CONSENT ITEM** ☐ **Contract Amendment** ☐ **Existing Contract Extension** ☐ **Existing Contract Additional Spend** ☐ **Previous Board Approval**______________ ☐ **Other**________________________________

Action Items: Items requiring detailed explanation to the Board. When a requested action item is a day to day operational item and/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 and 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	**Board of Governors Meeting Minutes, September 21, 2022**
Purpose/Scope	Review of the September 21, 2022, Board of Governors Meeting Minutes to provide opportunity for corrections and historical accuracy.
Contract ID	**N/A**
Budgeted Item	☐Yes ☐No N/A
Procurement Method	N/A
Contract Amount	N/A
Contract Terms	N/A
Board Recommendation	Staff recommends the Board of Governors review and approve the September 21, 2022, Board of Governors Meeting minutes.
CONTACTS	Barry Gilway, President/CEO and Executive Director Barbara Walker, Senior Executive Assistant and Board Secretary

CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE
BOARD OF GOVERNORS MEETING
Wednesday, July 13, 2022

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened at The Alfond Inn in Winter Park, Florida on Wednesday, July 13, 2022, at 8:30 a.m. (EDT).

The following members of the Board were present:

Carlos Beruff, Chair
Scott Thomas, Vice Chair
Jason Butts
Marc Dunbar (telephonically)
Jill Hanser (telephonically)
Erin Knight
Joanne Leznoff
Nelson Telemaco

The following Citizens staff members were present:

Barry Gilway
Tim Cerio
Jennifer Montero
Christine Ashburn
Kelly Booten
Brian Donovan
Jay Adams
Joe Martins
Barbara Walker
Bonnie Gilliland

The following people were present:

Kapil Bhatia	Raymond James
Dave Newell	Florida Association for Insurance Agents
Sam Wishard	Forvis
Mark Weinderg	Citi Bank
Bryan Friendshuh	Gallager Re
Trent Smyers	Gallager Re
George Smith	Bryant, Miller & Olive
Duane Draper	Bryant, Miller & Olive
John Generalli	Wells Fargo
Tamaa Patterson	Jefferies
Kerry Richardville	Andco Consulting
Coleman Cordell	Bank of America
Nathaniel Johnson	Bank of America

Call Meeting to Order

Barbara Walker: Good morning. You are dialed into Citizens Property Insurance Corporation Board of Governors meeting scheduled to convene at 8:30 AM. Our meeting is publicly noticed in the Florida Administration Register. It is recorded with transcribed minutes that are available on our website. For those attending in today's session through the public link, you're automatically in listen only mode. Panelists, thank you for identifying yourself prior to addressing our Board. Chairman Beruff, we have no speaker requests for today's meeting. May I proceed with roll call?

Chair Beruff: Please.

Roll call: Chair Carlos Beruff, Vice Chair Scott Thomas, Joshua Becksmith (notified us that he is unable to attend), Jason Butts, Marc Dunbar, Jill Hanser, Erin Knight, Joanne Leznoff, and Nelson Telemaco.

Barbara Walker: Chairman, you have a quorum.

1. **Chairman's Report**

Approval of Board of Governors March 23, 2022 and May 18, 2022 Minutes

Chair Beruff: We have two sets of minutes to adopt this morning: one for the March 23rd meeting and then the minutes of the Special Board of Governor's meeting on May 18th. I'll entertain a motion to adopt those minutes.

A motion was made and seconded to approve the March 23, 2022, and May 18, 2022 Board of Governors minutes. All were in favor. Motion carries.

Chair Beruff: That's done.

Consent Agenda

Barbara Walker: Chairman, do you have any desire to move any of our action items to the consent?

Chair Beruff: I want to move everything into the consent that we can.

Barbara Walker: You do. Okay. May I then just read that into the record?

Chair Beruff: Unless there is a board member who would like to take anything for further discussion off the consent agenda which is the way we always do things.

Barbara Walker: Okay. Thank you. May I read the items and then see if anyone wants to take anything off for discussion?

Barbara Walker: The consent agenda items that do not require a detailed explanation to the board . . . the consent agenda items are contract extensions, amendments, and additional spending authorities previously approved by the board and other action items qualifying consent as day-to-day operations unanimously passed through the committee. The chairman may move to advance action items to the consent agenda index to be voted on collectively for any board member who wishes to set aside any of these action items for discussion. The action items today are the Board of Governor Minutes for March 23, 2022, and May 18, 2022; Product Updates, Claims Valuation Services, and the Approval of Increase Required by 627.351 Florida Statute. The standing consent items are Court Reporting Services; Claims Legal Services; Claims Print Management Hardware and Software, Audit Committee Charter; Security Officer Services; Office Supplies Contract; and Citizens Document Fulfillment Services. Does any member wish to pull in item or table it for further discussion?

Vice Chair Thomas: Am I correct on the product updates that part of that is going to be discussed separately? There were two product updates that we discussed in committee.

Chair Beruff: I think we are talking about the roof.

Kelly Booten: Yes, for the product updates. After having the discussion with the Office of Insurance Regulation (OIR) last night, we decided to pull the remaining useful life one and bring it back in September. So, the documents in your books show that update.

Chair Beruff: So, that isn't part of the consent agenda comment, then, because you are pulling it?

Kelly Booten: And it's one of the action items that was just read.

Chair Beruff: I'm going to pull out the action item.

Vice Chair Thomas: I just want to make sure we do not inadvertently approve it in the consent agenda.

Kelly Booten: The action item had two items in it. We have the alternative dispute resolution (ADR) and the remaining useful life. I updated the document removing the useful life. It's still in there but only with the ADR process.

Chair Beruff: Perfect

Vice Chair Thomas: So, if we do the product update as part of the consent, then what we're approving is the ADR provision. We will discuss the other provision a little more later.

Kelly Booten: Correct.

Chair Beruff: With that clarifying comment, the board will entertain a motion to approve the consent action items.

Joanne Leznoff: Question Mr. Chair?

Chair Beruff: Yes, please.

Joanne Leznoff: Is the issue regarding the Small Business Association (SBA) part of the consent agenda?

Kelly Booten: The Department of Administration hearings?

Joanne Leznoff: Correct.

Kelly Booten: Yes.

Joanne Leznoff: I have a few questions about that if we could remove that and deal with that separately?

Kelly Booten: We did have an update fulfillment services. That has been updated. The amount is $7 million for two years. That update was made as well.

Chair Beruff: Right, with the comments that we are going to bid it out and it's going to be good up through 2023.

Kelly Booten: And we're going to bid it out under a new contract by 2024.

Chair Beruff: Correct. So, we are modifying one and pulling the other one for further discussion?

Kelly Booten: Correct.

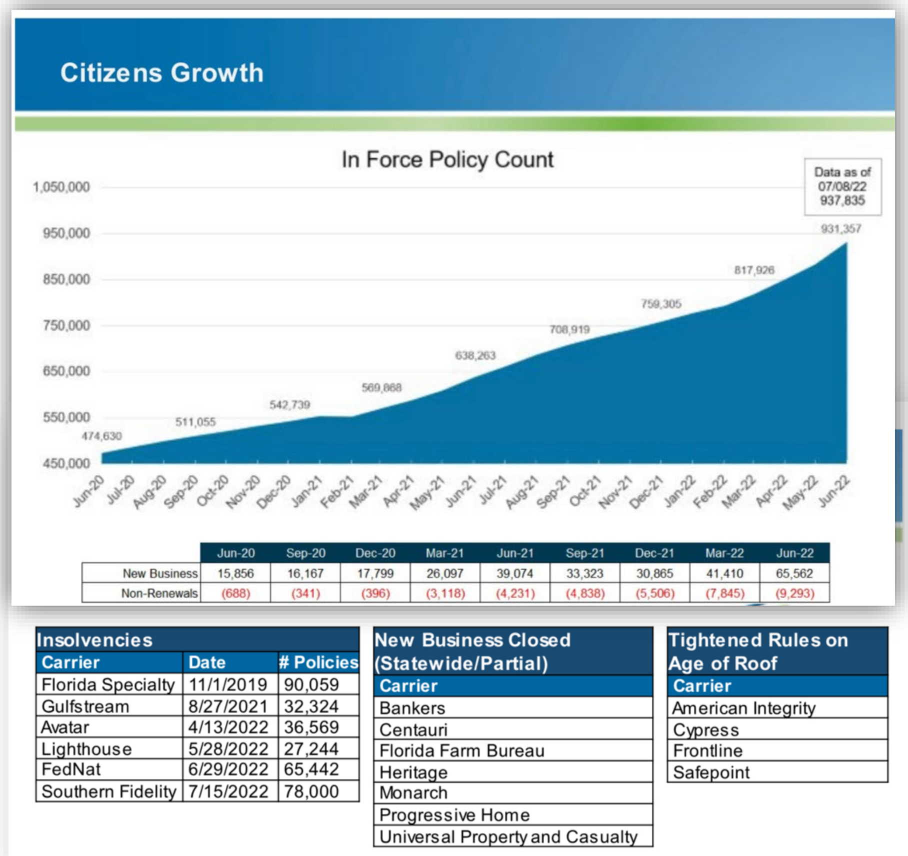
Chair Beruff: Okay. Does everyone understand what we're doing? I will entertain a motion to approve the modified consent action items

A motion was made and seconded to approve the following consent agenda items as discussed above: Board of Governor Minutes for March 23, 2022, and May 18, 2022; Product Updates, Claims Valuation Services, and the Approval of Increase Required by 627.351 Florida Statute. The standing consent items are Court Reporting Services; Claims Legal Services; Claims Print Management Hardware and Software, Audit Committee Charter; Security Officer Services; Office Supplies Contract; and Citizens Document Fulfillment Services. All were in favor. Motion carries.

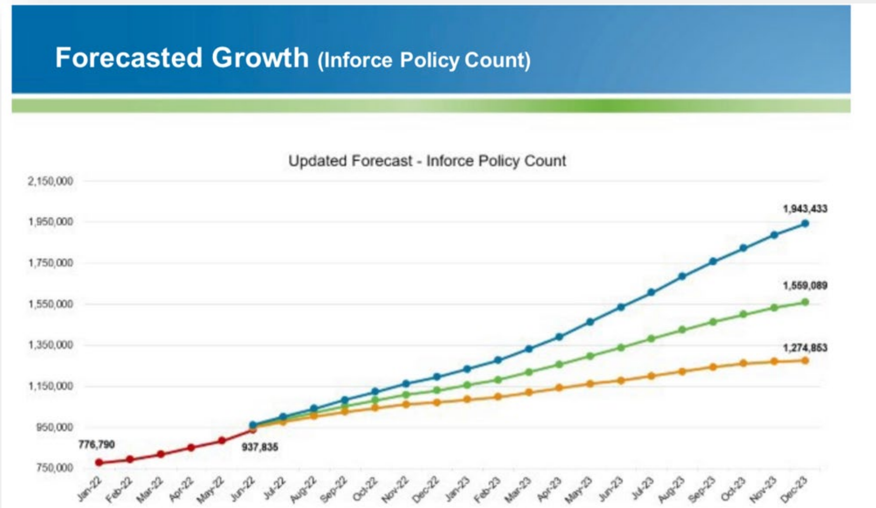
2. President's Report

Barry Gilway: Welcome to all the new board members. We are changing our board and it gets exciting. Good morning, Mr. Chairman and Governors. I want to update you, as I always do, on the overall Florida property marketplace. I'm going to shift my discussion a little bit today because, if you have the material, then you can follow through with that in the material. Really, I'm focusing on… So how are we keeping up with this? What are our activities and strategies and programs that we are putting in place basically to keep up with which is really incomprehensible growth and the impact of that growth across the entire organization? Every single division is impacted. I will be spending a little time on that.

Over the past several weeks, we provided you with the clips. I think there are about six or seven articles relative to the overall Florida marketplace. So, we keep you up to date through the clips on everything that is occurring. But every day there seems to be another company going insolvent, so we have insolvencies that are being reported. We have companies that are substantially reducing or limiting their exposure and really more companies continue to exit the Florida marketplace. When you really look at some very, very basic numbers, the reason is obvious why they are doing that. In the first quarter of 2022, we had a continuation of negative net income for the private market … the private market… really, we're talking about the 52 carriers that are the primary carriers in the private market and not the State Farms, AllStates, and Nationwide. The negative net income was $154 million. As I have reported now consistently, that was preceded by a full year negative net income of $1.2 billion in 2021. The year before that in 2020 it was $1.8 billion negative net income. While these numbers on a stand-alone basis may not shock you, when you take a look at these numbers in relation to the overall surplus of the Florida domestic market (I'm really using S&P numbers), the Florida domestic and foreign S&P reports Year end 2021 is $3.97 billion. That is the total surplus underlying the entire private market in Florida. The numbers indicate that the market is really losing 25% to 35% of its surplus every single year. 25% to 35% of the surplus. Given that these companies right about 80% about $14.8 billion of the $18.8 billion total direct written premium in the marketplace, I do not have to tell you how dramatic, you know, of an impact that these companies have. The estimates remain, you know, pretty wild. I had a conversation with Governor Butts yesterday and we are hearing the same number. The market is probably 75% shut down. There are very, very few companies in the marketplace. The numbers that I was quoting, by the way and that I'll show here, the numbers that I'm quoting really reflect those companies that I will show that have gone public by saying, "I'm shut down." But we are getting on a monthly basis… the largest company in Florida, by the way, with the exception of Citizens… we are getting over 1000 policies a month from that company… technically they have not shut down, but they are pouring business into the company. They just haven't gone public with the fact that they are rewriting their overall book of business. When you have numbers like this, obviously that is not sustainable. The company has got to do something, period, to be frank with you, it's not rocket science. There are really not a lot of options that these companies have. First thing they do, obviously, is that they have to comply with (and I'm not going to get too technical) but they have to comply with Insurance Responsibility Information System (IRIS) ratio. It's a mechanism to establish solvency in liquidity ratios for companies, and that is how S&P judges most companies. You know, companies that are failing or nine out of 13 of these ratios …with those kinds of results, the options are limited. One, they have to increase capital because if they are losing a third of the surplus and they're writing the minimum surplus, then they have to put the capital back in. Are you really going to generate investors coming in when you have $1.2 billion loss in a $1.8 billion loss? If you do then I would suggest to you the rate on return that these investors are going to require is going to be pretty darn, you know, substantial. Capital is at a premium. The second thing is that they need to increase rates. That is happening… has happened; the web sees rates have increased for some companies at 10% in some companies in excess of 100%. The one company at 111% is no longer a company. That is one of the last insolvencies. But they filed using 111% increase. Capital is gone. Rates have increased as much as they possibly can. So, what is the third option? Reduce exposure. You have got to get rid of the denominator. In Exhibit 1 these are the companies that have simply gone public, starting with Florida Specialty. Florida Specialty went under in November 2019, but you've heard of all of these names: Florida Specialty, Gulfstream, Avatar, Lighthouse, FedNat, and Southern Fidelity. I have not even bothered to put St. Johns on there because they unfortunately… Bruce Lucas created Slide Insurance, and they took over 140,000 policies. Then, last week we had one more … Capacity… they went down from an insolvency point That is less of a problem frankly and the fact that many other carriers… and these are just a partial list: Bankers, Centauri, Farm Bureau, Heritage, Monarch, Progressive Home, and Universal Property and Casualty… these companies or simply shutting down. They are not writing any new business which is restricting the market. Part of that, of course, (and in which we had extensive conversations on yesterday regarding roof age) you have companies that are simply saying, “I’m not writing roofs anymore that are 15 years old.” As an aside, Progressive, cancelled 56,000 policies for one reason alone; they had roofs that were over 15 years old. There is nothing wrong with the homes. There is nothing wrong with the roofs. The bottom line is that the roof is 15 years old, and they knew what was coming: litigation. Roof litigation was coming, and it was going to destroy it. You can see from the list that’s starting with Florida Specialty that’s seven to eight companies are now in receivership. Several cases where the OIR issued consent orders with large numbers of policies that are allowed to be cancelled midterm. They had to do it. It’s the right thing for OIR to do to keep the financial in line. Then, the limitation on acceptability of risk characteristics … “I’m not going to write in the southeast. I’m not going to write in the Tampa Bay Area. I’m not going to write homes that have bankers five years old. I am not going to right for a home that is more than five years old.” These are the kind of limitations that are being put on. I am not going to touch on reinsurance because Jennifer Montero will go into details there. Their reinsurance market was a total fiasco. I don’t think a lot of people understand that this market is reinsurance. This is not a market that is well capitalized. It really runs on reinsurance. Anywhere from 35% to 55% of every dollar of every premium goes to reinsurers. So, it replaces capital. AM Best does not give full credit for reinsurance in terms of their overall rating and establishing their financial rating responsibilities. The impact on us, I think… we just went back and showed what is happening. June of last year on this slide we were at 15,800 new business policies in one month. In June of this year, 65,562 new business policies. The week before last, 26,700 net new policies came into the system. This is driving the independent agency system nuts. They are trying to handle the rewrite of insolvent companies that Simply have significant

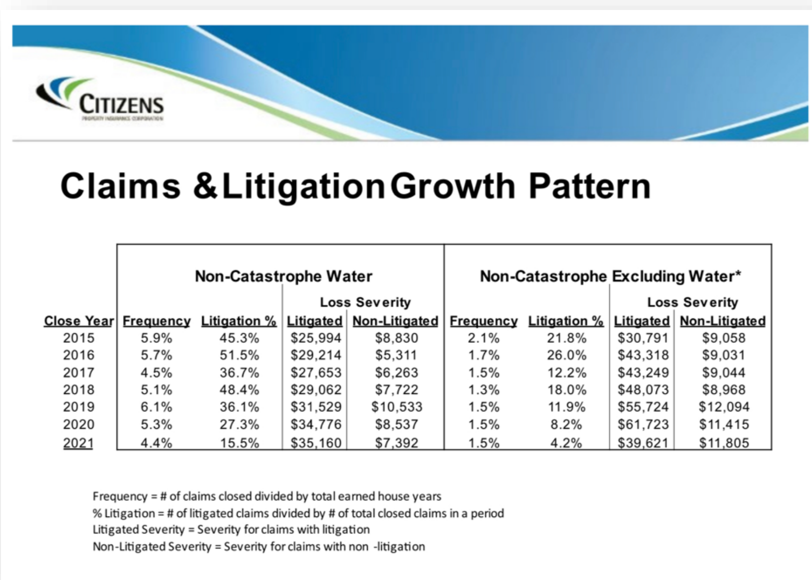


numbers of policies of these insolvent companies or companies that are shutting down. We have grown from a low of 474,000 customers at only $108 billion in exposure. Today we are at $322 billion as we sit right now (as of last Friday) 937,000 policies. Every single time… and I'm going to get into this next… every time we do a revised strategic estimate on the impact of the policies in force (PIF), The number goes up. I think our reasonable estimate sitting here right now is that it will be at 1.2 million customers by the end of the year, and we will be writing around $400 billion in exposure. The point I really want to make, and I will make better a little later, is that the company is three times the size 28 months ago. Three times the size we were 28 months ago. That is the magnitude of the overall growth of the company by the end of the year. The way we've responded to this…as you all know, I am highly complimentary of my team. I think they do a phenomenal job, and they are always looking ahead. Kelly Booten, for example, in this case, and she has multiple responsibilities…part of it is operational and strategic planning, you know, in the organization. She has a whole resiliency team that works with March Fisher's people and Paul Kutter to really do the best analysis in terms of the financial metrics. Where are we going? When will this end? What's the high point? What's the low point? More importantly, she looks at every single division and gets the whole company involved in analyzing where the problems are going to be and what are we going to have to do about them. On the next slide, this is the latest of the latest forecast. Again, they seem to change. This simply says that, you know, for this year it'll be at 1.2 million policies. The low point, obviously for 2023, this is showing 1.274 million policies. I think it is grossly understated. A reasonable number is 1.55 million policies, and the high point is close to 2,000,000 policies, depending upon what happens in the market, and by the way, what happens in the next legislative session. If you look at these numbers, what happens in the low? What happens if it's in the middle? What happens if it's in the hight? We look at several different aspects. Next slide please. First thing we looked at was process. We wanted to review the process, the vendor implications, the system implications, and, of course, all the mitigation strategies that we've had to work on as an organization. The strategic complexity goes way, way beyond simply adding additional workforce. Once the scenario planning is applied, individual business units implement strategies to respond to the growth scenarios whatever those growth scenarios are.   I just list a few here. So, process impacts… by the way, you'll be looking at the first one on this list which is check processing and invoice processing. This is identified as one of our consent items today, and that is basically we need to sure up our check processing and invoice processing capability. If you only have one carrier and if you're only limited to that one carrier and if that one carrier cannot potentially handle the whole thing, then you need a backup capability. We looked at check processing call volumes at the Customer Service Center (CSC), Jeremy Pope's arena, underwriting, claims the Q&A organization… we looked at catastrophe (CAT) response. Jay [Adams] worked on the CAT response. I will say this. These are the implications. In Hurricane Irma we had 78,000 claims. If you took



Irma today at the current level numbers, we would be looking at over 220,000 claims. You can't say, "Well, you've got to be ready for 78,000 claims." You've got to be ready for 220,000 claims. Jay takes it even further on the top end and says, "If a Dorian would have followed its original track across…" I think Jay's number Was 350,000 claims. These are staggering numbers and you've got to come up with mitigation strategies because if it happens what are you going to do? You have to be prepared for it. Just a couple of examples in process… Even though underwriting technology… We're not the strong people at it. Kelly, for some time now, has an automated underwriting program. What we're trying to do there is to see how much business we can push through that never sees a human hand where no one has to look at it. It's called automated underwriting process and we've already increased the automated underwriting from 17% to 32%, and she has goals that are far beyond that. It's not just man hours. We use technology to reduce the overall workflow. We only started the inspection program, as you know, at the board's direction. We've already got into the point of 40% of the inspections are now handled without any human intervention. By the way, I just want to make sure that everyone knows that we…every one of these policies have to comply the conduct exam criteria, the Auditor General criteria… we are audited consistently on all of these characteristics and risk characteristics are checked validated. It's the same thing on the claim side. Those are just a couple of examples on process. If you go to the next slide, vendor impacts are going to be an issue. They have the same issue we do. You can't double your volume and incrementally respond with staff. We've had, for many years now, we've had a balanced program where we basically try to do it 50/50. We try to hire 50% individuals, you know, staff and 50% outsourcing. The reason we do that is that what comes up will come down. We will reach some of these high points, in within two years, we will be down. If you take a look at 2002, Citizens is a rollercoaster ride. If you take a look at the overall market, it gets better and we drop; it gets worse, we increase. It will come down, and I even have predictions of when it will come down. We talked to investors all the time. Get your COA in and get ready for November for the next legislative session because a year and a half from now, put your capital in. We have a much better book of business you can select from. My point is on Business Process Outsourcing (BPO) vendors… Jeremy's is a great example. He has already done self-service enhancements. He's introduced a whole new telephony in the call center environment. Anyone who is trying to run a call center, they're going to call it one of the toughest jobs in the world. Jeremy has put in new telephony and basically that telephony redirects calls to the most appropriate place. For example, if it's a call that comes in with no conversation and if it's a call that really should be directed to an agent, then it automatically goes to the agent. We've saved over 100,000 calls as a result of additional telephony. Even with that we've grown from 70,000 calls a month to 116,000 calls a month. I do have a concern, but we're not going to talk about it today but in September. We have a lot of vendors saying, "You know what? We can't do this anymore. We can't provide this level of capability at the pricing of your contracts. We can't do it. We're going to have to limit the overall amount of capability we provide under the current contract. We just cannot afford to do it. We lose money." Jeremy is not coming to you with any specifics on that. September is going to be a different story. I think we're going to have to, you know, address the board on vendor contracts. The growth in the BPO contracts is a struggle. We continue to balance staff and the outsourcing. By the way, going back to the KPMG study I did 10 years ago when I first came in, outsourcing is more expensive. Outsourcing costs 1.3 times the insourcing. There is no question about it. It's more expensive. It's profit motivated. But the flexibility you get with outsourcing is huge because you pay for what you get, and you can drop off levels. It's an overall balancing act. The next area that we have is systems. Last weekend, Aditya Gavvala (amazing individual) … His whole staff spent the weekend tying up the systems to make sure that we have the capacity to run the increased number of quotes against the Clearinghouse. I'm not going to go through all of these, but I will give you this example. In 2019, the Clearinghouse submissions were 247,000. In 2020 those submissions rose to 530,000, or 115% increase. In 2021 they increased to 1.049 million submissions, or a 98% increase. Through the second quarter of 2022 they've already been at 809,000 submissions and we're on track for 1.6 million Clearinghouse submissions. These submissions…and I'm talking about unique submissions and policyholders; there are multiples of these unique submissions, as you know, Governor Butts, because you're really attempting to get the best price for the customer, so you adjust all the risk characteristics and the pricing on these submissions… But we're on track on 1.6 million submissions against the same system. You really have to work with that system so that it has capacity and bandwidth. On the next slide… I'm not really going to go through all of these, but I've already mentioned a few of them like automated underwriting, changes in telephony, automating the Mortgage G process…so you don't throw staff at it. You really looking at all of these essential functions and seeing which ones we can automate and which ones we can utilize technology to reduce the flow in the overall impact. All of the business units have looked at all of these issues and have said, "How am I going to mitigate these?" That is a process that is going on right now, using robotics, in addition to using additional staff. The next slide and I think this is important because we are looking at cost control. Under this scenario, we have 89 running initiatives. We can't do 89 initiatives. We've got to identify the high priority, high value initiatives, and we're actually doing training. We are negotiating better and we are doing more effective solicitations. We are doing more robust cost benefit analysis on these negotiations. Of the 14 finalized solicitation and procurement-related negotiations during 2021 and the first quarter of 2022, there has been $6.321 million in cost avoidance. And, during the same period of time $7.6 million was realized due to contract lifecycle. I am coming to an end. The last couple of slides… This first slide shows how we compare from an expense standpoint in the private market. As you will see, even when we were at our lowest point, you know, we have an advantage over the private market from an expense standpoint. There are pros and cons to this. The first is that obviously we have an advantage. We pay lower commissions, significantly lower commissions. I've been a broken record on this: agents do not want to place policies with Citizens. We pay the lowest commissions on the street, and if they have a market outside of Citizens, then they will pay it (a 10% commission versus a 5.8% commission every day of the week if you have a reasonable market for that business). This slide shows that overtime and now today because of the overall growth, we're looking at a budgeted expense ratio of 14.7%. The industry is going to be in the 24% to 25% range. We operate far, far more efficiently. There are some good reasons for that. Commission is a reason why we have an advantage; however, there is a negative. The bottom line is that if we have rate adequacy at the end of the year, we'd have $900 million more in revenue. We still have a 30% inadequacy even after a very limited rate increase this year. It's still going to be 30% inadequate. On a $3 billion premium at the end of the year, that's $900 million which would reduce that expense ratio down to the 11%. Next slide please. I'm not going to go over a lot on this, but this really does show that the administrative expense overtime is fundamentally flat. The expenses that really change are the underwriting expenses. I know that Andrew Woodward did a great presentation to the board on this. I think many of you were part of that presentation. Underwriting expenses are primarily broken down into commissions, premium taxes, and those things that really directly relate to the premium and to the comma you know, PIF. The administrative expense is what we try to maintain consistently as possible. Next slide please. I am going to give you some good news because even this surprised me. When you listen to litigation when you say, “Oh my heavens! We have 19,000 pending litigated cases,” in my opinion, this is probably the most impressive slide because what it shows is what we have been able to accomplish from the litigation perspective. Yes, we are going up in terms of total litigation, but we are three times the size and we’re growing in terms of the number of cases as a result of the size. But I do want to point out something here. On non-CAT water, which you know is 70% of all of our losses, if you take a look at the frequency of loss, we are down to 4.4% from 5.9%. Here is the amazing thing: litigation percentage for non-CAT water as a result of the appraisal program, as a result of the Managed Repair Program (MRP), etc. has gone from 51.5% of all claims we litigated at the peak. 51.5%. Over half of the claims were litigated. Last year it was 15.5%. The economic impact on the company is frankly staggering. Loss severity…no question. Litigation is higher than non-litigated. We have reported those numbers for years and it’s at 400%. That is why it is so important to improve the overall litigation percentage and we did it just for non-CAT numbers.   Frequency again at the peak 2.1% and it’s down to 1.5%. Litigation percentage of the non cat excluding water is 4.2%. I think what Jay Adams and Elaina Paskalakis have done relative to bringing down the overall level of litigation for this company is just, to be honest with you, mind-boggling. I think they are doing an absolutely phenomenal job. Jay Adams is the best claims manager in the system, and these numbers show it. I am going to close there. I will say this that despite the reinsurance discussion comment (and this is a slide that actually showed up at the SBA presentation at the Cabinet yesterday) but the comment was “Citizens remains in a strong financial position in the aggregate with a claim-paying capacity of $13.3 billion for all accounts and for a 1 in 100 probable maximum loss (PML) of $12.89 billion.” When you take a look at the claims paying capacity of $6.7 billion in surplus, $4 billion in Florida Hurricane CAT Fund (FHCF), $2+ billion in traditional placement, Citizens is in a phenomenal financial position. Frankly we are prepared for whatever comes next. With that I’m going to open it up for questions, Mr. Chairman.

Chair Beruff: Thank you, Mr. Gilway. Any questions?



[silence]

Chair Beruff: Seeing none, we’ll get the next victim up here.

[laughter]

3. Chief Financial Officer’s Report

<u>Financial Investment Committee (FIC) Report</u>

Risk Transfer Program Update

Jennifer Montero: So, my first update is going to be on the risk transfer. Would you like the short version?

Chair Beruff: I think the whole board will like the short version. For those of you who are joining the board for the first time, I am going to give you a little quick history. We authorized the staff to spend $400 million on reinsurance last year. The reinsurance markets were not very cooperative with what we thought was reasonable, so Ms. Montero and her team placed $2.5 billion at a cost of about $215 million in two different categories. She'll give you the details on that. Essentially, we couldn't spend $85 million comment which obviously will go to our reserves because it just cuts the expenses. That's the long and short of it. It does give us some exposure, which Ms. Montero will share with you in the case of a particular storm event, but it was not financially feasible from Ms. Montero's and Mr. Gilway's perspective to place at the cost that we would have to pay to accomplish that goal. We chose to do what we did, and I think they did a great job.

Jennifer Montero: We did place $2.507 billion for a cost less than $215 million. We originally were trying to place $4.6 billion. The weighted average gross rate online for the Coastal Account we placed $1.565 billion and that was at an 8.54% rate online. In the Personal Lines Account, we placed $942 million for a weighted average gross rate online of 9.65%. Overall, in summary, we've had a growth rate online of 8.96% as compared to last year which was 9.19%. With the FHCF included it gives us another $4.097 billion placement. All together we have $6.604 billion of coverage going into this hurricane season with a gross rate online for the FHCF at 8.1% and the growth rate online for the traditional where is 8.96% but the net was 8.45%.

Chair Beruff: I just want to clarify something I heard yesterday. In the new legislation in the special session any insolvent company policies that we take we can go to the FHCF for that piece that they had and add it to our reinsurance. Is that correct?

Jennifer Montero: That is correct. We are looking into that. We have a work group that is actually looking into that in trying to figure out how you'd actually… it's one thing to take the whole book of business over but if we're taking a policy here and a policy there, then it is going to be very difficult to implement that.

Chair Beruff: I'm sure you guys will figure out how to parcel that all out and have it controlled.

Jennifer Montero: The statute says that if we take it insolvent policy, then we can use… if they have the wrap layer that the legislation provided, then we get to utilize that.

Chair Beruff: So essentially, we have more reinsurance than what we have on our books because as we take these failed companies and we're adding to that potential. Great. Thank you. Anybody have any questions on this particular subject?

Nelson Telemaco: On the wrap, does that wrap coverage expire when the policy expires, or does it continue at renewal?

Jennifer Montero: It would be specific to that policy because we are not allowed to participate in that program. But, if we get a policy from an insolvency, then we get their coverage of that wrap. So, if the policy expires, then we would not have that coverage. That coverage would apply only to that policy and not our whole book of business.

Nelson Telemaco: So, when that policies term expires, does the wrap continue on the renewal?

Jennifer Montero: No. It's for one year and it's for 2022 or companies could defer it and use it for next season. So, to your point, I guess if it renews mid term, then it would still be covered for the season. So, it's either covered for this season in 2022 or it is deferred, and it is covered for 2023.

Nelson Telemaco: Okay. Thank you.

Chair Beruff: Next subject.

Actuarial and Underwriting Committee (A&U) Report

Rate Filing Update

Jennifer Montero: I'm going to ask Brian Donovan, our Chief Actuary, to give you a rate update. This is from the A&U meeting yesterday.

Brian Donovan: Good morning, chairman and committee members. I am Brian Donovan, Citizens Chief Actuary. I am just going to give a recap of the water rates from the OIR. We did receive the rate orders from the Personal Lines Account and the Commercial Lines Account on June 24th. Just a general reminder of what the recommended rates were… first we incorporated, as you recall, we look at four different hurricane models determined by the hurricane provision of the rates. In the past we have used a median of those numbers for the right indication. This last indication we relied on the two highest results for various reasons. That was approved. Also approved was a provision for re insurance for coverage for up to a one in 100-year event even if Citizens did not purchase that coverage as per Senate Bill (SN) 76. It was also approved. Also, given the large gap between the uncapped indication and the capped indication, we decided to emphasize the overall actuarial soundness versus the individual actuarial soundness. So, we recommended an 11% across the board for rate increases, which is the maximum amount allowed by law. That was not approved. The OIR instructed Citizens to allow rate decreases to -10%. All policyholders will receive a rate change between -10% to 11%. In aggregate that all rolls up to . . .

Chair Beruff: Mr. Donovan, I'd like to take a moment again for the new board members to understand some of the idiosyncrasies in our business. We have a business, until recently, operationally lost $100 million each year. We did not make any money. The only reason why we made money is that Kapil Bhatia did a marvelous job with Jennifer and made us a whole bunch of money in markets and investments. We took that money and subsidized our operational costs. I'm like a broken record. I keep saying this. Now, one of the things that makes no sense is that we approached the OIR about the ability to not go below 0%. What that means is that if you have a policy in a county that has $3000 a year, and when Mr. Donovan and his team have to break up territories and those territories show that this particular territory's rates (because of the claims) should be less expensive, then we have to lower their rates even though the rest of the counties are bleeding money. It makes no sense. You would never run a business that way. We approached the OIR and said, "Hey guys, we think you have the power without the legislation to stop at 0%. Even though the actuarial tables may represent what is due to them, we are subsidizing them because we are losing money in other regions and other territories." We got turned down. This is a second time (two years in a row) that we got turned down by them. That is one of the things that I think is terribly important to try to fix going forward in this legislative season so that we legislate that into existence. The other thing that is foolish that this company does is that we are forced to take policies from companies. You have policyholder who is perfectly comfortable paying $4000 a year (pick a number: $3000). Citizens, with its rate structure, then takes that policy and it is now $2500. We have to lower the premium to $2500. The person who bought the policy from the failed company was perfectly happy paying $4000. It is the simplest things that you can only imagine that only a government restricted agency would be so foolish to operate it that way. Hopefully, with this board and the staff, I know the legislature has a good intent and they can help us. Together we can fix some of the things that I find beyond lack of common sense. We are going to try to get where we are supposed to be… to expose the citizens of Florida to a significant problem if we were to get hit with a Hurricane Andrew at the wrong place in the state of Florida. We have been fortunate, but I do not think we want to run a business on luck. I will say this every time there is a new board member just so I can bring you up to speed on some of the idiosyncrasies. Thank you.

Brian Donovan: That's a good point. I just want to point out in that vein even with our proposed rate change, as Barry pointed out, we're still at a $900 million shortfall. With our proposal of 11% across the board, we would have made $318 million but we ended up with $225 million. Basically, it is a $93 million difference between charging the maximum amount versus giving the decreases. It's a $93 million difference estimate there. What was filed was 10.6% and what was approved was 7.5%. The new rates will be effective as of October 1st for the Commercial Lines Account and November 1st for the Personal Lines Account. Just one last thing as a reminder. This is based off of SB-76 that directs Citizens for the year 2022 that the maximum increase can be 11%, but beginning in 2023, the maximum increase will go from 11% to 12%. We will be making a filing that piggybacks off of this rate filing that changes the rate cap from 11% to 12%. That would be effective as of January 1, 2023.

Chair Beruff: Any questions from the board?

[silence]

Chair Beruff: Thank you.

Brian Donovan: Thank you.

March 31, 2022 Financial Statements

Jennifer Montero: In March of 2022 Citizens had consolidated cash and invested assets of $9.5 billion, reflecting an increase of $336 million since December 31, 2021. This increase was driven by an increase in cash flows which was largely as a result of an increase in written premium. Consolidated surplus as of March 31st was $6.7 billion, marking an approximate increase of $188 million from December. The consolidated direct written premium for the first three months was $554 million, which is an increase of $214 million from the same period in 2021. It is $39 million less than budgeted. The new business rate during the first quarter of 2022 was 77%; although this is a 2% increase than the same period a year ago, the renewal rate is slightly lower from the historical rates in 2019 and prior. Through March 31st there were no seated premiums for private risk transfer or for the FHCF. Premium ceded to the private reinsurance FHCF coverage is placed at the beginning of the Atlantic hurricane season, which begins June 1st. As of March, consolidated ultimate direct loss in the loss adjustment expense (LAE) related to Hurricanes Irma and Michael were $2.39 billion in $150 million respectively, reflecting no change from December 31, 2021. Of the $2.39 billion from Hurricane Irma, the ultimate loss in LAE in all three accounts is $1.01 billion is recoverable under our reinsurance contracts with both the FHCF and the private reinsurers. There is no reinsurance recoverable related to Hurricane Michael as the attachment levels of the reinsurance arrangements were not met. Consolidated direct written loss in LAE related to Tropical Storms Aida and Sally were likewise unchanged from December 31, 2021, and stood at $238 million as of March 31st. Current accident year losses in LAE unrelated to hurricanes and sinkholes did not experience any meaningful variances from the prior quarter as development of prior accident year losses in LAE is as expected. The 2022 accident year of non-CAT losses for the LAE ratios Personal Lines Account and in the Coastal Account continue to show an improvement from prior years. The dominant driver for the improvement in the losses in LAE is the improvement in the litigation rates which continues to be the most important factor in the non-CAT losses in LAE. In 2021, the litigation rate for non-CAT and non-sinkhole claims was 14.8% in the Personal Lines Account and 16.6% in the Coastal Account, marking declines of 4.2% and 1.3% relative to 2020 in the Personal Lines Account and the Coastal Account respectively. While still immature the results for the first quarter of accident year 2022 for these accounts, they are showing signs that are similar if not improved results compared to accident year 2021. The underlying Commercial Lines Account loss in LAE ratio has increased from 6.5% in 2021 to 11.3% for the first quarter of 2022. This is driven by the inherent volatility in the Commercial Lines Account due to the low premium volume. The increase in the Commercial Lines Account it's not caused by any systematic changes to the underlying loss experience for the book of business. Admin expenses incurred through March were $39 million, or $3 million more for the same period the year prior and $6 million less than budgeted. For the period ending March 31st, Citizens' expense ratio was 17.1%, reflecting a 2.4% decrease from the same period year prior and 0.2% decrease compared to budget. The total investment income for the first quarter was $40 million, approximately $8 million less during the same period in 2021. The average invested assets increased to $336 million. The decrease in the investment income is largely due to a decrease in realized gains activity. Heading into the hurricane season, Citizens' total assets and surplus together with the reinsurance program help ensure adequate claims paying resources to meet any potential claims paying obligations that may arise due to hurricanes or due to growth within Citizens' policy count. If there are no questions, that completes my report.

Chair Beruff: Any questions from the board?

[silence]

Jennifer Montero: One other thing that is in your book is the audited financials. Yesterday, at the Audit Committee, Dixon Hughes, our external auditor, did come and present the audited financials. They are in there for your convenience. That completes my report.

Chair Beruff: Thank you. Ms. Booten, you're up.

4. Chief Operating Officer's Report

<u>Information Systems Advisory Committee (ISAC) Report</u>

Kelly Booten: Good morning. Just really quickly, the ISAC met on June 8th and there are no action items there. The committee did approve the charter. It's unchanged. I gave an update on IT budget, financials, key strategies (similar to what Barry provided information on) and CAT readiness and risk update. We also presented our IT Strategic Plan to the committee.

<u>Actuarial and Underwriting Committee (A&U) Update, continued</u>

Alternate Dispute Resolution

Kelly Booten: Tim Cerio is here to answer any questions on the changes to the Alternate Dispute Resolution (ADR). Tim, we may want to give a full update to the full board.

Tim Cerio: Good morning. I went through this yesterday but to give all the board members and updates... What we are proposing to submit to the OIR is an endorsement that would allow us or an insured to send as a method to alternative dispute resolution claims to the Division of Administrative Hearings (DOAH). The notice of attempt to initiate litigation requirement that was implemented by SB-76 has really helped us identify and resolve disputes but are really disputes that are not centered on a coverage issue. There is a dispute over the amount. It turns out that, although it's been very helpful and very effective, we are still about 75% of the cases are going to litigation. The proposed endorsement would allow Citizens or the claimant to utilize the Division of Administrative Hearings. After the service of the notice of intent, it is determined the dispute involves coverage issue or policy limits. The DOAH endorsement to the base policy would authorize the division instead of overburdening the trial courts to resolve these disputes between Citizens and its policyholders or assignees of the policyholders under an assignment of benefits (AOB) if requested by either Citizens or the policyholder or the assignee. It's now taking on average about 430 days to resolve a lawsuit that goes to litigation into the civil courts. We now have over 19,000 lawsuits that we're dealing with. In preliminary discussions with the Chief Judge of DOAH, there really is a commitment by the division to set aside Administrative Law Judges (ALJs) who will be dedicated to our property insurance disputes. If there is enough time for a ramp up, it would allow them to hire additional judges if needed. The whole idea is that these judges, not only are they set aside, but they are either experienced or develope the experience and expertise to really handle these claims in a way that's a benefit not just to Citizens but to the policyholders as well. The Florida Rules of Evidence would apply. The Florida Rules of Civil Procedure would apply. We think the final hearing, in most cases, would be held within 100 days of filing the request for a hearing by either side, way faster than the 430 days. In an ADR it's very rare that you get attorneys fees. Our proposal for the endorsement would allow the claimant to recover attorneys' fees, but still, you have to remember that it is a limited timeframe. You're talking about attorneys' fees that accrue over hopefully 100 days as opposed to 430 days. The endorsement caps attorneys' fees to $200 an hour, which is the typical maximum rate that we pay our lawyers. There is no multiplier. We see that it is good for Citizens, but we see this as a pro-consumer/ pro-insured provision as well. I think that's it in a nutshell. I went into a little bit more detail yesterday. The only thing I would say (and I don't want to presume Governor Leznoff's question; we had a little bit of a sidebar yesterday on this) is that we think that this is a good endorsement. We really feel good about the commitment from DOAH and we want to answer any questions that you may have.

Chair Beruff: Questions?

Joanne Leznoff: Thank you for spending some time with me yesterday, and I failed to ask a question that I probably should have asked. I am not going to take up the board's time today and I apologize for that. Is there an understanding of how the funding for this is going to occur because as we know DOAH's FTE and dollars are appropriated from the legislature? Those funds are funded by the agencies that utilize DOAH. Is Citizens going to be paying funds?

Tim Cerio: An hourly rate, governor. We will pay an hourly rate.

Joanne Leznoff: Is there a trust fund?

Tim Cerio: That is my understanding, yes. I do not want the Division or the Acting Chief to get upset with me. We kicked around a number that was around $152 an hour, and I believe that is the range it will be in. But we will pay their hourly fee.

Joanne Leznoff: And, then they would need and appropriation for the increase in spending from the legislature. So, trust funded they could go to the legislative Budget Commission, but if they need additional FTE, that will have to be something that's done during session?

Tim Cerio: By far, more your realm than mine, governor, but from our discussions, the Division felt confident that they have the flexibility to ramp up and hire additional ALJs as needed.

Joanne Leznoff: Okay. Thank you.

Chair Beruff: Just to piggyback off that comment, the discussion from yesterday was that this would come into effect February 1st. We would not see our first litigation until the second or third quarter of 2023. We suspect that if this moves forward that we can have the legislature budget additional dollars in the next legislative season for the DOAH to have the money. I think the governor's comments are right on point. We want to make sure that there is enough money for them to do the job.

Tim Cerio: Yes.

Chair Beruff: But you think they already feel like that they can do the job.

Tim Cerio: Well, I do not want to step on their toes. They are professionals and they know what to ask the legislature for. Certainly, there is a lot of communication and a lot of collaboration going on right now as to what is needed and what are the expectations because we want to manage expectations. Jay made the point yesterday and asked me to emphasize it, to what you just said, Chairman: February 1, 2023, is when this endorsement will be in effect… so you will have to have a new policy or a renewal of a policy after that date for the endorsement to apply. So, you'd have to have a loss.

Chair Beruff: So, it could be a year and a half. Thank you. Anyone else have comments?

Marc Dunbar: I just want to thank Tim for all the hard work on this. Tim, I just want to tell you thank you. Sorry I missed the committee yesterday because I had technology issues but thank you and staff for trying to pull this together. Hopefully this will save us some money in the longterm.

Tim Cerio: I'd like to point out comment, Mr. Chair and Governor Dunbar, that I'm sorry about the technical issues. You missed the props that were thrown at you yesterday. You had been talking about using the DoH for years and we appreciate that. You were given some credit yesterday.

Chair Beruff: I'd like to thank, Mr Dunbar. Today will be his last meeting. He has been a huge asset to this board for almost two years that I've been here. He does the work and digs in. I'm going to miss you, Mr. Dunbar, but I appreciate hearing you on the phone. You can always reach out if you need anything, especially after the Sunshine.

Marc Dunbar: That sounds good. Thank you for your comment, Mr. Chair.

Tim Cerio: Mr. Chair, since this was pulled from the consent item, we would need a motion to move this forward… This endorsement.

Chair Beruff: Will someone make a motion to adopt?

Nelson Telemaco made a motion that the Board of Governors approve the proposals to update Citizens' Product guidelines, forms and supporting documents and to authorize staff to take any appropriate or necessary action consistent with the Product Updates - July 2022 Action Item to include filing with the Office of Insurance Regulation (OIR), system change implementations, updates to supporting documents, applications or forms and other relevant activities. Final changes and implementation timeline may vary slightly, based on project complexity and feedback from the OIR. Marc Dunbar seconded the motion. All were in favor. Motion carries.

Exposure Reduction Committee Update

Kelly Booten: I don't know if Dave Newell is going to do a MAAC update. While he is coming up here, at the Exposure Reduction Committee meeting yesterday, we did not have any action items. We covered the usual dashboard update on the state of the market, depopulation, Clearinghouse, and FMAP. We did report on a Clearinghouse Carrier Survey and a Depopulation Policyholders Survey.

Chair Beruff: Great. Next.

Market Accountability Advisory Committee (MAAC) Update

Dave Newell: Good morning, Mr. Chairman, for the record, Dave Newell and I am the Chair of the MAAC. We held our meeting on June the 8th. Our friend Kelly provided a market update that I know you were interested in from Barry's perspective this morning. Christine [Ashburn] brought us up to date on the special session and some of the nuances that Citizen has undertaken with those changes. Stephen Mostello brought the committee an update on the inspection program with undertaking about a million personal lines account risk inspections for the next four years. It's quite an undertaking. Part of that process will include providing agent notifications, so they can certainly help the policyholder understand what that process is like and facilitate a good transition of those inspections because, as we know, we get calls, we get emails, and we get other things. People get pretty antsy if they don't know what it's about, especially when it comes to your home. And lastly, Carl Rockman brought us up to date on the rise in appointed Citizens' agents based on the current condition of the marketplace and also some of the issues about what happens when submissions go up, some of the potential binding violations, and late submission criteria. That's always a challenge to manage that size agent plant, but they do a real good job on outreach when it comes to those things. And then lastly, for the association that I represent, those on our committee, we want to second some of the comments that Barry Gilway said earlier about Citizens is doing all they can in this troubled market. They are responsive. They are looking at new ideas and looking at new solutions to help facilitate the transition of thousands and thousands and thousands of policies. With that I'll open it up to any questions.

Chair Beruff: Any questions?

[silence]

Chair Beruff: Hearing none, we go to Ms. Ashburn.

5. Chief Communications, Legislative and External Affairs Report

Consumer Services Committee (CSC) Update

Christine Ashburn: Thank you, Mr. Chairman. Start I know that Governor Hasner is on the phone for the Consumer Services Update.

Jill Hasner: Thanks, Christine. Thank you, Mr. Chairman. The CSC met on June 1st. The topics the committee discussed included presentations from Jay Adams, Jeremy Pope, and Christine Ashburn around our 2022 CAT Plan and preparedness efforts to respond to the needs of our consumers for this year's storm season. I want to thank all of them and their staff for preparing for this storm season. Christine also provided the committee a legislative special session update, and our next committee meeting has been scheduled for August 31st. Christine, I'll turn it back over to you and recognize you to provide a summary on special session and an overall legislative update to the board.

2022 Special Session D

Christine Ashburn: Thank you, Governor Hasner. So, Mr. Chair, as you are aware, we presented at the Exposure Reduction Committee yesterday and at the MAAC and at CSC. The outcome of Special Session D which was held during the week of May 23rd in response to the growing insurance crisis in Florida. I think one of the key comments I want to make this morning is that this was clearly a special session focused on market issues. We were told very early on in our conversations with state leaders that they were not going to focus on Citizens issues, and I think that makes a lot of sense. The reality is this: we have great ideas that we want to pursue for Citizens related to depopulation and changes some of our eligibility standards and even conversations about rate. But ultimately if the market is not writing, it does not matter what we do in those areas. No one is writing and no one is going to go anywhere. So, the focus was rightfully so on the overall market problems. The legislature did pass SB-2D and SB-4D, both by Senator Jim Boyd, the Chairman of Banking and Insurance Committee in the Senate. It created the FHCF Rap layer that you discussed with Jennifer Montero. We are not eligible to participate in it but can in fact if there is an insolvency takeover of the coverage. It does fund the My Safe Florida Home (MSFH) that was created following the 2004 and 2005 seasons for mitigation inspections and mitigation matching grants at 2:1. Our real involvement with that will be there will be some reporting requirements by the CFO's office that will be involved in having to collect and corral data for them from our book of business relating to understanding the premium savings that are created by those mitigation grants were folks have gotten shutters or things like that. It does take another stab at the prohibitive advertisement section in 489 that was stricken by the federal court. It does now require some disclosures for consumers on having to pay deductibles, what insurance fraud is, all of those kinds of things. There are penalties if advertisements from roofers if they do not include those. It does require in bad faith that a claimant must establish that an insurer has breached the contract in order to prevail in any claim for extra contractual damage made under bad faith. That's a big win for the private market. We of course are protected from bad faith claims under the Florida law and has been affirmed by the Supreme Court. It's a positive for the market. I think one of the biggest provisions in the bill is that it does eliminate the ability for an AOB vendor to collect fees under the one-way fee statute. That is an improvement from the AOB statute that was previously put in place. So, you can still have an AOB, but you don't stand in the shoes of the insured as it relates to the ability to recoup your fees if there is a litigation. It does allow for an optional roof deductible that is lesser of 2% of coverage of Coverage A or if it's 50% of the cost to replace a roof. That is something we are looking at with our internal roof working group that Kelly Booten and the Product Team will be bringing you additional concepts related to the statute and other ideas that we may have for roofs for Citizens at a future meeting. It does prohibit an insurer refusing to insure a non-renewal roof of less than 15 years in age solely because of the age of roof. We know that there was some conversation yesterday and Kelly is taking it back to the drawing board for a future meeting for Citizens because we currently have a lesser standard than what the statute has. It does require that insurer must inspect within 45 days and provide an adjuster information within seven days. It now does allow insurers to receive fees for suits for failure for the claimant to file for a pre suit notice under SB-76. That is a positive change that we did not have in the original bill. Finally, it does establish a rare and exceptional circumstance for the standard attorneys' fees multipliers in Florida. Previously the Supreme Court in Florida had failed to adopt the federal rule, so this aligns with state of Florida and with the Florida Supreme Court. That is a positive as well. Like I mentioned yesterday, while those are not plentiful in number, the attorney fee multiplier…the other side will say, "There's only been 18 at Citizens in this number of years." They can be significant in dollar amount. It is one-and-a-half to two times the attorneys' fees. It can be significant where you have and indemnity payment or settlement in a case of $10,000 or $20,000 and you're paying $100,000 or $200,000 in fees. That is a positive that the standard was adopted. There was some clarification with some bad folks trying to circumvent and navigate around the AOB loss, saying the services they were providing did not quality under the law. That has been cleared up. Although now that the fees are gone, it's not such a big deal. I think one of the bigger standards, and we talked about this yesterday, we've seen a lot of issues in this market related to the roofs. We all know that. Roof litigation has become a real issue, and candidly, in the area we're sitting in today. Part of that has been related to the idea that if you have a roof with X-percent of damage, then the entire roof had to be replaced. So, the legislature has directed the building code rules to say that if a roof was built repaired or replaced under the requirements of the 2007 building code and any other subsequent additions to the building code and has more than 25% of damage, then only the damaged portion of the roof must be repaired or replaced. I think Jay mentioned yesterday that in the event of a major event where we had that occur that could be a real savings for Citizens in which we are fixing only the portions of the roof that were damaged and not have to replace the entire roof. With that, Mr. Chair, I am happy to answer any questions. I also want to mention (and I apologize) that there were conduct provisions added looking at from an underwriting perspective in response to the Surfside Condo and that was added to the special session late. From a Citizens perspective, that really does relate to Kelly's team knowing what should be available and accessing engineering reports and those updates that are required under the new law so that we have a better source of underwriting. Obviously, it was a public safety reasoning for doing it, but from an insurance perspective knowing what should be available and where to find it from an underwriting perspective is really the major impact to Citizens for the condo provisions. I'm happy to answer any questions. Otherwise, that concludes my report.

Chair Beruff: Thank you. Any questions from the board?

[silence]

Chair Beruff: Seeing none, we'll bring Mr. Adams up.

6. **Chief Claims Officer's Report**

<u>Claims Committee Update</u>

Jay Adams: Thank you, Chairman and Governors. I'd like to give a report from the Claims Committee led by Governor Scott Thomas. We met telephonically on June 23rd at 1:00 PM and I provided a strategic update. I really focused in on AOB and letters of intent which the two bills passed in 2019 and 2021 and really focused in on what our results have been in relationship to those bills. Craig Sakriada provided us with a non-litigated update and focused heavily on our CAT preparedness this year and where we are on our testing. Elaina Paskalakis provided us with a litigated update, and our Senior Director Greg Rowe provided a vendor update. This board elected to move our action item into the consent agenda and we thank you and that is all I really have for an update. Any questions?

Chair Beruff: Any questions for Mr. Adams?

[silence]

7. Chief of Internal Audit Report

Audit Committee Report

Chair Beruff: Mr. Martins. Let's try to keep it in the brevity, but what you do at the end of the day is important for this agency, but there is a whole lot of auditing…a whole lot for a lot of departments. But, I think, this board wants to know if you find things that need to change or things that you find as you go through the audit process that is a red flag. I think that's what you folks do… process driven is important, but I don't think it's important for us to listen to the details, unless you find and want to recommend to us things you think we should be doing different. Does that make sense?

Joe Martins: Yes. It does. Thank you. Thank you for the clarification. At the Audit Committee, as you mentioned, Governor Knight, I don't know if you want to say something?

Chair Beruff: This is Governor Knight's subcommittee. I'd let her run the meeting as it relates to this subject.

Erin Knight: Thank you. We've had some action items that can be found if anyone is interested in reviewing. I think there are things that occur annually like processes, charter, and changes that were made where needed to be uniform with how businesses are operated. There is nothing that is a red flag. We had several guests come and give reports that are available to the board if they want to dive deeper. But, in the spirit of time at the Chairman's request, I don't think there was anything that came out of audit that was concerning, unless Mr. Martins disagrees.

Joe Martins: Thank you, Governor Knight. We also presented not only the audit functions results but also gave a short presentation on internal controls. Most of the governors were probably at the meeting. If you would prefer, we are prepared to go into that presentation. If you feel like you've heard enough about that, I think we are good.

Chair Beruff: Thank you.

Erin Knight: Governor Thomas, did you want any discussion around the . . .

Vice Chair Thomas: . . . No, no. I appreciate it.

8. Chief Human Resources Officer's Report

Chair Beruff: Ms. Bloom, I think you're next.

Violet Bloom: Chair Beruff, my action item was moved to consent and formerly approved at the beginning of the meeting.

Chair Beruff: So, you're done.

Violet Bloom: I'm done.

New Business

Chair Beruff: Does the board have any business that it wants to bring up? We'll entertain a motion to adjourn otherwise.

[meeting adjourns]