

**CITIZENS PROPERTY INSURANCE CORPORATION**

**MINUTES OF THE  
DEPOPULATION COMMITTEE MEETING  
Tuesday, June 21, 2016**

The Depopulation Committee of Citizens Property Insurance Corporation (Citizens) convened at the Sheraton Orlando North, 600 N. Lake Destiny Drive, Maitland, FL 32751 on Tuesday, June 21, 2016 at 1:00 pm (EST).

**The following members of the committee were present:**

Don Glisson, Chairman  
Chris Gardner (Chairman of the Board)  
Gary Aubuchon  
Jeff Grady  
Brian Squire

**The following Citizens staff members were present:**

Barry Gilway  
Jennifer Montero  
Steve Bitar  
Christine Ashburn  
Carl Rockman  
Adam Marmelstein  
Dan Sumner  
Barbara Walker  
Bonnie Gilliland  
David Woodruff  
Andrew Woodward  
Matthew Gerrell  
Michael Peltier  
Erin Vickery  
Alden Mullins  
Sue Register  
Cindy McVay

**The following people were present:**

Dave Newell	
Phil Zelman	
Greg Rokeh	
Travis Rosecrans	Guy Carpenter
Kapil Bhatia	Raymond James
Adam Schwebach	Guy Carpenter
Subashish Dutta	Guy Carpenter
Steve Kuhn	FIRM

## Call Meeting to Order

Roll was called.

### **1. Approval of Prior Meeting Minutes**

**A motion was made and seconded to approve the September 29, 2015 Depopulation Committee minutes. All were in favor. Motion carried.**

### **2. Legislative Update**

**Christine Ashburn:** Good afternoon. Briefly, as many of you already know, the session was early this year and finished in the March timeframe as opposed to the May timeframe. Last session, in 2015, there was a Depopulation Bill that due to certain provisions was vetoed by Governor Scott. Those provisions would have limited the number of depops that a consumer could receive in a calendar year and also required that Citizens allow consumers to return to the Clearinghouse as a renewal customer if they were dropped in any of the first three years or if rates increased by the depop carrier in any of the first three years. In his veto letter last year, the Governor noted his concerns about limiting the ability to make sure that we are doing everything in our power to continue to provide private market offers to our customers in an effort to reduce the size of Citizens and the footprint as has been our mission. This session, very similar legislation did pass with neither of those provisions in it and thus the Governor was able to sign it and did so on April 14<sup>th</sup>. I am going to walk you through this briefly and then turn it over to Steve for any questions you might have or let him walk you through the efforts that his team is working on to implement the provisions of the bill.

There are several pieces of the bill that actually don't relate specifically to depop, so I'm going to skip over those and just wanted to share with you the components of the bill that relate to the Depopulation program – and really are aimed at what I call the Depopulation choices concept that you've heard so much about from our Depopulation workgroup. The statute revises our statutory ability. First, I wanted to share some confidential information under certain circumstances for the purposes of Take-Out Plans. This is language that we worked on with FAIA and other agency partners to ensure that agents aren't able to use our data to try to steal business from each other, which is something the agents have been working on for years, but at the same time, provide us additional ability to share with reinsurers and other potential investors who are looking to start companies in Florida that haven't quite gotten a license, to be able to keep that data confidential and use it for modeling purposes to see if they do indeed want to start a company in Florida. So, that is a positive change which should remove another barrier entry for those investors that want to come and plan in the marketplace here. So specific to depop, it requires certain provisions to the personal lines takeout programs, so not commercial residential, but the personal lines

residential take-out programs by January 1, 2017. It requires, as part of the changes, that we publish a periodic schedule of take-outs during which a carrier may identify and notify the corporation of the policies it wishes to take out. And it requires that we include a description of coverage and the estimated premium so that the customers can see what it is they are being offered, which of course, is something we are already working on and implemented pieces of without the statute. It requires that the corporation maintain and make available to the agent a consolidated list of all insurers requesting to takeout a policy in those instances where there might be two or three carriers in a certain cycle that actually want the same policy allowing that customer and agent that choice along with the estimated premium for Citizens, the estimated premium for that carrier and the description of coverage there. They can make a choice on the front end and we're hoping that will reduce the opt-outs if there is consumer choice involved. Also, it requires that Citizens provide written notice both to the agent and the consumer and Steve can walk you through the efforts that we're putting together to get that done. And of course, the effective date of the bill is July 1, 2016 except that those provisions required for the updating of the Depopulation Program are not effective until January 1, 2017. They just impact the personal lines residential side of the business, not the commercial lines. Much of this, because we have the ability to do a lot of this outside of the law, Steve and his team have been working since the veto on the provision we knew the Governor did not have issues with, so I'm happy to let him let you know where we are in the implementation program.

**Steve Bitar:** If it pleases Mr. Chairman and the committee here, we are not prepared today to take you through it step by step because we are developing a lot of the workflows right now with our IT department and we're building that into our plan for not only the June release that just occurred this weekend, but also in September. By the end of September we should have everything programed and ready to go to accommodate a January 1 effective date for depopulations that happened in January. As Christine shared with you today, the legislation House Bill 931 is really the floor. What we did on top of that was take off all the recommendations from the depopulation workgroup and we've really added that as well to our implementations that when we do roll out the new program, we'll absolutely hit what's required, but on top of that, we'll also have a lot of the enhancements that the workgroup has worked tirelessly towards accomplishing. What I'd like to do is return in September. At that point, I'll be able to map out the entire program, understand that we have the commitments that will be met from a development perspective, we have full communications plans planned for the carriers, the agents, the consumers across the board and we will be able to debut that and really walk you through it in more detail once I have the commitment that we'll be on board, but everything right now indicates that we will be. I'll be happy to take any questions.

**Don Glisson:** Hearing silence, I assume there's no questions. Thank you Christine.

**Steve Bitar:** Chairman, if it's alright with you, I'll move to tab 3 and just give a quick Depopulation update?

**Don Glisson:** Please.

### **3. Depopulation Update**

**Steve Bitar:** We closed out 2015 having depopulated 272,000 policies. If you look at the chart that you have for 2016, we have depopulated about 40,000 policies through May of this year. We just received some numbers for July offers, another 2,100 policies will be going out from Southern Oak. As it stands right now, if you go to the next slide, we'll show you basically from a trending perspective, we expect...historically, most of our activity happened closer to the fourth quarter and so I call your attention to some of those high peaks, if you will, but keep in mind it's all relative. We're sitting at 490,000 policies; historically, we are trending at the best level possible that we have as an organization so we don't expect the huge numbers that we've seen historically in 2013 through 2014 and 2015. We do have great indications from the market, that there is some interest, especially on the wind-only side; you may have heard about the issues we're seeing with water, but those don't exist on wind-only depop so we're actually seeing some increase in appetite, both on the personal as well as the commercial. We'll hopefully see some good numbers on the wind-only depopulations in the fourth quarter of this year. Some other things from our market perspective, we're seeing some new homeowners programs that are coming out to kind of mirror a lot of the step-downs that we're seeing as you know effective January 1, 2017, our Coverage A max will be 700,000 on the personal lines. We have some programs that are filed and approved that we'll be stepping in to fill that void, which is a great thing for the marketplace. We have some new dwelling fire programs being created from some companies as well. Like I said, we've got a lot of companies that are increasing their participation in the Clearinghouse as well as deploying new programs. So that's just a quick market update as well as the depop stats, and I'll be happy to take questions anyone might have.

**Don Glisson:** Questions? (Don recognized Gary Aubuchon.)

**Gary Aubuchon:** Thank you, Mr. Chairman. I'd like to ask this question with regularity because I realize it's a moving target. Where do we see our floor today as opposed to the past? And that's somewhat balanced by not only the decreased depop rate but also concerns that because of the water losses, we may be actually be taking some policies back; so, if you could comment on that.

**Steve Bitar:** Sure. I will tell you, I think...no one has a crystal ball and a lot of what's going on now with water has put a pause on the marketplace quite frankly. So, even some predictions that we may have had for the end of this year and next year...and I will tell you we work very aggressively with our actuarial team our accounting team, our project portfolio management team to keep an eye on those numbers. So, do I feel that we're pretty much close to the floor for this year? I think so; and the reason I say that is because with water being a unknown, though we've got some product language changes that go into effect July 1, 2016 that are having an impact on the overall results long term, we have to let those play out. The new language goes into effect July 1 and we need a full year for that to be endorsed on to all of our current books. So, I think a lot of the companies that historically participated in Depopulation, especially on the personal lines, are kind of waiting to see how this is going to play out before they really engage and we see activity from a Depopulation perspective – pick back up. But, I would say we're pretty close. I hope that our president here echoes my sentiments and I'll turn it over to him so that he can weigh in as well.

**Barry Gilway:** I agree with Steve's assessment; maybe one adjustment. So what's happening is basically on the PLA; we've basically stabilized. About 11,000 policies came into Citizens in May, if you look at the May Metrics Report. 11,000 policies left Citizens in May, so right now Depopulation really is at a neutral level. The initial estimate for our budget for 2016 was right around 420,000 policies; that will not be met. For the first time, I think this is the first time basically that we will be over budget from a policy standpoint, not significantly under budget. However, for anyone who's looking for opportunities, there are still opportunities and I think Steve Bitar and his whole team are doing an extraordinary job because what they're doing is they are really working closer with companies to identify very specific niches where there's still an opportunity. Wind-only, as Steve indicated...mobile homes, there are opportunities in the mobile home marketplace where the rates are....and you'll see that in the rates discussion later in the A&U Committee where rates are more consistent. Now, if when we forecast 2017, we're not forecasting a decrease, given what we're seeing with some of the market restrictions that are not yet playing into our numbers, but given what we know about market restrictions, we're actually going to be forecasting a slight increase in overall policy count for 2017 in our scenario planning exercise. Bottom line, neutral at this point, probably start increasing a little bit now that depop is closed down for July, August and September timeframe. Don't expect big increases in depop in the last quarter of this year and in 2017, the horizon looks pretty murky but at this point, probably an increase versus a decrease going into 2017.

**Don Glisson:** With all the water claim issues out there, are we seeing any signs of companies becoming reluctant to take some of our policies or write new policies or something that may affect our policy count?

**Steve Bitar:** I'll weigh in first. Absolutely. I think a lot of the companies that historically participated with high numbers in the personal lines have slowed down. Keep in mind, the last time I looked, I'm sure John has this number...we had 11 companies that had "me-too"ed our product language on the water side of the house. I think they are also deploying similar language so they can try to mitigate the water potential and allow that to roll into play as well. I think we are going to see a standstill and a pause, if you will, until that language can get into effect and then really be utilized so that we can stem some of the issues we are seeing on the water side.

**Barry Gilway:** John will be sharing some very specific numbers with you regarding the number of companies that "me-too" the filing believe the current number that have a very specific "me-too" is in the 18-19 range and there are 26 companies that have followed Citizens' policy form changes. 26 companies in one form or another. If they vary at all from the Citizens filing, OIR is taking their time to really look hard at those numbers. What we do know from our Agency Roundtable and from the relationships we have with agents and from discussions, by the way, with some of the other carriers in the state, some of the larger carriers that are writing...Tri-County is fundamentally shut down; most companies have taken a...so it's not Depopulation as much as it is an expectation that new business that would have previously been written by companies that have historically had an appetite for Tri-County business will start coming in Citizens' direction. That's certainly what we're anticipating.

**Chris Gardner:** Steve, on the Coverage A limit getting reduced for the past couple of years, what's the feedback you're getting about market disruption and is there a capacity for those folks; are we hearing much?

**Steve Bitar:** Absolutely, the capacity is there. I've received no complaints; remember there is an exception in Dade County as well as Monroe County – they can still write to a million, other than that, any county that has any market availability issues can go to the Office of Insurance Regulation and seek an exemption, if you will, from that limit, but I've heard nothing but lots of markets available for those risks and they're able to move them.

**Chris Gardner:** Jeff, I hate to put you on the spot...what do you hear?

**Jeff Grady:** What Steve hears. We don't hear of a lot of folks (inaudible) some of it is surplus lines some of it is admitted markets who've kind of expanded their coverage A limits and so forth.

**Chris Gardner:** Thanks.

**Don Glisson:** How about the possibility....I mean some of these companies are trying to file for some pretty large rate increases and, of course, we're limited...anybody thought about how that affects our business as well?

**Steve Bitar:** I'll be honest...I think it's a definite risk for us. If we're capped by the glide path at 10% and then you've got other companies that are filing for the 14.9%, basic math will tell you if they get their rate increases as compared to what we can potentially get, we're going to be very competitive and very appealing quite frankly, and when you look at the Clearinghouse and the 15% rule and where we are today, you know we were hoping to close that gap not broaden it. It's definitely a concern. We're going to have to see how that plays out and what the outcomes are of those rate increases that are filed.

**Don Glisson:** I fear we are going to be the low price option, which is not what we want to be.

**Steve Bitar:** Correct. I agree with you; I think it is a concern.

**Barry Gilway:** I agree with that, Mr. Chairman. In fact, the 14.9% increase, I think as most people are aware, it's not limited to 14.9%. In fact, some of the Tri-County areas within that filing get as much as 25% increase within their proposal. So if you assume that we're capped at a maximum of 10 and because of the way our rate structure works and the glide path works, it will be less than 10 and then you have other companies that, primarily the depopulation companies, will be filing significantly higher rate increases than obviously we're going to be put into a position where we are going to be even more competitive with the private market than we would like to be.

**Don Glisson:** Once we close the water loop hole, we've seen this before with sinkhole, what's next? Is there anything on the horizon? I mean, trial lawyers have seminars where they bring them in and tell them of the next great thing. So, do we have any intelligence on what may be the next risk for us?

**Barry Gilway:** The next risk relative to water?

**Don Glisson:** To any type of claim strategy that these guys can concoct.

**Barry Gilway:** I think the only thing that we're looking at, at this point, is the AOB issue, but obviously that issue is going to have a dramatic impact. We will, tomorrow, have a special report to the Board on water that will cover really three elements of water. It will cover all of the current claims statistics relative to water. It will cover the product component and will also cover the communication and then we'll end with basically a summary of what we have heard in the marketplace from all of the various stakeholders, including an excellent meeting that the Insurance Consumer Advocate Sha'Ron James had. She held an excellent summit and all the individuals stakeholders weighed in on their positions. Governor Aubuchon and I just discussed this. I believe there were some common elements in terms of common feelings for solutions, so we're optimistic that at least we can make some progress towards some of the solutions. There's nothing other than water at this point that we've included in our scenario planning that looks to be the next sinkhole or water. We're going to have enough work cut out for us to just get the Assignment of Benefit issues and the water damage issues in line.

**Don Glisson:** Is there any sign that legislators are...or individual legislators are starting to get the message that this really is a problem and they can't blow it off this coming session?

**Barry Gilway:** Absolutely. I'll comment in two areas; one, Christine Ashburn and myself have been meeting independently with legislators. We've had many meetings already. I think a lot of eyes have been opened relative to the magnitude of the loss and the implication on the customer and the fact that the constituents of these legislators are all going to be paying a very heavy price. And then more recently at a FAIR meeting, we actually had Sean Shaw from Merlin Group actually advocate in favor of AOB changes and he believes that there's a group of attorneys that are uncomfortable with the fact that there are 7 or 8 firms that are basically driving this whole process and the impact that that is having on some of the other firms. I won't give you too much encouragement, but I would say that we're much more encouraged today that we were 3 months ago relative to with the possibility of getting a group together to come up with some solutions.

**Jeff Grady:** Sorry for my tardiness, I-75 was a parking lot this morning around Gainesville. A couple of things about ....just kind of covering some things that were said earlier – and I'll maybe go in reverse order. Not to disagree with our CEO here, Mr. Gilway, but AOB and the legislature still looks like a real stretch that worker's comp thing is going to breathe a lot of the oxygen in there. At this point, I know this sounds very cynical but, the consumer's not gotten anything but a free kitchen and a new roof. The rate increases haven't really hit anyone yet and it is the gift that keeps on giving to those 7 or 8 law firms that you did so well to point out by name at the Insurance Consumer Advocate's meeting; and thank you for that Barry. I heard that your words were by far the most pointed and specific and very well done. We do still talk to the lawmakers a lot about AOB, but with the change in leadership in the legislature that's coming up and of course the collapse of these comp cases, it doesn't look real encouraging from where we sit. I wanted to also...AOB...what worries us, and I think should worry all of those folks huddled around Citizens is if we have a couple of events....the increase claims cost, this AOB thing on a Cat experience, who knows what that's going to mean. I think that will really be telling. Steve, back

to you on sort of the recidivism rate of policies coming back to Citizens, Barry you had mentioned mobile homes, well there's been one carrier in particular that's had to upchuck a few of those and give them back to us and those were I think a lot of mobile homes weren't they?

**Steve Bitar:** Yeah, about half of their book when you look at the order, you know, Mount Beacon, obviously is the company, and they had one order that was issued a few months back that allowed them to non-renew to 7,800 or so policies and I'll tell you....what we've seen so far from that initial order of 7,800 has been less than 300 policies actually coming back. So, I am talking to many of the agents that were impacted by that. That's not to say they won't come down the road, but what we've seen initially has been a very small number. There have been surplus lines that have been available to them and they've been able to move some of those policies appropriately. I think the last time I looked at it, it was about 60% or so of the policies they had looked at were mobile home. There were some HO3s and some DPs in there as well that weren't, so it was an interesting mix. The last order that came out last week I believe allowed them to non-renew another 11,500 and I've been in some conversations with the company and I'm waiting to see what they are going to do with regards to that.

**Jeff Grady:** So your count that you're mentioning...do you know what percentage of that once upon a time lived in Citizens? And the only reason I ask is because I think there's a little more of this on the way with rate increases you speak about and, you know, it's a systemic frustration to the agents who have obviously.... much less the consumer...and you all do a great job of building bridges and trying to facilitate that transfer of business a little easier, but the consumer just gets tired of it and that's what we hear a lot of, so I'm just curious...Do you know what percentage that is?

**Steve Bitar:** Historically, when we did our study a few years ago, it was close to 20% or so and sometimes even less than that. What we've been seeing now, because the markets have been open and available, we haven't seen much of that coming back in. I will tell you though, we did want to make sure, especially going into hurricane season this year and having so many companies around, we wanted to be prepared just in case. So, what we did is we developed some systems functionality that would allow a bulk of policies to be returned to Citizens in a way that would really bring down the amount of work needed to be done by the agents, so we have some good functionality in place so if we did have a situation where we saw a large block of polices that belonged to a specific company potentially coming back, we could do some pre-loading of information and we could cue up some quotes for agents that a lot of the data entry would already be done and it would reduce the workload significantly. So we are thinking ahead, just in case something were to happen and be able to hopefully ease that burden.

**Don Glisson:** Okay, thank you. Brian, do you have anything?

**Brian Squire:** Just one question. Looking at the reports in front of me, so our net inflow versus outflow with depopulation, where are we?

**Steve Bitar:** We've been about net even, right about now, with the depopulation that we're doing on a monthly basis and then what's coming in. To be honest, I've seen on the personal lines side, close to 8,000 to 9,000 policies, I think, that hit us last month on a monthly basis and our

depopulation is slowing down, but if you look at the numbers....as we go through hurricane season, it's going to be much less. So I do believe we're going to start picking up a bit as we go through hurricane season, but I'm optimistic, you know me, I look for the silver lining and usually the depop activity picks up in the fourth quarter, so I'm hoping that will Net us out. We might still be up a little bit when all is said and done by the end of the year, but definitely below our initial projections.

**Brian Squire:** 2017 is going to be the true test.

**Don Glisson:** Anything regarding Clearinghouse we need to discuss?

**Steve Bitar:** Not really, doing well there. I sent a report to the Board so you have a copy of that; for the most part we're moving along quite well. We're seeing an uptick on the HO6s, so very successful there. I think about 15% of the risks coming in on the HO6 are actually being deemed ineligible and they're finding affordable coverage outside of Citizens so I'm very happy to report some success there on the HO6 side. HO3s as well, we're close to about 10% as well receiving offers that are in the private market that are within 15% and another 10% or so that are actually getting other offers, so we're seeing some good success there.

**Don Glisson:** Great. Any other questions? Any new business? Hearing none, we're adjourned.

[Meeting adjourned]