

Claims Committee Meeting 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	Claims Committee Meeting Minutes June 8, 2023
Purpose/Scope	Review of the June 8, 2023 Claims 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 – N/A
Procurement Method	N/A
Contract Amount	N/A
Contract Terms	N/A
Committee Recommendation	Staff recommends the review and approval of the June 8, 2023 Claims Committee Meeting minutes.
Contacts	Jay Adams, Chief Claims Officer

CITIZENS PROPERTY INSURANCE CORPORATION

**MINUTES OF THE CLAIMS COMMITTEE MEETING
Thursday, June 8, 2023**

The Claims Committee of Citizens Property Insurance Corporation (Citizens) convened on Thursday, June 8, 2023, at 1:00 p.m. Eastern.

The following members of the Claims Committee were present:

Scott Thomas, Chairman
Josh Becksmith
Jason Butts
Jon Palmquist
Jay Adams

1. Approval of Prior Meeting's Minutes (March 9, 2023)

Chairman Thomas: We will start with the Minutes from our March 9, 2023, Claims Committee that are included in the agenda package. Everyone has had an opportunity to review those. I will entertain a motion to approve those Minutes.

Mr. Palmquist: Mr. Chairman, could I raise an issue with you for a second?

Chairman Thomas: Please do, yes.

Mr. Palmquist: I will apologize in advance. I think in the over 16 years or so that I have been on this committee, I haven't really raised an issue in the Minutes, but I saw something I just wanted to clarify, and it might be material.

Chairman Thomas: Certainly.

Mr. Palmquist: On page 14 of the Minutes, we were discussing the court reporting services under contract, and there was a comment made that these contracts went into effect March 2020 and have a total spend approval of \$21 billion. I don't think that is correct. And I know, Chairman Thomas given your concern over court reporting fees, I think you would be a little bit apoplectic if that were true. And so, I don't know what the procedure is, if that is not correct. I think it needs to be clarified for posterity's sake or anyone in the future reading those comments.

Chairman Thomas: Thank you, Mr. Palmquist. That is certainly correct, we did not approve \$21 billion for anything, let alone court reporter services. I am assuming that it is \$21 million, but I confess, I don't have exact recall. My suggestion would be, I would entertain a motion to approve the Minutes with the direction that we ask staff to review that provision on page 14 and provide an appropriate annotation to identify the correct amount, whether it is \$21 million or a different amount¹. I think it is easier to have staff to do that than for us to go back and look at the old Minutes and try to recreate it on the fly here.

Mr. Palmquist: Right. Okay.

¹The final minutes for the March 9, 2023 meeting reflect the corrected amount of \$21 million.

A motion was made by Mr. Palmquist and seconded by Governor Becksmith to approve the March 9, 2023, minutes with Staff direction to review and confirm the correct amount on page 14. All were in favor. Motion carried.

2. Strategic Update

Jay Adams: Good afternoon, Chairman Thomas and committee members. I would like to spend a few minutes discussing the claim impacts from this year's legislative session. And I would like to begin with House Bill 1185 and outline the claim specific impacts from this Bill. So, there were obviously more impacts, but I am going to focus just on the Claims pieces.

It adds language to a definition of a Public Adjuster to include "regardless of how that person describes or presents his or her services."

It changes the requirements and necessary disclosures for public adjusting contracts entered into on or after July 1, 2023, including extending the time a consumer can cancel a contract with a Public Adjuster following a declaration of a state of emergency by the Governor.

It provides for additional limitations on public adjusting fees to one percent if an insurer agrees to pay the insured greater than or equal to the policy limits for that part of the policy if the payment or written commitments to pay are provided within 14 days after the date of loss or within ten days after the date of the execution of the public adjusting contract, whichever comes later.

It prohibits public adjusters from receiving payment on the amount of an insurance claim for any covered part of the policy where the claim payment or written agreement by the insurer to pay occurs before the date on which the public adjusting contract was executed.

It allows insureds to cancel a public adjusting contract if an estimate is not provided within 60 days after executing the contract, and there are some exceptions.

It requires that the fraud statement be in 18-point bold type before the space reserved in the contract for the signature of the insured.

It amends the definition of a "Hurricane" eliminating the reference to the time a hurricane watch is issued and eliminates the reference to time period during which hurricane conditions exist anywhere in Florida. It also provides a definition specific to the Hurricane deductible.

The next Bill I would like to discuss is Senate Bill 7052, and again, we will talk about just the Claim specific topics. It provides for increases and amounts of fines under the section and provides for additional fines to individuals with violations under this section related to a covered loss or a covered claim caused by an emergency for which the Governor declares state of emergency pursuant to Florida Statute 252.36.

It adds the following as an unfair claim settlement practice: altering or amending an insurance adjuster's report without (I) providing a detailed explanation as to why any change that has the effect of reducing the estimate of the loss was made; and (II) including on the report or as an addendum to the report a detailed list of all changes made to the report and the identity of the person who ordered each change; or (III) retaining all versions of the report, and including within each such version, for each change made within such version of the report, the identity of each person who made or order such change.

It requires that each residential property insurer create and use a claim handling manual. It must include certain guidelines and procedures for claim handling under the Insurance Code, and at a minimum, reports to usual and customary industry claims handling practices. Provides that at any time the Office may request an insurer submit a physical electronic copy of the current claim handling manual, and upon receiving such a request, the insurer must submit to the Office within five business days a true and correct copy of the manual and attestation that the insurer has provided a true and correct copy in the timeframe it was in effect. It requires an attestation regarding the claim handling manual on a form prescribed by the Office. It tolls the time limitations under 627.7013 during any term of deployment to a combat zone or combat support posting which materially affects the ability of a named insurer who is a service member as defined in Florida Statute 250.01. And it provides that the provisions of SB 2A are effective for insurance contracts issued or renewed after the effective date of the law. And Chair Thomas, that will conclude my presentation for today.

Chairman Thomas: Jay, thank you very much. As always, I am happy to open up the floor to the members of the committee for any questions or follow-up they may have. Jay, you have left us dumbfounded.

Jay Adams: Yes, we were dumbfounded when we read this ourselves. Actually, there is some really good stuff in here that I think is going to help clarify some things around the public adjuster statute, but it also clarifies some of the requirements that the insurance company needs to make sure they are upholding as well. Very balanced Bill.

Governor Becksmith: Chair, may I ask a question of Jay?

Chairman Thomas: Yes, you may.

Governor Becksmith: Do we expect any financial impact to Citizens, Jay, as far as increased personnel or anything like that, given all of this at this point, or are we at a good place?

Jay Adams: We are in a very good place. Most all of the changes that I outlined are consumer driven, meaning the insurance company is not involved in those. Now obviously if we see violations of it, we would have a duty to report, but that is normal and every day claim handling today.

Governor Becksmith: Perfect. Great, thank you.

3. Non-Litigation Claims Update

Craig Sakraida: Great, thank you, Chairman Thomas, and committee members. I will give a brief update today on my non-litigated claims arena.

Next slide, please. Our biggest thing is catastrophe preparation with catastrophe season started last week, we have already had one named storm in the Caribbean. Our master cat plan with the supporting business units was completed last week. It has been sent up for approval. Our catastrophe testing was completed also, and the observations have been reviewed through our cat readiness preparedness group and there are no major impacts noted in the large areas. Our overall catastrophe readiness for the tactical items, everything combined in there at the time of this report was 83 percent, but as of Tuesday it is actually 93 percent. There are always a few straggling items that come in right at the end for some of the releases we do at the end of May for our Claims systems, and that is pretty typical. And we have tested a Microsoft Teams platform for phone routing that will be implemented in 2023 for the desk adjusters until we get our new solicitation up, our new system up and running at the end of the year.

Next slide, please. Just some hurricane notes from the 2022 storms. We still are receiving approximately 225 to 250 new claims from Hurricane Ian, primarily from Lee, Miami-Dade and Broward Counties are our top for representation at First Notice of Loss. Just for a comparison, eight percent of total claims in Lee County are represented at FNOL, while 56 percent in Miami-Dade and 49 percent in Broward. We are receiving an influx of loss assessment claims for the condominiums, homeowners' associations, and the mobile home parks as really that is normal for any hurricane to have them coming in for six months to a couple of years after the storm. And activity on Hurricane Nicole has really subsided. At the time of this report, 20 to 25 new claims per week and it is really down to about 10 to 12 now.

Next slide, please. We did have a severe weather event in April, and it really affected the entire state. By May 19 we already had almost 1,600 claims reported. As of this morning we are up around almost 2,200. The biggest percentage was in Brevard County. The leading cause of loss is hail then wind. A lot of impacts to our HO3 and DP3 policies. We did not see a huge impact on our mobile homes. They are mainly low severity claims. So, there is some minor roof damage and some minor interior water leaking, typical from a small, what we would call a pocket storm. We used our existing resources and non-catastrophe and some of the catastrophe cleanup team to inspect and adjust these claims.

Next slide, please. I would like to touch just on commercial PIF. I mean, everyone knows our policy in force is growing and with commercial there is a main focus on our, and I have said this at several meetings, our A rated buildings, you could see the increase and our PIF is over 2,000 as well as our buildings have almost tripled, and the exposure now is over \$50 billion for a little over 7,900 policies. Our A rated buildings are up significantly, policies 582 and 723 buildings. So, there are a lot of really large commercial exposures out there for us now.

Next slide, please. This graph just indicates the claims trends, the PIF increase, and you can see naturally there are spikes in each time for Hurricane Ian as well as the other storms that have happened in the past couple of years.

Next slide, please. Our non-weather water trends, we have seen a steady increase. We did see a little bit of a decrease at the end of last year, but we are seeing an increase. In March we had one of our heaviest months at a little over 2,000 claims. April was down a little bit mainly due to some of the weather events that we had in the state.

Next slide, please. Our non-litigated claims data. New claims reported have increased 79 percent from April 2022. That does include Hurricane Ian and Nicole claims. Our total claims pending have also increased mainly due to Hurricanes Ian and Nicole, and our new non-weather water claims reported have increased 16 percent from April 2022 to this time. Our Emergency Water Restoration Services program acceptance rate has increased to 16 percent from April 2022, and our MRP participation rate has increased four percent from 2022. So, we are seeing some increases in those that align with our increased claim count. And that is the end of my presentation. I will gladly take any questions, Chair Thomas and committee members.

Chairman Thomas: Yes, thank you, Craig, and we will do that. We will open the floor up for any questions that we may have from the members.

Mr. Palmquist: Mr. Chair, I have one question for Craig.

Chairman Thomas: Go right ahead.

Mr. Palmquist: Craig, as you know, the IA firms have a somewhat limited capacity on the Commercial policy claims experience, and usually require GAs or EGAs. Have you discussed or evaluated the existing capacity of the firms to handle this increased Commercial PIF count?

Craig Sakraida: Yes, we have with our Commercial Team we have four Commercial managers as well as an Assistant Director. We just entered into a new contract with firms and there are requirements in there for specific levels of EGA and GA level. We do employ a team adjusting program which does help. So, on these larger Commercial losses either a Commercial manager takes the lead or designates an EGA from an Independent Adjusting firm to really run lead over eight, 10, 12, as many adjusters as we need to get these things taken care of because there is, as you know, in Commercial there is different levels of complexity, right. The dollar amount is one thing, but the structure itself could be different. There may be 50 or 60 buildings that are very simple, but there is just a lot of work, or it could be a complex structure. So, we work with the firms to identify the people and credential them accordingly to make sure that we have the experience needed to adjust these claims.

Mr. Palmquist: Just follow up. Do you do any type of stress testing on that capacity considering like a worst-case event, like a storm hitting Miami with all the high rises in that area?

Craig Sakraida: We don't do any specific stress testing to say can you produce X amount of resources. We know where the PIF is located as far as the buildings over \$10 million which is what Citizens considers as A rate. As well as the Commercial team works very well with our Commercial Underwriting team to identify not only the size of the structure, the value of the structure, but the age and condition of the structure. So, it sounds like a lot of buildings, you know, but we have a pretty intimate knowledge of the actual individual buildings. So, when there is a storm going into Miami, we know this PIF is going to be impacted and what we are looking at as far as the size and scope of the buildings. So, we could plan ahead as the storm comes in to say, we are going to need 16 or 20 of these EGA level people to help us, because I have this specific building that is probably going to be impacted. Whether the scope of the damage is significant or not, we are still going to have to inspect it. So, in some form or fashion, yes, Sir, we do that.

Mr. Palmquist: I appreciate it. Thank you.

Chairman Thomas: Okay, anything else from the rest of the committee? Going once, going twice. Good work and thanks for the update on that.

Craig Sakraida: Thank you, Sir.

4. Litigated Claims Update

Elaina Paskalakis: Good afternoon, Chairman, and committee members. I have the Litigation update for you today. It can be found at tab four. This covers the period of time from January through March of this year. There have been some things that have shifted around. So, there are several areas I will call out what significant shifts we have seen as of late.

So, for the first quarter of 2023, we received 2,229 lawsuits. That is an average of about 743 suits per month. This does represent a 21 percent decrease in the number of new suits we are receiving as compared to 2022. In terms of the origin of the lawsuits, we have also seen a significant shift. For this period of time 64 percent of the lawsuits arose out of the tri county area. And this is a 15 percent decrease as compared to what we have seen historically, and this is due to increasing volume of new suits coming from other areas of the state, primarily SOLO, what we identify as SOLO, which is the Central Florida area, and also Central West which is the Tampa area.

We also look at representation of the insured at the time of First Notice of Loss. So, for all the little suits that come in, we look back and see were they represented when the claim was first reported. And in this area, we have seen a reversal of a downward trend that we experienced in 2022. It is up 17 percent. So, in 48 percent of our new lawsuits the insured was represented by either a public adjuster or an attorney at the time that they first reported the claim. And historically we have seen more self-reporting in a cat event. So, this may be a reflection of that as we move further and further away from a cat event.

Additionally, we will monitor and look at whether or not the insured disputed the claims decision prior to filing suit. Now, I am happy to report in this area, we have continued to see a decrease. There is only four percent of the lawsuits where the insured did not report a dispute before filing. The significance there is a 71 percent decrease in that, and that is what I believe is 100% due to the effectiveness and the intent of the Notice of Intent statute. So that really is having a positive impact for us. We are not going into the lawsuits blind in terms of we didn't know that there was a dispute prior to filing suit. It also gives our pre-suit partners time to and the opportunity to address any confusion or dispute that they may have and resolve it with the insured short of having to file a lawsuit.

In terms of timing of when the lawsuits are coming, 25 percent of the new suits in the first quarter were filed within the first six months of the First Notice of Loss. This is a 17 percent decrease. Again, this is something that the trend historically has been that the further and further away we move from a catastrophe event the longer it takes to file a lawsuit. We usually get lawsuits much quicker due to a catastrophe than as opposed to non-cat losses.

In terms of causes of loss, again, a significant shift. We have had a 44 percent decrease in the number of new AOB lawsuits that came in the first quarter of this year as compared to last year. So now AOB is down to one-third of our new lawsuits coming in. Cat lawsuits are down 29% and now represent 37% of the new lawsuits. In terms of the distribution of cause of loss. It is the leading cause of loss and has remained the leading cause of loss for new lawsuits over a period of time now. And then non-weather water lawsuits are down 12 percent and represent 24 percent of the new suits.

In terms of pending volume, our volume is up nine percent as compared to this same time last year, and that is expected as we continue to work our way through the backlog of lawsuits in the court system. The leading cause of loss in our pending volume is catastrophe losses. AOB losses represent 35 percent, which is a 23 percent increase in that distribution, and non-weather water lawsuits remain at 22 percent which is consistent with what we experienced this time last year.

And then lastly, I just want to address our subrogation and recovery efforts. For the first quarter of 2023, we have recovered in excess of \$1.5 million, and a little over \$139,000 of that has been refunded to policyholders for deductible recoveries. So, with that, that concludes my report, and I am happy to take any questions you may have.

Mr. Palmquist: Mr. Chairman, one question for Elaina, please.

Chairman Thomas: Please.

Mr. Palmquist: Actually, Elaina, this is a two-part question. You mentioned a 21 percent decrease in the number of new suits despite the increase in claims that Craig mentioned. To what do you attribute the 21 percent decrease, and is it sustainable?

Elaina Paskalakis: So, keep in mind first, there is going to be a lag between claims and then when the lawsuits eventually come in. We have also seen a great impact from the pre-suit NOI teams to be able to resolve suits short of a lawsuit. So that has made a great impact. Now, in the future, do I think we might see an increase in lawsuits? Yes, that is very possible. It really just depends on what the claims decision is, if they're able to work out any disputes prior to suit, but we really have had a great impact, so we no longer have the percentages of claims that automatically or can predictably convert to a lawsuit because of that process that has been put in place. But do I expect some increase? It would not be unexpected to say that we would have some increase especially with the statutory changes that came and the opportunities to file lawsuits where fees may still be available, things like that.

Mr. Palmquist: All right, okay, all right. Very well, thank you very much.

Elaina Paskalakis: Sure, of course.

Chairman Thomas: Anything else? I have a question for you. As we try to measure the best as we can the impacts of various changes, statutory changes, I know it is hard. There is always outliers. We think we see a trend and then we have COVID. The courts shut down, so we have this backlog of cases that skews things. We think we are going to get things and then we get a storm, a named storm that causes a bump there. When or at what point do you think we will be able to get some viable, useful information about the utility of the whole Notice of Intent process? Maybe we already do already, but I think it has the potential to be very useful both in terms of resolving claims and in terms of dealing with not such big, it is not such an issue any more about fees, but it could become something like we saw back in the old days in the med-mal context, where they required a pre-suit process with an expert opinion, and that very quickly became a mere formality. It was just a speed bump that med-mal lawyers had to get over to over to get the suit process. And I wonder when we can evaluate if our Notice of Intent process is effective and working, or is it just a speed bump that gets us right back to where we were before it was adopted?

Elaina Paskalakis: Honestly, I can tell you now that I think it is a very effective method that is in place. And the reason is, as you know, when we look at our pending, our pending is not reflective of what we have experienced in incoming suits.

Chairman Thomas: Sure.

Elaina Paskalakis: And that kind of muddies the waters, right, like you have identified with the backlog in the court system. But with NOIs what we do know is the volume coming through in claims in NOIs is not translating over into necessarily a lawsuit, and that is because our NOI teams are very adept at either negotiating a resolution or we have alternative methods of dispute resolution available to us at that stage that do not necessarily involve a lawsuit. And so, we have been utilizing that because that gets a much quicker resolution not only for us, but also for the policyholder as well. So, I would say that if we look at those numbers, and I know that Jay and his team have those

numbers of the number coming into the NOI process and their resolution numbers there, and I think they are very positive for us.

Chairman Thomas: Yes, that seems to be a stat we ought to be tracking. I know we are closely, so that if we ever start to see it trend the other way where it appears the effectiveness is beginning to wane a little bit, that is something we need to know so we can make sure we are looking at it and trying to figure out exactly why that is.

Elaina Paskalakis: Absolutely.

Chairman Thomas: All right, well, perfect.

Mr. Palmquist: Mr. Chair, can we request that we get some of those numbers or get a peek at that next meeting?

Chairman Thomas: Sure. You mean like, we would like to take a look at how our NOI translates, what percentage turns into litigation over a period.

Mr. Palmquist: Yes, so a separate discussion, not a long one, but just a little analysis and deep dive on it.

Chairman Thomas: Elaina, that is something you can take a look at, right?

Elaina Paskalakis: Absolutely. I will work with Jay on getting the numbers that we need to provide.

Mr. Palmquist: Thank you.

Chairman Thomas: Yes, it is kind of a multidisciplinary thing, I guess. For non-litigation and litigation, so thanks. Unless there is anything else we will move on to our SIU report from Joseph. Thank you, Elaina. Very good, we appreciate it.

Elaina Paskalakis: Thank you.

5. Special Investigations Unit Update:

Joseph Theobald: Okay, good afternoon, Chairman and committee members. I am here to provide an update on SIU operations and the recent results we have had in our SIU program. I previously provided some details of operation Crossing the Rubicon and some of the significant developments in the ongoing efforts of that prosecution of the defendants. During April 2023, the Miami-Dade prosecutor's office reached a plea agreement with Barbara Diaz de Villegas, also known as Barbara Gonzalez to us. She was the principal owner of Rubicon Public Adjusting and the primary defendant in the organized scheme to defraud Citizens and a few other carriers. Now, under the terms of that plea agreement, Gonzalez essentially will receive a sentence that spans ten years. Now, that includes an adjudication of guilt. As a felon she is barred from participating or being licensed in any work involving insurance. She is sentenced to three years prison time at a Florida State prison followed up by two years house arrest, which is then

followed up by five years of supervised probation. She is ordered to pay restitution in the amount of \$910,000 backed by a civil lien order which is jointly and severally liable with the codefendants. The prosecutor at that time has provided a check to Citizens for \$20,000 restitution. Lastly, she is required to submit to an interview with the Coalition Against Insurance Fraud's Data Committee, and that was conducted in early May.

By way of background, this collaborative investigation, which included the Miami-Dade's Economics Crime Task Force and the DIFS. They found evidence in the form of text and e-mail communications that the principal owner of Rubicon had conspired with insureds and others to stage losses and submit false claims. In some cases, insureds received payments by Rubicon's owners for referring others who had false claims submitted to Citizens. Now, the results of this to date, overall, there has been 43 arrests of insureds and others associated with the crime ring. To date, Citizens has collected over \$298,000 in restitution payments, including \$100,000 restitution from two key individuals that helped organize and stage these claims.

If you refer to the SIU addendum which is in the back of the materials you have received, you will see some of the significant cases Citizens has worked over the recent months, including two which the Florida CFO's office issued press releases highlighting the arrest and the collaboration with Citizens' SIU. In particular those are May 2023, a Miami Public Adjuster was arrested by the DIFS. They are charged with felony insurance fraud and elder abuse for his role in submitting a false insurance claim to Citizens. The SIU investigation which was initiated based on an SIU tip line from an insured found that the Public Adjuster had offered a free inspection under the guise that he was an inspector with the city.

In another case in April, it was learned that a Miami policyholder was arrested and charged with insurance fraud in connection to a false insurance claim filed with Citizens, and that SIU investigation determined that the insured had submitted five prior losses between 2015 and 2018, collected over \$196,000 in combined indemnity payments, and the insured concealed eight prior claims total and unrepaired damage with Citizens on their application of insurance. Now, the insurer sought to obtain over \$79,000 in property damage that preexisted that Citizens policy sheet obtained. Now, these cases are all included in the SIU Addendum along with the press releases that I mentioned. Behind each one of these cases stands one of our talented investigators that tenaciously pursued their investigation. We have a diverse group of investigators, analysts, managers and without their dedication, their service to Citizens, really none of this would be possible. That concludes my update and I'm happy to take any questions.

Chairman Thomas: Joseph, appreciate it. Appreciate your good work on this. This has been a long running; it dates back to 2018 or something like that, I think.

Joseph Theobald: Yes, yes.

Chairman Thomas: Good work and thank you very much for the update, I particularly like the idea of restitution enforced by lien rights. Assuming there is something to lien.

Joseph Theobald: Yes.

Chairman Thomas: Anyone else who has any questions about that for Joseph or anything else involving SIU that we can discuss publicly?

Mr. Palmquist: None here.

Chairman Thomas: All right, Joseph, I appreciate it.

6. Vendor Update

Greg Rowe: Good afternoon, Mr. Chairman, rest of the committee members. I have four items for you today and I will start off with the first Action Item for our Enterprise Litigation Management System, which we just call here ELMS. And this is to replace our existing software. Currently we are leveraging under Mitrstech Holdings, Inc. and their contract ends on June 18, 2025, with no renewals available.

So, for this one we procured the recommended contract through an ITN process, and we had five responses and ultimately ended up with three vendors in the negotiation process. I can tell you after an extremely exhaustive process that involved our Litigation business unit, General Counsel, IT, our Purchasing department, along with a host of a variety of subject matter experts across the organization and oversight from the Board of Governors Observer Scott Thomas, the negotiation team recommended award to a vendor called Litify, based on all the selection criteria set forth in the ITN. And the negotiation teams basically looked at that, at the various vendors and identified Litify as the top vendor in terms of them having the most robust systems. One that was by far the most configurable of the three platforms, meaning it gives us the most flexibility to change the platform and customize it to meet our unique needs here at Citizens.

So, this contract will have a 10-year base term with options for renewals for up to ten additional years. And the total spend being requested over that 20-year period, the entire base term plus the renewal options would be not to exceed \$25 million, which would include the implementation costs. And so, speaking of the implementation, a lot of times what we see software companies do is they will partner with these implementation vendors, and they work directly with clients just like us here at Citizens to configure and implement the software on behalf of the vendor. So, in this particular response, Litify partnered with CGI Technologies and Solutions, Inc. to implement and configure the Litify software for us.

And the last thing I will say about it before we move to the recommendation and answer any questions, is that being that this is such a critical software for Citizens, the negotiation team went one step further and recommended a contingent award contract to DXC Technology Services, which is one of the vendors in the negotiation process. And that is just there in the event we run into any unanticipated issues during the contract finalization with Litify. So that is the first one in a nutshell, Mr. Chairman. I will pause there for any questions.

Chairman Thomas: Okay, any questions? And Greg, just to be sure, the idea behind the contingent backup is we have very fresh history from this which is we just went through this process the prior year, and the first one that we approved for budget, it turned out they couldn't actually deliver what we negotiated. So, we are going through this very extensive process all over again, and goodness forbid something else were to happen, we don't want to do it a third time, right?

Greg Rowe: That is it, right. And they were in the negotiation process. So, the team is extremely familiar with the platform and if we had to, obviously it would be our second choice but we could leverage that platform for Elaina's team.

Chairman Thomas: Okay, any questions from the committee for this?

Mr. Palmquist: Mr. Chairman, one question for Greg.

Chairman Thomas: Go right ahead.

Mr. Palmquist: Greg, the request is for an estimated contract in the amount of \$25 million for a 10-year initial base, is that correct?

Greg Rowe: It is \$25 million for the entire. It is \$25 million for the 10-year, plus the optional up to 10-year renewal option. So, it is really \$1.25 million a year if you look at it and break it down over the yearly basis.

Mr. Palmquist: Okay, that was one of the questions. And as I understand it, that is a variable cost? That could actually be less depending upon how well Elaina stifles the litigation, correct?

Greg Rowe: Absolutely. It is a usage piece, right. So, it is extremely advantageous to Elaina's team. So, you are absolutely right. If there are less suits and less volume running through that system, the cost would be potentially lower for sure.

Mr. Palmquist: And if there are unfortunately more lawsuits then will be above the \$25 million?

Greg Rowe: It could. That would be worst-case scenario based on our PIF count and our current volume of litigation, but I guess the door swings both ways potentially.

Mr. Palmquist: Okay, all right. That is all the questions I had, Chairman.

Chairman Thomas: Any other questions? Well, Greg, do you need to read the recommendation or what do we do on this? I never remember how we do it.

Greg Rowe: We have done it a few different ways. I will do whatever the committee likes. In the past you just brought forth the recommendation that was on the action item and the committee voted on it, but if you would like me to read it, I certainly can.

Chairman Thomas: I don't think there is any need to do that. We have all got it here. We have got it as part of the action item, the recommendation.

A motion was made by Governor Becksmit and seconded by Mr. Palmquist to recommend the Board of Governors: a) Authorize Citizens to contract with Litify, Inc. (together with the implementation Vendor CGI) for an initial term of ten (10) years plus the option to renew for up to an additional ten (10) years, for an amount not to exceed \$25,000,000, as set forth in this Enterprise Litigation Management System Action Item; b) If Citizens is unable to reach contract finalization with Litify, Inc., authorize Citizens to contract with Computer Sciences Corporation dba DXC Technology Services for an initial term of ten (10) years plus the option to renew for up to an additional ten (10) years, for an amount not to exceed \$25,000,000, as set forth in this Action Item; and c) Authorize staff to take any appropriate or necessary action consistent with this Action Item. All were in favor. Motion carried.

Greg Rowe: The next item we are bringing to the committee is for our Geospatial Imagery Data for Catastrophe Operations contract. In short, under this existing contract, under the Geospatial Intelligence Consortium which we call the GIC. We continue to leverage post-cat event imagery, high resolution imagery, as a part of our hurricane response. And what this imagery does basically, it provides quick, very quick and clear post event imagery that reflects losses a lot of times before policyholders can even get back into an impacted area. So for example, in Ian, Sanibel Island was just completely demolished and it took some time for people to be able to get back to the island, and we leveraged that imagery as a part of a tool that we purchased through the emergency order, which is what we are discussing today, but we purchased that, and before people could even get onto the island we had post event imagery and we could tell which houses were the most damaged, and in some cases which houses were completely gone.

And so these damage assessment reports, the ones I just spoke to, are part of a service that is offered through GIC, through a partner that they leverage called Vexcel. And so, these reports, basically what they analyze the pre-imagery and the post-event imagery in a cat, and based on a variety of imagery factors it develops a composite score. So, we can look at it from an aerial standpoint and understand what areas are the most impacted, which houses are completely gone. Is there anything we can adjust from the desk without, in some instances, the necessity of a field inspection. And a lot of times we can, we can do that right from the desk without any physical inspection to the property. So, this particular item, what we are looking to do today is to access reports through this vendor called Vexcel, and it would be a two-year term with this potential vendor that we procured through single source because they work directly with the GIC. And it would get us through the '23 season and the '24 hurricane season, giving Craig's team the ability to access these reports which are really, they're extremely inexpensive, \$6 a report, but to get us through the storm season we are requesting a contract for two years not to exceed \$2 million. So, I will pause there for any questions on this action item.

Chairman Thomas: Perfect. Any questions?

Mr. Palmquist: Mr. Chair, one question for Greg again. Greg, how does this damage assessment report improve your ability to write individual estimates on a house or a property-by-property basis?

Greg Rowe: So, a lot of times if you just have aerial imagery that is not a report base, it is kind of like using Google Earth. You can look up an address and you can scan over a variety of areas, but it can be very outdated. Even if we use the existing aerial imagery today, it really is kind of looking at things from a birds eye view, and you have to know exactly where you are looking and what you are looking for. These reports, what they do is they take that imagery, and they look at the most impacted areas based on the path of the storm, the FEMA classification, they can look at roof details. It can get down with basically the technology they have, even missing material. So, it can look at a roof and say, this is what the pre imagery was, now we look at it and the roof is, you know, maybe 60 percent of the shingles are missing, and it develops a score, and it tells us the higher the score the most impacted that house is. And so again, if we look at that and we know the hardest hit areas we can literally look at a house based on one of these reports, maybe even before a claim is filed and we can call the insured and say, we have imagery of your report, for instance, Sanibel Island and your roof is gone. It is unfortunate but we see you haven't filed a claim. We can file a claim if you would like and set that up and go ahead and get you a check out for your roof. So, it allows us to give better customer service and get to the hardest impacted areas quickly and the savings that it really gets us is if we do not have to send a field adjuster out there and we can do it sitting behind a desk, that in and of itself will save us a tremendous amount of money and time for sure. So that that is, that is the game changer.

Mr. Palmquist: I have looked at those reports and you are right; it is from a birds eye view and it is difficult to identify specific individual properties. So, will this tool allow you to drill down to a property, specific property in GIC?

Greg Rowe: Absolutely, yes.

Mr. Palmquist: Did you test it on any of the prior storms, Ian for example, Sanibel?

Greg Rowe: We did. As a part of Ian, through the emergency order we did procure these reports and Craig's team did leverage them for Sanibel specifically and in other areas for Ian.

Mr. Palmquist: Okay, all right, thank you.

Greg Rowe: You are welcome.

Chairman Thomas: Anything else from members of the committee? If not, I will entertain a motion.

A motion was made by Governor Butts and seconded by Mr. Palmquist to recommend the Board of Governors: a) Authorize Geospatial Imagery Data for

Catastrophe Operations with Vexcel Imaging US, with an expiration date of December 31, 2024, for an amount not to exceed \$2,000,000 as set forth in this Action Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Action Item. All were in favor. Motion carried.

Greg Rowe: So, this next item is for our Special Investigative Services contracts with Joe Theobald, obviously it impacts his team dramatically. Beginning at a high level, these vendors we contract with, partner with Joe's team, our Special Investigations Unit and they conduct investigations pertaining to potential fraud against Citizens across both Claims and Underwriting. And these vendors really, the advantageous piece with them, it allows us to maximize capacity and scalability, both in non-cat and cat, because obviously fraud ramps up in a cat for sure.

So, as a continuation of services, we have had these contracts previously. We conducted an RFP and there were 11 vendors who responded and met the requirements as outlined in the RFP. And, the evaluation committee recommended award of primary contracts to the top five ranked vendors, and then contingent contracts to the next three ranked vendors.

So, this proposed contract includes a three-year base term, one two-year renewal option and should not exceed or would not exceed \$1.6 million dollars. And again, like I said, this is a continuation of service for SIU. They utilize these services over multiple contracts, and our current contract with our SIU vendors today ends December 5, 2023. So, I will entertain any questions on that action item.

Chairman Thomas: Okay, thank you, Greg. Any questions?

Mr. Palmquist: One question, please.

Chairman Thomas: Yes.

Mr. Palmquist: Greg, how many of the eight firms are we currently using today?

Greg Rowe: That is a great question, and I don't have that answer. Joe, you are on the call. I don't know if you know that off the top of your head? The question was how many of the awarded vendors under the new contracts are being leveraged today in SIU?

Joseph Theobald: I don't have that exact number. I am sorry, it just popped up. Two. Two of them.

Mr. Palmquist: So, six brand new firms?

Joseph Theobald: And one of the issues that has been with the firms is getting firms that have resources, investigators in the right areas that have the right backgrounds. For instance, in Miami, it is essential that we have Spanish speaking investigators. So, the selection of this panel of firms really gives us a great amount of resources in the areas that we have that have the skill sets we need.

Chairman Thomas: Greg, what is the breakdown? I see the recommendation includes five primary and three contingents. Are they contingent in the sense that if we can't reach a deal with one of the five, they fill in, or are they backups in the event we have more work than the five can do?

Greg Rowe: It is both. If we have a firm that is not meeting our needs, we can dip into that contingent resource pool. Or if the volume gets to the place where Joe just needs additional vendors, he can dip into that pool as well. So they are just in the event that we need them for Joe's team in any manner.

Chairman Thomas: And I know we are talking about a spend not to exceed, I take it this is almost all billable. The way we actually get charged by this is billable hours by these people?

Greg Rowe: Correct. If we don't, if we don't use them, we don't pay them any money.

Chairman Thomas: Okay. All right, any other questions regarding the SIU action item? If not, I will entertain a motion.

A motion was made by Governor Becksmith and seconded by Mr. Palmquist to recommend the Board of Governors: a) Authorize Special Investigative Service contracts with eight (8) vendors as provided in Attachment A, for a term of three (3) years, with one (1) two-year renewal, for an amount not to exceed \$1,600,000 as set forth in this Action Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Action Item. All were in favor. Motion carried.

Greg Rowe: All right, we are in the home stretch. So, this final item we are bringing forth today is for our Claims Property Loss Estimating Software, which is again what we call here, Xactimate. That is what the industry estimating platform is called, but that is housed by Xactware Solutions. That is the company that provides the Xactware software to us and that estimate platform we use for all of our claims, both non-catastrophe and catastrophe. So, all of our adjusters, both staff and independent adjusters leverage this technology. So, for this consent item we are really looking for two areas for approval. First, we are looking for approval on additional \$3.1 million for expenses arising for the need for additional licenses to support Hurricane Ian, and just for our increased claims volume due to our PIF count.

So, basically the contract as it reads today, we have a 60,000 claim limit, and to run these through their software. If we exceed that 60,000 then we are incurred additional fees per estimate. So again, with the PIF count and with back-to-back storms that we have had, we have certainly exceeded that. So, we are coming back for an additional \$3.1 million for the licensing for that.

And then secondly, I will say for this particular item, again, we don't really try to project out for this one any type of factors due to a future storm activity. So, we are just trying to

project as best as possible what will be needed for the duration of the contract ending on February 28, 2025. So that is the first piece we are looking for, the \$3.1 million.

The second piece is something new. We are requesting to amend the contract and add some functionality for a product that they call XactXpert, which provides real time feedback based on a system prompt to the adjusters as they are writing their estimate. So basically, how this works is we have some backend administrative tools, and we can look and say, for our estimates we want to make sure that the adjusters address this particular item or that they do not put in items that would not be covered just to avoid confusion. And so, as they are writing their estimate based on what we have configured the backend to look like, if they put in items that shouldn't be there, maybe double up items, or if they see something that just falls outside our best claims practices and estimating guidelines, it is going to prompt them immediately to fix that before they can ever submit it. So ultimately what that does is it produces an estimated for they look the same coming in, and it is far more accurate across the board because it is not going to have those things that we would not want in an estimate. So obviously from a time saving standpoint, it saves us time in looking at those because we know that they have already been corrected before they can come to us. And I would say secondly, it also ensures, like I said, on our end that these estimates look the same as they come in. And so, one estimate should look the same regardless if you have written one for Citizens or if you are a brand new adjuster employed in the catastrophe and you have never written a Citizens estimate, it is going to look the same there, too. So, this particular piece for XactXpert would be \$1,125,000. So if we combine those two, the \$3.1 million that we are requesting for the licensing, and then the \$1.125 million, that gets us to \$4,225,000, and our, our goal is to have both of these available again to write us to the final renewal option of this contract ending on February 28, 2025. So, I will pause there for questions.

Chairman Thomas: Thank you. Any questions? Greg, I have one. The extra \$1.125 million for the XactXpert, is that a hard implementation cost, or it one million just to get it or is that a spend up to based on the usage of that thing?

Greg Rowe: Yes, that would get us to the end of the contract, February 28, 2025. We should not incur anymore fees associated with that.

Chairman Thomas: But that is not, that is sort of an option being added to this adjusting software and we are just paying \$1.125 million for the option?

Greg Rowe: That is it.

Chairman Thomas: Just curious. You may not know this. I wouldn't know why you would. Did we go seek that out or was that up sold to us?

Greg Rowe: It was both actually. So they have a lot of packages I would say available in their software and a lot of times, you know, any vendor worth their salt they're going to, you know, advertise their products to us. They actually did want us to, you know, leverage it and we go out to their conference every year. We kind of see what the latest and greatest is and then we weigh that up against is there a benefit to it, right, from a

cost standpoints, from an accuracy standpoint. So, it is something that is, I would say fairly new to their company, so it is nothing they have been pushing for years. It is just new functionality that a lot of carriers have honestly asked for to be able to be able to configure things specific to their company, because every company has different policies. They want their estimates written in a different way, and that is specifically what this does. It lets you customize your best claims practices and forces the adjusters to write claims that are, you know, in line with how we need them written.

Chairman Thomas: Okay. Anything else?

Mr. Palmquist: Mr. Chairman, I have a follow up question on that. So, Greg, not to get into detail, but as an example, you create a rule set which is your claims guidelines and then the estimate would then follow that. So, for example, if you charged overhead and profit on labor, that would red flag that presumably, correct?

Greg Rowe: Correct. Or if there is maybe a policy that has no exterior paint coverage and the adjuster puts in an exterior paint, it's going to say, not allowed. So again, we can customize it across the board and that is the big piece, we want these estimated coming in accurate and according to the policy. And when you onboard a lot of adjusters they may not know our policies at all honestly. So, it certainly helps them out for sure.

Mr. Palmquist: Well, in the event of a large storm, you are going to correct a lot of, a lot of inconsistencies and provide a very consistent and stable product consistent with state laws as well.

Greg Rowe: Correct.

Mr. Palmquist: So, it is a nice feature.

Greg Rowe: Agree.

Chairman Thomas: Okay, anything else? And if there is not, again, I will entertain a motion consistent with staff recommendation.

A motion was made by Mr. Palmquist and seconded by Governor Becksmith to recommend the Board of Governors: a) Approve an additional \$4,225,000 in contract spend under the Claims Property Loss Estimating Software contract with Xactware Solutions Inc., for a total approved amount not to exceed \$20,960,000, as set forth in this Consent Item; b) Approve amendment of the contract to add XactXpert functionality at an additional cost, as part of the requested \$4,225,000 in additional contract spend; and c) Authorize staff to take any appropriate or necessary action consistent with this Consent Item. All were in favor. Motion carried.

Chairman Thomas: Greg, appreciate the presentation and all that and thank you for the good work and all the people by the way, having done the best I could the Board

observer thing, the amount of work that goes into the process between first sending it out for proposal and the review and the questions and the bid. Everybody in the whole process throughout these should be congratulated for the good work that they do. So thanks. Pass that along.

Greg Rowe: I absolutely will. Thank you so much.

6. Addendums & 7. New business

Chairman Thomas: All right. I think that brings us, if anyone wants to discuss some cases of interest and so forth in the addendums. I as Chairman of this committee don't have any new business, but I am happy to open the floor should there be any concerns, anything anyone would like to address. Otherwise, we will be adjourned.

I am going to adjourn the meeting. Appreciate everybody's good work and time today and looking forward to seeing folks at our Board meeting coming up, I don't know when it is, soon I would assume.

Governor Becksmith: The end of July.

Chairman Thomas: Thanks. Take care everybody.

(Whereupon, the meeting was concluded.)