CITIZENS PROPERTY INSURANCE CORPORATION

FINAL

MINUTES OF THE
BOARD OF GOVERNORS MEETING
Wednesday, December 7, 2022

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened at The Alfond Inn, Winter Park, FL on Wednesday, December 7, 2022, at 8:00 a.m. (EST).

The following members of the Board were present:

Carlos Beruff, Chair
Scott Thomas, Vice Chair
Joshua Becksmith
Jason Butts
Jillian Hasner (telephonically)
Erin Knight
Charles Lydecker
Nelson Telemaco

The following Citizens staff members were present:

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

The following people were present:

Kapil Bhatia	Raymond James
Dave Newell	Florida Association for Insurance Agents

Call Meeting to Order

Barbara Walker: Good morning and welcome to Citizens' December 7, 2022, Board of Governors meeting that is publicly noticed in the Florida Administrative Register to convene at 8:00 am. We will have transcribed minutes on our website. For those attending in today's session through the public link, you're automatically in listen only mode. Thank you for addressing yourself before speaking to the committee. Chair, we have no speaker requests for today. I will proceed with the official roll call.

Chair Beruff: Please do. Thank you.

Roll call: Chair Carlos Beruff, Vice Chair Scott Thomas, Joshua Becksmith, Jason Butts, Jillian Hasner, Erin Knight, Charles Lydecker, and Nelson Telemaco.

Barbara Walker: Chairman, you have a quorum.

Chair Beruff: Thank you.

1. Chairman's Report

Approval of Board of Governors September 21, 2022, Minutes

Chair Beruff: We'll proceed with the easy stuff.

A motion was made and seconded to approve the September 21, 2022, Board of Governors minutes. All were in favor. Motion carries.

Consent Agenda Items

Chair Beruff: We're going to go ahead and take action items that are on the Consent Agenda. Is everyone familiar with the Consent Agenda? Is there anybody who wants to take anything off the Consent Agenda? I'd like to remove item "L" because I couldn't get my arms around it before the meeting. Other than item "L," is there anything else that needs to be off the agenda action items that we have to take?

Jason Butts: Chair, is the roof changes part of the Consent Agenda?

Barbara Walker: The roof changes are part of the action items. They are in the Product Changes. Would you like that taken off?

Jason Butts: Yes, please.

Chair Beruff: What item is that?

Barbara Walker: That is item "G."

Chair Beruff: So, we're going to take "G" off; we're going to take "L" off. Does anybody else want anything else taken off the Consent Agenda? [silence] The Chair will entertain a motion to approve the Action Items A through F, H through K, and M through S. G and L will be taken off for further discussion.

A motion was made and seconded to approve the following Action Items:

A. Board of Governors Meeting Minutes, September 21, 2022
B. 2023 Operating Budget
C. Bond Rating Service
D. Digital Bill Payment Solution

E. Unified Communication as a Service and Contact Center as a Service
F. Technology Infrastructure, Software, and Professional and Staff Augmentation Svcs. - Part II
H. Quality Management Software
I. Claims Print Management Hardware & Software
J. Commercial Adjusting Services
K. Appraisal and ADR Services
M. HRMS Consultant Services
N. Stop Loss Coverage
O. Employee Benefits Consulting and Brokerage Services
P. Retirement Plan Administrator
Q. Professional Networking and Talent Acquisition Services
R. Commercial Business Insurance
S. DOAH Initiative

All were in favor. Motion carries.

2. President's Report

Chair Beruff: Okay. Mr. Gilway, you're up.

Barry Gilway: Thank you, Mr. Chairman and Board members. I appreciate the opportunity. Later in this presentation, and probably a key part of the presentation for us, is going to be a review of the 2023 Operational Budget. I do want to make a comment, and I thank all of you for the time spent in our one-on-one sessions. I think it's extremely beneficial, and I think it allowed everybody to surface specific items and get into some pretty deep discussions, which, I think, will make the budget discussion go a lot smoother. Thank you so much for taking the time. It's a huge commitment that we ask of this board. I don't think people really realize just what we ask of the board members with the committee meetings and the board meetings and then the individual contributions that many of you make. So, thank you. There are several areas that we need to touch on before we get to the budget discussion. I will kick it off by providing you, and it will be brief, an overview of the condition of the Florida domestic marketplace. By using one slide, that will clearly provide some explanation as to why we are growing as aggressively as we are. Kelly Booten is going to follow me. Kelly is Citizens' Chief Operating Officer, who is currently Vice Chair of the Personal Insurance Plan Service Office (PIPSO) board. The first question is, "What is PIPSO?" PIPSO is the Personal Insurance Plan Service Office that provides services to all of the residual market plans across the country. As Vice Chair, Kelly is involved with all of the executives of all of these residual market plans. I believe it was Governor Lydecker who requested a brief analysis of Citizens and how it relates to some of the other plans. I asked Kelly, you know, to join me up here after the market update. Jay Adams will do another presentation on Hurricanes Ian and Nicole. I don't think that any board members in one committee or another who hasn't heard that presentation. It's an excellent presentation. I'm excited about it, Jay, to go through it yet again [laughter]. Then, of course, I will be calling up Jennifer Montero to talk about the budget and to take you through the budget.

Market Overview

I have one slide up and it highlights some key results. I honestly believe that you do not have to look much further than this slide to really explain why so many companies are becoming insolvent. So many companies are restricting their writings either because of profitability or reinsurance costs (and ability to get reinsurance) while others simply shut down and are no longer writing in the state. The critical point is this. This market was already in bad shape before Hurricane Ian. It was in bad shape already. Following

Ian, what I have here is an update of the third quarter market financials. It's very, very clear that an already troubled market is now even markedly worse than it was previously. The impacts of Hurricanes Ian and Nicole have clearly taken a toll with these companies. The conservative estimates are that most companies lost 25% to 35% of their surplus as a result of Ian; and, as what we'll talk about in this slide, many have tried to supplement that and get back to reasonable surplus levels but we're still not there yet. This is one slide that really focuses on the growing underwriting loss and negative net income for the private market. But, as additional information, it clearly shows the impact that market losses are having on capital and surplus of companies, and, frankly, their ability to continue to not only write what they have today but also their ability to write new business. I will be talking about that in a little bit more detail. The capital isn't there right now to support the writing of the Florida domestic market. Why is that important to us? Because, if they can't write it, then we do. We're in the position that we write that business. Just some of the high-level numbers… Net underwriting loss for all companies, including those that are now insolvent on the second part of the slide, increased from negative $359 million in 2018 to negative $1.2 billion. I will be repeating these surplus numbers many times in the conversation, and that is in one year, losing $1.2 billion. The entire surplus of the Florida domestic market is $3.6 billion. In effect these companies are losing a third of their surplus every single year… a third of their surplus! As to the answer why they can't write additional business. For the third quarter, the negative net income increased from $115 million in 2018 to over a $1 billion dollars through the third quarter. Here is the interesting thing. Direct written premium has increased from $10.9 billion in 2018 to an estimate that will exceed a little less than $15 billion by year end. Right now, through the third quarter it is at $11.8 billion. Direct written premium is going to increase by 37%. This is the problem: surplus hasn't moved. It has gone from $4 billion to $3.7 billion. So, with all of that growth, surplus is simply not moving. The net contributions of surplus have been negative. The issue that many companies are going to be facing, and we're certainly looking forward to what the State has in mind for this year in Special Session, what they're going to be facing basically is where do they get the capital. Where do they get the capital to continue business? The next topic I have, of course, is reinsurance. And where do they get the additional capital to support estimates of 30% to 70% reinsurance increases? That is above the Florida Hurricane Catastrophe Fund (FHCF). What we're hearing in the overall marketplace… Jennifer and I have talked to reinsurers. They're telling us clearly that capacity below the FHCF…$9 billion industry retention and less than that if you include the WRAP. How do they get the capital? The rate online for that business in the private marketplace could be 80% to 90% rate online. If they can get it, it'll save you 90%, but they can't get it. Capacity is not there. You have major companies – Ren Re, Swiss Re, Berkshire-Hathaway, Munich – all of the big companies have all publicly stated that they are not going to provide the same capacity for the Florida marketplace. They're just not going to do it. In the past, we really have been a leader in the Insurance Linked Security (ILS) marketplace. Back in 2012 or 2013, I have to get Jennifer to confirm, we put together what still stands as the largest Catastrophe Bond ever placed – $1.5 billion. We were a leader in that ILS marketplace , and we used to be able to use the ILS market as an alternative , a financially positive alternative, two traditional reinsurance . We can't do that today because of the global economic issues . The pension funds that contribute to the ILS funds can get risk free rates that are significantly

Selected Florida Insurers Monitored ($000)

	YTD 3Q 2022	2021	2020	2019	2018
Underwriting Gain/(Loss)	($1,110,766)	($1,094,530)	($1,035,719)	($482,451)	($314,717)
Net Income	($875,760)	($777,466)	($498,411)	($198,926)	($94,007)
Surplus	$3,718,848	$3,712,731	$3,534,027	$3,661,441	$3,609,079
Direct Premium Written	$11,796,542	$13,394,496	$11,752,579	$10,282,390	$9,457,158
Contributed Capital & Surplus	$980,710	$836,152	$424,597	$213,254	$346,419

Selected Florida Insurers Monitored Including Insolvent Carriers ($000)

	YTD 3Q 2022	2021	2020	2019	2018
Underwriting Gain/(Loss)	($1,216,262)	($1,502,715)	($1,439,908)	($629,827)	($358,788)
Net Income	($1,031,241)	($1,164,759)	($786,624)	($306,071)	($114,582)
Surplus	$3,718,848	$3,854,545	$3,838,940	$3,983,940	$3,987,178
Direct Premium Written	$11,796,542	$14,525,726	$13,625,036	$11,907,789	$10,929,346
Contributed Capital & Surplus	$980,710	$1,093,270	$621,164	$264,436	$358,387

higher than what they were getting two years ago , you know, on a risk bearing what really amounts to a municipal risk bearing bond in the ILS marketplace. That market is simply not going to be available to Jennifer and Kapil [Bhatia] in order to make up the difference that we're going to be looking for from a reinsurance standpoint. Now exacerbating all of this… so we have reinsurance problems, and we have capital problems. Exacerbating all of this and something Chair Beruff has been talking about for a long, long time is rates, rates, and rates and the fact that Citizens is absurdly competitive. We are not a residual market. We are competing with a private marketplace. We don't want to, but we are. We just completed an analysis that updates the 2021 analysis that showed basically at the time that we were 36% below the marketplace. It varies. If you're in Pasco or Pinellas Counties, you are 50% below the market. If you're down in Dade or Broward Counties, maybe it was 20% below the market. But, overall, we are at 36% below the market. We just completed another analysis in November of this year. And it showed basically that Citizens average premium statewide for an HO3 policy was $3,227, which is 44% below the competitors average premium of $5,788. I'm going to use an example that the Chair has used a number of times. You have insolvent insurers that are coming to us or the insured from insolvent insurers that are coming to us, and we say, "Welcome, and here's the 30% discount." I mean that's what's happening in the marketplace. Until there is a fundamental fix and getting Citizens to the point where we're actually actuarially sound, then that's going to continue to happen. Are you going to take the same policy… Here's the issue. No one else is quoting in the marketplace, and that is why the depopulation numbers are so low. The reality is that we are ridiculously competitive, and we need relief relative to the overall Citizens rates. I think if Christine [Ashburn] had her way and others, we'd go back to the old Top 10 uncompetitive posture. As you saw in the last rate filing, we are 30.7% inadequate on our overall book of business. 30.7%. I think Monroe County is 72%. That's how we're writing. We are supplementing areas at this point that it just doesn't make sense for a residual market, and I think Kelly will be talking to that on how we compare, you know, with other residual markets. We know the primary culprit on the condition of the market… it is excessive litigation. There is no question about it. We've been reporting with this board excessive litigation for four maybe five years. It's clearly showing increases in increases and increases. We started posting these charts in 2013. There were 27,000 litigated cases in 2013. You've got to include Notices of Intent (NOIs) today, or at least part of them, in order to get a good picture of litigation. The bottom line is that we are going to get over 116,000 litigated cases at the end of the year. What can you say? All of these numbers that you've heard: 8% of the claims, 79% of the litigation across the country is Florida. We're extremely hopeful that in Special Session… I found it interesting today that Florida Association of Insurance Agents (FAIA) did put out a list this morning on their post relative to the areas that are going to be covered in Special Session. If you haven't read that, yet I think it's worthwhile. It does not go into a lot of detail, but it does basically cover the topics that we already covered. To summarize, the questions to be answered by the private market for next year are: Can they obtain the capital they need to continue in business? Personally, I don't think it will be able to be done. Governor Lydecker, you and I talked about this yesterday. I don't think it can be done without state support. On the litigation front, it's going to take time to implement. I believe there are two major issues that have to be addressed. You're gonna have to come up with capital to support market insurance for sure. Litigation changes cannot be done overnight. You have to do something in order to keep companies in business for a period of time, allowing some of the more aggressive tort reforms being considered to play out in the marketplace. That's the capital, and for the reinsurance issue, what's going to be available? I am not believing all of the stories I'm hearing from the reinsurers because they're selling reinsurance, whether it is 30% or 70%. But, I do believe this: there are not going to be too many reinsurers that are going to be providing at capacity below the FHCF retention, and there is going to have to be some support for that level, in my opinion. There are high expectations for the upcoming Special Session. We think the legislature will past major tort reform. If they don't, I think the overall market continues to be in trouble. Citizens clearly continues to grow. With the right legislation, I think this gets exciting. We talked to investors all the time. Kelly and her team did. With the right legislation, there is an opportunity… I'm talking about mid to late 2023… there is a major opportunity for depopulation. If you fix the rates and if you can get outside capital coming in, and that outside capital can basically support the business… keep in mind that they leave Ian behind; they leave Nicole behind … all of that is gone. They start with a clean sheet of paper and set the rates that are predicated on past litigation rates. I think there will be an opportunity, assuming that we get the right response from the legislature, I think there is a real opportunity to get in late 2023 or early 2024 to get into depopulation mode . As I've mentioned before, we are a roller coaster ride at Citizens. We go up; we go down; we go up; we go down; and now we are way up, and I think there's an opportunity to go way down. With that I'm open to any questions that you may have.

Chair Beruff: Members, any questions for Mr. Gilway?

Charlie Lydecker: Thank you for your report. You referenced that you and Chair Beruff have in the past been vocal on the rates as insolvent carriers are being brought into Citizens and that it is unsustainable for an insolvent carrier to go into liquidation rehab and their policies to go into Citizens and their policyholders get a 30% reduction. That issue just seems, as a new person, seems glaring. Is that, to your understanding, with what's going on with the Special Session… the correction for that, is that contemplated in the legislative fixes that are being considered next week? And is that a fix or is that another type of fix?

Barry Gilway: It would be a legislative fix in those discussions on two alternatives… one would be a pure insolvent carrier approach, which is incredibly hard as you can imagine implementing because ultimately Kelly's IT teams would have to be tracking 10 maybe 12 (hopefully it isn't that many) additional insolvencies and it would have to be tracking the rates of those insolvencies and then integrate those over time. Kelly and her team have worked up and we have discussed…Christine Ashburn has discussed with [Florida's] House, Senate, Governor's Office (along with Tim Cerio) an alternative approach that works just as well. Basically, we already have a set capped and uncapped rates. The proposal we have been pushing (and I did talk to the Chair about it; he's supportive of it because it gets us to the same place) …we can use the uncapped rates as a base. As an insolvent carrier comes in, we can use that uncapped rate, and there may be some variations, right, where it is too excessive and that there may be a 70% or 80% increase. Then, there will have to be exceptions to that rule. We have discussed it. Christine has discussed it a couple of times with the Senate, the House, and the Governor's Office, and the [Florida] Chief Financial Officer's office. Kelly has been working on different alternatives to make this a workable program for Citizens. But I can't tell you for sure, Governor Lydecker, on what is on the agenda for the House or Senate yet.

Charlie Lydecker: It seems like the very characteristics relative to rate that brought a carrier to the state of insolvency are the same characteristics that Citizens inherits, and the taxpayers inherit. You all have been talking about this from the mountaintop for quite some time, but that one really strikes me… it's really hard to have a counterargument. I don't know what is the counterargument.

Barry Gilway: There is no counterargument.

Chair Beruff: If I may add to the discussion, it is a lack of awareness for one. Correct me, Mr. Gilway, until I asked the question, no one was really talking about it. I asked the question...When we take a failed carrier over at a discounted rate and that's the way we run the business, I said, "That's stupid.", I realized we just couldn't fix it because it statutorily has to get changed. The Office of Insurance Regulation has been less than cooperative with us. The other thing that's foolish, which everybody knows because I talked about it repeatedly, is the idea that the business is broken up into territories. So, we have territories that actuarially perform; therefore, that territory should have a rate reduction. But, we have other territories that are bleeding (hemorrhaging) and yet they get the discount rates because we did a good job. But, we're bleeding, as every member of this board knows, $150 million? Kelly, what is the number?

Chair Beruff: Operationally, if you take out the surplus the money that the surplus that the investments earn….

Kelly Booten: …it's -$2 million.

Chair Beruff: If it hadn't been Ian, what would it be? Ian is an event that you can't qualify as a normal operating business.

Kelly Booten: You're looking at $400 million.

Chair Beruff: It's positive because of the fact that we picked up 800,000 policies. Typically, before this crazy run up during the last 24 to 30 months, we would lose $120 million, $150 million, $160 million operationally. We're not a profit-making machine. That is not what we exist for, but it would be nice operationally to breakeven. But we can't do that because of the hamstring between the Office of Insurance Regulation and the statute that was put into place by [former Florida Governor] Charlie Crist and then expanded afterwards by a couple other people because that's what legislators do; sometimes, they continue to tweak things to the benefit of their constituents and not necessarily to the benefit of all Floridians. We are all hopeful that our brothers and sisters in the legislature next week understand the dynamics of where we are in the insurance business in Florida today. I do have a curious question. On your chart, if you had to guess, what would be the appropriate surplus amount Florida would need now that we're sitting on $3.4 billion in surplus… what would be the right surplus to have to be a healthy insurance industry?

Barry Gilway: Having been the CEO for four other companies outside of Florida and up in Canada, the closer a company can come to 1:1, the healthier they get. Florida takes a very, very unique position and that is, unlike AM Best, they give 100% support for reinsurance as capital. That's how we get away in Florida by having relatively low surplus numbers and higher reinsurance requirements.

Chair Beruff: Most people on this board have more experience with insurance than I had, but I thought it was unique that a business like us is rated the same as an insurance company who goes out and buys reinsurance and that reinsurance is calculated on their balance sheet as cash, even though it is a year-to-year purchase. We have maybe $2 billion that will have to pay out on Ian, but we're not sure about that. So, we're looked at from a creditworthiness standpoint the same as a company that goes out and buys reinsurance one year at a time, correct? … Which I think is crazy.

Governor Lydecker: The use of reinsurance is done nationwide in the private sector. I think it's the reliance on reinsurance… the singular reliance on it. My view always was that take out companies were reinsurance plays initially and you couldn't assess the viability of the takeout company in the state of Florida without the proper assessment of the reinsurance structure but also the balance sheet of the reinsurance carrier. Am I thinking about that the right way?

Barry Gilway: Absolutely. That's a reality for the entire Florida market. The entire foundation of the Florida marketplace is based upon reinsurance, ergo the problem. Most of these roller coaster rides… it's problematic because when you base it on reinsurance, then you have the reinsurers losing money, and then reinsurance skyrockets, and that directly impacts the consumer because reinsurance goes directly from the company to the consumer. There is a secondary filing made by most companies that reflects the additional reinsurance paid. I don't want to get into the weeds but the problem with reinsurance, in my opinion, is that it is not a replacement for capital. It is the underlying capital of the company where Florida differs significantly…the underlying surplus is a much higher percentage of surplus… there are companies in Florida on the IRBC and NIAC ratios…I think there were nineteen companies failing five or more ratios. 19 companies! These are solvency and liquidity ratios….

Charlie Lydecker: …. The only thing I would say to that, and I'm really testing to see if I'm correct because I'm just thinking, so please push back on this… But, since Hurricane Andrew what you're describing has always been the case. Even in the Workmen's Comp area in the state of Florida back in the day they were self-insured funds. In the property marketplace today, it has always been reinsurance reliant in the department has taken a view in what they would count toward surplus. In this case, we are talking about reinsurance; there are a whole bunch of other assets that they could count towards surplus. With the benefit of hindsight, it does not seem reasonable, but we are where we are now. I think it's worth noting, if you agree with that context because we have immediate issues now to solve for in the dependency on reinsurance (and I don't think you're making this argument, by the way) the dependency on reinsurance… I don't think that goes away. This might be year five from now or a larger issue on how we build up the cash surplus for insurance companies. But, it has always been the case in the state of Florida at least.

Barry Gilway: I agree with everything that you're saying. I think the issue basically with reinsurance is that it makes you so subject to the reinsurance marketplace, but there is no easy alternative because if you ask someone to go from a 30% premium to a surplus ratio and you ask them to go to a 50% surplus ratio, you won't get any investors in this state.

Charlie Lydecker: Right but those vagaries are a more recent phenomenon within the reinsurance marketplace, and they were largely driven by the liability related issues. It feels to me like the marketplace can underwrite and can think through a weather event but the uncertainty associated with the explosion of liability is the bigger… the reason why I mention and the reason why I'm thinking about this is that I really want to make sure, to Chair Beruff's points and observations prior, is that we are communicating in the most effective way possible with our legislators in this upcoming week so that we don't miss a rare opportunity which seems to be somewhere between a somewhat unified recognition on what the issues are and a certain sense of urgency to re-stabilize the property marketplace in the state of Florida. It feels like a unique opportunity right now, and I think we have to be super careful about making sure we are Communicating exactly what the issues are and what they can fix. I think your view is that if they do that, then we get to a much healthier place. We won't be out of the woods. We'll still be reinsurance dependent. There probably will be question marks around how much actual cash surplus exist with smaller companies in the Florida marketplace. I want to make sure that we are really, really communicating clearly that we're not the smartest people over here and that they are fixing something different over there.

Barry Gilway: I've had some direct conversations with House leadership on this issue, and on the issue at least as I see it. You have a twofold problem. I think you can fix the litigation tort reform. That is not going to be a short-term fix, but there is a secondary issue that I think requires focus and I think I've been very specific with them and discuss with them alternatives in terms of how to approach it. But there is not enough capital in these companies to maintain the level of writings that they are writing today, let alone writing new business.

Charlie Lydecker: That gap is what you're finding as creating a reinsurance vehicle to fill.

Barry Gilway: Either reinsurance vehicle, surplus notes, some form of capital contribution to fill that layer. If you don't fill that layer and if what Jennifer is hearing and what I'm hearing and every paper in the state is hearing, reinsurance rates go up substantially and there's going to be no way to fill that layer. So, you have a $99 billion layer from the FHCF and drop it down with the WRAP to $6.8 billion or $6.9 billion, where do you get the rest? There has to be either a reinsurance support or there has to be some kind of capital support to keep these companies in business because no one is going to provide pure reinsurance in the private reinsurance market to fill that gap below that FHCF level.

Charlie Lydecker: Again, my only final point is that I think the solutions have to emanate from us. We have to come to the legislature with solutions ("here's what we recommend"); otherwise, You're going to have staff in the legislature provide the expertise that the staff at Citizens possesses. I know that I'm preaching to the choir, but just as one board members point of view and recognizing the unique time and place that we're in now, I hope that we're not just giving them conceptual and that we are very specific ("this is what you need to do and this is what it should look like").

Barry Gilway: Last week, we literally sat down and… we being myself, Christine Ashburn, Jennifer Montero… we sat down with members of the House and the Senate and really got a preview of what are some of their options confidentially that they were considering. It allowed us to present a paper we got some help from our financial advisors put together an alternative. This would fix what I'm talking about. This is a very specific alternative to fix it. It fixes it for a period of time to allow the primary changes that are necessary in order to really take effect. We agree with you and we have been doing that. We've done a couple of things. There have been a couple outsiders that I thought had some pretty darn good ideas, and I've arranged for interviews with those people with different people of the legislature because all of the ideas are not here. We've gotten people like Parrish Patel to meet with the Governor's Office and he's met with the CFO's office, and he's met with the House… There are different proposals sitting there and we've done our own to say hey this is a way to do it. We are not to the point where we normally are in the language because we don't know what level of interest, they have on being aggressive as we think they need to be in order to solve this problem short term.

Charlie Lydecker: One final comment. We should be aggressive because we do need to fix it. One of the fixes I don't believe is realistic which is to keep going back to homeowners and try to convince them on how we get their rates up to achieve a rate adequacy in parts of southeast Florida and Southwest Florida. Those are 70% increases with vulnerability to assessments. Regardless of how we got here, we're here. It seems to me like pulling the rug out from homeowners and from business owners in the state of Florida. I think we have to be as aggressive as possible and be knocking that door down. You have a board here, individuals with our own representation with legislators from our own hometown in which we should be locking arms with and being as supportive as possible to the measures you would like to see done.

Barry Gilway: Talk about hot off the press… if you take a look at the FAIA form this morning, both the issue of Citizens rates and the issue of reinsurance and capital support are on that list. All I can tell you is that someone is listening, and I think there are some good ideas being considered. The question is whether they are going to be rich enough to solve the problem.

Charlie Lydecker: Barry, do you plan on being in Tallahassee next week?

Barry Gilway: I did not have any plans. I'm always available.

Charlie Lydecker: I'll rely on what you all think….

Barry Gilway: …. I think on Thursday we're doing a presentation to the whole House and a Senate presentation. That's a general insurance primer for the new individuals coming into the House and Senate.

Charlie Lydecker: I'm just saying that there are bigger experts that need interfacing with the legislature. Next week, I think you should consider being in Tallahassee and available so as questions arise and members need to give additional thought to concepts that are flying around… How powerful will that be when one of the leaders can say, "Hey, Barry Gilway is here. Let's just invite him to the meeting quick. Let's get him in here." I literally can't think of somebody who is more at Ground Zero in the state of Florida relative to what needs to be fixed here.

Barry Gilway: I appreciate that. I made it very clear that I've spent my last month or so with Christine and coming up with the right approaches. By the way, she's got me in more doors than you can imagine. I've been incredibly pleased with the ability to get in front of leadership and make the points that I think we need to make. Very aggressive… I intend to. My attitude is that the insurance market is in far more trouble than what we're giving it credit for.

Charlie Lydecker: Wow. Please be available in Tallahassee next week. I think you have a very, very powerful voice, and it is more powerful in person.

Barry Gilway: Great. Thank you.

Chair Beruff: Any other comments?

Barry Gilway: With that, Mr. Chair, I'm going to turn it over to Kelly Booten. She will give a comparison of Citizens' residual market program.

Chair Beruff: I'm sorry I don't think I've got an answer for what you thought was the appropriate surpluses. Is that 1:1?

Barry Gilway: It depends on the state and how they react to reinsurance and how much credit they give to reinsurance. One of the big differences is, by the way, how AM Best rates a company and how Demotech rates a company is that Demotech gives 100% credit for the company with reinsurance. AM Best discounts reinsurance.

Chair Beruff: They should. It's not cash in a bank.

Barry Gilway: It's not cash in a bank, but to Governor Lydecker's issue, this is a really difficult issue investors are going to come right in, and it is going to be all about return. The problem fundamentally is the reason why you need more than 3:1 surplus is what happened during Hurricane Irma. If you looked at the development that occurred in Irma, so the standard insurance company – and these are Ren Re numbers – the standard insurance company from the original booked loss for Irma increased by 80% last year. So, what does that mean? It means that they put up $300 million in losses, right? The final number was $400 million+. That's the issue that the reinsurance has. They can't price the business….

Chair Beruff: …. They can't model the litigation rate.

Barry Gilway: right and it was all the litigation rate. We were spot on relative to the Coastal Account. We're the only company in Florida, by the way, that actually had a….

Chair Beruff: …. Good prediction.

Barry Gilway: Right. Not for the right reasons. We were already experiencing lousy litigation rates, so we were with very, very high litigation rates.

Chair Beruff: Your modelers were more talented and conservative. They kept us out of trouble.

Barry Gilway: Exactly, Sir. The modelers were just right on. We did have a slight negative on the Personal Lines Account. The Coastal Account came under our estimates. There is a company in Florida that will go unnamed, a very large company, that had over 300% development from original book losses. How do you do that?

[multiple speakers]

Chair Beruff: I don't know the company, but it would seem purposeful to me. At those numbers, that's got to be somewhat purposeful for financial reasons obviously. [laughter]

Barry Gilway: I'll leave that observation to you. [laughter]

Chair Beruff: I don't know the company and I don't care. You can't miss it by that much and not have an intent.

Barry Gilway: That's the reason why you need surplus. Surplus is defined as the minimum amount you need in a bank excess of what you're expected to pay in loss adjustment expenses. That is surplus. If you book losses and you ultimately have a 300% increase in the losses that you booked that is coming out of surplus and future development. We're living on edge. With the amount of surplus that we have and in order to support that, you need reinsurance. We're in a very difficult reinsurance place. I think at the end of the day, you know, the industry, in my opinion, it's going to need some support from a capital standpoint. The industry is going to need some support in terms of the reinsurance in the coming session.

Chair Beruff: Thank you. Ms. Booten.

Residual Market Comparison

Kelly Booten: Thank you. In the President's report is the residual market comparison. I will try to keep this brief because of time constraints.

[inaudible]

Kelly Booten: No, not because Barry talks too much. [laughter]

Chair Beruff: We have all of the action items taken care of. We can call the meeting now. [laughter] We're done. We have a couple of things we need to bring up….

Charlie Lydecker: …. But thank you for your indulgence. I thought it was a helpful conversation and the timing of which couldn't be more perfect.

Chair Beruff: When Ms. Booten is finished, I would like to comment on ownership which is something we need to discuss to see if everyone on the board agrees with me.

Kelly Booten: This report was put together… the PIPSO organization; really there are two employees. Ron Cassesso is the president. He and his team member put together an annual compendium of all FAIR Plans. I can get into this information in greater length for all of the states. They also do a financial summary mid-year. There's a lot of good data there. Ron helped us gather information from the FAIR Plans and we had individual meetings with most of the five listed. I've got some plan metrics here with similarities and comparisons of products for personal lines, rate adequacy standards, litigation, and market health at the end. On slide three is the state comparison for premium, policies in force (PIF), exposure, and loss for the 12 months ending in December 2021. You can see that Citizens is very different than the other FAIR Plans. By comparison, the closest is Texas with the combined wind association and FAIR Plan of about 270,000 policies. When we meet with them, we are just a different kind of animal in our size and complexity. The key point on here is that for 2021, Florida and Louisiana had the highest growth period Louisiana is having its own issues in growth period they are at 31% growth in 2021 because of Hurricane Ida. Also, I'll just mention that the combined ratio on here is calculated a little bit differently than the way we do ours, so it doesn't match ours on here. For comparison purposes, we used what was in the compendium. On the next slide on page 4 is the June 2022 Personal Lines Account and Commercial Lines Account premium, PIP, exposure, and loss. California had a 14% growth from year end 2021, but over the last four years, it's grown 200%. In talking with them, they have a lot of stuff going on there. The wildfires are their big issue, but they also experience change that is imminent that could make them grow even further. Their lawsuit with the Department of Insurance and the debate over the definition of "availability" and "affordability" and how that impacts their situation in California. Texas is kind of

CITIZENS PROPERTY INSURANCE CORPORATION

State Comparison
Premium, PIF, Exposure, Loss

Twelve months ended December 2021 (Personal and Commercial)

State	Premiums Written ($000)	Policies Issued*	Exposure ($000)**	Claims***	Combined Ratio
California	475,987	232,067	160,401,838	4,629	124.9%
Florida (CPIC)	1,814,135	813,404	232,502,324	31,921	124%
Louisiana	75,859	47,093	8,583,728	15,418	1549.2%
Massachusetts	296,276	~172,000	85,505,084	7,981	86.8%
N.C. CPIP Plan	390,512	199,403	83,906,545	4,250	50.9%
N. C. FAIR Plan	128,425	192,423	29,087,267	8,705	100.5%
Texas Wind Assoc	395,112	202,435	59,543,596	13,302	42.5%
Texas FAIR Plan	75,648	72,520	11,471,201	7,693	108.9%

*Policies Issued may reflect Policies in Force, based on plan reporting
**"Exposure" is the estimate of the aggregate value of all insurance in force on all lines (except Crime and Liability where applicable) on the last day of the period as defined in the heading above.
***Habitational & Commercial combined (Texas Commercial N/A)

Combined Ratio – taken from PIPSO Reports June 2022

CITIZENS PROPERTY INSURANCE CORPORATION

State Comparison
Premium, PIF, Exposure, Loss

June 2022 Personal and Commercial (unless otherwise noted)

State	Premium ($000)	PIF	% Increase PIF Compared to Year End 2021	Exposure ($000)
California	300,925	264,081	14%	195,811,729
Florida (CPIC)	**1,494,035**	**931,357**	**15%**	**318,849,647**
Louisiana	154,662	75,149	60%	20,444,812
Massachusetts	315,923	(@9/22)172,680	~0%	(@9/22)112,485,852
N.C. CPIP Plan	222,193	204,474	2%	84,744,216
N. C. FAIR Plan	74,512	195,502	2%	30,983,059
Texas Wind (TWIA)	225,575	197,474	-2%	63,155,926
Texas FAIR Plan	39,159	62,871	-13%	11,091,251

"Exposure" is the estimate of the aggregate value of all insurance in force on all lines (except Crime and Liability where applicable) on the last day of the period as defined in the heading above.

Source: PIPSO and State Plans

stagnant right now and it's starting to see a little bit of an upturn. In Massachusetts, for example, they have been down 2% to 3% over the last four to five years. Again, Louisiana is experiencing growth. I will go into what they're trying to do to help mitigate that. On slide five is the Plan similarities, basically defined by state law and governed by a board of directors (either by the state commission or Insurance Commissioner). From a coverage perspective, all cover multi-peril statewide for both personal and commercial, except Texas commercial which only offers coverage in coastal areas. Wind coverage is available for all areas for coastal.

Charlie Lydecker: Texas they offer wind in coastal areas but not if somebody wanted to buy a wind in a noncoastal? So, if you live in the center of the state, and you wanted wind, you cannot get wind from the state?

Kelly Booten: I need to make sure. It's got a wind only policy and a multi-peril policy that does not include wind. You have to buy each of them. You have to have two policies. But you're asking if it's offered outside of the coastal areas. I believe the answer to that is no.

Charlie Lydecker: It doesn't make sense to me. If you're Texas you'd want to get people to buy wind Where they don't need wind, right? That's the whole concept of insurance….

Charlie Lydecker: …. Yeah, it's like a gym membership. You don't want to sell it only in places where you know it's going to come.

Kelly Booten: Let me get back to you on that because I did not drill down into whether the wind coverage is offered on the multi-peril policies. Let me take that away.

Charlie Lydecker: The only reason why I mention it is that we were talking earlier about how regions of the state… some regions of the state are profitable by the way Citizens defines profitability in some regions aren't profitable because of the geographical location and it's more prone to weather events. That concept is supposed to even out for everybody is how I would think about that. I don't really have that big of a headache; I don't stay up worrying about which region of the state is profitable or not profitable because I think it there is just so much that lends itself into that. We have conversations about rate adequacy, and how you achieve rate adequacy. I, for one, am against creating rate adequacy by aimlessly throwing rate increases statewide which is how it reads in the newspaper by the way. It's unfair. To be thoughtful about how we administer insurance in the state of Florida and that's why I asked the question regarding Texas. How are they thinking about… you don't want to sell insurance for wind only where you need wind. You want to sell it everywhere. That's just a thought process. I'm just trying to wrap my mind around it and that's why I asked the question.

Kelly Booten: Okay. California has eligibility Which is relatively the same and what is uninsurable. But California has filed for a surcharge to accept poor condition. They are worried about that because if they don't get the right rate for that, then they can grow because of it. On page 6, it goes into the Personal Lines Account comparison of coverages offered. The only thing that I would say really stands out is that in the California area it's a DP1, and they are currently in litigation with the Department of Insurance on offering an HO3, which they currently don't offer. Their DP1 does not cover water. In Texas it's wind and hail on the Coastal Account and statewide there is no water with a $5,000 buyback available. On Commercial Lines Account, which is on slide 7, covering what each plan covers. None of them are heavy in commercial writing and don't have a lot of policies. We probably have a lot of similar number of policies in the Commercial Lines Account. The next slide goes into the rate adequacy question. A lot of them are in relationship to the market or statutorily required to have actuarially sound rates. However, the Department of Insurance approves their rates. For example, California filed in 2021 for a 35% and got 15%. In 2022, they had a required 72% and filed for a 48.8%. They are anticipating they'll probably get 15% to 20%. So, it's very similar to the way we operate. Louisiana, like I said, they actually took our prior statute, which required them to be higher than the top writers in the state above their rates. That's the way it used to be. They've had significant growth and they have requested a 63% increase, which has been approved. They're anticipating that should stop their growth.

State Comparison
Rate Adequacy Standards

State	Rating/Rate Level	Who Approves Rates
California	Relation to market unknown. Statute requires actuarially sound rates but current rates well below actuarially determined rate need. Recent approved rate well below rate need.	California Department of Insurance - rates require prior approval.
Florida (CPIC)	Actuarially sound, subject to annual cap on increases (rates are currently inadequate)	Board of Governors and Office of Insurance Regulation
Louisiana	Required to ensure rates are at least 10% above voluntary market rates or 10% over the actuarial rate, whichever is higher, in accordance with Louisiana R.A.22.2303 63% increase approved 2022, should stop growth	BOG and Louisiana Department of Insurance
Massachusetts	No requirement to be actuarially sound, statute requires "reasonable" rates. Overly competitive in large market share areas and coastal areas, increases capped at increase % for top 10 carriers. Growth is not out of control because private market appetite is strong and plan pays lower commission rate. The plan gets mostly sub-standard business. Rates have not increased in 12 years.	Commissioner of Insurance
North Carolina	North Carolina Rate Bureau determines the residential rates. Statutory surcharge applied to certain rates for NCIUA. Commercial rates are ISO manual.	Commissioner of Insurance
Texas	Actuarially sound. TWIA subject to 15% max increase for any class; may be overridden by commissioner. Recent filings have shown indicated rate need of 10-12% with approvals 7-10%. No recent requests for increase for wind only.	Commissioner of Insurance

Barry Gilway: One comment, Kelly. In Louisiana when they adopted the Citizens Top 10, if you will, you have to be the highest top five in each parish. The exposure in Louisiana dropped from 160,000 to 68,000. So, that worked. The more recent changes in Louisiana are fundamentally… UPC is the largest carrier in Louisiana so they got hit very hard during the storms. It just about depleted all of their surplus, and that is the reason why you saw the 63% increase that was filed.

Charlie Lydecker: The top five or the Top 10 and is that something that is presently being contemplated next week as well?

Barry Gilway: Yes. I think the actual wording (it's called "Top 10") but the actual wording is actuarially sound and non-competitive is the terminology in the actual statute.

State Comparison
Litigation & Statute

State	Residual Market Litigation		Statewide Litigation	
	Litigation Rate per 100 Claims	# of Lawsuits (2021)	2021 Annual Total Residential P&C Claim Litigation	ONE Lawsuit per X# Residents
California	0.0006	3	3,959	9,986
Florida (CPIC)	0.3159	10,085	107,585	205
Louisiana(LCPIC)	0.0126	194	623	7,478
Massachusetts	0.0070	56	535	13,143
North Carolina	0.0002	41	87	15,561
Texas Wind (TWIA)	0.0017	15	2,589	11,257
Texas FAIR Plan	0.0011	14		

Chair Beruff: Does Louisiana have the same litigation issues that we have?

Kelly Booten: Not until recently. I'll get to the litigation slide next.

Barry Gilway: Which is probably the most amazing slide to me.

Kelly Booten: So, on the next slide is the litigation percentage. Again, they have no comprehension on what we're dealing within a lot of these cases because our litigation is just so far out of reach compared to what these companies… it's not even in comparison. California has approximately 22 to 24 open. Louisiana had 194 open in 2021, but I looked at their website this morning and now they have 470 open as of September 30th. They are growing in litigation, and we did a rate here so you can kind of get a comparison for size compared to numbers and the one lawsuit per residents we added in the last column. You get a real good idea here that this is a Florida problem. Does that answer your question, Chair?

Chair Beruff: I think this is the only chart you need to show up with in Tallahassee next week; just this one page because what else do you need to know?

[multiple speakers] ….as it relates to litigation.

Kelly Booten: Correct.

Chair Beruff: And that is what is driving our rates and driving our insurance companies to go broke.

Charlie Lydecker: I agree with that. That's what's hot this year. Now we have two storms and have exacerbated broader issues that are highlighting systemic issues that have been created by the last decade's worth of legislative so-called fixes.

Chair Beruff: Governor Telemaco.

Nelson Telemaco: Just as a comparison, 2022 year to date, what are the number of lawsuits? Do we know that… the number of lawsuits this year?

Kelly Booten: I don't know the number for this year. I know what is open for Louisiana.

Chair Beruff: For us or for Louisiana?

Nelson Telemaco: For us.

Kelly Booten: Oh, for us.

Chair Beruff: Yes, just for Florida. For Florida or for Citizens? I want to be clear on the question.

Nelson Telemaco: For Citizens.

Jay Adams: We've averaged about 1,100 new lawsuits a month, and there is some seasonality to that. But 1,100 is about where we are.

Chair Beruff: And how does that compare to the previous year?

Jay Adams: It's up a little bit, obviously, because we have more policies.

Chair Beruff: Does that answer your question, Governor Telemaco?

Nelson Telemaco: Yes. Thank you.

Kelly Booten: The next slide on page 10 it summarizes their litigation statute and the differences of it. Our Litigation and Legal Team looked at the Texas FAIR Plan. A lot of the things that we have been recommending and that have been adopted are some of the things that Texas has. In a lot of cases the Assignment of Benefits (AOB) is not even allowed. On page 11, this one is interesting in just market observation in doing this research that the team put together on market share of top ten carriers based upon direct written premium and then the number of Top 10 insurers that are best rated. You can see that Florida has only three Top 10 AM Best rated insurers based upon direct written premium come out where the other states have more of those carriers in their states that are available, too, by coverage. The last column is the market share of AM Best rated carriers included in the Top 10 by direct written premium. Florida is at 16%, and all of the others and their FAIR Plans are 63% and above. That gives you another piece of information.

State Market Health Observation

Market Engagement National AM Best Rated Carriers
2021 Homeowners Premium - Total Market

	Market Share of Top 10 Carriers (by DWP premium)*	# of Top 10 Insurers - AM Best Rated (by DWP premium)*	Market share of AM Best Rated Carriers included in the Top 10 (by DWP premium)*
California	77%	10/10	77%
Florida*	51%	3/10	16%
Louisiana	77%	7/10	68%
Massachusetts	63%	10/10	63%
North Carolina	73%	10/10	73%
Texas	76%	9/10	74%

*Citizens included in total market, removed from Top 10. Citizens was 2nd largest Homeowners in FL at YE 2021. Other state plans are not in the top 10 or not reported under Homeowners line of business.

Data is Homeowners Market only and total market does not include all state residual plans
Data: 2021 Homeowners Direct Written Premium S&P Global

Chair Beruff: Okay, so now you carry two pages next week.

[laughter]

Chair Beruff: It's pretty simple.

Kelly Booten: And that concludes my report.

Chair Beruff: Great. Thank you. Mr. Adams, go for it.

Catastrophe (CAT) Response Update

Jay Adams: Thank you, Chair and board members. I'd like to give you a fourth run of this presentation (it's a little bit changed) of a Hurricane Ian update. Go to the next slide please. Some basic information here… Ian made landfall on September 28th, which was a Wednesday, at 3:05 pm at Cayo Costa, FL as a Category 4 with 150 miles per hour wind. Next slide please. Prior to the actual landfall, Citizens has to do some things to get the CAT Plan moving. We obviously have to activate that plan. We put Jeremy Pope's call centers on notice to be ready to scale up to handle calls, and, of course, we have to engage the independent adjusting firms. Citizens went into a binding restriction on September 25th. We did a bit of pre storm communications targeted to policyholders in the area where we thought the impacts would be. Next slide. Hurricane Ian from a CAT response… I'm not going to go through any detail on the next two pages here, but what I do want to point out is that we do set up teams and segment our claims handling based on each storm and where it makes landfall and so forth. We set up strategic teams, and if you can go to the next slide, please, we had a Sanibel team and a large loss team. The Sanibel team specifically focused on the activity in Sanibel so that we had a consistent coverage approach and then our large loss team focuses on structural damage and storm surge. We're looking at consistent approaches to the handling of those claims. Next slide please. For each storm we've looked to use as much technology that is currently available. In this event we have contracts with the GIC, and they provide post-imagery as well as pre-event imagery. What we did with that was in the areas with the most damage (Fort Myers and Sanibel) We use that imagery for slab claims, and then we got on the phone with those policyholders if those claims have not been reported. We already did so we can start the adjustment as soon as possible. We did purchase a new tool from the GIC during the emergency order, and this was an assessment tool. What it did was use artificial intelligence technology and looked at the pre- and post-imagery and created a damage assessment. Then what we did was focus on those areas that had the highest damage. We were looking for most destructed homes first to try to get money into the policyholders' hands, so that they could do additional living expenses and work toward whatever remediation they're going to do.

Governor Lydecker: Can I ask a quick question?

Chair Beruff: Please, governor.

Governor Lydecker: Jay, can you tell me the claims adjusters that were onsite…which the report really highlights you were very aggressive in making sure that we met our Citizens of the state of Florida needs… are those adjusters and the folks that you're describing that were on site, specifically Fort Myers but for the whole southwest area, were they Citizens employees or were those third party, you know, the vendor teams. How should we be thinking about that?

Jay Adams: From our catastrophe response, we rely solely on independent adjusters and the contracts we have in place for the adjustment of those claims. However, we engage Citizens' staff in oversight roles. So, we set up teams of adjusters and then we have Citizens' staff provide oversight.

Governor Lydecker: And that's because, except for storms, then you would just have too many adjusters on hand from a budget standpoint it would be a burden to Citizens.

Jay Adams: Correct. We could not keep staff adjusters engaged in claims handling in catastrophe sized events without the catastrophe.

Governor Lydecker: Why does an independent adjuster work for you and your team versus a private sector company that might pay more? How do you get their undivided attention and make sure Citizens claims are a priority? And/or is that an issue?

Jay Adams: It can be, yes. What we do is put contracts in place, and obviously we bring them before this board for approval for catastrophe and for non-catastrophe, so that we have adjusters on standby prior to the event occurring. We also develop rates that we charge for all the different types of claims handling that we work. We leverage the NFIP fee schedule, which has a baseline. What we try to do is price close to whatever the NF IP has within each range. That helps make sure that we are at least competitive with those folks. In an event, if we are struggling to get resources, we always have the opportunity to increase our rates and what we charge. For Hurricanes Ian and Nicole, we did not make an adjustment. However, back in 2017 for Hurricane Irma, we did make adjustments. If you recall, Hurricane Harvey in Texas, two to three weeks prior to Irma making landfall, the majority of the catastrophe adjusters were in Texas already deployed handling claims. We had to compete with what was going on in the Texas marketplace to make sure that we have the resources to serve Citizens to protect our policyholders.

Governor Lydecker: Do we provide an incentive – a financial incentive – to independent adjusters on a per claim basis on any type of basis?

Jay Adams: Ultimately, no. We use our filed rates which are based on the gross claim amount. There is a chart and ranges that we pay. However, when we do a deployment, we do pay a seven-day day rate versus a staging rate; and in that seven-day period, we expect that adjuster to acclimate to Citizens standards, go through some training, get all of their systems in support of what we need to handle the claims here. That is to hold them until we can start making adjustments. When we do a deployment, we have to set those adjusters into teams. That takes a little bit of time. We also have to set them up in geographies and so forth. Once that infrastructure is built, we'll push a button in which the claims automatically get assigned to those groups. In that waiting period and when we ask those adjusters (and as I said in a couple slides back) we did that on 9/25; the storm made landfall on 9/28)… we started getting adjusters out there probably 24 hours to 48 hours later. That week we do pay the day rate to make sure we keep them at Citizens. We don't want them going somewhere else, thinking that there are not getting claims

Governor Lydecker: Perfect. That makes really good sense. Are you comfortable, but really, how quickly if an insured in the state of Florida who has their homeowners with Citizens has a bad experience with an independent adjuster, how quickly does that get to one of your Citizens team members so that we can make sure to bring that to resolution or ferret out an independent adjuster who was not matching up with the standards that you and your team have for how that adjuster should be conducting themselves?

Jay Adams: The short answer is quickly. We have multiple channels set up that complaint can come into…all of those complaints come in and are corralled through Jeremy Pope's group and the customer service piece. He provides oversight to make sure all of those are addressed. We also have social media. We have a resolution unit. If an insured calls back to the call center, there is a prompt that puts them into resolution unit. We had as many as 500 public adjusters prepared to answer those phone calls. We have a pretty significant escalation process. We get board members who escalate claims. All of those go into that process so that they can be tracked, and we tried to address those as soon as possible.

Governor Lydecker: Good. Thank you.

Jay Adams: You're welcome. We will go to slide number seven, please. This slide shows the different types of independent adjusters we had. At the height of the storm, we had 1,829 adjusters deployed. Next slide. I'm not going to go through these metrics because they are extremely dated. I would like to update you that as of Monday we had 56,452 Ian claims. We closed 70% of those claims, and to date, we've incurred $1.33 billion. I want to touch very quickly on Nicole because that landed after all of these presentations were built. Nicole landed on November 10th at 3:00 AM south of Vero Beach as a Category 1 with 75 miles per hour wind. As of Monday, we received 2,425 claims and we've incurred $41.3 million for that storm.

Charlie Lydecker: Is it right to think of it… that felt like a wet storm. It was rising water, right?

Jay Adams: A lot of it, yes.

Charlie Lydecker: That's not for today but that seems like another set of issues that we're facing in the state of Florida that when these storms come in and the pressure they create and the inner-coastal and open water ways rising at a level that really, unless they've gone to the federal flood program, they don't have coverage for. Would that be correct?

Jay Adams: Correct The basic HO3 the policy excludes any type of rising water, flood, surge, and any of those types of things.

Charlie Lydecker: When that happens, we've been relying on maps that say whether you are in a flood zone or what type of flood zone. It always struck me as a little antiquated, but didn't those map flood zones sort of get thrown out the window where when hurricane Ian hit southwest Florida? It seems like in southwest Florida when the storm came through, there were places that were hit hard by rising water that were not in mapped areas that required flood insurance. It seems like a new problem that we have in the state of Florida.

Jay Adams: I think that's an accurate statement, but from a Citizens adjusting perspective, we don't get engaged in where the….

[multiple speakers]

Charlie Lydecker: Yeah, I'm not advocating that you get involved in it as much as, you know, we care about Florida's Citizens and how we should think about the living environment. Thank you.

Jay Adams: Let's go to slide 9 please. As I mentioned earlier, the governor typically has an emergency order during a catastrophe event. And to be transparent, we do this every year after a storm. We did engage with the independent adjusting firms here under the emergency order. We did an emergency contract with those. Most of these folks, we had prior experience within storm response, and we brought on additional adjusters because some of the adjusters we had were not able to do what we asked them. As I mentioned earlier, we also purchased the GIC damage assessment tool for this event, and we leveraged that. Jeremy executed some VPO for the call center so we could turn on a few more of those folks.

Charlie Lydecker: How much overpayment did we do on bringing on new adjusters and contractual relationships? This question isn't a criticism. It isn't meant to be critical at all. I don't know how you possibly gather all of these resources so quickly and so effectively. By virtue of wanting to do the very best job possible and making sure that we have everybody on the ground, you have to be talking to independent firms like this saying I need you there with a priority and you're pushing money into that. Then it becomes largely a water event and then maybe you don't have as much need for those adjusters. Then, you would have had more capacity to adjust. Is that an issue? Is that something we need to be thinking about in the future?

Jay Adams: Not really. We only get what we paid for. Even if we ended these emergency contracts, there is no guarantee of work or money. They only invoice for the work they actually do.

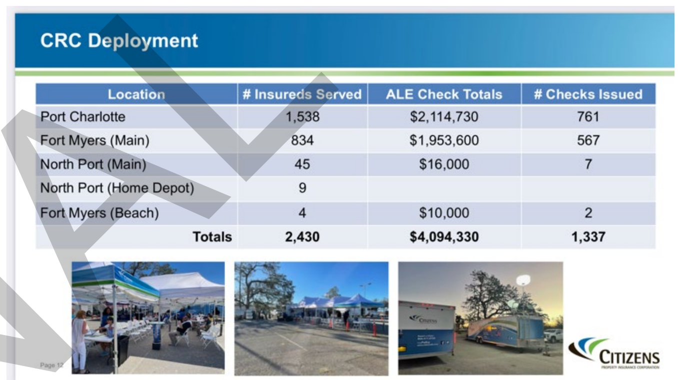
Char Beruff: It's piece work. Every time they do something, then they get paid. Otherwise, there is no loss.

Jay Adams: The only financial concern that I have when we make a deployment request prior to an event…Hurricane Matthew was a good example in 2016. It looked like we were going to take a direct hit in Volusia County, and it stayed out to sea. We did not deploy reps because we thought it was going to be a low-grade hurricane, which it was, until the landfall occurred. Because of that seven-day window I told you about where we pay the day rate, that would be a financial burden that we would have incurred for however many people we needed to deploy and had in a standby mode then we would have to release them.

Charlie Lydecker: Thank you.

Jay Adams: You're welcome. Claim service vehicles our vehicles that are command and Control Center 4 our claims team. We leveraged these vehicles to do you assessments for field adjusters. We look to make sure that they have the background necessary to do adjustments and do what we ask them to do. To your question earlier, we are proactively addressing these before complaints, and we are really attempting to give a check box to each field adjuster to make sure they are competent and our quality assurance group helps with that. We also use this as a place to create a hotspot. Usually, there is no cell signal, and you have to have an Internet connection to receive, upload, and download claims information. So, those independent adjusters can come to those locations and do that. Next slide. We'll move on to the consumer response piece. This is an example of the Catastrophe Response Center (CRC). This is a customer-focused phase where folks come and report claims. We provide living expense checks when necessary. The first notice of loss call center is another piece in the consumer response. We did an outbound calling campaign, which I will speak to in a slide or two.

Charlie Lydecker: So, you're issuing checks at these locations as well?



Location	# Insureds Served	ALE Check Totals	# Checks Issued
Port Charlotte	1,538	$2,114,730	761
Fort Myers (Main)	834	$1,953,600	567
North Port (Main)	45	$16,000	7
North Port (Home Depot)	9		
Fort Myers (Beach)	4	$10,000	2
Totals	**2,430**	**$4,094,330**	**1,337**

Jay Adams: Yes. If you go to the next slide, we're going to talk specifically about that. Jeremy and his teams were able to service 2,430 of our policyholders. They issued 1337 checks for a little over $4 million. Those were all based on additional living expenses. Next slide. These are just some photos on some of the great teams from Citizens who have volunteered to do some of this work. We had several board members attend. Barry was there. Many of the executive leadership team members were there. You can go to slide 15. We had some very positive feedback from some of our customers who visited the site. Next slide please. This slide is really an indication of that. Next slide. Specific to the call center, Jeremy's teams were able to take on 125,000 calls, and really the major important thing on this slide is that the average customer waited 18 seconds for someone to answer the phone. We had that staffed and built up enough that we were not losing customers in long wait line. Next slide. Policyholder outbound calling campaign is so common from a claims perspective we are obviously looking at where the penetration collars are across the storm impacted track versus the claims reported. We felt that in Lee County that we had not received near enough claims based on the amount of damage that was done in that county. We instituted in outbound calling campaign, and the call centers were calling customers, checking on them and asking them if they had damage and any need to report a claim. We reached out to almost 10,000 customers. We made contact on 3,300 of them, and that constituted as 155 new claims reported. Next slide please. On the policyholder outreach as well, Christine and her team were critical in our response before and after the storm. They are constantly putting up communications to the policyholders in the state of Florida, but more specifically, to those specifically in the direct path of the storm. We want to make sure that they understand how to report a claim to Citizens and to call us first. And, again, they are keeping the legislative group up to speed and the pre and post are pretty much the same. We'll go to slide number 20. In the underwriting teams, as you can imagine their exponential growth, we are constantly having a backlog of work that needs to be processed. When a storm is inbound, it is mission critical to that team to reprioritize the work on the backlog in the area where the storm is going to make landfall. If there is a policy pending that needs to be released in that area, then we need to handle that in the claims area so that we can adjust it. Much of the focus goes over to that immediately prior to the storm and immediately after that storm making sure that claims have all of that information available. The Office of Insurance Regulation also put some standards out there and that we could not cancel policies and not renew things and so forth. Next slide. Continuing on with the underwriting product, we also stopped our inspection process during this window and put our focus, again, on other things. Next slide is the agency services. Really, the piece here is Carl Rockman and his field agency manager support team really facilitated significant agency training during this process to bring them up to speed as to what we're doing from a claims perspective and how they can provide us support. Next slide is IT technology. All I can say is that Kelly and her team came to the forefront and had all that stuff done that we needed. With that I'm going to turn it over to Kelly, and she's going to go through the specifics of the emergency contracting.

Kelly Booten: I'm just going to summarize the emergency contracting that we did and provide a little bit of context to it we do Ian-related and Nicole-related contracting activity, executing new contracts, amending contracts, executing task orders, and issuing purchase orders. Spend associated with vender activity not requiring a new contract or purchase order considered business as usual; we use existing contracts. Only 28 out of 50 Ian-related contracting activities utilized emergency authority, indicating significant use of pre-positioned contracts. Been sending you a monthly report that has anything $100,000 or above. Contracts related to Ian and support word leveraged for Nicole. Jay mentioned some of the contracts that were used for adjusting and call center and there was one that was included in the Information Systems Advisory Committee texting that was added to the Technology Services part two action item. On the next slide is a breakdown by category, and as you would expect, the emergency spend authority on the left side is predominantly adjusting and call center. And the number for those corresponding is on the right side of that slide. On the next slide goes into it by purpose. Adjusting and Estimating is $11.368 million. Call Center Services is $1.566 million and so on. The next one is by purpose; it's an account of the contracts worked. Again, Adjusting and Estimating and the Call Center being the largest. That concludes my report. I do have the answer to the other question from the other report, but I'll hold it just in case there are questions for this report.

[inaudible]

Kelly Booten: The Texas wind does offer wind coverage statewide if it's offered by the FAIR Plan and not in the coastal. It's included with that policy. If it's in a coastal, then they write for two policies.

Charlie Lydecker: Good. Thank you. Conceptually, the process of insurance does contemplate that. Thank you. I've got one question of our Chair. Knowing that you lived close to where landfall was for the hurricanes and as Chair and providing leadership and being so outspoken in terms of wanting to reduce the size of Citizens, I was curious if you got feedback. And is it consistent with the report that we heard? It feels like a job well done by the Citizens team, but I'm curious to hear…

Chair Beruff: I did hear positive feedback and have been invited to speak at Tiger Bay in January, which I'm not sure I'm going to do. I might ask one of the Citizens qualified people to handle that event for me. The feedback that I got was positive. I flew down there the Sunday after the event because you couldn't get through in a vehicle unless you wanted to spend all day in it to see the magnitude of the devastation. You can definitely see what pre-Hurricane Andrew does compared to post-Hurricane Andrew in the building business. As we continue to evolve in Florida and get new structures, we will have less damage without a doubt to insurance claims, but that will take another 20 to 30 years. It's a generational thing, but you can see the difference. That was interesting. But, all I got was positive comments from the area.

Charlie Lydecker: I did, too. Congratulations and thank you for working so hard. That's a very thoughtful approach that you have.

Chair Beruff: I thought that the complaints were so minimal quite frankly that we performed wonderfully. Yes, sir.

2023 Operating Budget

Barry Gilway: The next topic is budget. Whatever you want to do….

Chair Beruff: …. It's up to the board. You can take individual breaks and keep working through it. Let's go work through it. We're going to have Ms. Montero hit the highlights. Do you have any action items that were taken out of your presentation?

Jennifer Montero: Well, you already approved the budget.

Chair Beruff: Right.

Charlie Lydecker: Look at how excited she is.

[laughter]

Chair Beruff: I just know that we're on item two and we have a long way to go.

3. Chief Financial Officer Report

Jennifer Montero: I have no action items.

Chair Beruff: You have no action items. Are there specific questions from this board for the budget that they want to review? [silence] Hearing none, you're dismissed, Ms. Montero. Thank you.

Jennifer Montero: Thank you.

[inaudible]

Chair Beruff: That was so smooth. [laughter] It's Christmas early. [laughter] Merry Christmas!

Vice Chair Thomas: To be clear, we appreciate the great work that you did with us before the board meeting associated with the budget.

Chair Beruff: Absolutely. As board members, we had a couple of calls to review this in advance. We did the homework. Thank you. Ms. Booten, you're back up. Do you have an action item that was pulled off of the consent agenda?

4. Chief Operating Officer's Report

Action Item – Updates to Roof Age Eligibility

Kelly Booten: I did.

Chair Beruff: Let's go to that one.

Kelly Booten: I think it's the roof rules.

Chair Beruff: Let's move right along.

Jason Butts: Mr. Chair, I had some questions as it relates to the proposed change from staff on roof eligibility in the age. I have some concerns as it relates to specifically the soft roofs or asphalt shingle roofs, which is pretty predominant, obviously, in Florida. They're recommending a 20-year change to that.

Chair Beruff: Yes, reducing the life of the roof from 25 years to 20 years. The industry is where on soft roofs?

Kelly Booten: It depends, but in that 15 to 20.

Chair Beruff: So, their top end is 20. Would that be a safe statement for the industry?

Kelly Booten: There is probably some that go above 20 that may have an ACV option or something like that.

Chair Beruff: My understanding is that our policy that you're advocating for is 20 plus five if they get a certification that says that the roof has five years left in it. Currently we're at 25 plus years, three, three, three, or something like that?

Kelly Booten: Correct.

Jason Butts: Mr. Chair, the concern is does the marketplace or any of the published underwriting companies state that they would take a roof up to 20 years? It's not, what's happening in the marketplace. In many areas throughout Florida, if there are any companies available at all, there are roof limitations again in multiple areas that are sometimes 10 years or newer or sometimes five years; there are companies that have gone two years. My concern is that Floridians in these really impacted areas that don't have market availability are essentially forced to replace these roofs at 20 years old, and they've paid a substantial amount of money, in some cases, what they were told by roofing companies, asphalt shingle roofs should last 25 to 30 years. My concern is that you have somebody who has a 20 year and two months roof home on their home that maybe is non renewed or maybe is purchasing a house and now they have absorb no place to find an insurance policy. My understanding is that Citizens should be there for those folks to provide a last resort option. The reality of it is that we're not a residual market, as Mr. Gilway has gone over the numbers. We are the market, unfortunately. I just feel like at this point, especially with the special legislative session upcoming as well as hopefully the additional session that, at this point, I would love to make the changes that are necessary to abide by this staff… abide by the changes from the last session but keep the 25 year/50 year rules in effect until we can see the outcome of both Special Session and the upcoming legislative session. I think it will create a hardship even more so than it is now.

Chair Beruff: Do any other governors have comment?

Erin Knight: Are we able to quantify this risk of where we had financial losses for this age of roof?

Chair Beruff: I think… let me try to put the pieces together. I think with the governor is advocating for is a pause in implementing this particular aspect of the roof because we are looking forward to getting some favorable legislation changes during the Special Session next week. As we all know, the litigated roof claims is a significant impact to the insurance industry in Florida. If we're fortunate enough to get that resolved, we might be able to not have to take this policy position. Did I read that right?

Jason Butts: Yes, sir. That's right, Mr. Chair. I would hope with new legislation that more carriers will feel more comfortable coming back into the market, offering options. I also believe that other things in the marketplace that Citizens could potentially take a look at doing that other carriers have done to provide a policy, not necessarily full roof coverage….

Chair Beruff: …to answer Governor Knight's question is that if we were to do the dive into the litigation rates today, then they would not be pretty on roof claims. That is the driving force, or one of the driving forces, in the inability to attract insurance companies to Florida because they can't model the litigation rate since a significant part of the litigation rate is roof related. Is that a true statement, Ms. Booten?

Kelly Booten: For the industry, I think the roof is a bigger problem honestly for them than it is for us. It's non weather water that is our biggest driver.

Chair Beruff: It is one of the big industry issues. I think if the board would entertain a motion to hold and do what statutorily we need to fix, right… we have to do what is statutorily… we have to meet the statute requirements… to hold on that particular aspect of the roofs until our March meeting (unless there is a reason and the staff tells us that we can't do that) because by then we will have known what was accomplished next week period. To the governor's comments, we are concerned about Citizens' ability to get insurance on a 20-year roof; that might change between now and 90 days for now.

Jason Butts: I'd offer that in the form of a motion.

Chair Beruff: Mr. Thomas has a comment. I'll entertain that motion in a minute.

Vice Chair Thomas: With regard to the comment about complying with the current statute, we are more generous than the statutory minimum, correct?

Kelly Booten: Correct.

Vice Chair Thomas: We're above and beyond on what the statute says we can do in terms of roofs.

Kelly Booten: Correct. What I'm hearing is implement everything in the product update changes except leave the roof age at 25/50.

Jason Butts: In terms of a pause, and we'll come back in March. Not only this session but also the legislative session, we'll have some full indication of where we're at and we can be more thoughtful.

Chair Beruff: Your statement is correct.

Kelly Booten: Thank you.

Chair Beruff: Implement everything but that one and then to Governor Lydecker's comment, bring it back to us in March in the March session because it will have a better… are crystal ball will be a lot clearer. So, we have a motion. Do we have a second to that motion?

A motion was made and seconded to approve the action item on product changes, except on the roof changes which will be put on pause until the March meeting. All were in favor. Motion carries.

5. Chief Claims Officer Report

Chair Beruff: We're onto, Mr. Adams.

Jay Adams: Chair, I really don't have any further updates. The Claims Committee met, and all of our action items were approved today.

6. Chief Communications Officer Report

Action Item: Florida Public Media Sponsorship

Chair Beruff: Okay. Great. Thank you. Ms. Ashburn, I did pull something off the consent agenda which you were nice enough to give me an outline. But if you would take the time and explained to the board. It was a little item, folks, but I am a little crazy about money. [laughter]

Christine Ashburn: Thank you, Mr. Chair. The Chair asked during our pre call… as you all know, we have a three-year contract with the Florida Public Radio Emergency Response Network (FPRERN) that provides us access year round for education and messaging to Call Citizens First. We're about to launch assessment education statewide on that network under the current contract. Then, I met with the Chair. He, rightfully so, questioned, even though it is a sole sourced procurement, whether or not we were getting the best value. The initial proposal that was before you that did pass the Consumer Services Committee did include an 18% increase when you look at the current contract that is expiring compared to the three-year contract. The lion's share of that increase is due to an addition of a larger Orlando radio and television market that gives us access to an area that, as you all know, you're unfortunately currently growing. We did go back to the FPRERN group and asked them if they could do better given that we were locking in rates that we're in 2022 but there is an increase in year two under the original proposal that would have protected us it would create a rate increase. Following my conversation with the Chair and working with Kelly's team, the vendor team, and my team, we have a revised proposal in front of you today that provides us the same access over the three years the total now is $694,000 for the three years. It locks us into winter 2022 rates for the entire term of the contract. It's a 13% overall increase compared to the current contract, but it does Include that additional Orlando station that is really driving the increase.

Chair Beruff: It's a radio station….

Christine Ashburn: … radio, television….

Chair Beruff: …. How much listening in that market do we pick up?

Christine Ashburn: I have it in my computer; I believe it's in the millions of people as it relates to the Orlando drive time radio.

Chair Beruff: So, we're broadening our messaging by a couple million people for an increase $613,000 to $694,000.

Christine Ashburn: Yes.

Chair Beruff: On a per person basis, we've got a better deal, folks. I support the current action item as adjusted. I entertain a motion to approve.

A motion was made and seconded to approve the recommended award and resulting sponsorship agreement to Florida Public Media; approve the three-year Florida statewide title sponsorship not to exceed $694,692; and authorize staff to take any appropriate or necessary actions consistent with this Action Item. All were in favor. Motion carries.

Chair Beruff: Thank you, Ms. Ashburn.

Consumer Services Committee

Christine Ashburn: Mr. Chair, I know that Governor Hasner is on the phone for the Consumer Services Committee update.

Jill Hasner: No, we're fine. I don't think we need further updates thanks.

7. Chief of Internal Audit Report

Chair Beruff: Mr. Martins, you're up.

Joe Martins: Thank you, Mr. Chair and board of governors. Apologies from Governor Leznoff. She is unable to attend. Short feedback from the [Audit] committee yesterday, the Office of Internal Audit provided a report. The CFO'S office provided a financial report. The external auditors provided their report. Nothing specifically came from the committee that needs to be presented to the board meeting today. And we don't have any action items.

Chair Beruff: Thank you, Mr. Martins. Does anybody have any questions for Mr. Martins?

8. Chief Human Resources Officer Report

Chair Beruff: Ms. Bloom, your turn.

Violet Bloom: Good morning. For the record, Violet Bloom, Chief Human Resources Officer. I just want to thank the board for approving our action items. Are there any questions for me?

[silence]

Chair Beruff: We're just happy you're retaining the help that we need and that you continue to add policies faster than we can count.

9. Chief Legal Officer and General Counsel Report

Chair Beruff: Mr. Cerio, you're next.

Tim Cerio: Good morning, Mr. Chair and members of the board. I had two action items that were approved. There is an item of new business that would have been an action item, but we discovered it late. We need authority to continue to enter into a new contract with the Bush Ross Law Firm in case of Citizens Property Insurance versus Scott Thomas. We did do our due diligence, and I can confirm for the board that it is a different Scott Thomas. It's a case that's been going on for a couple years, Mr. Chair, and it's about to go to trial. The prior contract expired in October for the three years, in the new contract is for the duration of the case. There was $250,000 of authority granted initially. There is still about $94,000 left but two things. We want to do our best to bring these issues before we exceed our authority and also, we think we may go above the remaining $94,000 to get through trial. What we're asking for this new contract is for an amount not to exceed $200,000 for this new item.

Chair Beruff: So, you're asking for money to finish this case or are you asking for future litigation?

Tim Cerio: Just this case….

Chair Beruff: …. So, you're going to go through the $94,000 and then ….

Tim Cerio: …. It is not $94,000 plus $200,000 dollars. It's just an additional $200,000.

Chair Beruff: … including the $94,000….

Tim Cerio: … including the $94,000. Our request and our recommendation is to authorize the contract with Bush Ross for an amount not to exceed $200,000 and then authorize staff to take any other appropriate action consistent with the action item.

Chair Beruff: Does anyone have any questions for Mr. Cerio? [silence] I don't see any questions so I will entertain a motion to approve.

A motion was made and seconded to authorize the contract with Bush Ross for the amount not to exceed $200,000 and authorize staff to take any other appropriate action consistent with the action item. All were in favor. Motion carries.

New business

Chair Beruff: Does anyone have any new business to bring before the board? I'd like to close the meeting with the comment that I think everyone on this board shares….

Barbara Walker: Chair, you had two committees that did not report out. One was the Exposure Reduction Committee chaired by Governor Telemaco and the other was the Market Accountability Advisory Committee chaired by Dave Newell.

Chair Beruff: Do we have any issues?

Charlie Lydecker: I have an issue. Should we rename the committee from Exposure Reduction to exposure enhancement committee? [laughter]

Chair Beruff: Does the board want to report from any of these committees?

Kelly Booten: I didn't bring it up, but we did the assessment review of the education and all of the things we're doing to make assessments more prominent for agents and policyholders. That was reported in the Exposure Reduction Committee. There is a lot of good stuff there, I think. Dave, do you have a report?

Charlie Lydecker: No. I would ask, and it doesn't have to be today, on the exposure education piece that you're referencing, I really do think that is important that at the board level it continues to be communicated and discussed. The exposures to residents in the state of Florida who become part of a Citizens insurance company do you need to know and to understand what their true exposure is. I don't think they do. I'm in the business and it has to be re explained to me every time. It needs to be in multiple locations in big letters and without a lot of complexity.

Kelly Booten: That is included in the packet, and we will report out on our progress on it. We are going to have some mandatory agent training, and we hope you attend it.

Dave Newell: Thank you and I will commit to attending it. I think it is very important.

Kelly Booten: Great. I will say from an implementation perspective with Special Session next week, I do know that we are going to be having a lot of stuff hitting us in the first quarter. We will have to rearrange all of the things that we're doing, so some of those changes that we did, I didn't give a date to them because of the nature of what we're going to be having sitting before us next week. But we're committed to getting them in in 2023.

Chair Beruff: Ms. Walker, Anything else I left out?

Jill Hasner: I want to take a moment to say that I had the opportunity to visit the Citizens Catastrophe Response Centers, and I think Governor Butts was there too. I want to take a moment to recognize the service and dedication of the entire Citizens team. It was really incredibly inspiring and very informative to see the operation at work, helping our policyholders in such a critical time. I just want to thank them.

Chair Beruff: Thank you, Governor Hasner. Everyone on this board would like to cheer on the legislature in the Special Session and that we can support them. Citizens insurance offers all of the talent that we have as they need it next week as questions come up in the middle of the debates that I suspect will take place. Other than that, I wish everyone a Merry Christmas and a happy holiday season with your family. I look forward to seeing you in the new year.

[meeting adjourned]