

CITIZENS PROPERTY INSURANCE CORPORATION

DRAFT

**MINUTES OF THE
BOARD OF GOVERNORS MEETING
Wednesday, September 27, 2023**

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened at Augusta B. Turnbull Center in Tallahassee, FL on Wednesday, September 27, 2023 at 8:30 a.m. (EDT).

The following members of the Board were present:

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

The following Citizens staff members were present:

Tim Cerio
Jennifer Montero
Barbara Walker
Kelly Booten
Jay Adams
Joe Martins
Ken Tinkham
Violet Bloom
Andrew Woodward
Mark Kagy
Jeremy Pope
Brian Donovan
Carl Rockman
March Fisher
Alden Mullins
Sudheer Kondabrolu
Aditya Gavvala
Michael Peltier
Bonnie Gilliland
Erick Addison
Ray Norris
Mathew Carter
John Schmidt

The following people were present:

Kapil Bhatia	Raymond James
Jim Clark	Florida State University Provost
Sasha Stipanovich	Raymond James
Dave Newell	FAIA
Florida Channel Staff	
Brian Squire	Brown and Brown
Matthew Sansbury	RBC Capital Markets
Jim Sanders	
John Generalli	Wells Fargo
Trent Smyers	Gallagher Re
Tim O'Boyle	Gallagher Re
Adam Miron	Gallagher Re
Vikram Ganeshan	Gallagher Re

The following people were present telephonically:

Albert del Castillo	Greenburg Traurig
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Call Meeting to Order

Barbara Walker: Thank you and welcome to Citizens Board of Governors webinar that is publicly noticed in the Florida Administrative Register to convene at 8:30 am and is 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. Chair Beruff, we have no speaker requests for today. I'll proceed with roll call.

Chair Beruff, Vice Chair Scott Thomas, Josh Becksmith, Jason Butts, LeAnna Cumber, Erin Knight, Charlie Lydecker, Jill Hasner, and Nelson Telemaco were present.

Barbara Walker: Chair, you have a quorum.

1. Chairman's Report

Chair Beruff: Thank you. We'd like to say thank you for hosting us here, and we'll have a few comments from the provost who is going to tell us the great things about Florida State University (FSU).

Jim Clark: Yes, sir. Thank you so much, Mr. Chairman. Good morning. I'm Provost Jim Clark, and on behalf of President Richard McCullough. I'd like to welcome you to Florida State University. We're happy to host you for your board meeting. We're so appreciative of the important work Citizens Property Insurance does to provide insurance and services to Florida property owners who are unable to get coverage from the the private market. Thank you, Chair Beruff and members of the board for your dedication to this very

important mission. Citizens Property Insurance is a great leadership team and we're so grateful for the service of your President/CEO and Executive Director, Tim Cerio on the Florida Board of Governors. Tim, thank you for advancing Governor Lydecker is here, too. We appreciate, Tim, your work, especially in the area of protection, encouragement of civil discourse and free expression in the state university system. FSU deeply values intellectual debate and fosters a culture where students and faculty can engage in robust civil discourse. And, in fact, the Foundation for Individual Rights and Expression (FIRE) recently ranked FSU number five in the nation in its college free speech rankings. This ranking is a strong affirmation of our commitment to free speech, and we're proud to be the highest rated university in the state of Florida. I know we have a couple of alumni on this board - Josh Becksmith and Erin Knight. And I think they'd agree with me when I'd say it's a great time to be a Florida State Seminole. FSU is enjoying incredible success across the board, certainly academically, and notably our undefeated football team. FSU is recognized as one of the very best public universities in the country because of our academic and research excellence and our commitment to student success. We welcomed our most academically talented freshman class this fall, and our retention rate, which measures the number of first year students who returned for their second year, reached 96% for the first time in FSU history. At the same time, FSU has achieved a record four- year graduation rate: 75% of FSU students earn their degrees in four years or less. These achievements place FSU on the top 10 public universities in both categories. And notably, we also have some of the best academic programs, including the William T. Hold National Alliance Program and Risk Management and Insurance (RMI). This program ranks number four among public schools in the latest US News and World Report rankings. We appreciate the great relationship our RMI program has with Citizens, and we're particularly grateful that you've always been willing to share data with our faculty as we work together to help resolve Florida's insurance crisis. This is an example of the kind of work FSU researchers do every day to address critical challenges facing our local, national, and global communities. Thank you also for hiring our graduates from our RMI programs. I'll take this opportunity to put in a plug for the program's Insurance Days Career Fair, which gives students access to on campus job interviews, networking breakfasts and lunches, and crucial connections for internships or full-time jobs. The next Insurance Day's event is actually next week right here in the Turnbull Center (October 4-6). Again, our sincere thanks for everything you do to strengthen our state and good citizens. We look forward to opportunities for continued collaboration. I know you have a busy agenda today, but I hope you'll have an opportunity to enjoy your visit to our beautiful campus. Thank you so much.

Chair Beruff: Thank you. Thank you for hosting us; appreciate it. If the governors will look at the action items on the agenda today, turn the page and take a look at him. The Chair will entertain a motion to move to Consent, A, D, F, G, H and I, Excuse me, E, F, G, H and I and take B and C out for further discussion.

A motion was made and seconded to approve Consent Agenda Items A, D, E, F, G, H, and I and take B and C out for further discussion. All were in favor. Motion carried.

A motion was made and seconded to approve the March 17, 2023, July 12, 2023, and July 28, 2023, Board of Governors Meeting Minutes. All were in favor. Motion carries.

2. The President's Report

Hurricane Idalia Update

Tim Cerio: Good morning, Mr. Chairman. Good morning, members of the board. It's a pleasure to be here with you to present my reports. It's going to come as no surprise that we're going to be discussing some pretty significant issues that are impacting not just Citizens policyholders, but most policyholders throughout the state. On August 30, 2023, Hurricane Idalia made landfall near Keaton Beach as a strong Category 3 hurricane. Citizens Catastrophe (CAT) Operation was mobilized and on the scene with other state partners by Friday, September 1. Through a great partnership with the Governor's Office, Citizens was invited to Horseshoe Beach in Madison to meet policyholders following the destruction left behind from Idalia. We were joined by several other state agencies onsite which included the Florida Department of Commerce, Business and Professional Regulation, and Children and Families. And Citizens also, of course, partnered with the Department of Financial Services and maintained an onsite presence in the insurance initial payment centers, formerly known as Insurance Villages, in Perry and Fanning Springs. And we assisted about 57 policyholders and distributed about 24 additional living expense checks onsite, totaling about \$112,000. And I think it's important to point out, and I think you all would be proud, we took a very proactive approach to reaching policyholders before Idalia's landfall. Pre-landfall emails were sent out to policyholders in the 49 counties that were included in the Governor's Emergency Order. About 411,909 were successfully delivered, and these emails, of course, provided information to policyholders about how to reach Citizens and how to file claims. Similarly, we sent pre-landfall text messages to policyholders in the 49 counties and about 437,000 of those were successfully delivered. We sent out 10,383 pre-storm emails to agents with policyholders in the potentially impacted areas, did a pre-landfall press release, reminding folks how to file claims, communicated with legislative offices for pre- and post-landfall constituent assistance. And of course, we activated our First Notice of Loss (FNL) call centers, and we conducted an outbound calling campaign targeting policyholders in Taylor and Dixie Counties after the storm in a proactive attempt to validate damage and file claims over the phone, also making policyholders aware of our onsite presence in the local areas that we were available there to provide assistance. Jay Adams' team, Jeremy Pope's team, Christine Ashburn's team, frankly, the entire CAT operations team operated magnificently. I was very proud pre- and post-storm. And fortunately, as of yesterday, we received only a total of about 2,384 claims. Of those, 49% have been closed, most of these claims come from Pinellas, Taylor, and Pasco Counties. And of those 2,384 claims, three are Commercial and 2,381 are Personal Lines. Basically, I want to say, as I saw firsthand, in Taylor and Dixie Counties, the devastation. I think it's important to point out that although Citizens as an entity fared well, in light of the lack of number of claims, and we may talk about this, and in these terms in the next several months ahead, we cannot lose sight of the fact that there are people who lost everything. That [awareness] is not lost on our team, and that's why we're going to make sure that we're there for our customers who have claims arising from the storm. [Rate Filing Update] The next topic I'd like to cover is our recent rate filing. CFO Montero provided you with a lot of details yesterday, but just to give a brief overview as we discussed, the approved

rate, you know, in total for personal lines comes out to about 12.3%. For Commercial it's 10.2%. The overall total is 12.2%. And clearly the mandate we have from the legislature is to be actuarially sound and non-competitive with the private market, and that's why we have sought the maximum rate increases we think are justifiable under the law. And, you know, as we've discussed, nobody wants to pay higher insurance rates. I don't want to do that. But we are actuarially unsound, and we do have a mandate from the legislature. Currently, our rates for the most part are actuarially unsound (30%, 40%, some cases 50% below the private market in most areas). Unsound rates mean that there could be less surplus to pay claims and an increased risk of assessments. And I'll discuss assessments more in a bit, but the glide path, which limits rate increases, is an ongoing and artificial impediment to citizens becoming actuarially sound, not to mention being fundamentally unfair to policyholders in the private market. Citizens being able to charge actuarially sound rates is critical to market recovery. And as long as our rates remain artificially low, we will continue to distort competition and hamper the speed of market recovery. As Florida's, as all of you know, as Florida's residual insurer, we should never be competing with the private market, and that's exactly what we're doing right now. And this is again fundamentally unfair to policyholders in the private market, who are typically paying much higher rates and absorbing more frequent rate increases. And this leads me to my next topic (which again, I think CFO Montero has addressed already), but to promote our ability to pay claims and avoid assessments and pay them with minimal restrictions, we are working to combine our three accounts: our Coastal Account our personal lines Account in our Commercial Account. This has been incredibly important to the Chairman, who was very involved in the legislative effort to obtain the necessary authority to combine the accounts and it has been a priority of our team. It is also important to our appointing authorities, to the Governor, to CFO Patronis, to Speaker Renner, Speaker Passidomo. And as Florida's market continues down the path of recovery, we must do everything we can to minimize the risk to Floridians of being hit with an emergency assessment from Citizens. That's simply good stewardship on our part. Much of the focus that you've heard about in yesterday's meeting, and you'll hear about today, has been on our rates and how we compare to the private market and how rates can play a part in avoiding or increasing the risk of assessments. Our rates can adversely impact the success of depopulation efforts. You all know this, but for the benefit of people listening I mean, obviously, the smaller the Citizens' policy count, the less exposure we have and the less the likelihood of an assessment on Florida's policyholders after a CAT event. That's another reason why depopulation is important. If rates are actuarially unsound and priced below market, it is much harder for a company to offer a comparable policy to an insured because the economics simply do not work. It's bad for all Floridians.

Florida Insurance Market Update

Tim Cerio: So speaking of the market, let me just take a few minutes to go through some slides of how we are doing as a market right now and where we stand on are in and then I'll end with a discussion of our depopulation efforts and some some problems that we have experienced that I want to make sure everybody is aware of, and what we've done about it, first slide please. We talk a lot about being the insurer of last resort or the residual insurer. And again, the glide path, it not only creates an impediment to Citizens becoming actuarially sound/non-competitive, but it also really makes it difficult for the market to bounce back from adverse circumstances and the legislative reforms. As you'll see later in my report,

they're clearly helping. But take a look at this graph that compares Citizens' size to the other largest residual insurers in the country. These are the top seven residual carriers with the highest exposure in the residual markets throughout the U.S.; these are the top seven. There are about 40 residual insurers in total. As you can see, Florida is the largest with over half the national exposure. And to be clear, I'm not talking about half of those seven; I mean, half of the national residual insurers. We have more than half of the exposure of all the national residual insurers. Second is California and California has less than a quarter of our policies and half of our exposure. So that's pretty telling. Next slide please. Real quick, just it's a little bit dated, but in 2022, Florida accounted for almost 13% of U.S. residential construction permits. So clearly the need for property insurance capacity in Florida, and frankly new insurers is not going away. Next slide please. As of this week, we have 1.399 million policies and about \$609 billion in exposure. Because of this growth, it's really difficult to say that we are a true residual insurer or really serving as the function of a residual insurer as that term is commonly understood. We were [that residual market] back when we had around 450,000 policies in 2017, 2018, and 2019. And these are policies that most insurers typically would not want right now. Because of our growth, we actually have some good business. And as the market recovers, the private industry will hopefully take them back into the private market. And we're seeing very good signs of recovery. As we've discussed, there was more capacity in the reinsurance market and more than we anticipated; and, although the pricing was up, it was better than expected. So now with the anticipated takeouts, you can see we're adjusting our forecasts. You've heard us say that we thought we were going to end the year with about 1.5 to 1.7 million policies. Now we're forecasting that figure to be around 1.3 [million], and a total insured value in the high \$500 billion as opposed to, you know, approaching \$700 billion. So that is good news. Next slide, please. This is a chart you all have seen before just to show the evolution of the Florida market and how Florida-based companies have increased tremendously. Citizens is now 16% of the market share. That's the latest data and, you know, the growth in the the Florida domestic market, it's important to keep in mind because they are such an important part of the market. And they do rely heavily on reinsurance. Yes. Chairman?

Chair Beruff: Do we have these charts in here?

Tim Cerio: Yes, the charts are in my President's Report; they're not in your materials now. They will be there updated when the report is placed into the record. But I can obviously get them. And again, the good news is that Florida domestics were able to secure their reinsurance requirements this year. We were very worried about that; we thought that some would not be able to and would go under, and they did not. So, this is a very good sign. So, the conditions are improving. And we hope to see that continue. Next slide, please. Again, you all have seen this chart before, but this is encouraging, you know. The companies - the Florida domestics - have been running in the red when it comes to net income and net underwriting gain, or loss been running in the red since around 2017. But if we're comparing quarters, [they] are still in the red, but we're seeing some recovery. The second quarter of 2022, you saw a net income loss of \$452 million. In this second quarter of 2023, it's \$240 million. So, there's some improvement. And then a net underwriting loss of \$536 million in 2022. For 2023, it's \$438 million. So, there are some signs of economic recovery, and that the companies are doing a bit better. DEPOPULATION. And I'm going to conclude with a discussion of depopulation and where we are and some

things that have happened with the October depopulation. So of course, again, for the benefit of the listeners, Citizens facilitates the statutory Depopulation Program, which is also called the assumption or take out process. It's a critical component of Citizens' statutory mission to reduce exposure and be the insurer of last resort, providing Citizens' policyholders with offers from private companies vetted by the Office of Insurance Regulation (OIR). It helps promote a healthy insurance market and a smaller Citizens, and again, it reduces the likelihood of assessments on the on Florida policyholders. So, in the December [Legislative] Special Session, Senate Bill (SB) 2A required that all current and prospective customers of Citizens must meet the 20% eligibility threshold to come in or remain in citizens. We talked about that a lot. And basically, what that means is that if you receive an offer that is above that threshold, you are no longer eligible to stay in Citizens, if it's within that range. Sorry, if it's within the range, you are no longer eligible to stay with Citizens if it is above that range. If it is 20% or above you, you may stay but you have to opt in. So, we had a lot of outreach on this topic. We've had a tremendous amount of communication with policyholders and a tremendous amount of communication with agents.

Chair Beruff: Did you say you if you're above that, you can opt in?

Tim Cerio: If the offer is within the 20% range, you are no longer eligible to stay with citizens if it is above that.

Chair Beruff: So, if I'm paying \$1,000, and I get an offer for \$2,000, you have to opt to stay in. We can't kick you out.

Tim Cerio: Correct.

Chair Beruff: Gotcha.

Tim Cerio: But you must opt to stay in. If you do not opt to stay

Governor Thomas: So, I'm sorry, is the opt in statutory?

Tim Cerio: It is part of our plan that is approved by OIR for good takeout process, and that this is what some of the issues that arose in the October assumption. So, I'd like to talk about that very briefly and then wind up. So, the October assumption began in July, with five carriers receiving OIR approval to participate. The total amount approved for takeout was 184,000 policies. The five carriers are Florida Peninsula, Monarch, Safepoint, Slide, and Southern Oak.

Chair Beruff: Can this board get the capital in those companies that are doing takeouts? Do we have that number of how much capital they have?

Tim Cerio: I think we can provide that.

Chair Beruff: I'd like to have that... the capital requirements and what are these companies that are doing the takeouts how much capital they have, and whether there are startups or existing companies.

Tim Cerio: I believe all of these are existing companies. All of these are existing companies. There are some new companies that have been ...

Multiple speakers: (inaudible)

Chair Beruff: ...for six months ago, they existed 10 years ago. I believe that...

Multiple speakers: (inaudible)

Tim Cerio: I mean, Slide is new, but they've been around....

Chair Beruff: ... sorry, I did not mean to interrupt your presentation. I'd like to have that information later for all the board to digest. Okay, so finish your presentation. I didn't want to do that.

Tim Cerio: That's alright, Mr. Chair. Thank you very much. Based on these requests from the takeout companies, Citizens sent out more than 363,000 offer letters, which is well above the 184,000 approved. 180,000 above the total that was approved by OCR and sending out additional offer letters, it was not uncommon in the past. And it's done in order for it to take into account the large opt out rates we have seen under the previous the previous scenario under Florida law. So, for instance, in the past, the opt out rate might have been as high as 85%. So, if a company comes in, they're approved for 10,000 policies, you know, they they may only get 1,500. So, we know that there's a history of sometimes companies only getting a fraction of the policies. So, we allow them to ask to send out more letters ...or, we send out more letters of offers on their behalf. In the past, this has not been a problem. But now we are seeing a much higher number of what I'll call excess offers made in the October depopulation above the OIR approved number. And many of these offers are well above, not only the Citizens rate, but well above the 20% threshold, and highly unlikely to be accepted by a policyholder. The problem is that these policies are far less likely to be accepted, and they're essentially taken out of the queue for a couple of months. And they're not available during that time for what may be a better offer for a policyholder from another company. So, you know, if they're out of commission for the next two depopulations, another company can't come along and try and take them out, maybe offering a better rate. So going forward, we are going to cap the number of offers that we allow to be sent to 30% above a carrier's approved number of policies, or 20,000 policies, whichever number is less. I think this is going to help ensure the carriers are making fair and targeted offers to policyholders and not taking an inordinate amount of policies out of consideration. That hurts a better offer coming from another company. We also had a mail delay (I've talked to almost all of you about this mail delay) for the October depopulation. There was a mail delay by our vendor causing some Citizens policyholders to receive their Depop offer letters, maybe for, you know, around a two-week delay (I think the worst-case scenario was about a two-and-a-half-week delay), and that's that's not good. Our goal is to get policyholders 30 days to notice before a decision has to be made

on whether or not they're going to accept an offer. It's not 30 days is not required by Florida law or any rule, but it's the advance notice that we try and provide and so we have taken the following steps to remedy the situation and to ensure consumers are informed and still have an opportunity to make an informed selection. We sent an email to all agents whose customers received a takeout offer for the October assumption advising them that we have extended the deadline for policyholders to make their selection. We extended it out to October 10. We have provided additional follow-up and support from our agency field managers for all agencies with more than 150 policyholders impacted by the assumption. An additional email was sent on September 25. To all policyholders who had not yet registered a selection as of September 20, letting them know that the extension of the deadline, the deadline has been extended to October 10. And in an abundance of caution, we also send the letters to the same group via regular mail, advising them of this information. The email and letter included a call to action, instructing policyholders to register their voice or their choice via Citizensfla.com. For additional support, they can contact Citizens Customer Care Center, or their agent. And we've also had a robust social media presence surrounding this assumption and have made key stakeholders aware of what has occurred in our efforts to correct this for consumers. With approximately a week and a half remaining until the deadline, we will analyze data to identify policyholders who still haven't made a selection but who are eligible and to remain and we will have an outbound call campaign to make sure they are aware of this offer. And we've also been in communication with the OIR to determine if other actions might be appropriate. So, I mean, I think we've tried to do our best to over communicate in light of the mail problem. And, you know, again, we're open to suggestions if this board has any other ideas or thoughts of what we could do. You know, this presents a problem that we're getting.... not a problem but a situation that we're going to continue to see. I've spoken to you all about my priorities, coming in as CEO of promoting depopulation, enhancing customer experience, and minimizing the risk of emergency assessments. And we've also discussed how these goals can sometimes conflict. And when they do, we as a team have to do our best to just make the right decision. And this was one of those examples. The success of the Depop program is vital to the recovery of the insurance market in Florida. And it's necessary to decrease Citizens' exposure and minimize the risk of emergency assessments on the policyholders of Florida, the vast majority of whom are not even citizens customers. However, in doing so, we have to make sure we do right by our policyholders to make sure they have a fair opportunity to make an informed choice. Now, we cannot, of course, force our policyholders to open their mail. And we encourage them to pay attention to the documents we send via traditional mail, via email, and through other means. And of course, policyholder agents have a duty to be actively engaged on behalf of their customers. But having said that, we have to make sure we communicate clearly and often and timely. And when there's a problem, we do our best to make it right. I think we've done that in this instance. We will continue to remain open to suggestions. And, Mr. Chairman, that concludes my report.

Chair Beruff: Any questions from the board?

Charlie Lydecker: Thank you very much, first of all, for the outline because I think they did a nice job of creating sort of a local perspective of the insurance marketplace where we are starting to... [inaudible] and on to depopulation plans and all that. My observation is this board has been very clear that as respects

to conflicts and sometimes, you know, policyholder, first and foremost, at the end of the day, we have to do right by the consumer, notwithstanding the fact that we have all these other goals to lend itself to a stable marketplace. But in the course of in our zeal for creating the necessary ingredients for a healthy depopulation, and the concept of helping to get state government out of a role that, you know, really is not what Florida taxpayers need to be, have you had time yet to give thought to enforcement considerations around entrepreneurs, investors, and those that come for a depopulation opportunity? Because they have their eyes set on making money. And what I'm a little concerned for is I understand why depopulation is important, and it's why is a priority. I just think the market is going to change in a much more favorable direction and the legislative reforms that occurred this last session that we talked about, and we advocated for were systemic issues that were hurting Citizens over an extended period of time. The last five years, call it less than six years, that has been solved.... but the issues that were systemic issues that were created don't get solved overnight. Most experts in the industry that I hear from think that the effect of those legislative reforms could be somewhere from 12 to 18 months before it, you know, we are able to create a more competitive, voluntary marketplace in which carriers come back which is good for consumers. We want competition. In that zeal, I always get a little concerned between the OIR between the goals here, and what we're doing as Citizens, and you know, the necessary demands of us by the Chief Financial Officer for the State of Florida. Are we able to react effectively, and maybe in concert with OIR, on making sure that we hold all of these entrepreneurs that want to come in from a depopulation standpoint accountable? I raise the question because the example you shared with just sending letters all over, sounded a little bit more to me, like somebody was playing a game around the law of large numbers and "let's just splatter it all out there. We're gonna raise rates beyond the 20%." And I think you said it in a big way, or, you know, really in a lot of cases.... and, you know, it feels to me like banking on people not reading the mail. And, you know, if they can get a certain return on that, that feels to me like a really bad thing. And so, when those kinds of things happen, do we have any authorities? Or do we have a partnership with regulatory bodies that have authorities that will work with us to make sure we can react quickly to these and continue to protect the consumer? Did that make sense?

Tim Cerio: It did, Governor Lydecker. The answer is yes. A couple of things to keep in mind. First, the reforms, that, you know, a lot of good reforms that are intended to help the market, there is a, you know, there's a carrot, there's also a stick. The OCR has given more authority to regulate and to sanction the insurance companies who do misbehave, Citizens included. I mean, that's the trade off, if we're going to have, you know, what is essentially insurance reform in the courts, then the regulator has a larger role. As far as what we can do and have a good partnership...I do think we have a good partnership. Our office spoke to OIR about these sort of excessive offers. And, you know, I'm not going to sit here and suggest that any of the offers that came out, you know, we're above the rates these companies were approved for, but sometimes they were, you know, over 100% above our rates. So again, we were communicating with the OIR what we could do. It's sort of what we did; we're capping what, you know, the number of additional offers can go out from a company. So, the regulator has their role, but there are things that we explore that we can do. The other thing that, again, I know has been a topic of discussion...I don't know if anything has happened, but you talk about the new companies coming in, you know, looking at capital requirements. Changing those is always something that is discussed. But yes, there is definitely a stick that

came with a carrot with these reforms. And we are communicating with the regulator to make sure that we're exercising the authority we have to help, you know, make sure policyholders are not treated unfairly, especially in the takeout price.

Charlie Lydecker: I know that you feel the same way I feel on this. But we have to be able to react quickly to bad actors that enter into this space. And frankly, what you described to me sounded like a bad actor to me, and if they don't fear either the leadership at Citizens or the regulatory authorities, that's what happens.

Chair Beruff: Thank you. Any other comments? Mr. Cerio, I do have a question. What authority do we have?

Tim Cerio: Well again, while we're not the regulator, we can affect the number of offer letters that go out. We can say to a company we're not going to send out the number of letters you've requested. In fact, we have already done that. In addition to the cap before before we announced this cap we did. We had communications with some of the insurance companies and asked them to tone back or throttle back the number that they were seeking. And if we felt they were committing really egregious acts that constituted a violation of the insurance code, we'd certainly notify the OIR.

Chair Beruff: To Mr. Lydecker's point, if the offer is 20% or less, they have to opt out.

Tim Cerio: They cannot stay with Citizens; they don't necessarily have to take the offer, but they cannot stay with Citizens. And to answer your question, if there were multiple offers within the 20% range, say two different carriers, and they don't make a selection, we would make a selection for them for the cheapest policy.

Chair Beruff: Okay, so that's the letter that goes out for 20%. If it's above 20%, is that a different letter?

Tim Cerio: It is a different letter. It tells them that they have received an offer from a company, and they need to make a selection to that. Sorry, if it's multiple offers, we will if it's above, they have to notify us if they if they're going to stay. And if they want to stay. And if they don't, they will be sent to the company.... and if there's more than one company, it'll be the company with the lowest offer premium.

Chair Beruff: Is the formatting of that letter marked in bold to say, "This is above 20% more than you're paying"?

Tim Cerio: I've read the letter; I think it's clear. I don't know if there's a whole lot of font difference. I don't recall there being like, you know, 18 point, things of that nature. But I do believe the letter is clear that they have to make a choice.

Chair Beruff: Those are simple fixes that I see Christine nodding that is different. Okay, so basically simple things; I always try to fix things simple. But if indeed we're sending out letters for that exceed the 20%, they should say this does exceed the 20% threshold in bold print so that the customer is better informed to Governor Lydecker's comments. So, we are being very cautious and advising them to pay attention. If they don't pay attention, we can't force them to pay attention, at least bring it up to their attention.

Tim Cerio: That's an excellent point, Mr. Chair. It comes from Citizens.

Chair Beruff: That letter comes from Citizens, or does it come from the insurance company offering it? So, to Governor Lydecker's point, if we've got a bunch of excessive offers going out there, there's a lot of mail going out. There's a lot of confusion, communication, can we hold those companies accountable? So, if you got company A that is, if I'm paying \$2,000 and Company A comes in and they offer me a quote for \$5,000 -well outside of the 20% - is there a way for us to go back to them? I don't know the communication cost of mail, but it's excessive to your point and it's a grab, I think?

Tim Cerio: We do communicate, but, you know, I would want to say there is a lot of information that's provided in the letter. There's enough information so coverages can be compared. And, you know, I hate to use the term, but we don't want to see predatory behavior...like somebody just banking on somebody not opening a letter. But some people may opt for more to pay more for better coverage. So, we need to be very careful in sort of policing figures, but we definitely provide the information that the coverages and the offer... not just a price comparison but what is covered so they can make an informed decision. To the point the Chairman addresses, we can't make policyholders open letters, but we certainly can do our best to over communicate to "look at your document, you must make a choice." The agents have got to do their part to make sure their customers, you know, are aware of these documents that are coming out. We communicate with the agents as well. They know when their customers are getting a takeout offer.

Charlie Lydecker: (inaudible due to mic off)

Chair Beruff: ...turn your mic on...

Charlie Lydecker: ... and utilizing the ability to, you know, we all get 20 pieces of mail. And how many times you're doing one of these numbers? And Citizens does everything right in communicating. We got Company A over here that comes in that maybe it's undercapitalized, maybe they're not. There's, there's a lot of, I think, Slide.... there on that one...where you can go but coming in, and then all of a sudden, we've got an excessive offer where you got a \$2,000 to a \$5,000. They have to opt in or out. And if they don't opt in or out, they're automatically going over here. And a mortgage company is now all of a sudden.... they're changing mortgages. And so, I think Citizens is doing a great job. So don't take this the wrong way. I'm just wondering, is there a way to hold some of these carriers accountable that if we're not going to... and you know, maybe it's a 40% slide of some sorts, where if you're paying x, if it's within

40%, then you can put an offer out there. But when you see some of these offers that are coming out that are 100% more or 200% more, is it a waste of time and is it a waste of resources of Citizens quite candidly?

Tim Cerio: It can be governor, but I would say that getting into price, these are, in theory, OIR approved rates. And again, there may be a reason why policyholders might want to pay more. I agree with you. If it's 100% more, I can't fathom what that reason would be. But if they're within their approved rate, and the information is available to the policyholder to see the coverages... getting into regulating the price, I worry about that's, you know, maybe outside our bailiwick, and we're not in the best position to be able to do that.

Charlie Lydecker: Well, you know, I think that's why this is a helpful conversation to have, actually, and I know the President's Report is typically a period, you know, we receive information, and it's kind of nice, first, and then we go through the individual. But you know, slowing up here, I think, is important, because it puts in context all the other issues that we have to have. We're on the front end of an active depopulation population environment, the next two years. If we actually can get through without any type of significant weather event, I think that is going to impact Citizens' goals in a very favorable way. So having this conversation, I think, is really important. And it raises the issue of, you know, because you've been very effective about this on communication. It's also, I think, the insurance agent population, and as one I feel comfortable saying this needs to be held accountable for these communications. We're catching you off guard, and you're inventing this process as we go along right now, right, because this is all new, and we're trying to turn the tide. So, I'm not asking for, you know, answers as much as just to be thinking about it. But the insurance agent population has a very important responsibility here to the consumer. And there are a lot of reasons why a consumer would opt to pay more for their insurance and opt out if there's more coverage. There's broader coverage. You know, you've reduced your assessment risk. You know, there's a number of reasons why you would want to do that. But that has to be explained. And I also want to ask that you all give consideration to what disciplinary approaches should be considered for holding the insurance agency population accountable for anything that comes across that's egregious, and we should know about that. And maybe that is on the lines of they lose their appointment to citizens, they lose the right to represent Citizens Property Insurance Company in the state of Florida because they're not responsible to the consumer in a manner by which you would expect that to be. I'm just saying that on the table as something to consider.

Tim Cerio: Thank you.

Chair Beruff: Thank you, Mr. Cerio.

3. Chief Financial Officer's Report

Layer Charts

Chair Beruff: Ms. Montero, I believe you're next. Does the Board want to see the layer charts? Are we pretty comfortable with what happened and how we were able to place the reinsurance?

Jennifer Montero: There were some questions that you asked us to answer regarding the layer charts. I have those answers if you'd like me to go. So, the question was brought up about the commercial lines accounts (CLA), specifically the surplus as of 8/31 projected to 9/30, the unearned premium in the CLA was \$172 million. So, if that was added into the surplus, then the exposure rate would go from 51% down to 46.8%.

Chair Beruff: Okay, it's still significantly higher than it was from 29%.

A-Rate Questions

Jennifer Montero: It is. I also have the A-Rate questions you had.

Chair Beruff: So, to the board and the people who weren't in the room yesterday, our commercial rate, or commercial policies have grown 400% in 24 months. So, our exposure has gone to I think \$90 billion. Is that correct?

Jennifer Montero: The probable maximum loss (PML) in the data account has grown to \$1.279 billion. And it was much lower, \$755 million, now it's \$1.279 billion.

Chair Beruff: Significant, which is a problem that's going to continue to manifest itself over the next 24 months. So, we're trying to figure out why we can't charge whatever we want. So, then I asked the question, "How many policies are unfettered as to OIR's constraints and statutory constraints, and how many policies we do have constraints on?"

Jennifer Montero: As of June 30, the A-rated policies are about 4% of the commercial residential buildings. So, it's 1,245 out of 31,480. However, they comprise 46% of the commercial residential total insured value (TIV) and 46% of the premium. The TIV is about \$36.5 billion, and the premium is \$268 million. So, for the A-rated, the average TIV per building is \$29 million, and the average premium is \$215,000. Compared to the non-A-rated, the average TIV is \$1.5 million, and the average premium is \$10,500.

Chair Beruff: Which ones can we raise premium on without any objection from anyone?

Jennifer Montero: The A-rated so there are only 4%.

Chair Beruff: But they represent almost 50% of our business.

Jennifer Montero: The TIV is 45% and so is the premium of that book, even though it's only 4% of the fallout.

Chair Beruff: How far out are we from actuarially sound rates on those 1,400?

Jennifer Montero: The A-rated ones are actuarially set, they should be

Chair Beruff: ...all the way to the top. All the way to the top?

Jennifer Montero: The A-rate should be.

Chair Beruff: Should be, or are they?

Brian Donovan: Good afternoon. This is Brian Donovan. We had the A-rate change go into effect 10/1 this year and are actuarially sound as of 10/1. So, any policy renewing or coming in new for a rate as of 10/1 will be actuarially sound.

Chair Beruff: At the most aggressive rates.

Brian Donovan: Yes. That includes everything - all the reinsurance costs, everything is accounted for. And there is no other insurance agent out there that will offer a policy? Well, I can't speak to that. But what I can say, what we've observed over the years, since A-rates have always been actuarially sound because we don't have those constraints. Those risks are always the first to go away once the market is doing well. And they're the risks that come last when things start going poorly.

Chair Beruff: So, are you saying to me that the reason we have these policies is because there is no capacity in the system to absorb them as some of our other members on this board are saying?

Charlie Lydecker: There's a lack of capacity; there's actually zero capacity for them to do what he's talking about on the A-rates, zero capacity.

Brian Donovan: We've seen that; we've gone when the markets were down as low as like eight A-rated buildings. The market will eat them up if there's capacity.

Jason Butts: Mr. Chairman, just out of curiosity, do we know the loss ratio on that 4% on the book by chance?

Brian Donovan: We do, but that's not the important thing pers se. The non-CAT loss ratio is what really drives the rate and the indications, and the hurricane model results and the reinsurance costs so that's what we're accounting for. That's what makes it up if you were to look at, for example, if you were to look at the non-CAT loss ratio for, say, commercial residential wind (CRW), you're just like 2% and not including the CAT, you know, those infrequent events. So really what drives the rate indications for the A-rates is the hurricane model results, which build in, you know.... that's the biggest portion that and the

reinsurance costs that get built into that. So, you can't just look at the current loss ratio and come to any conclusion about that. You need to take into account other items to get there.

Jason Butts: I guess my question was more around that book is not costing us money; it has a little loss ratio; it's performing fine. We're getting the premium we need for the risk.

Brian Donovan: Exactly. If we were a for-profit company, we'd probably look to grow that business.

Jennifer Montero: Yes. 67% of the commercial residential multi-peril are condo associations and 69% of that wind only or condo associations. So, it's a big piece of condos.

Chair Beruff: And then I would imagine that the majority of those buildings are probably big structures, not frame, right? They are probably concrete of some sorts. There were a lot of percentages that were getting tossed around there. Is it 4% of the book? Or is it 4% of the premium?

Jennifer Montero: It's 4% of the book; there's only 1,245 as of June out of 31,480. But it's 46% of the TIV and 46% of the premium, but only 4% of the entire book.

Erin Knight: What defines an A-rated risk? What goes into that?

Jennifer Montero: Typically, it's a single building that has a value TIV of over \$10 million.

Action Item: Series 2015A-1 Coastal Account Bonds Defeasance

Jennifer Montero: So, if you would like to skip the layer charts, the next thing would be the Defeasance of and Redemption of the Series 2015A-1 Coastal Account Bonds.

Chair Beruff: For those of you who weren't in attendance yesterday, we are hamstrung by our ability to defease the bonds by tax structure. So, after many constraints and discussion, we approved the move the motion forward for the defeasance and the structure that Mr. Kapil and his team are putting together, and we plan on defeasing those bonds in the first week of December.

Jennifer Montero: December 4 because it's a Monday.

Chair Beruff: Which will then let us combine accounts, which is the whole reason to do it.

Jennifer Montero: Do you want to go into the fact that we're defeasing the bonds December 4, and they'll go into an escrow deposit account where they will be invested in state, local government securities issued by the US Treasury? And the income in those escrow accounts is estimated to generate \$2 million to \$3 million, which Citizens can keep if they're invested in that type of an investment because they are tax exempt bonds. So that was the big question yesterday of why they have to be in there. And that's because to have a legal defeasance, they have to be invested in such instruments.

Kapil Bhatia: And, Mr. Chairman, if I may, the structure has been optimized to maximize the investment income under the current constraints. We have it from that perspective. At this point of time, unless the interest rates move, that income will move, but there is nothing more we can do from a structuring perspective to optimize it any further.

Chair Beruff: So, there's an action item on it.

Jennifer Montero: We want to read the action, please. Yes, there is a cost involved and I would like to share that. The total cost, which includes legal trustee, structuring other expenses, will not exceed \$85,000.

Charlie Lydecker: So, wondering, would you like a motion and then move it to discussion?

Chair Beruff: I want to read the the actual item she wants, and then you or somebody approved that or motion to approve it, and then we'll go from there.

Jennifer Montero: The action item states to authorize the legal defeasance of remaining outstanding citizens Series 2015A-1 Coastal Account Bonds in the amount of \$275 million by approving the attached authorizing resolution and the 2023 Escrow Deposit Agreement and authorize staff to take any appropriate and necessary action consistent with the action item.

Charlie Lydecker made the motion to approve the action item that states to authorize the legal defeasance of remaining outstanding citizens Series 2015A-1 Coastal Account Bonds in the amount of \$275 million by approving the attached authorizing resolution and the 2023 Escrow Deposit Agreement and authorize staff to take any appropriate and necessary action consistent with the action item. The motion was seconded. All were in favor. Motion carries.

Action Item: Rates

Jennifer Montero: So, the next item was a rate update. Would you like Brian to come up and give a quick rate update before we move on to the rate rating comparison?

Chair Beruff: Mr. Donovan's always welcome. I will try to keep it brief since basically the rate we received was eight-tenths of a percent less than what we requested. Is that correct. Mr. Donovan? Come on up. We like seeing you. You're the rocket scientist of the company. So, it's always fun. We can't keep up with you. But we try. [laughter]

Brian Donovan: Yes, you're correct. As we talked about yesterday, the rates we filed was for a 13% increase; what was approved was 12.2%. The difference in 0.8%, as you mentioned, was due to the fact that the OIR did not accept our... we had recommended 12% across the board wherever we could identify

Citizens as being much less expensive than the competitors. The OIR deemed the support for that not complete enough. And so as such, rather than give us 12%, across the board, the caps will be zero to 12%. And that's what accounts for the difference between what was filed and what was approved.

Chair Beruff: I believe in the next report that Ms. Booten delivers, we'll have some answers to the additional information we took to give OIR for having a better rate increase next year.

Brian Donovan: I believe that your agenda is going to talk about what that is.

Chair Beruff: Is that the next one? Okay, so to that end, there is software that are services we can buy for a total sum of \$800,000+. I'm sure all of the members on this board have served on other boards. When you have items that are approved that were part of the approval, the reason we're approving it is because we're going to spend \$276,000. And we think we're gonna say \$23 million, right? This is, obviously anybody who doesn't make that decision is not thinking correctly. But what I would advocate for the board to consider is to create a policy where if we do this contract, on its anniversary, we identified we spent \$276,000 and we got \$21.3 million savings this year. So, it's automatic, because for me, if it doesn't, if you don't put it on autopilot, I'll forget. And then three years go by and then well, how did we do with that thing. So if a board member would consider making a motion that we make it a policy that on this particular contract on its anniversary, we get that detail automatically, so we don't have to carry it in our own head. And future boards will have that information, as long as we continue to have the software and the services. So, we can monitor and account for the savings.

Charlie Lydecker made the motion authorizing the staff to contract with I4 Integrated Services for a term of 36 months for an amount not to exceed \$828,000; and to bring back to the board annually the approved non-competitive part of the Rate Filing; and authorize staff to take any appropriate or necessary action consistent with this action item. The motion was seconded. All were in favor. Motion carries.

Rate Filing

Jennifer Montero: Do you want that number when it'll be in the rate filing. That's the actual difference between the 13.1% and the 12.3% that we didn't get. That was the competitive piece. So, when Brian puts together the rate filing, we can tell you how much of the pieces related to the non-competitive that we got using the reading engines.

Chair Beruff: Thank you very much.

Jennifer Montero: Thank you. You want to hear the financial statements?

Chair Beruff: Does the board want to go down that path or do we want to go on to the next item? Next item is... Thank you. Thank you, Ms. Booten, you're next. I'm sorry. Barbara, is there some cleanup stuff I didn't do because I'm such an unorganized Chairman?

Barbara Walker: Thank you, Chairman, for the opportunity. Earlier, the board unanimously approved to advance action items A, D, E, F, G, H and I to the consent index items already on the consent index are Claims Quality Assurance Software, Claims Print Management Hardware and Software Claims Legal Services, Medical and Prescription Drug Coverage, Administrative Services, Prescription Variable Copay for Selected Prescription Drugs, Contingent Staffing Services, and Approval of Increases Required by 627.351. Florida Statute. Staff request the board to approve the consent index and authorize staff to take appropriate or necessary action consistent with these consent index items.

Chair Beruff: Everybody alright with that? We're good. Thank you. I've been remiss in not welcoming....

Barbara Walker: Can we take a motion and vote, please?

Chair Beruff: Sure. We took out the item we discussed in committee about long term stuff. That's not part of this, right?

Barbara Walker: That's correct.

Chair Beruff: Okay, thank you. I'll entertain a motion and a second.

A motion was made and seconded to approve the following advance action items (from earlier in the meeting) (A) Prior Meeting Minutes, (D) Product Updates September 2023, (E) Technology Infrastructure, Software, Professional Services and Staff Augmentation, (F) Legal Research Tool, (G) Cyber Liability, (H) D&O Insurance and (I) Retirement Plan – Secure Act 2.0 Optional Provision to the consent index items already on the consent index are Claims Quality Assurance Software, Claims Print Management Hardware and Software Claims Legal Services, Medical and Prescription Drug Coverage, Administrative Services, Prescription Variable Copay for Selected Prescription Drugs, Contingent Staffing Services, and Approval of Increases Required by 627.351. Florida Statute. Staff request the board to approve the consent index and authorize staff to take appropriate or necessary action consistent with these consent index items. All were in favor. Motion carried.¹

Barbara Walker: Thank you, Chairman.

Chair Beruff: I've been remiss in not introducing LeAnna Cumber. We do want to welcome the new governor from the Jacksonville area. And thank you for deciding to serve. It's a big responsibility that we have at citizens and one that were unfortunately been losing the battle and pretty aggressively the last

¹ Board of Governors Approved Action Item/Consent Item Index: September 27, 2023 - Addendum

36 months that we hope will turn now that the legislature has done a tremendous job at fixing the root of the problem. But as Governor Lydecker mentioned earlier, we don't think we'll see the results in 12 to 18 more months from now. So welcome. We hope that we'll see you at every meeting face-to-face, and not be doing a lot of Zoom stuff anymore.

LeAnna Cumber: Thank you. Happy to be here.

4. Chief Operating Officer's Report

Kelly Booten: Alright, so my action items have been approved. I just would open it up to Governor Nelson Telemaco on Exposure Reduction or to Governor Butts on the Information Systems Advisory Committee (ISAC). Do you want to say anything other on those committees?

Nelson Telemaco: Well, thank you, Kelly. We had a great meeting yesterday where we covered the market update and the exposure reduction. The FMAP Depopulation and Clearinghouse updates were presented by Carl Rockman who did an excellent job presenting that. I'm not sure if there was anything else that we needed to discuss today. But thank you for that update.

Kelly Booten: All right. And then for the Market Accountability Advisory Committee (MAAC) report, we have Dave Newell.

Dave Newell: Thank you, Kelly. Thank you, Mr. Chairman. For the record. My name is Dave Newell. I'm the Chair of the Market Accountability Advisory Committee. And since we welcomed in the new governor, welcome, as well from our committee, but also, we have a former MAAC member here in the audience, Brian Squire, who's an independent agent with Brown and Brown Insurance. So, Brian had a few minutes to stop by and see some old friends and check on how Citizens is doing. So glad you could be with us. We conducted our meeting telephonically on September 13. Kelly and the team brought us up to date on the MAAC Charter, which is statutory in nature and has to come before the committee to be approved annually. And so, we discussed that and certainly came out of the committee unanimously. Kelly also provided an update on the marketplace. And we've heard a lot about that today and yesterday in the committee meetings in relation to policy counts, lines of business, prior carrier information, which is always interesting to our committee of where these policies are coming from. And then, of course, what was talked at length yesterday and today about commercial lines. So, one of the things that the committee talked about during our time with commercial lines is and I think Governor Becksmith said it yesterday and certainly Governor Lydecker today, agents are sending business to Citizens, out of necessity not out of want. The marketplace is challenged right now. And so, agents find themselves in a very precarious situation trying to serve the needs of the clients, and certainly the lenders that are certainly there and a lot of these properties. So, the committee wanted to just make sure they understand that this is the challenge we're all facing. The committee heard from Carl Rockman regarding agency services. One comment by the committee, which we want to advance today was with the growth, Citizens' team has

just done yeoman's work of continuing to communicate, continue to provide the resources commit, continue to provide support and listening, right? Because we can all sit up here and make decisions, but it's tough when you've got boots on the ground. And so, the staff and the team at Citizens have always been willing to listen to what's going on in the marketplace and try to make the the outcome a little bit better. So, I just wanted to highlight that and certainly that our committee wanted to do that as well. And the last thing we'll say today, the committee wanted to acknowledge during that meeting, and certainly want to bring it to the board's attention. We had a long serving committee member by the name of Phil Zelman. Phil Zelman passed away recently. Phil was a long-standing independent insurance agency in southeast Florida. He served on MAAC; he served on the Consumer Services Committee; and he's certainly very active on the Agent Roundtable, where a lot of decisions were made on the plight of the agent going forward. So many of you may not know Phil; some of you do. But Phil was very zealous in his protection of the independent agency channel. So just wanted to bring that to your attention. That certainly concludes my report and I am happy to answer any questions.

Charlie Lydecker: I'd just like to make an observation. So, Phil Zelman worked for my company. And thank you for your comments regarding him. And I do think you're right. He did embody all of the characteristics that are important to be effective and protective of the consumer. And a lot of the conversations that we have here, a lot of work is being done to try to do the right thing and to depopulate. And to, you know, the market of last resort and you know, all these other issues. And it does require all the various actors to be putting the consumers' needs first and foremost, and the frontline is the insurance agency population. And so I think it's a really important responsibility. And Phil did embody that. And I will continue to encourage you and the association to continue to drive those points home, because every organization has, you know, some actors that they wish weren't doing some of the things and I think it's incumbent on us to be very proactive during this time period. Because if we are, then we can stabilize this marketplace. And a stable marketplace is good for consumers. It's good for insurance professionals. It's good for taxpayers. It's good for everyone.

Dave Newell: Yeah, I totally agree. And you're right; communication is the key to all that. And trying to get the word out trying to continue to provide the resources is truly what we try to do, you know, for our association and others each day.

5. Chief Claims Officer's Report

Jay Adams: Good morning, Chairman and governors. I'll ask the Claims Committee Chairman Thomas if he'd like to speak to anything from the Claims Committee.

Vice Chair Thomas: No, Jay, I think we're good. From my standpoint we had our meeting about two weeks ago. And by the way, if anyone's interested in the sort of effects of the statutory changes, I'd invite you to attend a meeting at one of our Claims Committee meetings. Jay gives us firsthand analysis of how we're seeing the impact of things like the pre-suit notice and so forth. So, it also on top of that, we also were very pleased that our claims people are taking the statutory changes and meeting them in good faith to

make sure that we are not exploiting them or do anything other than delivering quality claims service for the insurance, but that's all I have to report.

Jay Adams: Thank you. And, governors, I had three consent items that were previous is approved by the board. So that's really all I had to report out on today. Thank you.

6. Chief Communications, Legislative, and External Affairs Report

Christine Ashburn: Good morning. Thank you, Chair Beruff and Board of Governors members. At the last meeting, Governor Cumbers predecessor JoAnne Leznoff did ask that we put a legislative concepts discussion on the board agenda. As you all know, Session does start in January. So, it's an early year, we internally are looking at what I would call some cleanup items and some potential glitches in recent legislation. And while we're working to finalize those, I did want to share that we are looking at things like once the accounts are merged, there's going to be a ton of obsolete language in our statute that we'd like to be able to clean up. We want to also look at some potential statutory conflicts. I think you heard Kelly Booten yesterday with product changes regarding making sure folks actually carry the flood after damage is prepared, and they rolled over the 700,000. There are some conflicting requirements in both in our statute. And if we can't change those by product, we may need to what I call do some cleanup work. So, as we move forward internally, with the Executive Leadership Team finalizing what we think we would like to present to the legislature, we will keep you apprised individually, so that if there are any concerns on any of the items on the list that you will have an opportunity to let myself and Tim know before we file any legislation. So I'm happy to answer any questions. And we'll be back with a much more detailed report in December.

7. Chief Auditor's Report

Joe Martins: Good morning, Governors. Thank you, Mr. Chairman. We had the Audit Committee Meeting yesterday. Nothing came out specifically that has to be presented to the board. And I don't have any specific items for the board if there are no questions.

Chair Beruff: I do. I always ask Mr. Martins if there is anything on fire when he starts his committee meetings, and he obviously runs such a good operation that he keeps the fires from getting out of control. But I do have a question on this issue we had with the mail provider that dates back to December last year. Did your auditing go there? Or is that not part of what you do?

Joe Martins: We did go there. So, we spend some time auditing the processes ...

Chair Beruff: And I guess I don't remember. I think we were told who was the first one to ring the bell that the service provider was not doing his job. Was that us? Or was that somebody else?

Joe Martins: It was the Inspector General for the state. And then you got involved, then our Inspector General got involved. And I was requested to do some background work on the detail of exactly what happened, what was owed to us, etc.

Chair Beruff: But that problem has been managed, though. So, it's still partially our responsibility to have that audit trail when we have the outside consultants. Is it still part of our responsibility to have our own auditing of the consultants we're hiring to make sure they're doing their job?

Joe Martins: That's correct, sir. And we do that we have a process within the organization where binder managers manage that. And that's one specific audit that we're going to do this quarter is to assess how well do we manage the management of the vendors before we make the 10 payments.

Chair Beruff: Perfect. Thank you very much, Mr. Martins.

8. General Counsel and Legal Officer Officer's Report

Ken Tinkham: Thank you, Mr. Chairman and board members. Ken Tinkham, Acting General Counsel, Chief Legal Officer. I had three action items that were moved to the consent agenda and approved. Other than that, I have nothing to report but I'm happy to take any questions.

9. Chief Human Resources Officer's Report

Violet Bloom: Good morning, Chairman and Board of Governors. For the record, Violet Bloom, Chief Human Resources Officer. The HR items were all approved previously.

Chair Beruff: We try to make it easy. Would you just give the board a little bit of the good information you've shared with me as I was walking out of the building yesterday to your town hall meetings? Mr. Cerio has been traveling around and letting people shoot arrows at him.

Violet Bloom: Absolutely. So, Tim has been our CEO for just over seven months. And in the first couple of months, he did town halls, where employees could hear him just address them and share what his priorities were. In the last couple of months, he's done what we've called CEO chats, so employees could sign up to participate in a small group session with Tim. And there was such a response that we kept having to add sessions. We did separate sessions for employees and leaders. And the feedback that we've gotten has been very positive; they were really happy to have the opportunity to speak to Tim firsthand to get to know him as a person to better understand his priorities, and frankly, just to have a forum where they felt safe asking him questions. I think Tim had fun too.

Chair Beruff: Thank you. And the reason I wanted to bring that up is because I had an experience, I think it was 2008 or 2009, which was sort of interesting. So, the only time I ever met Jamie Dimon, and he was, he was going around to all his banks, talking to everybody on the front lines. And so, he said, "It's incredible

what you find." One of the things that he found he saved \$5 million by getting rid fax machines. So, there's two things that he accomplished. One is finding ways to save money operationally, nationally, then the other thing is, he got connected with his workforce and his colleagues and found ways to make them happy... that were not only beneficial to them but cost effective to the company. So, I applaud you, Mr. Cerio, for taking the time to travel around the state. I think that's what you need to do on a regular basis. Mr. Cerio may not like it. But thank you for taking the time.

Tim Cerio: Thank you, Mr. Chairman. First, I do want to thank Violet. And this was not a setup. You all I did not know this was happening. It really was an enlightening experience. And I have to say this to your point. I did not want to meet with leaders and employees. At the same time, I wanted to separate the leadership out and the from the individual contributors. And I gotta tell you, there's some great (HR is pulling the notes together) there are some great ideas. As for your point about Jamie Dimon walks, I think Jack Welch used to do the same thing. There are some great ideas that have come out and probably maybe a few more just from talking to the employees; It was time very well spent. So, I just wanted to mention that. Thank you.

Chair Beruff: Any board comments?

Jason Butts: Just a quick comment? It's to that point. I know Tim and several members of the leadership team have been traveling the state; they made their way down to the Keys. I know Monroe County has had an extremely difficult time for insurance. So great feedback from those areas of them going down, listening, and really understanding the issues that they have... and coming up with ideas to address them. So, I think that's great. Mr. Chairman, I would agree with you that Tim and team being out in the state for people to see and hear, I think really speaks volumes to the leadership. So, thank you.

Chair Beruff: That concludes our comments. So, we'll entertain a motion to adjourn unless there's any other business.

[meeting adjourned]