

**ACTION ITEM**

- New Contract
- Contract Amendment
- Other Committee Minutes

**CONSENT ITEM**

- Contract Amendment
- Existing Contract Extension
- Existing Contract Additional Spend
- Previous Board Approval \_\_\_\_\_
- Other \_\_\_\_\_

**Action Items:** Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

- Move forward as Consent:** This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

**Consent Items:** Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

<b>Item Description</b>	The Actuarial and Underwriting Committee meeting Minutes December 6, 2022
<b>Purpose/Scope</b>	Review of the December 6, 2022 Actuarial and Underwriting Committee to provide opportunity for corrections and historical accuracy.
<b>Contract ID</b>	N/A
<b>Budgeted Item</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Procurement Method</b>	N/A
<b>Contract Amount</b>	N/A
<b>Contract Terms</b>	N/A
<b>Committee Recommendation</b>	Staff recommends the review and approval of the December 6, 2022 Actuarial and Underwriting Committee minutes.
<b>CONTACTS</b>	Jennifer Montero, CFO Kelly Booten, COO

**CITIZENS PROPERTY INSURANCE CORPORATION**

**MINUTES OF THE  
ACTUARIAL AND UNDERWRITING COMMITTEE MEETING  
Tuesday, December 6, 2022**

The Actuarial and Underwriting Committee (A&U) of Citizens Property Insurance Corporation (Citizens) convened at the Alford Inn, Winter Park on Tuesday, December 6, 2022.

**The following members of the A&U were present:**

Carlos Beruff  
Josh Becksmith  
Charlie Lydecker  
Scott Thomas  
Fred Strauss (telephonically)

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

Barry Gilway  
Jennifer Montero  
Barbara Walker  
Tim Cerio  
Kelly Booten  
Christine Ashburn  
Andrew Woodward  
Jeremy Pope  
Violet Bloom  
Mark Kagy  
Jay Adams

**Call Meeting to Order**

Barbara Walker: Good afternoon, and welcome to Citizens' December 6, 2022, Actuarial and Underwriting Committee webinar that is publicly noticed in the Florida Administrative Register to convene immediately following the Finance and Investment Committee and will be recorded with transcribed Minutes available on our website. For those attending today's session through the public link, you are automatically in listen only mode. Panelists, thank you for identifying yourself prior to addressing the committee. Chair Beruff, we have no speaker requests for today's meeting. I will proceed with roll call.

Roll was called and quorum established with Chairman Beruff, Governor Scott Thomas, Governor Charlie Lydecker, Governor Becksmith and Technical Advisor Fred Strauss.

Barbara Walker: Chairman, you have a quorum.

## 1. Approval of Prior Meeting's Minutes

Chairman Beruff: Thank you. **The Committee will entertain a motion to adopt the Minutes from the last meeting (September 20 ,2022).**

Board Vice Chair Thomas: **So moved.**

Governor Becksmith: **Second.**

Chairman Beruff: **The motion passes.** And now Ms. Booten.

## 2. Chief Operation Officer Report

### a. A&U Charter Review

Kelly Booten: Good afternoon. I have four items today. The first is the Actuarial and Underwriting charter review which we bring forward every year, and we are not making any recommendations for change. **Can I get a motion to approve.**

Board Vice Chair Thomas: **So moved.**

Governor Becksmith: **Second.**

Chairman Beruff: **Motion carries,** thank you.

### b. Product Updates – December 2022 [AI]

Kelly Booten: Okay, the next item is the product updates for December 2022. At the July 2022 meeting the Actuarial and Underwriting Committee discussed recommendations regarding roof eligibility and asked staff to further evaluate the renewal process. So, we have updated the original recommendations slightly for today's approval. Senate Bill 2D passed during special session. Senate Bill 2022 2D introduced statutory language prohibiting an insurer from non-renewing homeowners' policies, insuring residential structures with newer roofs solely for age, and for residential structures with older roofs. The insurer must allow the policyholder the opportunity to provide an inspection indicating at least five years remaining useful life. The insurer may not refuse to issue or non-renew a policy or require a roof replacement based solely on roof age if this inspection indicates that the roof has five years remaining useful life. So, for roofs that are over Citizens' maximum age which are currently 25, 50, the current rules require inspections demonstrating three years remaining useful life and deeming the policy ineligible when the expected remaining useful life falls below the three. So, we start non-renewing two. Additional policy renewals may be allowed with when a new roof inspection showing at least three years.

The other thing we do currently today is allow three and another three, multiples of those. So, what we are recommending is going to 20, 40 on roof age which is included in the next section and then a one time, five-year based upon the inspection that the consumer brings forward, but we would, that doesn't mean you are in for five years. We still can non-renew if there are conditions and we will conduct an inspection of our own in either year four or three to ensure that that roof is still in good condition. And the –

Governor Lydecker: may I ask a question, Chairman.

Chairman Beruff: Please.

Governor Lydecker: So, I think, I mean, I really like what you are reporting, and I see it out there in the marketplace, but after the first five years, if an inspector were to say your roof is still in terrific shape, do they then have to sell it? Do they then have to replace the roof?

Kelly Booten: Yes, our goal was only to allow only one now on the soft roofs. On the hard roofs there could be exceptions to that because of the condition lasting longer, but on soft roofs we were trying to hold firm on the -- it would be 25 years basically.

Governor Lydecker: And I am sorry, you used the term soft roof.

Kelly Booten: Yes. So, the 20 is for soft roof types, shingle, asphalt, those types of roofs, whereas the hard roofs would be the metal, clay, concrete, and those are at, we are recommending moving from 50 down to 40 and allowing exceptions on those if they can prove beyond the one year, one time extension that there is still remaining useful life.

Governor Lydecker: So, I am clear then. After five years soft roofs, no exceptions.

Kelly Booten: Correct.

Governor Lydecker: Now, this just, this is more theoretics just a moment, so as a new member, what do they do then if they still, let's say this is south Florida, they still need a roof. They still need insurance. What do we do? We are clearly forcing them to get a roof, right?

Kelly Booten: Yes, correct, or surplus lines.

Governor Lydecker: Okay. I guess, you know, I don't like the, you know, room for exceptions. Maybe that is the best way to put it. Notwithstanding what you are trying to accomplish here.

Kelly Booten: Yes.

Governor Lydecker: And try to drive a best practices process amongst consumers to have the roofs fully prepared for a hurricane, which seems to be happening more and more frequently, but it does, it does present a hardship to a number of people. So, I know you have thought about that a lot.

Kelly Booten: Yes.

Governor Lydecker: And this is the end product of a lot of discussions.

Kelly Booten: It is, and this is a stronger stance currently. It sort of is and sort of isn't it some ways, because the three is an easier bar to get through. Five is a harder bar to get through, so that makes it harder.

Governor Lydecker: But you are being flexible because you are going from three to five.

Kelly Booten: Yes.

Governor Lydecker: Am I thinking about that right?

Kelly Booten: Well, on an inspection it could be harder to get the initial five as well that, instead of three. Three is a little lower bar to actually get it. So, there is, there is some –

Governor Lydecker: Let me ask you this then. How does this, how is this relative to what, and I am presuming you have some sense of this, and I may be wrong. What you see on the private sector.

Kelly Booten: Well, the private sector is typically 20 or less, and with this rule they have to, now can't just solely make someone ineligible because of roof age. So, they at a minimum would be 15 plus five. So that is a five-year difference, but there are other conditions that they probably would use for eligibility reasons other than roof age, okay. So, there is that. And then also there is ACV that comes into play, which we are not recommending going to ACV. They could offer an ACV policy with a roof schedule and some of them are doing that as well.

Governor Lydecker: And we can't do an ACV schedule?

Kelly Booten: We can't make it mandatory.

Governor Lydecker: What about as an option? If you, if you don't, my question is really this. If you can't, you are not in a financial position as a consumer to buy a new roof that might cost \$5,000 or more, and you are at the five-year mark, but there is clear life in the roof based on what an inspector would be saying. You know, surplus lines is a tough go. You don't have the money for the roof, there is a good chance you may not have money for surplus lines option. Would it make sense, and again, I think I am at the end of this process when I am asking this question. To create an option that says, okay, we can do it, but then, we agree it is going to be on an actual cash value basis.

Kelly Booten: Right. Our claims department is not in favor of that, and we have met with both Governors Becksmith and Governor Butts who have the same question, too, about ACV and could it be an option for us for these types of conditions. The thought is that that could lead to additional litigation, and the policyholder who can a lot of times barely pay for the roof with the coverage that they would get today, would even have less coverage should they need to replace the roof and wouldn't be able to afford to do it. So, then the roof conditions become another problem that we have to deal with.

Governor Lydecker: Could you agree, and Josh, you probably know, I can't remember these terms anymore.

Governor Lydecker: What is it for actual cash value where you agree on what the ACV will be in advance and there is no DISPUTE?

Kelly Booten: Go ahead.

Governor Becksmith: Well, you are just talking about a depreciated value on it.

Kelly Booten: Right. The actual.

Governor Becksmith: But an agreed upon schedule.

Governor Lydecker: I thought there was a, back in the day, I am going back 25 years now, but there was an amendment, an enforcement that you can put on a policy.

Governor Becksmith: Yes, it will schedule, and it says your roof. They're different than a windstorm deductible that once the policy is in place for a certain amount of time it's an eroded share if you will.

Kelly Booten: You know, one of the things we talked about, too, is I don't know if this subject is going to be up at special session or not next week. I know that the roof subject has been a topic and right now we can't make it mandatory. If there is an option to make it mandatory, then I think we should consider it and I think we will be forced to consider it if the rest of the market goes there anyway.

Governor Lydecker: Are we talking, when you said the rest of the market goes there anyway, are you referring to offering an ACV.

Kelly Booten: Right.

Governor Lydecker: Attempted ACV.

Kelly Booten: Right.

Governor Lydecker: I don't, I mean, I understand it is for sure more, it is for sure more difficulty from a claims –

Kelly Booten: Right.

Governor Lydecker: from a claims perspective. But if you can have some type of agreed value and the consumer can sign off on it. I just, surplus lines is really not a very attractive option and I know we want to get the roofs first fixed, you know.

Kelly Booten: Yes.

Governor Lydecker: So, don't let anything I say suggest that the underlying thought process behind the recommendation that's being made aren't real thoughtful or appropriate. It is just that the lack of optionality –

Kelly Booten: Right.

Governor Lydecker: -- for consumers always hits me, you know, wrong.

Kelly Booten: That first struggle is being there for people and yet having property that is in a good condition that, you know, protects our interest as well. Would you be okay with moving forward with this direction, bringing forward and after session next week we will see the outcome and if the ACV is allowed to be mandatory, that could be an approach that we bring forward. We also have the wind hail deductible in here, but that is not going to solve this problem. That is just another policyholder option to reduce costs.

Governor Lydecker: Mr. Chairman, if I could recommend for consideration. I think we should go forward as presented, but I think we should actually make a statement as a Board that we are very interested in creating optionality for the consumer post the five-year mark using actual cash value or some, some additional flexibility for consumer that we are not forcing them to buy a roof or force them into the surplus lines market. And I actually think that could be helpful relative to the special session so that doesn't come up as an example of where we might be viewed as being rigid to the consumer, because I know that is not what the goal is here and what we are trying to do, but I think that flexibility is something you ought to consider, and subject to next week's legislative session, then maybe we could revisit this.

Kelly Booten: Okay.

Chairman Beruff: Any other comments?

Governor Thomas: Could I ask a question? This is only on new business, correct.

Kelly Booten: Correct.

Governor Thomas: This is not on renewals. What are we doing about the instances that we have had this past 12 months where we had fixed carriers go under, we assumed a bunch of policies. Is that going to be treated as new? Is that treated as renewal, because could we get into an instance then if, if fed/mac or whatever, one of the six goes out. Their rules are different than what Citizens has could that preclude Citizens then from taking on those policies?

Kelly Booten: Well, what we do with those, we do loosen up the underwriting rules a tad on insolvent carrier policies that come to us as existing damage. And then we allow, we make them sign a form that acknowledges that there is prior damage or there is prior conditions, and if they have a contract, I am kind of mixing a couple of subjects here, but if they have a contract in place and can prove that they have it, we will let them in, depending upon the roof conditions, 60 days. It has to be resolved within the 60 days of the underwriting, the first 90 days we can non-renew. Sorry, we cannot select that policy. So, 60 or 90 depending, and sometimes we will go for an entire

year and then set them up to non-renewal the following year. So, we have some leniency there is the point on things that come to us through insolvencies.

Governor Thomas: And just to clarify going back to the dates. You said something. I think currently we are at 25 what you said three plus three plus three. So theoretically if I have a roof inspector come out and I am currently with Citizens at 25 years, I can now go to 28 years. Can I go to 31 years with another inspection currently?

Kelly Booten: Currently you could get there if it was in really good condition, but we would do our own inspection and usually there is going to be a condition.

Governor Thomas: Okay. So effectively we are trying to take this from 28 to 25, is that fair? Well, 25 to 20 with a year inspection.

Kelly Booten: Yes, 25.

Governor Thomas: But the key is, the whole scenario only applies in the context of if we wanted to make a decision on a roof based on age and age alone. So, if for example, just because someone comes to us with a report that says it has a five-year useful life, nothing about that prevents us if we so chose to do our own inspection and say, no, it doesn't have a five-year useful life, because in that scenario we would not be non-renewing or not writing for age only. It would be based on our actual inspection of the property.

Kelly Booten: Correct. And that is, that is the change we made to clarify this from your perspective back in July. That condition really does come into play.

Governor Thomas: Because I think that is all the statute speaks to. The statute speaks to if an insured wants to non-renew or not write based on age only, the presumption being, which is generally accurate that an older roof would be in worse conditions than a newer roof, but if they want to make a decision based on age and age alone, then the consumer can prevent that from happening in essence by providing their own report that says, no, you shouldn't worry about it because it has whatever the requisite number is, but just because they do that, doesn't mean if we had reason to believe it that we are not able -- because we don't have to accept their report.

Kelly Booten: Correct.

Governor Lydecker: And I think that those nuances I think you all have captured pretty well.

Kelly Booten: Right. And we have reviewed this with our agent round table. We have agents that pay close attention to what we do and give us feedback on all of these, and we didn't get a lot of push back on this from the agent round table. And Carl does webinars with our agents regularly. We had one last week and presented this and it didn't cause a lot of consternation.

Chairman Beruff: But I would like to add to Governor Lydecker. I agree with the direction that he is pushing. The problem where we have a disagreement, but we have to remember that Citizens is still a value, we are inexpensive compared to the rest of the carriers. So, we are already subsidizing the market. So, to make ourselves more attractive is probably counterproductive to



the mission which is we are supposed to be the insurer of last resort in the state of Florida, and yet we are the 800-pound gorilla. And I don't know if we continue down the path of making it a more consumer friendly, does that help our cause. I am all for more consumer friendly, but then we need to be able to have the handcuffs off and charge the appropriate rates in the market to be competitive with the rest of the market, which is the challenges our brothers and sisters in the Legislature are taking up next week in order to, and we obviously support their efforts to do what is possible to make us, to make Florida a vibrant insurance market, because we certainly are not. Everybody at this table knows that everybody in this room knows that. So, I don't want to increase more policies that make us more attractive until and such time that we are competitive in the marketplace and can charge the correct rates to our -- the rest of you folks. You gentlemen in the business know more than I do, but how far less expensive are our policies than normal guys, 20 percent?

Governor Lydecker: I think 30 percent.

Chairman Beruff: 30 percent, so there you go. So, we have got to push, if we are going to offer more flexibility, which I agree with what you are saying, to be more consumer friendly on the policies, then we have got to move our peg up and be able to charge the appropriate rates to stay in business. Ian was not a significant storm in my book. I have been -- I was born in Florida in 1958, so I have seen a few. So, if it had been a significant storm, it was significant to Fort Myers, no question, but if it had been Dade County, downtown Miami at a category five or if it had gone up Tampa Bay, we would be writing about this for a year on a global basis. We wouldn't have enough money to cover the bills. 60 miles south made a big difference. So anyway, that is my soap box. I will get it off now.

Governor Thomas: I agree with you in the sense that I think it is more of just a matter of waiting to see what maybe the Legislature does about actual cash value. Then we need to see what the market does with it, because I would not want us to find ourselves in a position where we are offering something that is better than what the rest of the market has decided just because we have the option to do it.

Chairman Beruff: I agree.

Governor Thomas: So, I think it is kind of what does the Legislature let us do and then what is the market doing. I don't care to be a market leader in any respect in terms of product offering. Let me tell you I think that the majority of the market both on the personal and commercial, and Charlie, jump in here too. I would say that they're looking at 15 years, anything over 15 years we will accept it, but it is actual cash value. So, you are not getting your \$10,000 roof, \$20,000 roof. You are getting a much depreciated, which is just like everything else. You own a car, you get in a wreck, 10 years old, they're not buying you a brand-new car.

Chairman Beruff: And they shouldn't be, or we shouldn't be.

Governor Thomas: Absolutely, absolutely, right, correct, absolutely.

Governor Lydecker: I agree.

Kelly Booten: So, a couple other things on this. We will definitely come back on the ACV topic. We also included in here an optional wind, storm or hail deductible. The product, this is using a concept similar to the hurricane deductible, whereby we have another deductible that equals the hurricane deductible for wind and hail instead of using all other perils deductible. This would be an option for policyholders again, and the rate for this will be brought forward in the March Board meeting when we bring the annual rate filing, because the credit would have to be offered for it, and we do reserve the right to change our minds on this if the credit for it becomes so little that nobody is going to adopt it and we go through a lot of work for no gain. But I wanted to get the concept in front of you to see if we got any reaction on offering this. Okay. And then the last thing in here was just getting ourselves caught up with some e-mail and mailing requirements from 2D. We went ahead and filed it and are implementing it but brought it here just for historical purposes. So those are the items, and I would entertain a motion for approval.

**(Recommendation: Staff proposes that the Actuarial & Underwriting Committee review, and if approved, recommend the Board of Governors: Approve the above proposals to update Citizens' Product guidelines, forms and supporting documents; and Authorize staff to take any appropriate or necessary action consistent with the Product Updates – December 2022 Action Item to include filing with the Office of Insurance Regulation (OIR), system change implementations, updates to supporting documents, applications or forms and other relevant activities. Final changes and implementation timeline may vary, based on project complexity, operational considerations, and feedback from the OIR.)**

Governor Lydecker: I will offer a motion to approve.

Kelly Booten: Thank you.

Fred Struss: I will second the motion.

Kelly Booten: Thank you.

Chairman Beruff: All those in favor significant by saying aye.

(Chorus of ayes.)

Chairman Beruff: The motion carries, thank you.

c. Quality Management Software [AI]

Kelly Booten: All right. The next one is an action item for quality management solution, and this staff is requesting the approval to enter into a contract with J. Lodge, LLC, for the purchase, implementation and use of My Quality, a cloud-based quality management solution. The base term will be five years with three optional one-year renewals. Approval is requested for a total contract amount not to exceed \$1,497,325 for software implementation and associated support and services. Citizens' quality team monitors and reviews call and task-based transactions for Underwriting, Consumer and Policy Services, Vendor Management and Agent and Market

Services to provide employee feedback and to make recommendations for improved process performance. The team conducts calibrations sessions as well with the vendors. Right now, we use an internally developed application named QCenter, a solution built using access and it requires 1.25 resources. The cost of these FTEs is approximately \$207,940, and the annualized cost to QMS is \$187,156. So, this is a lot more quality for a little less cost.

**(Recommendation: Staff proposes that the A&U Committee review, and if approved, recommend the Board of Governors: Authorize the Quality Management Solution contract with J. Lodge, LLC for an initial term of five (5) years, followed by three (3) optional one (1) year renewals for an amount not to exceed \$1,497,325, as set forth in this Action Item; and Authorize staff to take any appropriate or necessary action consistent with this Action Item.)**

Board Vice Chair Thomas: I make a motion to approve.

Governor Lydecker: I will second.

Chairman Beruff: All those in favor signify by saying AYE.

(Chorus of ayes.)

Chairman Beruff: The motion carries.

**d. Business Process Outsourcing UW Production [C]**

Kelly Booten: Thank you. All right and the last one is for business process outsourcing, underwriting production services. This one is completely volume based, and has no changes in contract term. When we estimated it back in 2018, it was based upon our PIF of 419,475 and was not anticipated to grow at the volumes we are growing. There is a table on page 2 that goes into the original projection. The number is based upon underwriting activities. It gets kind of complicated underneath the covers, depending upon our vendor, usage of our vendors to process new business, automated underwriting transactions, policy changes, all of the things.

**(Recommendation: Staff proposes that the Actuarial and Underwriting Committee review, and if approved recommend the Board of Governors: Authorize an additional \$10,316,304 in spending authority for the Business Process Outsourcing (BPO) – Underwriting Production Services initial contract term, bringing the total authorized contract amount to \$45,933,107 through March 31, 2025; and, Aggregate the current total spend authority previously approved for renewal terms into the initial contract term through March 31, 2025; and, Authorize staff to take any appropriate or necessary action consistent with this Consent Item.)**

Governor Lydecker: But this is just to increase the spend from previous because of the storms and activity.

Kelly Booten: Correct.

Governor Lydecker: I would make a motion to approve.

Governor Thomas: I second.

Chairman Beruff: All those in favor say aye.

(Chorus of ayes.)

Chairman Beruff: The motion carries. Thank you.

Kelly Booten: Thank you. That concludes my report.

Chairman Beruff: Thank you, Kelly. We adjourn this meeting.

Board Vice Chair Thomas: Move to adjourn.

Chairman Beruff: Okay, meeting is adjourned.

(Whereupon, the meeting was adjourned.)