

Exposure Reduction Committee Minutes

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.

Item Description	Exposure Reduction Committee Meeting Minutes December 6, 2022
Purpose/Scope	Review of the December 6, 2022, Exposure Reduction Committee Meeting Minutes to provide opportunity for corrections and historical accuracy.
Contract ID	N/A
Budgeted Item	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No - Not applicable
Procurement Method	N/A
Contract Amount	N/A
Contract Terms	N/A
Committee Recommendation	Staff recommends the review and approval of the December 6, 2022, Exposure Reduction Committee Meeting minutes.
Contacts	Kelly Booten, Chief Operating Officer

CITIZENS PROPERTY INSURANCE CORPORATION

**Summary Minutes of the
Exposure Reduction Committee Meeting
Tuesday, December 6, 2022**

The Exposure Reduction Committee of Citizens Property Insurance Corporation (Citizens) convened at Alford Inn in Winter Park, FL on Tuesday, December 6, 2022.

The following members of the Exposure Reduction Committee were present:

EXRE Chair Nelson Telemaco
Board Chair Carlos Beruff
Governor Jillian Hasner
Kelly Booten, *Staff*
Christine Ashburn, *Staff*
Jennifer Montero, *Staff*

The following members of the Board were present:

Charlie Lydecker
Erin Knight
Jason Butts
JoAnne Leznoff (telephonically)
Joshua Becksmith
Scott Thomas

The following Citizens staff members were present:

Andrew Woodward	Jeremy Pope
Barbara Walker	Joe Martins
Barry Gilway	Mark Kagy
Bonnie Gilliland	Michael Peltier
Carl Rockman	Ray Norris
David Woodruff	Tim Cerio
Eric Addison	Violet Bloom
Jay Adams	

The following Citizens staff members were present telephonically:

Alden Mullins	March Fisher
Brian Donovan	Richard Heft
Doug Hageman	Sarai Roszelle
Jonathan Norfleet	Stephen Guth
Karen Holt	Stephen Mostella
Long Yang	Wendy Perry

The following were present:

Adam Schwebach, Gallagher RE	Matthew Sanbury, RBC Capital Markets
Dave Newell, FAIA	Nathaniel Johnson, B of A Securities
Duane Draper, Bryant Miller Olive	Ryan Neal, Zoom (telephonically)
Fred Strauss, Zoom (telephonically)	Sam Wishard, Forvis
John Generalli, Wells Fargo	Sasha Stipanovich, Raymond James
Kapil Bhatia, Raymond James	

Call Meeting to Order

Roll was called and a quorum was present.

1. Approval of Prior Meeting's Minutes

Chairman Telemaco: We have a fairly straightforward agenda today. There is only one action item, which is the meeting Minutes for the September 20th meeting. I would like a motion for approval of the Minutes.

Board Chair Beruff made a motion to approve the September 20, 2022, Exposure Reduction Committee Minutes. Governor Hasner seconded the motion, and the minutes were approved.

2. Exposure Reduction Dashboard

Chairman Telemaco: We will move on to the second item on the agenda, which is the Exposure Reduction Dashboard with Kelly Booten and Christine Ashburn.

Kelly Booten: Good afternoon and thank you. On slide three of the dashboard is the Monthly Policy Data and Estimated Market Share. I wish I could say it was going in the opposite direction, but unfortunately it is not. As of Friday, December 2nd, we had 1,131,003 policies. Our market share is 15 percent.

On the next slide is the forecasted Policy in Force and Policy Count Growth. These estimates match the budget that will be presented at the Board tomorrow, with the estimate, if things continue in the same direction, at the end of December 2023, at 1.6 million policies and 22 percent market share.

Board Chair Beruff: Excuse me, Mr. Chair.

Chairman Telemaco: Yes.

Board Chair Beruff: When Citizens grew the last time, what was our highest percentage of market share?

Kelly Booten: 23 percent back in 2012. We had 1.4, almost 1.5 million and we were at 22 percent.

Board Chair Beruff: So, 23 percent. So, there is --

Kelly Booten: There's more people in Florida now.

Board Chair Beruff: Oh yes. But our market share under these projections could exceed the 2012 market share, and our exposure would be?

Kelly Booten: \$600 billion. That's a lot more than it was in 2012. Jennifer and I --

Board Chair Beruff: Is that, is that with the -- yes, it is a lot more. I want to raise this because there are people who aren't in this room that are listening, and I am sure they're smarter than I am

about this. But we could have a \$600 billion exposure and 25 percent of the market share in the whole State of Florida --

Kelly Booten: Correct.

Board Chair Beruff: -- correct, by this time next year?

Kelly Booten: If we continue on the same trajectory we are on.

Board Chair Beruff: Well, I don't know how that's going to change, but we are hoping.

Kelly Booten: We're hoping that there will be some really large depopulation.

Board Chair Beruff: Big time. Thank you, Mr. Chair.

Chairman Telemaco: Thank you.

Kelly Booten: On the next slide is the metrics for all of the different programs. I will just point out a couple. The inspection program is progressing as planned and we are scheduled to hit our target of 154,000 inspected by the end of this year and then double that going into next year.

At the Actuarial and Underwriting Committee in March, Stephen Mostella, our Vice-President of Underwriting, and his team plan to do a presentation on the results of the inspection program, and also cover the Consumer Paid Inspections topic. That will bring a lot of light into this, and the return has been good on the inspection program.

For FMAP, we did have an increase in agent participation. We currently have four active depopulation companies, and Carl's going to cover in more detail the recent results of the November and December depops.

Then on Clearinghouse, the active carriers have gone down because of the insolvency of some of those carriers. And that concludes the dashboard report.

Chairman Telemaco: Okay, thank you. Any, any questions? Thank you, Kelly. We will move on to Assessment Awareness.

3. Assessment Awareness

Kelly Booten: We were asked at the last Board meeting to cover what we do for assessment awareness for both agents and policyholders. Page 2 describes the analysis that we did. We went through every artifact that we have and all the potential opportunities to further make it aware to both agents and consumers of the assessment potential. The overall observations are that there are some more awareness opportunities to agents about their responsibility and for policyholders, two consistent opportunities presented that showed them more blatantly about warning them of the premium assessment potential when we show the premium. And we'll go into that in these following slides, and that included the assessment brochures in all of our mailings.

On the next slide are the agent awareness components: The agent agreement, signing an assessment acknowledgment, and mandatory education. Those are the three areas that we are going to cover in detail.

On slide 4 is what the agent agrees to when they sign their agent agreement. It is a disclosure of the potential surcharge and assessment liability and that they acknowledge and agree that it is their duty to inform the consumer. At the point of sale, we are going to add a signature line for the agent to sign and acknowledge that they have reviewed this page which outlines the assessments and the assessment potential for the consumer, having the agent sign it as well. The consumer already signs it. So that is one plan change that we have, and then we are going to update the example that is already included in the new business application to reflect the higher policy, average policy premium.

Board Chair Beruff: Mr. Chair.

Chairman Telemaco: Yes, please.

Board Chair Beruff: Are we going to try to put up a numerical example in there?

Kelly Booten: Yes, there is one in there and that blow up on slide five shows the annual premium, shows the --

Board Chair Beruff: The potential depending on the size of the policy.

Kelly Booten: Yes, it does, and then it shows you next to another private market carrier the average premium and what your potential assessment is for us versus them. The example that is on this page for a Citizens policyholder it is \$1,500 and for ABC Insurance Company it is \$640.

Board Chair Beruff: Okay, thank you.

Chairman Telemaco: I am sorry, can you just, can you just elaborate on this to be super clear what this means?

Kelly Booten: This is the new business application acknowledgment and the consumer has various places that they sign off in the application. One of them is this page, that they acknowledge their awareness of an assessment potential with this example below it so they can see it in monetary terms. We are recommending and plan to increase the amount of premium that's on here to reflect our current average premium, but to also add a new signature line for the agent to sign acknowledging their role in this and making sure that they explain this to their consumer.

Chairman Telemaco: So in this scenario, this hypothetical scenario it is a \$2,000 premium.

Kelly Booten: Yes.

Chairman Telemaco: The potential assessment could be \$1,500 in addition to the \$2,000.

Kelly Booten: If we run through all of our reinsurance and everything --

Chairman Telemaco: Right.

Kelly Booten: -- there is the potential for a Citizens policyholder to have 15 percent per account, because right now it is 15 percent for each account, and then a regular assessment of two percent

of their premium, and then if we go into the emergency assessment it can be up to 30 percent of premium.

Chairman Telemaco: Okay. So, if the premium was \$4,000, which is probably more realistic nowadays, the potential assessment would be \$3,000.

Kelly Booten: Yes.

Chairman Telemaco: Plus, whatever that other insurance policy assessment is for the other policy that that customer may have.

Kelly Booten: For their other types of policies, correct.

Chairman Telemaco: Okay, okay, great, thank you.

Kelly Booten: Then on page 6, for agents we also are going to launch a webinar, mandatory training for agents on assessments and how assessments work. Go through the example, show them the various tools that we have, and we will go into all of tools that we already have existing, and give them examples of how it works for new business and renewal business. Carl already brought this up. Carl, last week didn't you have a webinar?

Carl Rockman: Yes, for the record, Carl Rockman. We had an agent webinar last week where we were going through new business eligibility changes and the new roof approved changes. We had a couple of slides on assessments just to prime the waters a little bit for what's coming. I'm glad we did. We got a lot of good questions, a lot of good inquiries from the agents, and we can see the need out there. As you see us making these prices more visible, it's going to be incumbent on our agents to explain to the customer what it means and what the potential is. We want to support that with mandatory agent education and give them the right talk paths to be able to support the message.

Chairman Telemaco: Yes, I was curious about that. What kind of reception are we getting? Like what are they saying? Are they surprised, are they shocked?

Carl Rockman: My impression is the agents have always known it's been out there. They have always known about the potential for it. I think the agents are saying, if I need to explain it, please support me with putting it in places where the consumer can see it. I think the agents are looking for information to help, not necessarily resisting it, and the agents obviously don't want to sell Citizens. They're looking for an extra edge, and if we can put this in front of the consumer in realistic ways it could give our agents an edge to show the potential and make that customer maybe move to a private market policy that is in that competitive range.

Chairman Telemaco: Great, thank you.

Kelly Booten: On slide 7, we go into policyholder education. We did the analysis of education points while a Citizens policyholder, we have the current messaging in here, and then opportunities to add to that messaging.

On slide 8, we identified all of these touch points, and I want to cover how we did this. The team put together a really great spreadsheet that has everything in it and all the touch points. On page 9 it goes through it in a policy life cycle way. So, we've got new business, policy change, renewal,

and depopulation. Then in black, we have the current touch points, and in red, we have the new touch points. We're going to go into each one of these on the subsequent pages.

We also went through the messaging throughout the policy life cycle for continuous messaging. We have brochures, we have a true cost calculator on our website. The website has a lot of assessment information. We have the new policyholder newsletter as an option for education, and then social media, of course.

On page 11 is the assessment acknowledgment on the application. We want to take that same acknowledgment and add it to the premium estimate and the evidence of insurance for personal lines. These are the more quoting like areas where we first touch the policyholder with our quote estimates. The evidence of insurance is provided to mortgage companies, so that's a feature we have prior to binding. So, we are going to add that same language to those documents.

On the next slide, for commercial lines on page 12 already has it on their cover letter, but the personal lines in reviewing this we found out it wasn't there. So, we are going to add that to the cover letter and to the declarations page for both personal and commercial lines, and that will pick up the renewal business.

And then additional opportunities at point of sale, page 13. We're going to add this warning that's real graphic and really grabs their attention on the premium estimate and the proof of insurance I was talking about earlier. We did get some great ideas from Governor Hasner on how to make it, you know, maybe if we could do color, but we ended up more on the warning bold because it doesn't add to print costs and it is the easiest available to get in quicker.

On the next slide is the new business cover page, and we're including this new assessment education brochure in the envelope. That's a planned, new item.

Page 15 shows, again, this warning language for both the new business cover page and the new business declarations page. So, more of the same, but this consistent warning message.

On the next page is our welcome e-mail. Currently there is no assessment language in this email, so this will be another great add. It's a touch point with the policyholder when they become -- they're already a consumer, but at least it is another place to tell them again.

Slide 17 is the renewal letter which will include the new assessment education brochure in this envelope.

The renewal package will then have the same estimate that the application has in it, as well, for both personal and commercial lines.

Page 19 is an example of the dec page with the warning messages and the renewal cover page.

And now over to Christine.

Christine Ashburn: Thank you. On slide 20, we have already implemented and updated the depopulation letter that consumers receive when they have depopulation offers to include the example of the \$3,000 impacts, so that's what you are looking at here, additional costs for Citizens' policyholders, that language was added in August and has been used for every subsequent depop. In fact, I actually got feedback from a friend in town last week who had seen the letter and it stuck

out to them. Not in the insurance world, when they got a depop offer that they were with us, it actually resonated and helped that person make a decision. So, I have actually gotten some real-world feedback on this and I think it is helping. I will add to Kelly's point, we are going to also include the education brochure as part of that mailing. So, they will get the letter with the estimate and then a full document walking them through assessments work and how it could impact their premium.

Current messaging, to Kelly's point, all over our public website we have the assessment pyramid that shows how the layers work. We are working to update those to have the \$3,000 average premium as opposed to the \$2,000. There is a true cost calculator where you can put your actual premium in and see what the assessments would look like for you as a consumer specifically on the website.

Then of course, our true cost documents that we provide at trade shows when we are with conventions. We also provide those free of charge to any agent that wants to have them mailed out so they're sitting in their office so at the point of sale they can be using those. When the new brochure is completed, we will, of course, include that as well.

And then one additional thing that I think we've talked about before that we are ready to pull the trigger on is leveraging our FPREN contract, the media contract that we have to do assessment advertising statewide on radio, television, social media. To your point, it really is not just a Citizens issue, people that may be coming to Citizens need to know, hopefully before they choose Citizens, what the assessment potential is. So, those should go live any time now. My team is just waiting for the go ahead to pull the trigger on those. We've got lots going on, lots of work ahead. We're really hopeful that we will be able to move the needle on assessment awareness compared to what we saw from the depopulation survey. Any questions?

Chairman Telemaco: That is awesome, thank you. You've turned every rock, you've looked at every touch point. You've really thought through. I mean, this is great. There is absolutely no way I can think of a customer not knowing that this potential is there. So, well done.

Christine Ashburn: Thank you.

Kelly Booten: Thank you and thank you to the team that supports us.

Christine Ashburn: Yes.

Chairman Telemaco: Any questions on that one? Okay, we'll move on to the next and final item here, Depop, Clearinghouse, FMAP, Carl Rockman.

4. Depopulation, Clearinghouse, & FMAP

Carl Rockman: Thank you, Governor Telemaco. For the record, Carl Rothman, Vice President of Agency and Market Services. I would like to present the committee with an update on our 2022 Depopulation results. Your books reflect results through April. I would like to give you a verbal update on our results for the month of November. You can see that we had the OIR approving 8,213 policies for depopulation. Our participating carriers selected 7,827. Pleased to report that 2,414 policies were assumed on the assumption date. That's a 31 percent assumption rate. We like that 31 percent assumption rate because it's an improvement over February, an improvement

over April. While it is smaller, our carriers are getting a little more precise in their selection, a little bit more attractive for the consumer. We hope to replicate that obviously in future depops.

The December depopulation is in motion now. It won't close until the 20th of December, so any numbers I give you now would be a little premature, but we do have three carriers participating. And you can see we have 31,000 letters out to customers right now. Agents are actively engaged. Customers are making their selections. 17,000 is the approved number. If we can replicate a 31 percent performance there, we would be very pleased. Any questions on depopulation?

Chairman Telemaco: I know it is a smaller month for November, but just what was the exposure removed. Do you have that?

Carl Rockman: I'm sorry, for November it was \$2,267,000,000.

Chairman Telemaco: For November?

Carl Rockman: I am sorry, \$1.267 billion in coverage A.

Chairman Telemaco: \$1.267 billion.

Carl Rockman: Yes.

Chairman Telemaco: Thank you.

Carl Rockman: Any questions on depop? All right, then I will move ahead to the Clearinghouse Update on page 4. This is our traditional report on new business results. 1.8 percent of our new business submitted to the Clearinghouse this year has been deemed ineligible which has resulted in \$7.8 billion dollars of coverage A averted. 6.9 percent did receive some type of offer that didn't disqualify for Citizens, but was still an opportunity for the agent to potentially market that to another Carrier. 90.4 percent of our new business pushed through the Clearinghouse so far this year has not received any qualifying offer.

On the renewal, on page 5, you can see the results are a little bit more modest given the price relativity. Only 0.1 percent of our renewal book has received some type of offer that would deem it ineligible. That has a result in \$32 million of coverage A averted. 99 percent roughly are not receiving any offers in the renewal Clearinghouse currently.

And lastly, I'll conclude the report with an FMAP update. This echoes what Kelly showed on the key metrics dashboard. These are our results for FMAP year-to-date. We do have a slight increase in participating agents that we would like to report, but the results in terms of offers accepted in the private market are not as what we would hope. That's reflective of the hardening market. We hope when results improve those consumers can be placed, but right now we're just seeing an increase in participating agents and hoping that markets will improve to give those agents a place to put those customers that need support.

With that, that will conclude my reports on Clearinghouse and FMAP. I will be happy to take any questions that you have.

Chairman Telemaco: Okay, thank you, Carl. Any questions? Awesome.

5. New Business

Chairman Telemaco: Any new business? Seeing no new business, no further questions, I would way like to entertain a motion –

Board Chair Beruff: Motion to adjourn.

Chairman Telemaco: Thank you. Second. The meeting is adjourned. Thank you.

Whereupon, the meeting was concluded.

DRAFT