CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE ACTUARIAL AND UNDERWRITING COMMITTEE MEETING

Tuesday, March 28, 2023

The Actuarial and Underwriting Committee (A&U) of Citizens Property Insurance Corporation (Citizens) convened at the Sheraton Orlando North, Maitland FL on Tuesday, March 28, 2023.

The following members of the A&U were present:

Carlos Beruff
Josh Becksmith
Scott Vice Chair Thomas
Fred Strauss (telephonically)

The following Citizens staff members were present:

Tim Cerio
Jennifer Montero
Barbara Walker
Alden Mullins
Joe Martins
Kelly Booten
Stephen Mostella
Christine Ashburn
Andrew Woodward
Jeremy Pope
Violet Bloom
Mark Kagy
Jay Adams

Call Meeting to Order

Barbara Walker: Good afternoon, and welcome to Citizens' March 28, 2023, 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, Vice Chair Scott Thomas, Governor Becksmith and Technical Advisor Fred Strauss.

Barbara Walker: Chairman, Governor Lydecker said he would tentatively be able to join by phone, but so far, he has not been able to join us. You do 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 (December 6, 2022).**

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

Governor Becksmith: **Second.**

Chairman Beruff: **The motion passes.** Minutes are approved, thank you. I can't follow a script, I know, it is awful. Brian and Ms. Montero, you are up.

2. **Chief Financial Officer Report**

a. 2023 Rate Filings / 2023 A- Rates

Brain Donovan: Good afternoon, Chairman, committee members. I am Brian Donovan, chief actuary at Citizens, and I am going to discuss the upcoming rate filings. So first I would like to talk about the uncapped indication. There are a few points to be made here. First overall across all lines of business the uncapped rate indication or the amount Citizens' rates would be to increase to be actuarially sound is 58.5%. It is important to note that explicit adjustments were made to this indication while we were doing this calculation to account for the anticipated savings from Senate Bill 2A. In particular the elimination of AOB and the one-way attorney fees which we know have been a major cost driver in recent years. Also included in there is per SB 76, an expense provision for reinsurance is included that reflects the cost of reinsurance for up to 100-year coverage even if Citizens does not actually purchase that. And I want to point out, these numbers do not include A-rate risk. I will talk about those separately.

So next slide. You know, we just talked about the uncapped indication. This slide could talk about the proposed rate change, what we will actually charge, how those rates will change, and there have been some changes in how capping works. First, I want to point out that it is important to note that what we are talking about with these rates, technically it is going to be two separate rate filings, because these rates are effective for personal lines 11/01/2023 through 10/31/2024, and, you know, per SB 76 there is a 12% cap applies in 2023, but then that increases to 13% in 2024. So first we will make the rate filing shortly after the Board meeting if approved, and that filing will include a 12% cap. As soon as we get approval for that we will turn around and make another filing and say, all right, as soon as it hits 1/1/24, change that cap from 12% to 13%. And so, and additionally with Senate Bill 2A, non-primary risks are now capped at 50%, and a non-primary risk is any risk where it is occupied nine months or less out of the year. That cap is now 50%, and additionally consideration in capping was Citizens' competitive position. If there was any place where we could see that Citizens' rates were cheap, we just made sure or cheaper relative to the competition or other insurers, we just made sure to take the maximum amount of the increase -- of the rate available, so everyone would be getting a 12% or 13% rate increase. So, putting all that together, the proposed rate change across all lines is 14.1%. 14.2% for personal and 12.3% for commercial. Next slide, please. As I mentioned, you know, non-primary is being treated differently with a 50% cap. I just want to point out, if you look at column nine you can see the non-primary rate, the proposed rate change is 40.5. Now, non-primary consists of 7.3% of the total personal lines policy count, but that percentage does change by line of business, and we should take a look at that. Next slide, please. Digging down a little deeper with the non-primary you can see, although looking at column eight across all lines of business, personnel lines, it is 7.3%, but I do want to point out for certain lines of business it makes up a much larger percent, such as mobile home, plus the 30% and dwelling mobile home 20%, and those non primary risks will, will be seeing close to a 50% increase. And so that, that -- that is what I wanted to say concerning the class rated risk. Any questions on that before I discuss A-rated risk? Next slide, please. So, A-rated risks are, you know, individually rated buildings also known as advisory or A-rated risks are not subject to being filed with the Office or not subject to the guide path either. So, over the years we have been able to maintain these rates at an actuary sound rate, and in Citizens' case we A-rate any building that is worth $10 million or greater is A-rated. And with these rates, we are seeing some growth there. Last year we were at 42 building count. At the end of this year, we are close to 350 and that number keeps growing. So, we did, so we are recommending for commercial residential multi-peril 24% rate increase. For commercial residential we are in a 28.9 percent which is a combined 27.8% increase for the A-rate business. If there are no questions, we can jump right into the action item.

Chair Beruff: Go ahead.

Brain Donovan: So, for class rates, there are two action items, one for class rate, one for A-rate. **Recommendation: approve the proposed rate change of 12.3% for commercial lines and 14.2% for personal lines, effective 10/01/2023 and 11/01/2023 respectively. Authorize staff to take any appropriate or necessary action consistent with the filing of the proposed rates, which includes filing with the Office of Insurance Regulation, system changes and other relevant activities**.

Chair Beruff: Motion, do I have a motion?

Fred Strauss: **So moved.**

Vice Chair Vice Chair Thomas: **Second.**

Chair Beruff: Signify by saying aye.

(Chorus of Ayes.)

Chair Beruff: **Motion approved.**

Brain Donovan: The second item A-rate adjustments. **Approve the proposed rate changes of 28.9% for A-rated, CRW risk and 24% for A-rated CRM risks, both effective 10/01/2023. Authorize staff to take any appropriate or necessary action consistent with system change implementations and other relevant activities.**

Vice Chair Vice Chair Thomas: Second.

Chair Beruff: **All those in favor signify by saying aye.**

Governor Becksmith: **Aye.**

Chair Beruff: The **motion carries**, thank you.

Brain Donovan: Thank you.

Chair Beruff: Ms. Booten.

b. Product Updates – March 2023

Kelly Booten: Good afternoon. The first item we have is the Product updates for March 2023.

Chair Beruff: Could you get the microphone closer to you, please?

Kelly Booten: Product updates for 2023.

Chair Beruff: Thank you.

Kelly Booten: Can you hear me better now?

Chair Beruff: Thank you.

Kelly Booten: Senate Bill 2A was passed during December 2022 special session and included several necessary Citizens specific product changes including flood policy requirements and new and renewal eligibility premium comparison thresholds. In addition, the legislation included changes to all property insurance policies regarding attorney fees and assignment of benefit agreements. Due to tight time frames required to comply with statutory effective dates several items have been implemented or in the process of implementation. The following changes include the flood requirements effective April 1st, 2023 for new business and July 1st, 2023 for renewal business for all personal residential policies that include wind coverage for risks located in the special flood areas, and then is it phased in over time until 2027 when it is applicable to all personal line policies. The commercial line residential eligibility requirements increased from 15% to 20%, and then renewal eligibility for residential policies both personal and commercial went from zero to 20%, as well as depopulation threshold also went to 20%. The legislation also removes the exception that allows personal lines policyholders deemed ineligible at renewal to return if within 36 months their private market renewal exceeds the rate increase allowed by the statutory rate cap. They come in as new business now.

Additionally, there is form changes to effectuate all of this. With regard to roofs, staff recommends deferring the implementation of the wind hail deductible with all the other priorities we are working on, they have much more impact and this one just didn't seem to have as much impact, and also to suspend any future amendments to the roof age eligibility rules at this time. For Senate Bill 2-D, which you approved at the last meeting, at the December 2022 meeting, the Board approved our recommendation to update roof eligibility rules to better align with 2-D. Part of this recommendation was to require an inspection of older roofs demonstrated five years remaining useful life and no roof condition issues. When a satisfactory inspection is provided, Citizens proposed to allow a one-time extension. That was not approved by the Office. We withdrew that and took out the one-time extension. So, we will continue to get an inspection for any future five-year renewals, and then of course, can, based upon our inspection, terminate or cancel for conditions. We added the assessment language to our policy forms, applications and dec pages to advise of potential assessment surcharges that we spoke about at the Exposure Reduction committee in December. And then we are recommending a new rule that changes the commercial lines underwriting rules to stipulate that risks in which the prior policy was not in force for a full annual term due to policyholder request or the insurer's failure to pay premium will remain ineligible until the prior policy expiration date. This mid-term cancellation rule would not be applicable if the prior policy carrier issued a company cancellation or if the prior carrier became insolvent, and we added this because of the amount of mid-term cancellations we were having in the commercial market, and the commercial market is in a little bit of disarray right now. So that is one recommendation.

Governor Becksmith: Mr. Chair, can I ask a couple of questions real quick?

Chair Beruff: Please.

Governor Becksmith: Two things, just for clarifying for me. On this roof, going back a second here, the roof, is it 20 years right now or 25 years currently.

Kelly Booten: It is 25.

Governor Becksmith: Twenty-five. So, what we are saying is if somebody comes to us, 25-year roof and we can show a five-year, they can get a five-year extension effectively with a roof inspection. Am I understanding that correctly?

Kelly Booten: Correct, but if we do our own inspection, like say three years in and find a condition –

Governor Becksmith: Right, so we reserve the right to say, no, we are not interested in underwriting reasons.

Kelly Booten: Correct, right.

Governor Becksmith: But if I have a 25-year roof and we get an inspection that shows five years useful life, do they get an additional five years then or is it just one year?

Kelly Booten: It is not, it is not automatic. They could get up to five and we would probably do an inspection maybe at the three, four-year mark.

Governor Becksmith: Perfect. Switching gears to the commercial residential. I know that you all are going through a lot of re-writes, so there is a lot of stuff going on out there. I would propose a change to your wording in there, and the one thing I would suggest is that we add, there has been instances, Mr. Chair, where you have got carriers that are dropping a renewal, not by the agent's fault, but by the carrier's fault, dropping a renewal in the lapse of a large commercial residential condo association would be a prime example. And sometimes the agencies aren't getting these renewals until five to seven days out and all of a sudden, a couple of things have happened. One, the capacity has shrunk significantly. So, I am going to use an example of you get a 30-million-dollar condo project, the agency believes that the terms and conditions shouldn't change all that much, albeit the pricing obviously will. All of a sudden, they get the renewal seven days before the condo association is set to renew, and that 30-million-dollar limit has now gone to five million. We got a $25 million gap there. What you are seeing is, and I am just giving some background, as you are seeing the agencies then having to turn around and essentially bind a $5 million option which obviously is not what a condo association would ultimately like to have, and then scurry out to the market to kind of find an option on there. The flip side to this is if all the agencies turn around and submit everything to Citizens on every single one of their renewals, Citizens, Stephen's team, Kelly, everybody is going to be inundated with submissions. So, what has happened is you have got these, you have got folks that are basically binding a five million or a $10 million, then having to go re back to the market again. I think that mid-term moves are bad, period, for the marketplace. I think it puts all the agencies, I think it puts carriers on defense 365 days a year. So, I don't like it. However, I do think there is an instance where in that instance like I just described to you, where if an agent or agency or a client gets a renewal at the last minute and they're forced to bind something because they have no other options, that we give them some sort of a leeway, a time period.

Chair Beruff: I guess they have an insurance policy with another carrier.

Governor Becksmith: Correct.

Chair Beruff: $30 million comes up and they go, no, we are only going to cover five.

Governor Becksmith: Correct.

Chair Beruff: So where do we come in?

Governor Becksmith: Well, what has happened, and correct me if I am wrong, but you want to kind of talk about what is happening now.

Chair Beruff: Yes. We don't come into that play unless –

Vice Chair Thomas: You are referring to the mid-term.

Governor Becksmith: Yes, mid-term, right.

Vice Chair Thomas: So, as I understand what you are saying the issue would be, that is not adequate coverage.

Governor Becksmith: Right.

Vice Chair Thomas: But the agent has no choice, they don't want a gap in total coverage, so they bind the lower five and then they go look for something to get them to 30.

Chairman: Right.

Vice Chair Thomas: So, they end up terminating that original $5 million coverage policy.

Governor Becksmith: Right.

Vice Chair Thomas: They may end up coming to us and you don't want us saying to them, oh, you are a mid-term cancellation or mid-term change.

Governor Becksmith: With a caveat that I don't think it is appropriate that if something is bound in December outside of wind season we are now waiting until April and then all of a sudden, we are going to do a mid-term cancellation. I would propose that in that instance, and this is when the underwriters are going to come into it, if they can provide proof that terms have changed consequentially within 30 days of that effective date, we will agree to potentially rewrite that policy.

Vice Chair Thomas: I thought that was some discussion about that. Am I wrong? Is it not already -- did we not discuss that before?

Kelly Booten: Yes, this is a brand-new topic.

Vice Chair Thomas: No, I mean, in my pre-meeting, we didn't just go over this a few days, this scenario about sort of what I call a temporary, a temporary binding of a policy that the insured never really intends to hold for a year throughout the policy period. This isn't already addressed?

Kelly Booten: No, not in the way this is worded.

Vice Chair Thomas: Right, yes.

Governor Becksmith: So, I would propose an amendment to how this is written and I will give some background.

Chair Beruff: To accomplish what?

Governor Becksmith: To accomplish that instance, that example that I just brought to you. We are at the 11th hour a client or an association has given an insurance policy.

Chair Beruff: Well, don't we have to like a cutoff date? Otherwise, we could be coming to --

Governor Becksmith: Thirty days.

Chair Beruff: Thirty days from hurricane season?

Kelly Booten: From the submission date.

Governor Becksmith: Thirty days from the date of expiration. So, my suggestion.

Chair Beruff: Okay.

Governor Becksmith: Would be to strike out. Number one, I would strike out that last portion of as has been declared insolvent.

Vice Chair Thomas: Where am I going to find the action item?

Kelly Booten: This is in the first paragraph. Well, the bottom paragraph of the second page, is that right, because I have a different version? It's the heading that says, rewriting policies to Citizens' mid-term.

Vice Chair Thomas: That is not the actual language, that is a description though. I thought he was referring to editing actual language.

Kelly Booten: This is the language he is going to modify. That paragraph is what he is about to modify.

Vice Chair Thomas: Okay.

Kelly Booten: So specifically, this mid-term cancellation rule is not applicable, and I believe you are wanting to add another –

Governor Becksmith: Right.

Kelly Booten: -- recommendation.

Governor Becksmith: Right. What I want to add is on that second to last sentence, this mid-term cancellation rule is not applicable if the submission date is within 30 days after the prior policy full term expiration date, or if the policy carrier issued a company cancellation for nonpayment. That should alleviate. Number one, that should do two things. One, it should give some relief to the clients if they do have a last-minute renewal that is dropped in their lap where they don't have adequate coverage, but it should also mitigate what the Citizens' team is dealing with and what we are seeing out in the marketplace, which is people moving policies six months into a policy term.

Chair Beruff: Does this help or shrink our portfolio?

Kelly Booten: Well, this –

Chair Beruff: If we adopt this policy with the amendment, what does it do to our business? Does it make it easier to grow it or shrink it?

Kelly Booten: It would be less rigid to add that component to it.

Chair Beruff: Less rigid.

Kelly Booten: Right. So, you wouldn't have an exception for the scenario he is presenting, whereby they have to go out and find coverage at the last minute, and we would say that that would be considered a mid-term because they are already on another policy with another carrier.

Chair Beruff: As a simple guy on this Board, I guess I am going to ask the question a second time or a third. Does it help shrink our balance sheet of policies we have or not?

Kelly Booten: Not, no.

Vice Chair Thomas: Yes, I wouldn't think it would because it creates more opportunity to grow the business. They're going to have the opportunity regardless at renewal.

Chair Beruff: At renewal, but not at the mid-term.

Vice Chair Thomas: But I would assume the concern here is, this is in effect at renewal where in essence someone gets information that tells them, this renewal with this company is not going to work. Is the concern that in that scenario, if we don't give them a 30-day grace period that we are going to get flooded. The agency is going to come directly to us first because, rather than shop it, but is that the concern that we are going to be the default choice if there is –

Governor Becksmith: I think there is two things here. I think there is two concerns here. Ignoring the 30-day change that I am proposing. There is two concerns. One is as I understand it, Citizens is getting a lot of mid-term cancellation rewrite requests which is creating a mountain of work for them and their team.

Kelly Booten: And that is why we brought this proposal forward.

Governor Becksmith: Right, right.

Kelly Booten: Because of the mid-term cancellations.

Governor Becksmith: So that mitigates that portion of it. What I am asking is to your point, Governor Vice Chair Thomas, is that in this instance, I am not a proponent of mid-term changes. I am a proponent though if a client is given something at the very last minute and has no other options, that we give them a 30-day grace period to where they could potentially apply at Citizens. Otherwise now this association going back to my example of sitting there $5 million on a 30-million-dollar complex.

Vice Chair Thomas: But is the idea that what is in practice what the grace period is going to do is not going to give them a larger window to apply to us, but is going to give them a larger window to go out in the market and find some other coverage so they don't come to us.

Governor Becksmith: I think it is giving them an opportunity to come to us, which they're going to come to us more than likely anyways. What is the counter, if we just stop mid-terms, I can tell you exactly what is going to happen. Every policy that is a condo association is going to be sent indirectly to underwriting in Citizens, and now they're going to have to underwrite these and realistically they probably aren't going to get, and you know, you would know your close ratio on it. What we are trying to do is stop the mid-terms which I 100 percent support, but I think there is their rare instances where either a carrier makes a hard left change at the last minute, and this gives this client a potential other opportunity to at least be able to get coverage.

Kelly Booten: There could be a further caveat.

Chair Beruff: Go ahead.

Stephen Mostella: Yes, for the record, my name is Steven Mostella. I have the privilege of serving as vice-president of Underwriting at Citizens, and I would just like to reiterate what Governor Becksmith has said from a market –

Chair Beruff: Move that microphone closer to you because we are getting a lot of echo when it is that far away.

Stephen Mostella: I apologize. Is this better?

Chair Beruff: Not all rooms are created equally when we go to these meetings.

Stephen Mostella: I understand, I understand. But just to reiterate what Governor Becksmith is sharing. Starting around January, February of this year, Citizens started to see an influx of commercial applications coming in that were mid-term canceled by another carrier or that is requested at another carrier. They had coverage, but they decided to come, to try to come to Citizens mid cycle their prior policy. So, we have seen a very significant increase from that standpoint.

Chair Beruff: And the drive of that business is what? Our pricing is driving them to us or they're getting mid-term cancels or they're just canceling themselves and coming to us?

Kelly Booten: It is not the carrier canceling. It is the agent shopping. They're going to a different agent.

Chair Beruff: The agent is bringing us business that we don't want.

Kelly Booten: Right, correct. And it is at a lower price, yes.

Chair Beruff: All I ask is what makes it the most difficult for them to come and get policies from us? I want to make it –

Stephen Mostella: I think inevitably what is happening here is either they're going to try to come mid cycle or they're going to come at the renewal, because of the rate, because of the condition of the market as it stands today.

Chair Beruff: Your language is to come at the end of the policy.

Stephen Mostella: Yes.

Chair Beruff: He wants a caveat for that in situations that are unique.

Governor Becksmith: Correct.

Chair Beruff: Okay. But his caveat, excuse me, don't take it personal. His solution can grow our liabilities from the standpoint of writing more policies that we don't want, because we are supposed to be the smallest carrier in the state of Florida. Anybody keep forgetting that, right.

Kelly Booten: Right.

Chair Beruff: As we now eclipse, you know.

Vice Chair Thomas: Would it be fair though to say on a rolling 12 months. Let's not look at just the 30-day window. On a rolling 12 months would you expect that change to change your exposure or premiums or policy count.

Kelly Booten: This mechanism kind of just delays the inevitable almost because it's going to end upcoming to us eventually unless the market gets stronger and there is another place to go.

Chair Beruff: This is unique, our underlying, our underwriting guidelines and our caps and all of that other stuff, right?

Kelly Booten: Yes.

Chair Beruff: Of course. You don't have to take them just because they come in the door.

Kelly Booten: Yes, we have underwriting guidelines.

Chair Beruff: It is commercial building.

Kelly Booten: Right.

Chair Beruff: This is not, you know, a residence. It is a whole different kettle of fish.

Vice Chair Thomas: It is a residence though, Mr. Chair. We are talking about condo buildings.

Chair Beruff: I understand, but you are taking the whole building or are you taking the residents in the building?

Vice Chair Thomas: The whole building.

Chair Beruff: The whole building. That is what I thought.

Vice Chair Thomas: Its Commercial line.

Chair Beruff: It's a commercial line. We don't have to take the business. We don't have to take the business, period. Yes or no?

Kelly Booten: Yes, we do.

Chair Beruff: We have to take the business?

Vice Chair Thomas: Under what condition?

Governor Becksmith: Under what conditions?

Kelly Booten: Under our underwriting guidelines on this – I mean, we could –

Chair Beruff: By state statute we have to take the business?

Kelly Booten: Commercial residential, yes.

Vice Chair Thomas: But they have to qualify.

Kelly Booten: They have to qualify, correct. They can't be, you know –

Chair Beruff: Haven't we increased our standards since the building that collapsed?

Stephen Mostella: Underwriting standards apply to any and all commercial buildings that we write. We do statutorily have to write, consider writing commercial residential, but when they come to Citizens, our underwriting department will ensure that they do meet our eligibility guidelines, and if they do not we will decline the application.

Chair Beruff: How far below the market are our rates in the commercial business accounts?

Stephen Mostella: I would have to look to Brian Donovan, but based on conversations I have had with agents it is very significant.

Chair Beruff: It is very significant?

Stephen Mostella: Yes, and I think it depends on the type of risk, et cetera, the age of risk.

Chair Beruff: But our commercial is also below market. Our commercial rates are also significantly below market.

Stephen Mostella: From what I am hearing from agents, yes, and Brian Donovan.

Chair Beruff: Mr. Donovan, do you want to answer that for us?

Brain Donovan: For the record, Brian Donovan. So, I believe the question was how do our commercial lines rates compare to the market. And we don't have a whole lot of good information in the commercial lines. Much of it is A-rated and that is not filed with the Office. So, I do not have a concrete for commercial rates at this point isn't concrete evidence that supports it. The one company that we did see did show Citizens as being cheaper as I recall, but there just was not, with personal lines there was much more information available which I talked about, you know.

Chair Beruff: And the rates that you just proposed for us to raise is the highest we can raise the commercial?

Brain Donovan: Yes. I mean, the indication itself. We did not need competitive information to force those to the 12% to 13%. Like the high indication by itself, especially with the wind only pushed it, and then with the A-rates we take the full indication.

Vice Chair Thomas: Not the A. rates, but where for standard commercial, what are our rates, if approved compared to actuarially sound?

Brain Donovan: They're still lacking.

Vice Chair Thomas: Okay, so we still will not be charging actuarially sound in the commercial lines other than the A-rates.

Brain Donovan: Absolutely, that is true. We would still be far below actuarially sound even taking the 12 and 13%.

Chair Beruff: And that is, that is totally forced on us. That we cannot increase them anymore.

Brain Donovan: That is correct.

Chair Beruff: That a totally locked down.

Brain Donovan: That is correct.

Chair Beruff: Most of our business. So, my only comment and I am only one vote, my only comment is I don't want to do anything that makes the business grow and makes it easier. I don't care if I punt the ball down another month or two or six, it buys me time because then Mr. Donovan can come in with another rate increase and hopefully get us back to actuarially correct rates as the legislation and such take better hold in the system. The longer I can punt that ball the better for me.

Tim Cerio: And Mr. Chair, if I may. That is exactly why we don't as a staff we don't like these mid-term cancellations. I can't speak to Governor Becksmith's amendment. Kelly knows that one a lot better than I do, but the whole goal was to sort of draw that line and allow more line, but if there is a hardship that is created under certain circumstances where folks are going to come in any way, and we also have to have the OIR approval.

Chair Beruff: The hardship to me is a single-family homeowner who lives in a house who is unsophisticated. A condo association is far from unsophisticated. I have never met one that is unsophisticated, okay, in my 43 years in this business. So, you know, I am all about helping the homeowner who is not a sophisticated person. You have got a condo association with 100 condos in it, give me a break. They are just coming to us to save money because we artificially can't raise the money to be charging what we should be charging because of the constraints that we live under. So why am I supposed to be helpful to that group? I don't get it. You can quote me, I don't care.

Vice Chair Thomas: If I am following everything, which is never a given.

Chair Beruff: That makes two of us.

Vice Chair Thomas: I think there is general agreement, we all agree with the idea that an insured driven or an agent driven mid-term cancellation, we don't want to write that business. Because you chose to walk away from an existing in force policy and that is why for example this doesn't apply when there is an insolvency or there is a non-premium payment, because that is choice to walk, I got that. I think what Governor Becksmith is saying is that in this scenario where you have a fairly quick move. You bind and there is a gap in coverage, and you moved it quickly thereafter, that really is not a mid-term cancellation. It is treated as a mid-term, but it is not a mid-term.

Chair Beruff: It would be a policy in effect with effective date. It is a policy that comes to an end, but they give them the new policy, reduce the coverage from 30 million to five million a week before it comes to end.

Vice Chair Thomas: Correct.

Chair Beruff: So, it is not a mid-term policy change. That I agree with, it is the same thing. What is the difference?

Governor Becksmith: I 100 percent support stopping the mid-terms because I think it creates a lot of work, and to your point, Mr. Chair, we don't want the exposure coming until it needs to be there. What I am trying to stop is these instances like I described.

Chair Beruff: So, this 30 days only applies at the end of the policy they get a week notice and you are just giving them 30 days to roll into a brand new policy. It is not a mid-term canceled policy by the choice of the customer or the agent is what you are –

Governor Becksmith: Right. Because 30 days after the prior policy full term expiration, that is the key right there.

Chair Beruff: Sorry. I am good with that.

Kelly Booten: So, we will *amend this to also include as an exception when the submission date is within 30 days of the full-term prior policy expiration date.

Vice Chair Thomas: Could it be provided also that it speaks differing or higher coverage limits? I don't bind in their five million and coming to us and getting five million. I mean, the whole thing was driven here by -- never mind. I didn't mean to open a can of worms. We are fine.

Governor Becksmith: Yes. We are fine.

(Recommendation: Staff proposes that the Actuarial & Underwriting Committee review, and if approved, recommend the Board of Governors a) Approve the above proposals to update Citizens' Product guidelines, forms and supporting documents; b) and Authorize staff to take any appropriate or necessary action consistent with the Product Updates – March 2023 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. *Amendment: include as an exception when the submission date is within 30 days of the full-term prior policy expiration date.)

Chair Beruff: Do we have a motion the action item as it reads.

Kelly Booten: **Motion to approve**, please.

Chair Beruff: We have a motion, and we have a second.

Vice Chair Thomas: **Second.**

Chair Beruff: All those signify by saying aye.

(Chorus of ayes.)

Chair Beruff: It's well understood now what we did.

c. Inspection Program Update

Kelly Booten: All right. Next up is an update on the inspections program. Remember a little over a year, year and-a-half now, you all approved the inspections program and authorized us to roll it out even quicker than what we had originally planned.

Chair Beruff: Is everybody familiar with what she is about to say? The inspections that we are doing and what it cost us and the anticipated returns. Has everybody seen that chart?

Vice Chair Thomas: Yes.

Chair Beruff: Somebody make a motion to approve, will you.

Kelly Booten: There is no motion on this one because we are just, at this point telling you the benefits which had great return and one thing –

Chair Beruff: The chart that shows the three to one return. I know you have it because you showed it to me.

Kelly Booten: Yes. Barbara, do you have the presentation?

Chair Beruff: This is the kind of math I can do, fifth grade math.

Stephen Mostella: I think it is slide six.

Chair Beruff: It is slide six.

Kelly Booten: That one.

Chair Beruff: There you go. So, we spent roughly eight and-a-half million and the benefit is 25.

Vice Chair Thomas: So, it is a three to one return.

Chair Beruff: That is anticipated claims. Mr. Donovan, I drilled pretty hard on what he was considering and it is just a pretty natural winner for me, but I want everybody to look at it and see what it said.

Kelly Booten: Okay. Yes, we are not asking for any more spend on this one. When we get to budget season and look at our PIF and how we are doing against the action item, we may come back at the end of the year, but not at this point.

Chair Beruff: Some people that advocated that the customer pay for the inspections. So that is where the rubber met the road when we discussed it a year or so ago, okay. And then we opted to pay for the inspections because we thought it was good public policy, I guess. And then this is the return that we got for the eight and-a-half million that we spent, projected. We could continue to be good and do that for the public and not make them pay up front because we are getting a great benefit from it, but there is nothing in the rule. So you got a comment?

Vice Chair Thomas: No.

Chair Beruff: You are good. We are ready to go.

d. Aerial Inspection Services [AI]

Kelly Booten: We do have the aerial inspection action item which –

Chair Beruff: Which one?

Kelly Booten: Aerial inspections. It is adding vendors to do aerial inspections with no additional cost because it was already included in the action item that approved the holistic inspection program.

(Recommendation: Staff proposes that the Actuarial and Underwriting Committee review, and if approved recommend the Board of Governors: a) Authorize Aerial Inspection Services contracts with Insurance Services Office, Inc. and CAPE Analytics, Inc., for a term of five years for an amount not to exceed the previously approved amount of $43,618,492 and with no additional funding requested at this time; and, b)Authorize staff to take any appropriate or necessary action consistent with this Action Item.)

Chair Beruff: Somebody make a motion on that.

Governor Becksmith: I make a motion to approve.

Vice Chair Thomas: Second.

Governor Becksmith: Second.

Chair Beruff: All in Favor signify by saying aye.

(Chorus of ayes.)

Chair Beruff: Carries, thank you. What is next. I am trying to speed it up for that last ten minutes.

e. Document Fulfillment Services [AI]

Kelly Booten: That is good. The last one is the document fulfillment services which is our print mail vendor issue.

Chair Beruff: Oh, that little issue.

Kelly Booten: Right. And this one we are, as you know, we do have a problem with our print mail vendor and we are bringing forward a request to enter into an extension with our secondary vendor, TC Delivers, extend that through July of 2025, and then also look to additional vendors that have the capability to produce this service, and we actually have already found one, FSSI. And to get us current on the renewal, sorry, current on the backlog and they are already up and running. Tim authorize the emergency –

(Recommendation: Staff proposes that the Actuarial and Underwriting Committee review, and if approved, recommend that the Board of Governors: a(extend the contract with TCD for Document Fulfillment Services for an additional one and a half years from January 1, 2024, through June 30, 2025, utilizing the Florida State Term Contract; b(approve new contracts with vendors available through other government contract sources, if available; and, c(approve new contracts through an emergency procurement, if necessary, to clear the backlog of unmailed documents and ensure continuity of print and mail operations.)

Chair Beruff: Will either of you Governors will make a motion?

Vice Chair Thomas: I will **make a motion** up to speed.

Chair Beruff: Okay, then make the motion.

Vice Chair Thomas: I will **make a motion to approve.**

Governor Becksmith: **And I will second.**

Chair Beruff: **Done.**

Kelly Booten: Thank you. That concludes our report.

Chair Beruff: Thank you gentlemen.

Barbara Walker: That concludes the business for this meeting, sir.

Chair Beruff: Great.

Barbara Walker: Motion to adjourn.

Chair Beruff: Yes, we got the last one.

(Whereupon, the meeting was concluded.)