

**CITIZENS PROPERTY INSURANCE CORPORATION**

**DRAFT**

**MINUTES OF THE  
BOARD OF GOVERNORS MEETING  
Wednesday, July 12, 2023**

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened at JW Marriott Orlando Bonnet Creek in Orlando, FL on Wednesday, July 12, 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  
Jill Hasner (telephonically)  
Erin Knight  
JoAnne Leznoff  
Charles Lydecker  
Nelson Telemaco (joined telephonically later in the meeting)

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

Tim Cerio	Jeremy Pope	Brian Donovan
Jennifer Montero	Mark Kagy	Eric Addison
Barbara Walker	Andrew Woodward	Ray Norris
Kelly Booten	Christine Ashburn	Mathew Carter
Jay Adams	Michael Peltier	Bonnie Gilliland
Joe Martins	Carl Rockman	
Ken Tinkham	Violet Bloom	

**The following people were present:**

Chris Spencer	Policy and Budget Director for the Governor's Office
Christopher Lunny	Radey Law Firm
Karen Walker	Holland & Knight
Kevin Reck	Foley and Lardner Law Firm
Kapil Bhatia	Raymond James
Sasha Stipanovich	Raymond James
Dave Newell	FAIA
Ty Jackson	Gray Robinson
Nathaniel Johnson	Bank of America

### Call Meeting to Order

Barbara Walker: Good morning. You are dialed in to Citizens Property Insurance Corporation's Board of Governors meeting scheduled for July 12, 2023. This meeting is publicly noticed in the Florida Administrative Register to convene at 8:30 and is recorded with transcribed minutes available on our website. For those attending today's session through the public link, you're automatically in listen-only mode. Thank you for identifying yourself prior to addressing the committee. Chairman, we have no speaker requests today other than what is on our agenda. May I proceed with the official roll call?

Chair Carlos Beruff, Vice Chair Scott Thomas, Josh Becksmith, Jason Butts, Jillian Hasner, Erin Knight, JoAnne Leznoff, and Charlie Lydecker were present. Nelson Telemaco may join later but there is a quorum.

#### **1. Chairman's Report**

Chair Beruff: The Chair will entertain a motion to approve all the Consent Items on the back of the agenda: A, B, C, D and E.

A motion was made by Governor Knight.

Barbara Walker: Chair, are you entertaining a motion to approve the action items to the consent items?

Chair Beruff: Correct; A, B, C, D, and E.

Barbara Walker: Yes, sir. That's correct. If the Board wishes, we can do that.

**A motion was made and seconded to approve the Consent Agenda Items. All were in favor. Motion carries.**

Chair Beruff: Thank you very much. We're going to move on to the President's Report at this time, or do you want to . . . Oh, we have a special guest. Who we're bringing forward? The Policy and Budget Director for the Governor's Office, Mr. Spencer.

Chris Spencer: Thank you, Mr. Chairman. And thank you members of the Board of Governors. First, I wanted to thank all of the members of the Board here for your tireless commitment on the reforms and being a steadfast advocate for the reforms that have impacted the insurance industry, really over the last year, but, in particular, over the last legislative session. I'll talk a little bit about the working relationship that between the Governor's Office but also the Chief Financial Officer's (CFO) office and the legislature that Citizens has had, as we've advanced those things. Obviously, over the last year, a lot has happened in the insurance industry (multiple special sessions, regular session with major tort reform that was passed just several months ago). But throughout all of that, I just want to reiterate the importance that Citizens and the team at Citizens has had in getting to the place where we finally have gotten to in this last regular session. You know, last year, there was multiple special sessions trying to address the issues of the stability

of the reinsurance market, addressing things as far-ranging area topics from deductibles on routes all the way to establishing temporary reinsurance programs (two of them) for our insurance industry. And one thing that was kind of a common element throughout all of that was the value of Citizens' staff, the value of the Board, in being a part of that conversation with our office. I can't speak for the CFO's office, but I know that they share that sentiment, but also with the legislature. The credibility that Citizens has with the legislature, I think really contributed significantly towards getting those products across the finish line. And then during this regular session getting ultimately the tort reform package done (that I'll highlight in a second) ... but that trusted, close working relationship between Citizens and with the executive branch and the legislature cannot be overstated. And I think one of the best examples of that was last year, when we were facing significant challenges and concern about some of our domestic carriers being able to secure financial stability ratings and the potential impact that might have on the market and the quick action between the Governor's Office, the CFO's Office and Citizens in establishing the TMSA [Temporary Market Stabilization Arrangement] program, I think highlighted the importance of being able to have fast action to go and try to promote stability in the marketplace whenever there's turmoil. Obviously, the insurance industry has had significant challenges, both from global inflationary pressures, reduction in capital allocation for reinsurance, increased claims frequency, increased severity of claims, and litigation, all of those things have been a challenge for the last year. But being able to show the marketplace that there are mechanisms in place here in the state to be able to promote that stability, I think is a sign of confidence to the industry, both nationally and internationally in the capital markets to try to attract capital here to promote our industry. You know, aside just from TMSA, though, another great example, I think, throughout the last year, at least from my perspective, and the Governor's Office, of the importance that Citizens has had was a continuous and reliable source of insight in the reinsurance market. Tim [Cerio] and the team always connect us with whomever we need to talk to, you know, whether it's anyone that the Citizens directly works with, or through partnerships in the reinsurance industry, for us to gain valuable insight in what's happening in the reinsurance space. And that did influence significantly the outcome of some of those temporary reinsurance programs that were established through the special legislative sessions. You know, when I talk about our insurance market as a whole to any group, or whether we're talking to the financial rating agencies, or we're talking to any other organization, I'd like to describe it in the term of like, three major pillars, I think that exist here, if you really want to sum it down. And the first pillar really is the Florida Catastrophe (CAT) Fund ... the continuous stable, predictable aspect of the CAT Fund brings a lot of stability, obviously, to our insurance industry. But Citizens, as the true insurer of last resort (a residual market) also promotes that confidence and stability in our marketplace, which ultimately leads to the third pillar, which is the goal that we all have, which is a very robust and diverse, competitive private insurance marketplace. And those are the three pillars that all interchange and work together in order to have affordable and available options in the long term for Florida policyholders. Now, I mean, looking ahead, so I've mentioned earlier a little bit about our tort reform during the regular legislative session. I think the significance of that cannot be overstated. Obviously, right now, there's still rate pressures that are impacting policyholders, not just on Citizens' policyholders, but also in the private marketplace. And those rate pressures have been challenging for the market and challenging for individual homeowners. You know, over the last several years, we've seen significant value appreciation in real estate, and that's naturally going to cause pressures to increase premiums for covering that real estate; however, the significance of the impact of runaway ramp and frivolous litigation has been a topic of

discussion in Tallahassee for years...for decades. And the ability to pass sweeping significant tort reform this year, I think, will have major impacts on stabilizing rate pressure, and ultimately delivering rate relief. And we discussed, during legislative session, it was, you know, public and everyone commented on the floor of the House and Senate; the Governor's spoken about it. We all understand it's going to take time to get rate relief in place; it takes anywhere from 18 months to two years to fully realize, on an actuarial basis, the effects of some of these reforms. But I think that we're already starting to see in the market more interest in Florida. I think that after this hurricane season we'll see a ripe environment for takeouts for Citizens' policies. I think that we'll see a lot more interest in the marketplace. We've already seen some reduction in the year over year increases in the reinsurance market, you know, both impacted, I think, from a refreshed interest in Florida, but also from the ease on some of the global impacts of what's been happening to the reduction in availability of capital in the reinsurance marketplace. But in the long term, I think that these reforms were critical; they're necessary, and again, they cannot be overstated. And so, one, I just wanted to thank the Board and also the Citizens staff for maintaining that consistent commitment to see the mission through and help us and help the legislature and help the CFO's Office in delivering on these important reforms that really have been tried for years and years. But now, I think I've finally gotten to where they need to be in order to, in the long run, benefit Floridians. I'd be remiss if I didn't talk a little bit about some of the work that the Citizens team did around Hurricane Ian and Hurricane Nicole. Of course, they were there with us in the Emergency Operation Center in Tallahassee, and you know, they were there when we were watching the storm come in, but the Citizens team was among the first wave of the insurance industry that deployed down into the field into Fort Myers into throughout Central Florida. Even with Hurricane Nicole over Volusia County, and you know, they were there staffing the CFO's insurance villages. They were staffing our disaster recovery centers that we deployed throughout the field. And they were very open and communicative and responsive to policyholders. And I think that that shows a commitment to making sure that, yes, Citizens is supposed to be the insurer of last resort. But when you're a policyholder at Citizens, you're going to be treated fairly. You're going to be treated with the fiduciary duty that Citizens has to the policyholders. And so, with that, I just wanted to thank you guys for giving me a little bit of time here. And thank also the staff over at Citizens for continuing to be a valuable resource for us in the executive branch. And I, again, can't speak for the CFO's Office or the legislature, but I would feel pretty confident they share that same sentiment.

Chair Beruff: Governor Lydecker?

Charlie Lydecker: Thank you, Mr. Chair. And, Chris, nice to see you. And thank you for your presentation and your thoughts and permitting us the opportunity to hear directly from yourself in representing the Governor's Office and their views. I was curious if you had a thought process around the rise of homeowners, the cost associated, you know. Florida has enjoyed a great deal of prosperity in the last several years; a lot of individuals who moved here from other parts of the country to Florida to call Florida home, but property values have gone up as a result of that in a very substantial way. And I'm not sure that we really had a conversation on our side about how we should be thinking about the difference between, you know, premiums associated with rising home values versus premiums rising as a result of the rate environment we find ourselves as we try to get to the place that you've so eloquently pointed out and market of last resort. Do you all have a view you can share with us?

Chris Spencer: Sure, Mr. Chairman? So yes, I mean, you're absolutely right. I think the median home prices in Florida have appreciated by almost \$200,000 over the period of pre-pandemic to now where we are today. We see the result of that, obviously, in a whole cascading effect of things, ranging from significant amount of documentary stamp collections (I'm the budget guy, so I care about how much we're collecting and doing those as well) ... how much, you know, we're collecting as far as revenues and how much we're able to then go and budget for. But you know, as that as that increase in home valuations are taking place, obviously, to insure that risk now, it's going to cost more to go and replace that, not just from the appreciation of the value of the property, but also all the inputs that go into actually replacing the property. We've seen overages on project that the State funds, whether it's schools in Okeechobee or whether it's a public hospital, or whether it's, you know, a new forensics facility in Lake County, they're going anywhere from 50% over previous budgeted to sometimes double. And so, and that's the result of labor; that's a result of just the inputs (whether it's wood, concrete, steel), all of those factors are significantly contributing to a higher level of costs. And that's, you know, a combination of inflationary effects from, in our opinion, fiscal mismanagement out of Washington, D.C. and monetary policy that seems unable to address that. But also, just the tight labor market, very strong demand in Florida from, as you pointed out, significant growth and attraction of new residents into the state of Florida. So, all of that contributes to it. However, if you as a homeowner are benefiting from this increase in your valuation for your property, that's great. You want to see your assets accumulate, but that's an unrealized asset or unrealized gain. But you're paying your premium and that premium ... yes, it's impacted by that increase in valuation, but it's also impacted by the amount of litigation. And when, you know, when Florida accounts for less than 10% of property insurance claims around the country, but 80% of litigation and property insurance claims, it's clear that there was something different about our legal environment that had to be addressed. And so, you can turn that knob of addressing the runaway rampant litigation to try to reduce that cost while still not trying to do anything negative to the real estate market because we want real estate to accumulate so that Floridians with their homes can benefit from that. And so, I think that with this tort reform, that's going to have a significant impact in the long run of bringing back some stability on rate pressure and deliver rate relief to Floridians as we see a reduction in litigation going forward.

Charlie Lydecker: Thank you, Chris.

Chair Beruff: Any other comments? I'd like to say thank you and the BOG for your help to continue the legislation passed because, as we all know, things don't happen in Tallahassee unless everybody's on the same boat. So, we appreciate the tort reform, we do believe it'll stabilize the insurance market, though we all agree, it will take another 12 to 24 months to accomplish that. But thank you very much and appreciate you taking the time to come and address us.

Chris Spencer: Thank you, Mr. Chairman.

Chair Beruff: Mr. Cerio, you're next.

## 2. The President's Report

Tim Cerio: Thank you, Mr. Chairman. I also want to thank Chris for being here. As you pointed out, help and support and allies in the legislative process are key, and Chris has been a champion for Citizens and what we're trying to accomplish. I really appreciate his hard work and his dedication. So, thank you all. I'm gonna start off with my Presidential Report. And it's good to be with you all this morning. We've had a little bit of activity at Citizens in the last four months since our last regular meeting, and I'd like to hit the highlights. I would like to talk about the 2023 legislative session, how we fared this year with our Risk Transfer Program, the status of our current rate filing before the Office of Insurance Regulation (OIR), the state of the Florida insurance market, and Citizens numbers in particular. And finally, we'll close out with our plan for catastrophe preparedness. So, regarding the legislative session, Christine [Ashburn] is going to provide much more detail, but once again, the Governor, the legislature, and the CFO worked on legislation designed to accomplish a number of things: to stabilize the market, to provide protection for Florida's consumers, to curb for frivolous litigation, and actually also to provide more enforcement teeth for OIR to regulate insurers. And I think it's very fair to say, because of these efforts to stabilize the market and insurance reform for benefit, but for benefiting insurers, like Citizens, there's also an expectation that we need to do our best to take good care of our policyholders and that the OIR will hold us and other insurers accountable. The legislature (and I will hit just some of the highlights of the Citizens specific measures that were passed) ... As you all know, we've talked a lot about it. The legislature passed our DOAH provision and House Bill 799. That allows the resolution of claims disputes regarding scope and value and also coverage to proceed before the Division of Administrative Hearings. We think that'll be a great cost saver for Citizens and also provide a very detailed but expedited review and a good resolution and an answer to consumers. We think that's very good for consumers. They won't be involved in protracted litigation. And they can have their matters resolved promptly before a very thoughtful Administrative Law Judge who will give them a detailed order at the conclusion of any dispute. On or after November 1, 2023, our insolvency provision is supposed to be in place. That request is pending before the OIR. It says that basically if you're seeking coverage from Citizens following your insurer going insolvent, you will be subject to the same glide path for non-primary resident, which basically says that you could be subject to a 0% to 50% increase depending on where you fare as compared to an actuarially sound rate. This is to prevent the, you know, somebody is paying \$4,000 for insurance from a private carrier ... as we're trying to become actually sound, it's not fair for other Citizens' policyholders or the private market for that individual to come in and pay \$2,000. We want to be fair. We definitely don't want consumers to absorb an increase all at once. But this does provide an alternate glide path and tries to get to more of the actuarially sound sweet spot for these insurers. Third item: condo unit owners do not have to obtain flood insurance to be eligible for Citizens' coverage. That was a fixed by the Florida Legislature for the flood coverage requirement that passed during special session. We also may not determine the risk is ineligible for coverage solely because it has non-repaired damage covered by a loss that is subject to a claim that has been filed with the Florida Insurance Guaranty Association (FIGA) due to an insolvency and that is a very pro consumer reform. And frankly we did that after Ian in southwest Florida, but this basically codified that requirement, and it is good for consumers because what we found is in the market, especially after catastrophe, a lot of times they, you know, can't find a contractor to do the repairs or even get under a contract. So, this affords a little more time, and it's something that Citizens

can certainly work with. And finally, just the last highlight, we have an exception. Citizens has an exception to the 60-day underwriting timeframe change that's included in House Bill 1185. So that when policies come to Citizens following an insolvency, we will have more time and agents and consumers will have more time to provide necessary documentation to Citizens to get them covered. So, you know, as we've discussed, all the all of these reforms, we have to return to being the state's property insurer of last resort. And instead, we are the state's largest property insurer, and with the lowest rates on top of that, and that is going to continue to distort the market and impede recovery efforts. Our state's leaders recognize (and again, I want to take this opportunity to express my thanks to Governor DeSantis, to CFO Patronis, and the legislature) for these reforms and for appreciating the unique position that Citizens is in and working with us on a needed course correction. It has been vitally important. And, as I'm going to continue to highlight throughout this report, we are seeing real benefits from these reforms. The Risk Transfer program, next slide, please. CFO [Jennifer] Montero will provide more detail. But again, I'll hit the highlights. Simply put, we did much better than expected in the private reinsurance market. We were able to acquire... we filled our towers. More importantly, we did not take capacity away from the private domestic market, and CFO Montero can talk about that. But essentially, we saw an increase in capacity. We have an appetite more for, you know, an increase in interest in CAT Bonds and alternative markets. And we see new capital coming into the risk transfer market. So, we had an authorized spend of \$675 million. We wound up purchasing \$650 million for \$5.38 billion of coverage, and we paid an average rate online of 12.03%. And I think that was a very, very good outcome. And again, there was more capacity in the reinsurance market than we had anticipated (although we did have to pay more for it. Everyone had to pay more). Our rates were up approximately 25%. And again, it's fair to say that the reforms passed by the legislature and signed into law by the Governor made a difference with overseas reinsurers. These reinsurers do watch. They pay attention and they want to see more data but they're bullish on the Florida market's future. CFO Montero, Kapil Bhatia, and I saw firsthand when we were in London .... We participated in meetings with the Governor and reinsurers and reinsurance brokers, and the feedback was very, very positive. Now, again, the reinsurers still want to continue to see results; they want to see data. They want to see data showing that the litigation reforms in particular are working. But we do expect that the market to continue to improve for Florida; we are very encouraged. Next slide please. The Citizens rate filing is pending before OIR and Brian Donovan, our Chief Actuary, will talk more about that. Our filings were made; they're pending with the OIR. The OIR will determine our rates while we filed an overall increase of 13.3%. The reason that exceeds the glide path cap is related to the non-primary residency requirement that I mentioned previously. But you can see that our overall rate indication suggests that we should have a rate hike to be actually sound of 58.6%. But with the glide path, our maximum combined rate averages up to 13.3%. Again, and I don't mean to sound like a broken record on this, the overall philosophy behind our rate filing was the amendment to Senate Bill 2A that reinserted the requirement that we'd be non-competitive with the private market, in addition to being actuarially sound. Being able to charge actuarially sound non-competitive rates is critical to market recovery and promoting depopulation. And Citizens rates are artificially low because of the glide path that throws off the market and it distorts competition. And I know I'm preaching to the choir here a bit, but I think it's important to put this out there on the record. Residual insurance should never be more expensive, should never be less expensive, and should never compete with the private market. It's fundamentally unfair to policyholders in the private market. If you think about it, and again, I've said it before... I don't say this lightly, nobody



wants to pay more for insurance, but even if the OIR approves our requested rate increase, our policyholders will still be paying on average about 44% below the rest of the private market. Next, looking at HO3 policies in particular, which is about half our portfolio, these policyholders in the private market are already paying more for insurance; most have had to absorb much higher rate increases over the last couple of years: 30%, 40%, 50%. Now, on top of that, these policyholders in the private market face the risk of having to pay Citizens' assessments, in addition to their already higher premiums. And again, this is fundamentally unfair, and why we need course correction in the market. The risk of assessments to private market policyholders is even exacerbated because of our incredible policy growth. And we have continued to grow at the rate we have because we continue to compete with the private market. And we continue to compete with the private market in large parts because our rates are not actuarially sound. And they are highly competitive. So, unfortunately, the state's residual insurer, the insurer of last resort, has become the largest insurer in Florida. So, again, in all events, due to the residual rate inadequacy and our competitive position within the market, we have requested the maximum rate increases allowed under the glide path. And importantly, I do want to add that because of litigation reforms, and again, Brian can talk more about this, but because of the litigation reforms passed by the legislature, our calculated premium need for a rate filing was lowered by \$900 million. So that is definitely encouraging. It's another indicator that the reforms are working. And it's a trend that we believe is going to continue. And I'd like to give you a brief overview of the current state of Citizens and the state of the market. Thank you, Barbara. So, the next slide, you'll see we're looking at, we do still see a net income and a net underwriting, net income loss and a net underwriting loss in the market. These are year-end financial results for companies that write a good amount of business in Florida and make up over half the market. All but all three are Florida-based companies, and the results of this year's first quarter, I think it's important to point out (we can't hang our hat on it yet) but it's very encouraging data. You can see that for the first quarter back in 2022, we had a net income loss industry wide of \$154 million and a net underwriting loss of \$174 million to 50 companies. For the first quarter of 2023, the net income loss is only \$29 million and a net underwriting loss of \$82 million. Now, since this is the first quarter, risk transfer costs aren't included, but it is an encouraging number, and we're going to continue to monitor it. Next slide please. Again, we are the largest property insurer in Florida, and we are in the top 10 of U.S. homeowner writers. We have 1.317 million policies now and \$562 billion in total insured value. I think that's last Friday. We project that by the end of the year, we're going to be at 1.7 million policies with \$645 billion in total insured value. But I will say those projections do not include a depopulation forecast. But we are very encouraged that we're going to have even more depopulation activity than we'd expected, which is obviously very, very positive. We're excited about that. I believe we had 17,000 policies taken out in June. August, we're looking at two companies taking out 26,000 policies. And there's currently applications by five companies pending before the OIR. Kelly [Booten], I can say this, right? All right. 184,000 policies potentially [depopulated]. That's not even, you know, getting into later in the year. We're very, very positive about this. And so, stay tuned. This slide shows the monthly increase. Since January 1, the net growth has been 171,000 policies. It does take into account new business as an offset by non renewals, cancellations, takeouts, etc. You do see some spikes in March and April on this chart related to United Property and Casualties insolvency. These months are also high along with May and June. We believe it's based on a seasonal swing of new home purchases. I wanted to get into the monthly, but again, overall, the forecast we're still around 1.7 million by the end of the year, but we're seeing some very, very positive takeout activity.



Charlie Lydecker: Based on the previous conversation we had with Chris, I wonder if we could see some sort of a metric in terms of the number of policyholders that Citizens is taking on that takes into consideration the growth that has occurred from new homes in the state of Florida over the last, you know... these slides are going back to 2007, 2008, and they just seem to me, that's a little bit misleading because the denominator is different....

Tim Cerio: You mean, total insured value and is being...?

Charlie Lydecker: No, we're talking about policyholders and comparing it to ... and the insinuation is we're back to where we were in 2007 and 2008 or whatever the last date. But the state of Florida has grown exponentially since then.

Tim Cerio: We do have that, Governor Lydecker. So, in 2007 and 2008, I think when we are at our maximum, which was around 1.5 million policies, I think our total market share was 23% or 24%. Right now, at 1.3 million, we're just over 15%. To your point, yes; however, there is much less of a market share because of the higher population.

Charlie Lydecker: So, notwithstanding all the bad news, it's still not as bad.

Tim Cerio: That's a very important point. Yes, thank you. Next slide, please. Commercial policy growth. So commercial policies have increased significantly since 2022. This has been a concern that we've been trying to keep an eye on; I know that many of you on this Board are very concerned about it. The commercial policies now make up 15% of Citizens total insured value, but only 0.76% of our policies in force (PIF). You can see compared to 2020, the commercial policy counts increased by 92%. And the total insured value has increased by 702%. That is alarming. That is something that we are trying to watch it, but we're trying to work with the industry there. At some level, there's nowhere else for these folks to go. But we're also trying to be very diligent on, you know, requiring repairs, making sure inspections are carried out. But it's a very difficult situation right now. We had, again, we had a major commercial insurer go insolvent. That has certainly exacerbated the problem, but we will continue to keep you apprised of the situation in the commercial. Next slide, please. Catastrophe (CAT) preparedness. I'd like to ask, at this point, Jay Adams, Christine Ashburn, and Jeremy Pope to come up. Thank you, guys. Let me stop for a minute. Did you have any questions before we go into CAT preparedness? Did you have any questions about the materials I covered?


JoAnne Leznoff: I can't believe I didn't ask earlier. How did that funding stream work out from our transition of claims disputes from the courts to DOAH? Is the funding for DOAH by Citizens?

Tim Cerio: It is paid for by Citizens. There was no appropriation, so we'll cover the cost. And I did say, per case basis.

Jason Butts: Thank you. I think that's a good resolution.

Tim Cerio: Thank you. So, the bottom line, one of the most fundamental functions, and everybody knows us as Citizens, and rightly or wrongly, how we are going to be judged, is our response in the face of a catastrophic weather event. That's when Citizens employees are the most burdened, when resources are the most stretched, when physical conditions make it a logistical nightmare to deliver services to our policyholders, and it's when our policyholders need us the most. So, our team engages in enterprise-wide planning to prepare for a cat event and to maximize the efficiency and effectiveness of our response. And so, Jay, Jeremy, and Christine are going to present different aspects of our overall CAT preparedness response, and I think I will turn it over to Jay first.

Jay Adams: Thank you, Tim. Good morning, Chairman, committee, and members. First of all, I'd like to talk about our Catastrophe Plan Administration, and the biggest piece to understand about our CAT Plan is it's an enterprise-wide plan. And what I mean by that is, each division within the company has as their own catastrophe coordinators, we have them do their own plans, and then we roll them up into a master plan. The Claims Operation is responsible for the overall plan and getting those individual division plans rolled into the master. The reason we do that is, anytime there's a catastrophe, the enterprise has to respond. And anytime I come to this Board, and I talk about any type of catastrophe result, I always say, "This is an enterprise-wide solution." What this plan does is it identifies in advance of any catastrophe, all of the increased activities that need to occur at the division level, so that when we are in a response mode, people aren't trying to figure out what it is that they need to do. We have a daily CAT call until we get our catastrophe operation completely stood up. And what we do is we make sure in that CAT call that each one of these individual catastrophe coordinators fully understands what their individual duties and responsibilities are. Next slide. So, we have taken the catastrophe response, and we divided it into multiple phases. The first one is the preparedness phase, and that begins really the last day of CAT season.



### Catastrophe Response Phases


Catastrophe Response Phases - Tropical Storm and Hurricane		
Phase	Event	Timing
1	Preparedness	Annual pre-season preparation
2	Monitor	An invest or disturbance has been identified by the National Oceanic and Atmospheric Association (NOAA)
3	Activation	A tropical storm/hurricane watch/warning is issued for any part of the state
4	Landfall	First 24-48 hours after a named storm makes landfall
5	Recovery	First Response
		Sustained Response
		Closing Response

Page 4

And we start planning from December 1, and we plan all the way out to June 1. And during that time, we go through a lot of testing. We look at postmortem for any storm that's happened, what we can learn from, you know, our prior responses and those types of


things. The next phase is the monitor phase. And that is when the National Hurricane Center identifies some type of disturbance that we believe may impact Florida. And this is the trigger for me to start sending out the communications to the Board as far as track intensities, and, you know, kind of what Citizens

immediate response plan would be. Activated occurs when a named storm watch or warning is forecast to impact Florida, and when we activate the CAT plan, that is when we start our daily catastrophe calls. We make sure everybody's ready to go; we may invoke our catastrophe, extended hours and those types of things to make sure that we are ready and prepared. Landfall is exactly what it seems like. That's when the event actually strikes Florida. And that lasts usually for 24 to 48 hours. And that is really the initiation phase for claims to go full on Board. That's when we're getting our resources deployed to Florida and the CAT plan is up in full running at that point. And then we have a phase that we call recovery. And recovery really is just a response to the catastrophe. And we break it out into different sections. And the reason we do that is really just for internal purposes. So once the event has occurred, there's a lot of things that happen immediately after, such as Jeremy sending out the Catastrophe Response Center to the affected areas. We have some claims vehicles we send out. As we get 30, 60, 90 days into the storm, the enterprise starts to pull back, and it becomes really a claim for spots. And that is how we delineate those different phases. Next slide, please. As I mentioned in the offseason, from December through June, we do catastrophe testing. And what we're doing there is we're making sure that the points of the CAT plan that are most crucial, and potentially could have the biggest areas of weakness are tested to make sure that they are functionally ready to go. And in the testing, if we identify something, it gives us an opportunity to put other action plans in place to stand up additional functions. So, each year we test Jeremy Pope's Catastrophe Response Center, and that's the actual vehicles that we move out that are customer facing. And we want to make sure all the equipment on those vehicles were and most of all the Citizens volunteers... we want to make sure those people understand their roles and responsibilities. And it gives them a dry run to actually walk through that, where they're not dealing with our customers. They're actually dealing with Citizens' folks who are acting as customers. Jeremy also is responsible for doing in First Notice of Loss (FNL) call center stress test. And again, the concern here is in a catastrophe, you have a rapid submission of claims over a very short period of time. The calls coming in exponentially increase for the first 30 to 60 days of an event. So, what we're checking is making sure that those vendors can recruit additional talent; they can get them trained and on Boarded. And basically, they can continue to meet the service level standards that we have in place. Next slide, please. Continuing on, we also do some claim specific testing. One of the things we do is deploy independent adjusters in a kind of like a test environment. And this is always a stress point for Citizens in trying to get these folks' input into the system. And then when they leave, get them the provisions. And what this does is each year, tweak how we do this: try to make it better, more efficient so we can get more people on the ground much faster. And this gives us the ability to put those new priorities in place in the system and then test to make sure that they're working. We partner with Kelly's IT team to do some system stress testing. And that's exactly what it sounds like. In a catastrophe, we have exponentially more users hitting all of our systems on the claim side because they're all responding to the event. And what we're trying to do is make sure that the system can handle all that exponential growth. And one of the things that we did identify as a weak point, for example, we had some phone infrastructure issues. And so, we partnered with Kelly's team again, and they came up with a great solution. We're using Microsoft Teams. So, we have many meetings across the organization on that. And we're using that platform really as a soft phone for the independent adjusters. And that eliminates all of these issues or concerns that we have. Kelly's team is also in the process of putting in a brand-new solution. We weren't for phone systems, and we weren't sure that we would have the full availability of it for CAT season. So, we want to go with something that's tried and true, right? We



## GIS Tool

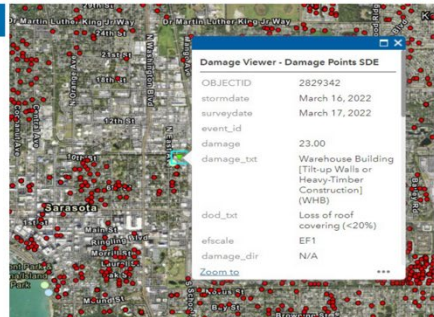
- Damage Assessment layer from NWS



Welcome to the National Weather Service Damage Assessment Toolkit. Data on this interface is collected during NWS Post-Event Damage Assessments.

Feature Layer by [nws.dat\\_noaa](#)

Created: Jun 29, 2020 Updated: May 5, 2021 View Count: 759,214



Damage Viewer - Damage Points SDE	
OBJECTID	2829342
stormdate	March 16, 2022
surveydate	March 17, 2022
event_id	
damage	23.00
damage_txt	Warehouse Building [Tilt-up Walls or Heavy Timber Construction] (WtB)
dod_txt	Loss of roof covering (<20%)
efscale	EF1
damage_dir	N/A
Zoom to	***

Page 8

don't want to have a brand-new system and find that there might be weaknesses in it when we're responding to a CAT. Next slide, our GIS tool. So, this is something that we have for a long time. We partner with Jennifer Montero's Analytical Group, and they provide this for us. They update the tool each year to provide really additional functionality. And this is a tool that we use specifically in claims to track the National Hurricane Center's track. So, we can track wind speed, we can the actual track, and so forth. And some of my communications, you'll see me put something out specifically out of this tool. The benefit of it is that it allows us to import all of our policies and force into the tool, then we can take the National Hurricane Center track, lay over top of it, and then extract the policies in force that are in the hurricane force wind fields. What we do with that on the claim side is we are taking that information to determine how large we think the CAT is going to be. We're working with Brian Donovan, making some predictions on the number of claims that we think we will have. And most of all, it goes into our Resource Planning Tool where we make deployment requests for the independent adjusters. And I'll talk a little bit more about that in a second. Next slide, please. Last year during Hurricane Ian, we brought back an emergency contract for damage assessment for aerial imagery, and this is really just a slide that indicates that we did leverage that. And what this tool does is it has aerial imagery before the storm and then they fly usually 24 to 48 hours post storm. And it has artificial intelligence that looks at how much damage is in the post event as compared to the pre-event photo. We use that specifically to take the highest damage risks, and then we port those over to a special handling team. And then we're adjusting these claims prior to maybe the insured even knowing that they have significant damage. And most of the time, this identifies areas of the state that are close to insurance companies and policyholders. They're doing search and recovery; they may have to do road infrastructure, debris removal, and so forth. This gives us a hand up to be able to get the claim process started for folks to report claims and be in contact with them, and most of all, get the money in their hands so that they can make decisions about what they want to do for their future. Next slide. So, I spoke a little bit about this resource calculator. And really, this is a tool that we leverage that takes into account prior storm paths with this same intensity of the storm and so forth, to create an

artificial damage platform that we can then look at how many claims will generate out of that. We plug that into this tool. And then that tells us how many independent adjuster resources we need to deploy by role. So, for example, we've got people who are manning the phones; we've got folks who are expanding into our non-catastrophe claims handling; we have folks who are going to be desk adjusters and field adjusters and so forth. And what this really does is it helps us get to deployment to the market first. And the idea behind that is the first it goes to market for these resources. We hope we will get the best resources that are available. If you lag in this process, then you get what's leftover, you know, come in and respond to your catastrophe. So, this is really mission critical in our planning. Next slide. So now we're in the process of maintaining or running numeric catastrophe. You know, in order to understand what's happening, you've got to have a robust reporting network on the backend. And we have a team of folks who do nothing but provide data to us. And then what we do is we take that data and we cut it down, and we send it to the frontline leadership teams, so that they know exactly what's going on within their respective team. And this helps us to keep things moving forward and identifies folks who aren't doing the job, can't do the job, those types of things. And the end result of this is this helps us meet our statutory guideline, which is now 60 days instead of 90. This helps to make sure that the policyholders keep being informed, and that we're not sitting on blocks of claims that are getting stale. Next slide, please. So, what happens if we need an office out in the strike zone or in the area because things have been so devastated. And if you go back to 2017 with Hurricane Irma, we had a significant need to have a presence in the Keys. There's only one road in and one road out to get down to Key West, where we stood up a whole office complex becomes a significant challenge. Since then, we have a vendor called Agility Recovery Solutions. And what they have the ability to do is stand up an office complex wherever we ask them to do it. And what they do is they bring modulus trailers that have desks and office equipment in them that contain their own power source. And they're an internet source. So that we really just go in and plug in and we're up and running. We also have purchased some claim service vehicles. And these are trailers, and they are designed specifically for our claim staff. And what we do is we bring those out to remote sites similar to what Jeremy does with the trailers for the customer facing piece. And this is really the adjuster facing piece. So, our leadership goes down. For example, in Ian we set up in the same area as the insurance village with these trailers. And what we did is we leverage this to help train independent adjusters. As we make catastrophe adjuster deployments, these folks don't really have a relationship with Citizens because they are CAT adjusters. They're just chasing storms around the state. So, they don't often know our best practices and how to adjust claims on Citizens, staff and system and so forth. So, we use these folks in the field to train those adjusters. We also use it as a hotspot. Everything we do in claims is paperless. And so,

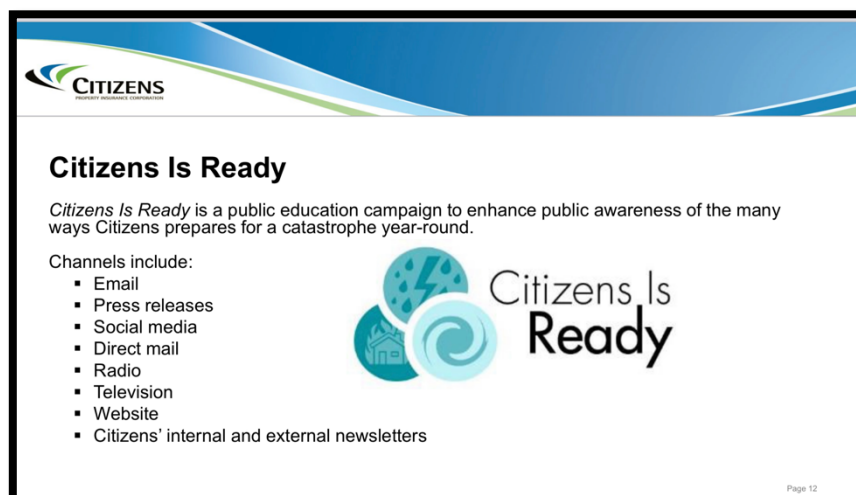
they have to have an internet connection to receive their claims information. And when they complete it to push it back to Citizens. They can just drive up; they don't even have to get out of their vehicle. They can log into our hotspot, and then that touch base back and forth happens to keep all of the records up to date. The next slide. This is a slide that Christine makes us put into the Claims presentation, and we are ready. And we have lots of channels and things. And Christine is going to go through this in her slides. But their team really reaches out to the customers on our behalf, keep people informed, and really helped to reduce the overall claim complaints and volume of that type of stuff that comes because claims is really focused on responding to the claim event.

Charlie Lydecker: It's actually two questions. One is, from the last storm, I was surprised to find out that we were not able to – no fault of Citizens – but weren't able to coordinate the response for benefits with the National Flood Program (privacy information understood at the time). But my question there is, has there been any progress made based on the experiences we had last year? And my second question is maybe you could just share with us because I think it's more of an art than it is a science, but you've managed to make it very scientific. What assurances do we have that the adjuster population that you need to have that a service the taxpayers of Florida will in fact be there? Right, it seems like you did a great job with that the last time and that's a that's a pretty thoughtful skill set to have, I think, in terms of how you measure that how you make sure that they're there so take that whatever order.

Jay Adams: So, from the adjuster piece specifically, we contract with vendors specifically for catastrophe, and we are contracting for numbers of adjusters. Those adjusters are required right out of the gate to have a certain level of experience, numbers of years, of age, testing and so forth. We also have a little onboarding that we provide those folks with an assessment that comes at the end. And we can use that to weed them out. There are a declining number of independent adjusters across the United States. To some degree, it's a little bit of a dying breed because a lot of the insurance is now handled through some level of technology. If we were writing auto policies, so much of that business has moved away from having to have hands on; it's all done by video and photos. And then the system can almost write the estimate for those that have been very different, right? Because they're all different, you can't really design software to do that in the housing space. What we do, though, is if we fall short, we have the ability

under the emergency contracting that the government puts in place to go out and hire additional adjusters, and we have done that in almost every catastrophe that we've had.

Charlie Lydecker: Yeah, so my question, so I know you do that. I guess my question is, how do you do it when you're competing against





every other carrier out there trying for those same heads? Is it who's willing to pay more or is pre-existing relationship?

Jay Adams: I'd say it's a combination of both things, right. So, in the past, if you go back to Hurricane Irma in 2017, Hurricane Harvey hit Texas a few weeks before Irma hit the Keys. And we did have to make adjustments to our fee schedule for the independent adjusters in order to attract folks to come here and work those claims. Once they get embedded in a catastrophe like Irma and Harvey, I would not really expect those people to just drop that storm and come to Florida. We have that in our back pocket. We also do have relationships with vendors that aren't currently under contract that can produce and provide, you know, resources. We, today, are in the midst of a solicitation right now for independent adjusters, and we just continue to move down that path. We are leveraging technology to the fullest extent. So as anything new comes out, we're trying to jump on it. And what that leverages is a need for less boots on the ground. And we can leverage the technology piece. For example, the aerial imagery, we carve out the houses that are total slabs; there's no need to send anybody out; there's nothing to look at. So, we can adjust all those just using our aerial imagery contracts. We also do what's called Fast Track adjusting. And we have adjusters offsite in another state on their phone adjusting claims. When the first notice of loss comes in, our system can segment those claims into different buckets. And so, we have claims that are specific to phone adjustment; all those claims go over to those phone adjusting units. Usually, when we look at our history, somewhere between 50% and 60% of all the hurricane claims we get can go to the phone unit. So, we push all those there. Some of them are going to come back out and be fielded and adjusted at some point in the future. We are trying to do more to prevent needing more independent adjusters as we go forward in the future. We will always have the need for that because our CAT plan is leveraging independent adjusters to respond to the CAT.

Charlie Lydecker: You've done a really good job with it. It does speak to the need to force Citizens to continue to stay on the cutting edge relative to technology, which you've done. It feels to me (I'm not really an expert on claims handling) but it feels to me that Citizens in the state of Florida, in responding to claims, is as good as any private sector company when you think of a government agency, or better.

Tim Cerio: I would like to brag on Jay. I think he runs the best claim shop in the state. Obviously, I'm very biased, but to your point, Governor Lydecker, Jay and I have talked a lot about what happens in that event where if there is another catastrophic weather event in another state, we have to have serious conversations because, although we don't want to take adjusters away from other private insurers who need their adjusting services, our priorities is to Citizens customers.

Jay Adams: One last thing I would say is the size Citizens is today will create issues where the adjusters will want to come work for Citizens because we obviously are going to have more claims than the individual.

Charlie Lydecker: It's the one good thing about being large.

Jay Adams: Yeah, exactly. Can you repeat your first question?



Charlie Lydecker: I just wanted to know has there been any potential for progress to coordinate with the federal government's response, the National Flood? I was just surprised that, you know, a claimant could collect full limits, thereby exceeding the the real loss of accuracy of the real claim, collectible limits between the foot flood program and Citizens, that there's no coordination. And I know there are real reasons for that. My question is, you know, post that last experience, is there any way to address that in a more thoughtful way? And I know the federal government is a big part of that.

Jay Adams: Right. So, we have reached out to them on prior events, and they do not want to have coordination. And there is Florida court law that indicates that you are as a homeowner able to collect fully under both your homeowner's and your flood policy. And I think that is probably the reason that they don't want to muddy the waters. So, we're each supposed to adjust the loss, according to you know, the facts of your case.

Charlie Lydecker: As the as though the other is not there.

Jay Adams: Yes, sir.

Charlie Lydecker: Yeah, it's crazy. Thank you.

Jason Butts: Jay, thanks for the report. Just to Mr. Cerio's point on the commercial building exposure rapidly growing, how do you feel about that and are we prepared? I mean, historically, we've not had adjusters probably stacked up enough for that. Do you feel like going into this hurricane season that we're prepared for the commercial side?

Jay Adams: So short answer to your question is yes. I am very concerned. As you heard Mr. Cerio say, as well, the commercial rate of buildings that are so large, and especially these multi-story buildings above five or six units, it is very complex to adjust those claims. What we do have, as a strategy, is we hire an Executive General Adjuster and assign them to this complex. There might be 50, or 60 buildings, or it might just be a couple of towers on that particular loss. Then what they do is they go out, and they do a quick assessment of what the damages are. And they come back to us and say, "We need 50 independent adjusters to come out here." And what we do is we align those adjusters to this Executive General Adjuster, they take the claim, and they split it into 50 parts. Each is assigned a specific task, and over the course of a week or two, they take all that information, and then it is extracted and brought back to a single Xactimate estimate. And we have been very successful with that. But as we continue to grow in these large buildings, it just puts more and more pressure on that individual structure. So, we did a few of those during Ian; they are very costly to adjust. When you think of, you know, you have a building valued at \$60 or \$70 million, and you can figure 20% of that value, whatever the loss is going to be, is going to be loss adjusting expenses that we have to pay, you know, to get that done. They become very, very expensive and difficult claims to adjust.

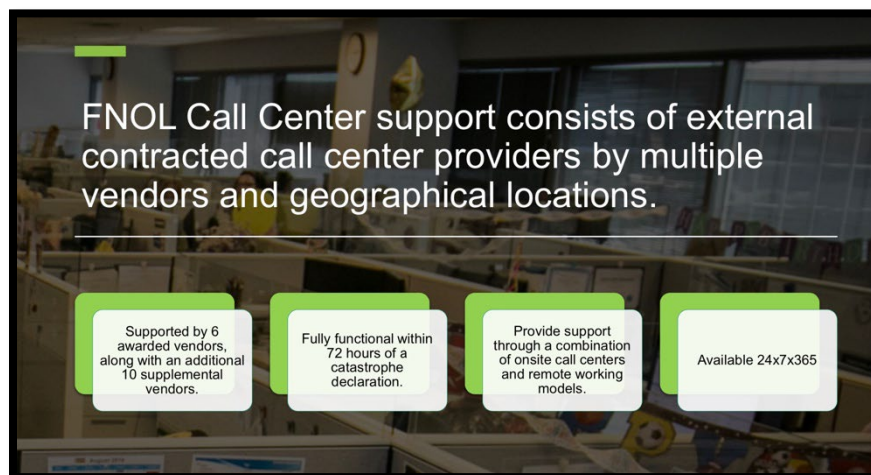
Vice Chair Scott: Let me just underscore the comments earlier that we do a phenomenal job in claims. We see at every Claims Committee meeting we have that it's a process designed to really serve the customers. And one of the things we've discussed, and I know Jay fully believes in, is that the legislative changes we've seen (and hopefully the relief on litigation for us and for the market isn't some excuse to not do that great job. If anything, it puts a burden on us to uphold our end of that deal) ...And I know we generally do our Claims Committee meetings offsite beforehand, but every time we do those, it instills great confidence in me that our Claims Department is set up to service our customers. It's not adversarial. It's to get them what they bought, and you do a great job at that. And I want to take a moment to say thank you.



Jeremy Pope: Alright. Fe record, Jeremy Pope, Vice President of Customer Experience, and I will this morning expound on servicing channels that Jay mentioned previously. Just briefly, high level for the Board to ensure that you are aware that we are ready and we're ready to pivot as well as plans and circumstances change once an event hits the state. So, the next slide,

please. You heard Jay mentioned the Catastrophe Response Centers, and again, these are the mobile offices. They're extremely agile. We partner very closely with the Department of Financial Services on the location and we have the ability to expand a contract the size and the footprint of those response centers as appropriate. There are times where it's not appropriate for us to set up the big infrastructure, if you will. So, we do have the ability to send out smaller units. Sometimes there's a lot of sensitivity, obviously, in the areas that are impacted. And we also want to ensure that our consumers are able to get back to their property before we set it up and don't want to cause any disruption or anything on the roadways and in the local area. But again, we're there. There's a waiting area for customers, we're able to disperse additional living expense checks, file claims on site with adjusters onsite, and also the employee can answer any questions they may have regarding their policies. We have three field service vehicles, and they can house about 60 employees, which can service those vehicles. And again, we can pick up and move as needed, which we have in many of the events over the years. Next slide. The other one, you

heard Jay mentioned the First Notice of Loss Call Centers. So just for awareness purposes, we want to make sure the Board understands that we have six primary vendors today that service those calls 24/7, and we also early last year, came to the Board and added 10 additional contingent vendors. And that's simply because of the size of our PIF. Also, Governor Lydecker, going back to the question, you just asked Jay, just ensuring you know, every vendor says they can do it. And you know, there are times where we find, you know, especially with so much turbulence in labor market resources, you know, aren't there. So, we have a lot of contingencies in place to ensure that we're able to respond to our consumers when they need us. It is real time we make adjustments; we're looking at metrics, I mean, literally, every 15 minutes. And as we start to see, and we have every store and we've seen some bumps along the way, we're able to shift and route volumes to different vendors as needed. If we ever see anybody struggling or if they just don't have the capacity that we need, we typically will give a vendor 72 hours to become set up. We put a lot of forecasts and partner with Jay's team on what those resources look like to make sure that when our consumers do need us and they call, we have the people to answer the calls. We test that technology and the infrastructure and make sure that these vendors have the capacity to handle the volume that comes in. Right now, just to give a perspective, we refresh these conversations weekly with some of these vendors and also definitely monthly with all we have a capacity to service about 50 to 1,000 calls per day. And to help again put that in perspective, with Irma, we peaked at 13,000 calls in one day. And for Ian, most recently, we peaked at a little over 8,000 calls per day. So again, we have that contingency built should we need to at any point. And again, these call centers are available 24/7 when we need them. Next slide please. This just goes over a little bit more detail. Jay discussed the stress testing that we do in the annual testing. On March 31, we had two mock exercises where we set up a full-blown



CRC. In the Jacksonville downtown area, we had law enforcement stop by because they thought something, you know... They didn't know what was going on. We had somebody from the media stop by as well. So, it is a rather large setup. But this gives us a chance, as you guys are aware, because of our PIF... I mean making sure we have

employees over the years has been critical, especially for the work that's tied to transactional volume. So, we have a lot of new employees. These opportunities give us a chance to not just train employees, but put them in a real-life situation, if you will. We have mock policyholders come through with various situations. And again, it's the test-the-technology as well we partner very closely with Kelly's team, making sure all the satellites and infrastructure works from that perspective. And again, if and when we do need to deploy, we're effective. So that was a successful exercise. And also, on May 4 we facilitated an unannounced stress test with one of our primary vendors. We do that every single year. But we also have two additional ones that are planned. We'll go over those dates because, again, these vendors never know

when it's going to happen. And we test everything, you know, making sure they are able to get the resources, their infrastructure, the reporting and so forth. Jay mentioned, you know, the postmortem analysis that occurs, you know, and it does across the organization after every storm season, after every event, we do a look back. What didn't go well? What could we have done better? And what we found in both of these, you know, we look at last year, from the CRC perspective, you know, we rolled out some really cool technology with the help of the customers and if telecommunications are up, customers can receive text messaging to let them know that we're ready to service them. And that's important because there's a lot of activity that goes on, as you can imagine with FEMA and various other agencies onsite. So that way consumers know that, you know, we can get them in as quickly as possible. And again, it's a good communication tool. We have multiple sites. How can we, you know, load balance the staff and move around as needed if we have any staffing challenges or if we need to move people around? So, we are enhancing that reporting this year to give us some more flexibility. And again, so we can be as agile as possible, we are servicing our consumers out in the field, the call center. We also had some branding opportunities. We partner with Christine's team to enhance the the branding that we have out there. I know last year we had the pleasure of Governor Butts and Governor Hasner stopped by live in action; w're out there servicing our policyholders. So, it was nice to have them out there. And actually, Governor Hasner had a great idea about some additional branding. So, we took that to heart and that is something that we are implementing this year. And the invitation is open to any of you guys. I hope we don't have to deploy this year. But if we do, feel free to stop by while we're out there, and we'll be happy to show you around. We'll put you to work, too. But we will show you around May 4, and again, I announced the call center stress testing, you know something that we have an opportunity or what we found an opportunity with last year was additional recording with some of our vendors. Again, I mentioned that we're looking at the reports in real time and we did have some some lag with some of the reporting. So, we don't want to go through that again. So again, that's something we built into our stress tests. And we've clarified with our vendors as far as the expectations, ensuring that we are receiving the value of what we're paying for at the end of the day. Next slide. This is just a recap, if you will, as far as our Hurricane Ian response. We did end up setting up full blown CRC sites and multiple pop-up locations. We serviced over 2,400 policyholders that came through, disbursed over 1,300 checks totaling a little over \$4 million. So, we're really proud; that team did a great job. And again, it's an effort, really everybody across the organization for us to be able to do that. And then our contact centers, we service to almost 112,000 calls for in and again, some of those the managerial oversight. You know, we don't just monitor service level, which is really how long it takes for a customer to speak to us, you know, and on average, it was 13.3 seconds to report a claim for Hurricane Ian. We also measure qualities; all the calls are recorded. And we look at that to ensure if somebody contacts Citizens, they don't know if they're speaking to somebody internally shouldn't matter or somebody externally for using the vendor, they receive a consistent level of service that we expect. Next slide, please. And just to recap, we have 130 employees ready to be deployed this year who are trained; they were part of the mock CAT exercises I discussed earlier. And all of our testing is completed except we do have some additional unannounced testing that we will execute over the next couple of weeks. And again, all of our contracts are in order. All of our contingent contracts are in order. So we feel, as of right now, very confident that we will be able to respond appropriately to our consumers should we need to in the storm season.

Josh Becksmith: Number one[inaudible/laughter]

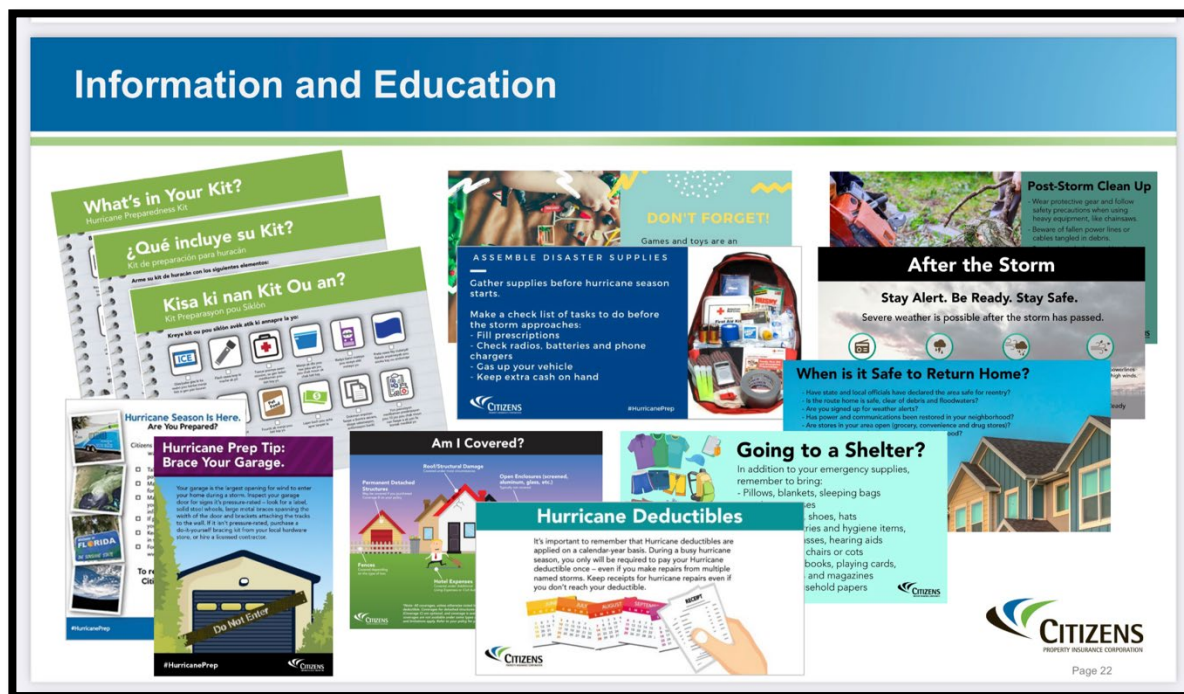
Jeremy Pope: That was a fair mistake to make, though.

Josh Becksmith: Number one, I would like to echo Governor Thomas's comments with Jay and Jeremy and team. I sit on the Claims Committee and you guys have done a fantastic job. And so, kudos to all of you and to the entire team. As AI continues to grow (we're hearing a lot about it and I'm not a technology guide), but I'm wondering is there a place for AI and claims with regards to Citizens and/or any of the other carriers (maybe national carriers) utilizing in some way, shape, or form to where – to Governor Lydecker's point – as as we continue to grow PIF count (God forbid we do have a big storm) is there an opportunity to utilize a little bit more of the AI technology in some way, shape, or form?

Jeremy Pope: Governor Becksmith, that's a great question. So, Jay mentioned the new technology that we're rolling out from its telephony perspective. One of the exciting things about that is it is going to give us the ability to incorporate more AI, if you will, in the future. So, one of the things today, a consumer can file a claim online, and we obviously try to push that as much as possible. But voice spots, for example, with AI through our IVR system, which is the automated system, we will be able to move into that space. So that is something that the team is expecting a discovery exercise for as we speak. And the new technology that we are in the process of implementing over the next couple of months into early next year will give us the foundation to be able to move into that space. And that is something that we're trying to do. And the goal with that would be 100% containment in one of those self-service channels as much as possible. So, yes, that is something that we are looking at. Actually, we have a policyholder engagement focus group for the first time we're rolling that out, we have a lot of customer feedback that we solicit on an ongoing basis. I shared this in the Consumer Services Committee: we're trying to take that next step and try to learn more about consumer behaviors. So next week's topic is digital adoption. And that is one of the things for us to really explore and kind of get into the nitty gritty with approximately 30 policyholders around the state on some of the features and functionalities and also just to learn more about their behavior. So, when we go to roll out some of those advanced technologies, we're putting our best foot forward as an organization.



Christine Ashburn: Good morning. Thank you, Mr. Chairman and members. I think you're getting the feeling that we have a theme here with Citizens is Ready. And that is, you will see our public awareness campaign, anything disaster preparedness, recovery related, consumer outreach and education will say Citizens is Ready. I'm going to knock into some of the things that my team is responsible for in supporting both Jay's and Jeremy's needs are when we are preparing for and responding to a catastrophe. Next slide,



please. Obviously, information education is key. You hear Jeremy talking about AI. And when that changes, the world changes, more digital less paper, a picture is worth 1000 words. So, when Jeremy talks about visual adaptation, it really is critical. And we're key partners with Jeremy on that before, during, and after the storm. And every storm teaches us something different both in our field and in our area. Every storm presents new challenges. Jay, I think with Hurricane Michael, it was the need to quickly adapt and get information because we had a high mobile home population and disaster recovery needs. We put a brochure together, I think, within 24 hours. We had issues with those acting drone vendors in this storm. So, every storm presents a unique challenge. Given, you know, natural disasters, what happens in the Keys is not the same as what happened in the Panhandle (what we saw with the flooding, and it was unlike anything anyone had ever seen) .... And not being able to get to Sanibel for so long, and things like that. So, we play a part in trying to help our customers and agents in support of what's going on with every unique storm. We do also perform storm season monitoring. As many of you are aware, when there is a watch or warning anywhere in the state of Florida, most insurance companies, Citizens included, go under a binding suspension. So, all of those folks that have not been buying insurance are not able to buy insurance out of the blue right as a storm is coming over their home. So, we rotate our team monitor almost around the clock when a watch or warning goes up (you know, they can go up at 5:00 am). And our team actually goes in and suspends binding notifies the organization that we're under a binding suspension as well as our agents so that everyone's aware of what's going on. Now that does not hinder, by the way, the normal course of folks that if you're renewing your policy, we're not going to not renew

your policy just to clarify that. So, we do provide that service for the organization throughout the season. Obviously, response messaging, like I said, everything's different, letting folks know where our CRCS are located. When we move them, we pivot and then put the message back out. Jeremy did mention, you know, great addition, this past season, with the help of Kelly's team, getting a new vendor because the vendor we'd had was really antiquated in technology; text messaging was huge for this event to let folks know where we were and what time we were open. The amount of misinformation that can be out there for folks when they're dealing with a flood claim or on an auto claim, or just confusion because they're overwhelmed and unsure to make sure they know where we are. So, they're not going somewhere wasting their time trying to find us. We also partner with leaders in the areas. This one happened to be, as you all know, the then-Senate President's backyard. We quickly worked with Passidomo, like we did after Hurricane Irma and set up office hours where Jeremy was able to help us, and Jay's team assist us to do what I would call like a pop-up remote, one-day site. So, we could actually have contact in the Naples area as opposed to asking folks to sit in traffic, which is horrendous following a hurricane to try to get to Fort Myers to where we had the larger setup. So that is something we do, by the way, immediately following the storm. As Tim knows, when we were going through his confirmation conversations, we do offer this service outside of the legislative season, whether CAT related or not, we go into district offices and help our legislative partners with any emerging issues, whether it's rates or coverage concerns, or you have Spanish speaking population to bring in and do a one-on-one service for our legislative partners. And we are in fact going back into the Fort Myers area in August partnering with Senator Martens office down in that area.

Tim Cerio: ...as well as other areas in South and Southwest Florida. Got a lot of interest.

Christine Ashburn: Absolutely. And we become much more popular, unfortunately, for these things when we're so big. But that's our job; we're happy to help. Our whole goal is to keep everyone connected to give the team what they need. And like, you know, I said I'm gonna jump through these last slides quickly and we've been spending a lot of time on this. In the last slide, please. You know, just like what Jeremy said, we always do a postmortem on every event every season. We update our division CAT plan like everyone else does, and ask, "What did we learn?" This storm specifically, I think taught all of us, we really did finally see what you see on Twitter all the time. Social media became a huge vehicle, and candidly, in quite a positive way. When you have storm phone lines are down and people are having spotty connectivity, you know, they realize they can direct message us through Facebook. So, we did see a much stronger presence and coverage need from our team, to be able to monitor that really almost 24/7. Facebook was huge in this storm. We even had some people come to us through LinkedIn to make sure that we can get those, and we treat them like any other complaint or request like we do get in with Jeremy's team so that they can get their help and their needs are covered. But that was a huge difference. And so, we're having to augment our resources to make sure we've got folks cross trained, because we can't burn out people 24/7. Just like every other department, we are always learning. And we're always here to help, whatever the needs are. And like I said, every storm presents a new unique opportunity to learn just like everybody else in the organization. We are ready. So, thank you for your time today.

Chair Beruff: Thank you. Mr. Cerio, does this conclude your presentation?



Tim Cerio: It does. If anybody had any questions... I'll just very briefly thank you all for your time. This Board has been very supportive of this team. I want to thank this team because I am blessed with a great executive leadership team, as well as just all our employees at Citizens. I know Violet [Bloom] would want me to mention, you know, we have a tremendously high level of engagement of our employees, higher than industry standards. We have employees who have been with the company for decades. It is just a very responsive team. And I think on the front of CAT responsiveness, I hope you all have the confidence I do. So, thank you.

Chair Beruff: Thank you. Ms. Montero, you're next.

### **3. Chief Financial Officer's Report**

#### Finance and Investment Committee (FIC) Report

Chair Beruff: Chair Knight, since this is your committee, is there anything in particular you want Ms. Montero to touch on?

Erin Knight: Good morning. Yesterday, the FIC met. We reviewed the Risk Transfer Program that was obtained in accordance with approval that the Board had provided at our May 16 meeting. Everything that was procured was within those parameters with the focus on reducing exposure and ultimately risk to the citizens of Florida in the form of assessments. I think that Mr. Cerio provided in his report a high-level overview of what was obtained and also touched on an important point that we did not take away from the private markets and reinsurance. We have a unique financial strength, stability and credit that I think provides for that. We had a market update from Kapil Bhatia of Raymond James, and we reviewed the investment portfolio. Both of those are available on the public link. So, if the Board would like to have any more details, go through the layer charts, we can do that otherwise, they're also available on the link.

Chair Beruff: Ms. Montero, do you have any action items in your presentation today? that have not been dealt with?

Jennifer Montero: I do not, Chairman, I do have an answer to the question you asked after [the] Audit [Committee meeting] yesterday. What is the percentage of claims that get paid within the first 90 days? And that answer is 99.72% are paid in the first 90 days.

Chair Beruff: We need to say that very loudly.

Jennifer Montero: 99.72% of claims are paid within the first 90 days.

Chair Beruff: For those that take and twist the information and say we don't pay claims quickly in the state of Florida, we now know that that is factually inaccurate.

Jennifer Montero: Now, they may come back and dispute it.

Chair Beruff: Well, they could just do that, but we have our way ...

Jennifer Montero: ... the original non-disputed amount gets paid the nine....

Chair Beruff: .... okay. Thank you. Then, I don't think we have anything for you, unless the Board has questions. We'll move on to Ms. Booten.

#### **4. Chief Operating Officer's Report**

##### Actuarial and Underwriting Committee (A&U) Report/ Exposure Reduction Committee Report

Chair Beruff: Thank you. Thank you. And I guess I'm the Chair of that committee, and Mr. Telemaco on the Exposure Reduction Committee. Has Mr. Telemaco been able to join us by phone or not? He is not. Do you have an action item, Ms. Booten?

Kelly Booten: No. All of the action items were in the A&U.

Chair Beruff: Does the Board have any questions of Ms. Booten in her presentation? Then we'll move on to the next person. Thank you so much, Ms. Booten.

#### **5. Chief Claims Officer's Report**

##### Claims Committee Report

Chair Beruff: Mr. Adams. Does the Board have any questions for Mr. Adams in his section? Well, thank you very much. Then, we'll move on to Ms. Ashburn.

#### **6. Chief Communications, Legislative, and External Affairs Report**

##### Consumer Services Committee Report

Chair Beruff: I do want to take a moment and say that I think you guys are doing a great messaging job. I think it's come in the three years, almost three years. I'm not quite here for three years. Yeah, I see that you guys are beginning to market this thing a little prettier, and pretty sells. So, thank you for that. And thank you for the efforts through the legislation period, and your coordination with the Governor's Office and others to accomplish the huge tort reform that the state severely needed for a long, long time, and finally got done.

Christine Ashburn: Thank you, Mr. Chairman. On that note, all of you, this Board has been phenomenally supportive of our efforts with legislative change. And I know each of you have made calls and connected

with your appointing offices in support of our legislative agenda and the overall need for reform. I really do appreciate that. It really does speak to the support that you all have given us to get the job done. Hopefully, we can go through and not have any more special sessions this year on insurance at least. So, it was a busy year last year.

Chair Beruff: I would like to call our chair of this committee, Governor Hasner, if she has any input. And I want to make sure if you have any comments, Governor Hasner, that you have the floor.

Jillian Hasner: Thanks, Mr. Chairman. No, other than I just want to weigh in, like everyone else, and commend this team. It's just been a privilege to work with Jeremy and Christine and everyone really, to see the hard work that everyone's doing. And I will let Christine know, she's got a legislative briefing to give and let her continue on. Thank you.

### Legislative Session Report

Chair Beruff: I think most of the Board is pretty significantly aware of the legislative changes we have accommodated, so if you'd like to get the Cliff Notes versions, we'd appreciate it.

Christine Ashburn: Yes, absolutely. So, I think Tim highlighted some of them in his President's Report. Some of the bigger accomplishments, I think what I would call this session was for Citizens (other than working on the larger tort reform) was really kind of cleaned up from the special session. And of course, there were some leftover issues that we had commitments to be on the table for regular session. And thanks to Senator Boyd, Senator Martin, and Representative Griffiths and others, and of course, our state leaders, we were able to accomplish what we had on the table. Notably, the two policy pieces were codification of Division of Administrative Hearings (DOaH), as Tim mentioned, some cleanup around the flood program and making sure that the legislature passed that we don't have condo unit owners on 50th floor buying flood insurance. And then, of course, making sure folks are not getting a rate discount when their carrier goes under, which will go into effect later this year. So if there are not any specific questions, Mr. Chair, as you all have said, we are all in close contact. I'm happy to conclude my report unless there's a specific question.

Chair Beruff: Any questions for Christine?

JoAnne Leznoff: It's really not for Christine; it's for the process. I recognize, of course, that a quasi-agency would have an agenda that has to be nimble with respect to conditions that go on out there. But what I don't know is when or how that agenda is developed and brought before the Board, whether that agenda is discussed, approved and what that process is, and whether, you know, that's anything up for discussion consideration?

Chair Beruff: I think I can have a couple of thoughts on that, Governor. We started coming up with an agenda last summer. And then we collectively with the staff was able to put together a case – simplified form – to address the legislature with “here's the problem, here's the solution. And these are the things

that have to be changed.” So, that process was signed off on an individual basis because, at the end of the day, it had to move forward through.... Well, you know, because you lived in that world better than I but the legislative changes were all things that had been discussed with the Board. As you know with legislation, what you want and what we can decide in one sentence over a cup of coffee has been multiple effects in the statutes in different buckets.

JoAnne Leznoff: Sure.

Chair Beruff: And that's what we were trying to present ... a simplified form. So that, especially as a new legislator who just recently get elected who may not understand the legislative process, we would say, “Here's the problem. But this is the 16 pages that have to be changed in order to fix this problem.” Is that a pretty good synopsis?

Christine Ashburn: That's accurate I think what we have done, Governor Leznoff, especially under this Board is, you know, you don't want it (to your point), tie our hands because things get compromised. Throughout session I have updated the Board, as we have those items. When we're asked what the solutions are in my reports, there's not ever been a formal vote, tying our hands as it relates to it. We have to be nimble to your point. But we absolutely have been very forthcoming and transparent on that. And I would imagine if there was ever disagreement amongst this Board on any of those items that we are putting forward, that there would be no doubt an opportunity for any Board member to raise those when I give my updates going into session when we have legislative idea, but to your point, obviously ahead of time. So, reporting on those ahead of time, without giving away, you know ... if we've got some top-secret thing where we don't want to tell our enemies what we're up to... But big picture stuff, when we're talking about legislative reforms for fixing the market or shrinking Citizens, we're very transparent on the concepts that could make a difference in front of this Board and also in our legislative presentations.

JoAnne Leznoff: Right. And perhaps it's something I've missed. But I'm more talking about the development of those things because, as a Board member, I think that when the legislature hears about things that we may be proposing or responding to, they are of the opinion that those are Board approved items. And so, I was wondering whether we can take some time at some point to consider a process that is a little more formalized with respect to the development of that agenda and bring it to the Board. I think the impression is that these are fully Board approved items. And if they're ....

Chair Beruff: ... I understand where you're headed but let me give you a “for instance” ....

JoAnne Leznoff: .... we don't want to get into specifics of what a bill should look like or what these items are, but general directions and general concepts or policies that we would support, or not support ....

Chair Beruff: .... right. And for this Board member who happens to be the least experienced insurance guy on this Board, I'm sure some of this stuff evolved as presentations would be made. And I would ask Mr. Gilway, for example, questions about things and come to the realization that in one particular item that we've got legislative relief on was we would be taking over these failed carriers. And we would be taking over a customer who was paying \$4,000 a year for a policy voluntarily happy, but they went out of

business, and we have to take them over. And our matrix says we charge \$2,200 bucks. I said, "That's crazy." Because I'm just sort of a commonsense kind of person. And then that took legislative change in order to accomplish something.... That to me was, as you know, as simple as waking up in the morning. So, some of this evolved as things came up, and we decided before you joined the Board. Okay, we realized this is just flawed. It is a flawed way to run a business. So, we build some of these things over a period of time. Some of them were the tort reform, one-way attorney's fees, and those things were existent way before any of us on this Board or the previous Board members. But some of the things have evolved over the last couple of years that were just foolish. One of the things we did with the help of Mr. Donovan was we immediately took a different way of looking at storm events. Okay, you remember that in December 2021, I think or 2020? I don't remember where we said, "No, no, no. We're going to use the most aggressive storm events to do our calculations for rate increases." That changed the dynamics of that rate increase from 3.7%, which was what we were going to recommend. I think we ended up at 7.2% or something capital. Do you remember that? The rate...the one where we pulled the rate increase back in December of that year and then we extended it and had to go back to a year with a whole different thing. We ended up getting significantly more, like almost double what we were originally going to recommend, which had a significant impact on revenue. So, to your point, I think you were absolutely we should. If we're going to do that, we probably should have that discussion in the next September meeting because it's an early legislative season this year, right? It's in January, right. We need committees to start when? Yeah. So, I'm all for that if the staff wants to start preparing some fine tuning. We need to discuss legislation at the September meeting on a more formal basis. And then you can add to any other pet peeve that we find that are just, I mean, my pet peeve was the stupidity of that one, one policy. Mr. Cerio?

Tim Cerio: Mr. Chairman, I think you said we can present a legislative agenda at a very high level, but with appropriate detail. And then as issues come up, the onus will be on Christine and her shop and myself to make sure you are apprised as we've had, you know, and pivot as needed.

Chair Beruff: Right. Thank you.

JoAnne Leznoff: Thank you.

Chair Beruff: That answer your question?

JoAnne Leznoff: Yes, sir. And thank you. I appreciate your accommodation.

Chair Beruff: Absolutely. Do you have any action items? Thank you. We'll move on to Mr. Martins.

## **7. Chief of Internal Audit Report**

### Audit Committee Report

Chair Beruff: Do you have an action item, or is there a fire burning in any of your audits that we need to know about? If the governors have a question, of course, please ask them. Otherwise, we'll move on to the next topic, which is more complicated because there's a big sticker item.

## **8. General Counsel and Legal Officer Officer's Report**

### Action Item F: Recommended Order of Administrative Law Judge and Exceptions

Chair Beruff: Congratulations on your post.

Ken Tinkham: Thank you so much. Thank you, Mr. Chair. Thank you so much, Board members. So, if you turn to tab eight in your Board books, you'll see there is an executive summary of this. I'm gonna tee it up here though, and just give you a little bit of background. So today, we're here on the recommended order that came back from the Division of Administrative Hearings and the procurement protests Bolt Solutions vs. Citizens. Applied Systems was also an intervener. In pursuant to our statute 627.351 (6)(e)(3), following the entry of a recommended order by DOA, the Board has to sit as the agency head and consider the recommended order and take final agency action or take final action on it. So that is what we're here to do today. I believe everybody has been provided copies of the recommended order. The exception responses are there, too. Because you're being asked to sit in your capacity as agency head and in hearing this matter that came from DOAH (where we were a party) we have retained independent counsel to advise you and present who is or who has reviewed the record (as well as all of the materials related there, too) and who will be here to advise and present his recommendation to you. We've retained the law firm The Radey Law Firm, and Christopher Lunny is here today. And I'm gonna go ahead and turn it over to him at this point.

Christopher Lunny: Thank you, Board of Governors, Chairman. Thank you. My name is Christopher Lunny with The Radey Law Firm. And as Ken Tinkham indicated, we've served as independent counsel for the Board. You should have in your packet the recommended order, the exceptions, and the response. I want to tell you that in this particular instance, we're applying the Citizens Rule 4-24, which is very similar in the administrative context to most agencies. But the role here of the Board has a limited role to review the findings and the exceptions that have been supplied by the Hearing Officer, the party Bolts, and the response from Citizens and Applied. It's not really for the Board to make supplemental findings of fact in this. The record is essentially set. The Board can overturn conclusions of law, under the Rule, if the Board decides that a conclusion of law is more reasonable than what the Administrative Law Judge found. And with respect to findings of fact, the court, this Board, I'm sorry .... has the ability to overturn a finding of fact, if it's not based on competent, substantial evidence. In that regard, there can be competent substantial evidence of something else. But if the Hearing Officer's finding is based on competent substantial evidence, which we refer to see as E, in the record to support the finding, then the Board is obligated to adopt that finding. As you know, I prepared a draft order yesterday, I distributed it individually to the Board members. I also supplied it to Counsel in the case. Upon review of that this morning, I noticed on pages six and 17 are referred to Bolt when I intended to do refer to Applied; so, with those two corrections, which I'm sure most of you have already found, that essentially stands is what I believe is a review of the record and a consideration of the exceptions and the response. I would say in particular that I looked at paragraph 52, of the recommended order, where Bolt had indicated that the Hearing Officer had made a mistake in finding that eight vendors had progressed, when in fact, there were six. And when I look at the nonconfidential portion of the record on page 952, there's very clear testimony to that fact that six proceeded to be found as as responsive and responsible and not eight. And that is essentially a finding that I would suggest that the Board modify. But otherwise, I think, you know, Hearing Officer and Independent Hearing Officer have a tremendous burden and going through records and hearing evidence over four days of testimony and sorting through things. As the Board is aware, there's confidential material on this record and non-confidential material. And we have had discussions and an agreement between the parties below that Bolt would be able to discuss their exceptions for five minutes. And Citizens and/or Applied would sort of divide their time and discuss their response within five minutes. I'm going to remind the Board and Counsel that, you know, this isn't a chance to create new facts. The case is set; the record is set. But if the parties want to sort of outline their position, because I know there's a bulk of paper, and perhaps you have a question about something that's in the response or whatnot, then that

should be an opportunity to do so. So, unless the Chair has any specific questions for me, I would start to have the parties come up and make their presentation to the Board.

Chair Beruff: Anybody have any questions? Or shall we have parties to make the presentation? Let's have the parties make the presentation. Thank you. Okay. Who goes first?

Christopher Lunny: I'll take that as a question to me to kind of moderate, but I would suspect it's the protester who has a chance to speak first.

Kevin Reck: Thank you. And that's me. I am Kevin Reck. I'm an attorney at Foley and Lardner, and I represent both solutions, the protester here. I'll be brief in my comments. I know that you have the materials, including the exceptions, and by and large, I will rely on the written exceptions in your record. But there are really three broad categories that, in my mind, at least make up the basis for the exceptions. And the first is what we deemed to be the failure of the proceeding to comply with the essential requirements of law. The second in this is a broad category relates to factual findings, which we assert are not supported by competent or substantial evidence in the record before you; and then third, conclusions of law that were reached by the Administrative Law Judge that Citizens has such substantive jurisdiction over that were erroneous. I'll start with regard to what I identified as the big first item and that is the failure to comply with the essential requirements of law that we believe denied Bolts to fundamentally fair hearing and ultimately due process that is based on several decisions that the Administrative Law Judge made throughout the evidentiary proceeding. Again, broad categories... the details are in the exceptions, but the failure to allow the use of what we would call leading questions... so questions when you interrogate an adverse witness. And what I mean by that is witnesses at Citizens... they obviously have a vested interest. The standard for that is to allow the use of those leading questions which were denied in regard to direct questions asked of those witnesses. The second, again, broad category, the failure to admit deposition transcripts, submitted by Bolt and depositions of Citizens employees. The third, the failure to admit a document or even to allow the proffer of that document to create a record for this Board and ultimately any reviewing court to review. And the fourth issue is the failure to reopen the proceedings to allow the presentation of evidence that was submitted to Bolt responsive to requests prehearing, that were not provided to Bolt after the hearing that were, I think, by all accounts relevant. Those are the four broad categories. And when taken together, we believe that those issues created a fundamentally unfair proceeding constituted from the the essential requirements of well settled law on each of those issues. And I want to make the point that we're not really quibbling with what I would at least characterize as evidentiary conclusions of law, issues for which the Board doesn't have, or Citizens does not have substantive jurisdiction. Rather, what you heard is that you're proceeding under Section 424 of Citizens, procurement procedures which allow for, and we believe the Board should reject the factual findings of the Administrative Law Judge because of the departure from the essential requirements block. That is the standard set forth in that section of the protest procedures. With regard to the second broad category, the factual findings of the Administrative Law Judge, there are a number of them that we've taken issue with. I will talk to you now simply about paragraph 52, which was referenced just a moment ago. I agree that the factual finding is incorrect with regard to the number of vendors that preceded, but I take further issue with the findings there. The finding went on to conclude that, excuse me, vendors that were advanced to the evaluation stage of the of the procurement, that Citizens had determined them to be both responsive and responsible prior to submission for evaluation. We believe that that factual finding is not supported by any evidence in the record, and rather is contradicted by it. And that's a significant factual finding that should be addressed and rejected by the Board. The final broad category I wanted to talk about are the conclusions of law, again, a number of them that we have taken issue with, I'll focus my



attention to paragraphs 215 through 222 of the recommended order, which you should have in your packet.

Christopher Lunny: And Kevin, I'll ask you to speed it up as your five minutes are up.

Kevin Reck: The point there is simply that those are the findings of the responsive notice, and we take issue with the winning bidder applied being deemed responsive. They were not responsive, and it violates the governing statute 280.70571, which only allows for venders who are responsive to proceed to negotiations. They proceeded to negotiations prior to any responsiveness determination, which violates the statute. That should be overturned. Otherwise, I rely on exceptions.

Chair Beruff: Thank you. Great.

Vice Chair Thomas: Chairman?

Chair Beruff: Yes, of course. Governor Thomas, I was going to defer to you.

Vice Chair Thomas: Mr Reck, with specific reference to finding fact 52. I think from looking at the record, it's pretty clear that simply was a was a mistake – six, not eight that were responsive and responsible. If you take that in isolation, and that binding the fact is change two to six. Do you agree that doesn't have in and of itself a material effect on the outcome of the order here?

Kevin Reck: I'm sorry, changing eight to seven? Yes.

Vice Chair Thomas: Yes. I mean, I appreciate the argument about whether or not Applied was responsive on based planning, financial matters. But if that changed, the 52 would not be a basis for any other change or in the recommended order. They'd be correct.

Kevin Reck: I believe that's correct.

Vice Chair Thomas: Thank you.

Chair Beruff: Thank you, Governor Thomas. Anyone else have a question before we go to the other side? Ms. Walker?

Barbara Walker: I would like for the record, sir, I'd like for you to know that Governor Telemaco is on the line.

Chair Beruff: Great. Thank you. Welcome. So go ahead with your presentation, please. Okay.

Ty Jackson: ..... on behalf of Citizens Property Insurance Corporation, represented the entity and the proceeding before the Administrative Law Judge.

Chair Beruff: Let me let me start by saying, "Do we have the same five-minute limitation?"

Christopher Lunny: Correct. You can make it five minutes, or you can allocate whatever time is derived.

Chair Beruff: So yeah, at least five. Let's start with five minutes and you got a clock. Please raise your hand.

Christopher Lunny: I've started, thanks.

Ty Jackson: The recommended order before you is the culmination of a process that began roughly 16 months ago with the issuance of the Invitation to Negotiate (ITN). The procedure review today has been thorough, fair, reasonable, and consistent with the governing law, statutes rules, and the ITN. The recommended order before you is the result of the Administrative Law Judge, the independent Administrative Law Judge's review and consideration of the testimony of 18 witnesses, thousands of pages out of hundreds of exhibits, more than 50 hours of recorded meetings that Citizens held during the procurement process. It is a voluminous record. She received 50-page proposed orders from each of the parties. She issued her own recommended order. When you read that recommended order, unlike some Administrative Law Judge recommended orders, she didn't simply take the recommended order of either party. She wrote her own recommended order, which I was very appreciative of, with the exception of the correction to finding of fact 52, as your Independent Counsel Mr. Lunny has advised and proposed in the final order, which we agree with. The findings are supported by competent substantial evidence in this voluminous record; the conclusions of law are reasonable. And we believe that the recommended order should be adopted. Our specific responses to the exceptions are in the written response to the exceptions. I won't belabor those points here. I will at this time, if you have any questions about any of them specifically, be happy to answer those.

Chair Beruff: Less is better as far as I'm concerned.

Christopher Lunny: Having not heard any, I would urge you to adopt the proposed final order which essentially adopts the recommended order, with the exception of that direction of finding in fact 52 which ultimately would dismiss both protests and affirm the award to Applied Systems. I'll turn over the remainder of our five minutes to Ms. Walker.

Karen Walker: Thank you. Good morning, Mr. Chair and members of the Board of Governors. I'm Karen Walker, with the law firm Holland & Knight, and I represent Applied Systems Inc, the intended contract awardee for Citizens Offered Rater in this proceeding. As Mr. Jackson pointed out, this was a very thorough procurement process. There was also an incredible amount of process given to Bolt in the bid protest proceeding. One thing that hasn't been mentioned is that Bolt has the burden of proof in this proceeding; it is a high burden under the applicable statutes and rules. Bolt has to show Citizens intended contract award of Citizens Offered Rater to Applied violates the statutory provisions, the rules or policies, or the provisions of the invitation to negotiate. It also has to show that that decision was clearly erroneous, contrary to competition, arbitrary, or capricious. It has not been able to make that showing after four days of hearing all of the witnesses and all of the exhibits that Mr. Jackson mentioned. There was another part of Citizens intended award or the intended decision here...or that is made a decision to reject the offers for the FMAT and the additional certified Rater components of the invitation negotiate. The burden of proof is even higher for a rejection of all bids. Bolt's burden of proof is to show that Citizens intended action was illegal, arbitrary, dishonest, or fraudulent. It has not been able to make either of those showings. The Administrative Law Judge conducted a fair, thorough process. And as Citizens Council has asked... Applied asked you to adopt the recommended order with the one correction to paragraph 52.

Chair Beruff: Five minutes are up. Thank you. Does that conclude the presentation?

Karen Walker: It does, Mr. Chairman.

Chair Beruff: Do any members have questions of the panel?

Charlie Lydecker: I just have a comment. As I'm listening, I think my company.... Applied, and I think BOLT are vendors to my company Foundation Risk Partners. And I want to state that for the record. A B. I don't know if that means I have to recuse myself.

Chair Beruff: Well, I'd rather ask our counsel to make that decision, don't you think, Governor Lydecker?

Charlie Lydecker: Yes.

Ken Tinkham: So, your company has a contract with Applied?

Charlie Lydecker: I know it has a contract with Applied. I think it has a contract with Bolt. We have 154 locations nationwide. So, I don't know. I know for certain we have a contract with Applied.

Ken Tinkham: Under the rules, you can't engage, or you can't vote on something that . . .[inaudible] Okay, thank you. So, Governor Lydecker, as I understand, the law provides that you're not supposed to do business with your own entity to the effect that, you know, basically you're standing and voting on a contract on your own entity. But that is not the case here. So, this is a contract that your entity has with one of the vendors or one of the potential vendors, and/or both, and potentially both. Secondly, to my knowledge, based on what you're telling me, I don't hear this as causing any/creating any unique or independent private interest, private gain or loss. So, in that regard, I don't see this as causing a conflict for you to vote. That said, I do believe you have the right if you choose to abstain from voting on this. But I do not see this at the offset as being a conflict of interest.

Charlie Lydecker: So, well, if you're giving me a choice, and one of the choices is to abstain (and therefore, ensure that I've not entered into a conflicted situation), then I would obviously go with the safer of the choices wishes to abstain. I'm surprised though that part of your advice wasn't that I had an obligation to vote. Once you preface the facts, as you did in your opening comments, which is that there's no financial gain (and there's no, it's not). It's not my company that's in this involved in this dispute. And I accept your advice. And I don't mind abstaining. But I just make that comment.

Chair Beruff: Any further comments or questions from the governing Board? So, Governor Lydecker, are you going to be involved in the vote?

Charlie Lydecker: I'll abstain.

Chair Beruff: Okay. That's what I'd do. You and I are in agreement. So, the Board will entertain a motion to adopt the action as modified by our counsel. Is that what we're looking for in a motion?

Christopher Lunny: Well, if the Board believes that the draft that we prepared subject to the corrections on page six and 17 reflects the Board's independent decision or view of the matter, then yes, but you're free to change it however you wish.

Chair Beruff: So, the Board is open to a motion.

Vice Chair Thomas: I think the [inaudible] group here would be that I would move that way and ....

Vice Chair Thomas: Just as a preliminary like I said, low hanging fruit. I would move that we modify the findings of fact [unintelligible] number 52 to reflect that six, not eight, were found to be responsive and responsible. And so taking, if we have that motion, we can take that issue, which I think is not disputed, generally off the table.

Chair Beruff: So, you're making a motion to do that?

Vice Chair Thomas: Just that one item. Then we can address the rest.

Chair Beruff: Do you have a comment?

JoAnne Leznoff: I think in my reading of the recommended final order, that that is encompassed in that final order, as it addresses an exception here in and I believe it's in your section H, that you note that you would accept that exception. So, I think that is contained.

Chair Beruff: I think Governor Thomas agrees with that, but he wants to adopt it as a motion before we go to the next step. I think.

JoAnne Leznoff: Oh, I see.

Vice Chair Thomas: My motion was not in any way, shape, or form it to be preclusive of the idea that the recommended order may be our ultimate recommended order. We just seem to be in a matter of cleanup here; we can get that off the table. And if there's any discussion about the other issues raised, we can have that before we decide on the recommended order.

Chair Beruff: Is there a second to Governor Thomas's cleanup item? Do we have that?

**A motion was made and seconded to modify paragraph 52 of the recommended order to say there were six vendors progressed rather than eight. All were in favor. Motion carries. Form 8A added for Governor Lydecker to abstain from the vote. (Attached)**

Chair Beruff: The Board's voted to partially accept an exception that the parties are in agreement on with respect to the number of vendors who advance are responsible.

Vice Chair Thomas: I don't know if you want a motion or comment at this point, but I appreciate the presentations. I appreciate the written presentations and the length of the record. I do think our standard here is pretty constrained. I think we have to accept the conclusions of law other than those that fall within our substantive jurisdiction. I don't believe that the individual disagreements over evidentiary rulings made during the course of the hearing can be or do amalgamate to some denial of due process. Those might be discretionary legal calls the presiding officer makes, and I don't think we're equipped to second guess that at least from the record. And then beyond that, I think the remaining findings of fact, in my view, is, as Mr. Lunny said, we're not here to reweigh evidence or to draw from competing evidence, a different conclusion. The question is whether or not there is any potential evidence in the record to support those findings. And I think particularly, I think, a big issue with respect to the timing of the financial disclosure, I think both that in my view of it, that's supported by the record, competent, substantial

evidence and the conclusion of law drawn by the terms of the materiality or whether there was any prejudice from that. And so, I'm comfortable having reviewed the record with the submissions ...with the proposed order that has been circulated, I think that certainly reflects my decision, my view of the proper outcome of this matter. And if the Chair wants motion, I make a motion to adopt the proposed order as the final order of this Board sitting in a chair as agency head in this matter.

Chair Beruff: Right. Thank you. Is there a second?

**The motion to adopt the proposed order as the final order of this Board sitting as agency head in the Recommended Order of Administrative Law Judge June C. McKinney and take final action on the Protest; and to Authorize staff to take any appropriate or necessary action consistent with this Action Item. Charlie Lydecker abstained from the vote. Remaining Board members approved the motion. Motion carries.**

## **9. Chief Human Resources Officer's Report**

Action Item: Reaffirmation of the process for Approval of Increases Required by Section 627.351(6)(ii), FL Statutes

ChairBeruff: You got item G and H is that correct?

Violet Bloom: Yes. Action Items. Good morning. For the record Violet Bloom, Chief Human Resources Officer. There are two items behind tab nine. The first item will not be presented today. It is not listed on our external portal for the public. We made the decision to defer and work more closely with legal counsel and come back with another recommendation at a later date.

Action Item: Retirement Plan Amendment

Violet Bloom: The second item is related to our retirement plan. And the Retirement Committee met, and the recommendations brought forward today are based on their review in collaboration with our retirement plan administrator and our financial advisor. And that is that we would like to make several amendments to our retirement plan. As to adopt five optional provisions that are allowed by the Setting Every Community Up for Retirement Enhancement (SECURE) Act that went into law December of 2019. The amendments will enhance the retirement plan, but they have no additional cost to Citizens. And they do not change our contract with Empower, our retirement administrator.

Chair Beruff: Let's stop right there. Does the Board have any issues or questions on this matter?

**A motion was made to adopt and approve the five recommended 401(a), 401(k) and 457(b) Retirement Plan amendments as outlined in this Action Item and to authorize staff to take any appropriate or necessary action consistent with this Action Item.**

Chair Beruff: It's just everybody understands its statutory requirements that we're reading and changing our retirement plan accordingly. And it doesn't cost Citizens any money.

Violet Bloom: Correct. These are optional amendments, and all of the required amendments will be automatically made.

Chair Beruff: Right. But these are optional amendments, but they still don't cost the Citizens insurance additional.

Violet Bloom: They are enhancements that will benefit our employees.

Chair Beruff: So, we have a motion.

**The above said motion was seconded. All were in favor. Motion carries.**

Violet Bloom: Thank you so much.

Chair Beruff: Thank you.

### **New Business**

Chair Beruff: Okay. Ms. Walker, what have I missed on this particular agenda.

Barbara Walker: Chairman, I think we're in very good shape. I would like to remind you of FMAP that needs to convene.

Chair Beruff: For once I've remembered that one. So, I think we're going to adjourn this meeting.

Ken Tinkham: Just to put finality on the vote that you just took on the recommended order. Mr. Lunny has the final order, and we have a signature page on it. It's going to have your signature on it.

Chair Beruff: No worries.

[meeting adjourned]

# FORM 8A MEMORANDUM OF VOTING CONFLICT FOR STATE OFFICERS

LAST NAME—FIRST NAME—MIDDLE NAME Lydecker, Charles		NAME OF BOARD, COUNCIL, COMMISSION, AUTHORITY, OR COMMITTEE Citizens Property Insurance Board of Governors
MAILING ADDRESS 1540 Cornerstone Blvd., Suite 230		NAME OF STATE AGENCY
CITY Daytona Beach	COUNTY Volusia	MY POSITION IS: <input type="checkbox"/> ELECTIVE <input checked="" type="checkbox"/> APPOINTIVE
DATE ON WHICH VOTE OCCURRED July 12, 2023		

## WHO MUST FILE FORM 8A

This form is for use by any person serving at the State level of government on an appointed or elected board, council, commission, authority, committee, or as a member of the Legislature. It applies to members of advisory and non-advisory bodies who are presented with a voting conflict of interest under Section 112.3143, Florida Statutes.

Your responsibilities under the law when faced with voting on a measure in which you have a conflict of interest will vary greatly depending on whether you hold an elective or appointive position. For this reason, please pay close attention to the instructions on this form before completing and filing the form.

## INSTRUCTIONS FOR COMPLIANCE WITH SECTION 112.3143, FLORIDA STATUTES

### ELECTED OFFICERS:

As a person holding elective state office, you may not vote on a matter that you know would inure to your special private gain or loss. However, you may vote on other matters, including measures that would inure to the special private gain or loss of a principal by whom you are retained (including the parent or subsidiary or sibling organization of a principal by which you are retained); to the special private gain or loss of a relative; or to the special private gain or loss of a business associate. If you vote on such a measure or if you abstain from voting on a measure that would affect you, you must make every reasonable effort to disclose the nature of your interest as a public record in a memorandum filed with the person responsible for recording the minutes of the meeting, who shall incorporate the memorandum in the minutes. If it is not possible for you to file a memorandum before the vote, the memorandum must be filed with the person responsible for recording the minutes of the meeting no later than 15 days after the vote.

For purposes of this law, a "relative" includes only your father, mother, son, daughter, husband, wife, brother, sister, father-in-law, mother-in-law, son-in-law, and daughter-in-law. A "business associate" means any person or entity engaged in or carrying on a business enterprise with you as a partner, joint venturer, coowner of property, or corporate shareholder (where the shares of the corporation are not listed on any national or regional stock exchange).

A member of the Legislature may satisfy the disclosure requirements of this section by filing a disclosure form created pursuant to the rules of the member's respective house if the member discloses the information required by this subsection, or by use of Form 8A.

\* \* \* \* \*

### APPOINTED OFFICERS:

As a person holding appointive state office, you are subject to the abstention and disclosure requirements stated above for Elected Officers. You also must disclose the nature of the conflict before voting or before making any attempt to influence the decision by oral or written communication, whether made by you or at your direction.

For purposes of this law, a "relative" includes only your father, mother, son, daughter, husband, wife, brother, sister, father-in-law, mother-in-law, son-in-law, and daughter-in-law. A "business associate" means any person or entity engaged in or carrying on a business enterprise with you as a partner, joint venturer, coowner of property, or corporate shareholder (where the shares of the corporation are not listed on any national or regional stock exchange).

### IF YOU INTEND TO MAKE ANY ATTEMPT TO INFLUENCE THE DECISION PRIOR TO THE MEETING AT WHICH THE VOTE WILL BE TAKEN:

- You must complete and file this form (before making any attempt to influence the decision) with the person responsible for recording the minutes of the meeting, who will incorporate the form in the minutes.
- A copy of the form must be provided immediately to the other members of the agency.
- The form must be read publicly at the next meeting after the form is filed.

### IF YOU MAKE NO ATTEMPT TO INFLUENCE THE DECISION EXCEPT BY DISCUSSION OR VOTE AT THE MEETING:

- You must disclose orally the nature of your conflict in the measure before participating.
- You must complete the form and file it within 15 days after the vote occurs with the person responsible for recording the minutes of the meeting, who must incorporate the form in the minutes. A copy of the form must be provided immediately to the other members of the agency, and the form must be read publicly at the next meeting after the form is filed.



## DISCLOSURE OF STATE OFFICER'S INTEREST

I, Charles Lydecker, hereby disclose that on July 12, 20 23 :

(a) A measure came or will come before my agency which (check one or more)

- ☐ inured to my special private gain or loss;  
☐ inured to the special gain or loss of my business associate, \_\_\_\_\_ ;  
☐ inured to the special gain or loss of my relative, \_\_\_\_\_ ;  
☐ inured to the special gain or loss of \_\_\_\_\_, by  
whom I am retained; or  
☐ inured to the special gain or loss of \_\_\_\_\_, which  
is the parent, subsidiary, or sibling organization of a principal which has retained me.

(b) The measure before my agency and the nature of my conflicting interest in the measure is as follows:

Charlie Lydecker: I just have a comment. As I'm listening, I think my company.... Applied, and I think BOLT are vendors to my company Foundation Risk Partners. And I want to state that for the record. A B. I don't know if that means I have to recuse myself.

Chair Beruff: Well, I'd rather ask our counsel to make that decision, don't you think, Governor Lydecker?

Charlie Lydecker: Yes.

Ken Tinkham: So, your company has a contract with Applied?

Charlie Lydecker: I know it has a contract with Applied. I think it has a contract with Bolt. We have 154 locations nationwide. So, I don't know. I know for certain we have a contract with Applied.

Ken Tinkham: Under the rules, you can't engage, or you can't vote on something that . . . [inaudible]

Okay, thank you. So, Governor Lydecker, as I understand, the law provides that you're not supposed to do business with your own entity to the effect that, you know, basically you're standing and voting on a contract on your own entity. But that is not the case here. So, this is a contract that your entity has with one of the vendors or one of the potential vendors, and/or both, and potentially both. Secondly, to my knowledge, based on what you're telling me, I don't hear this as causing any/creating any unique or independent private interest, private gain or loss. So, in that regard, I don't see this as causing a conflict for you to vote. That said, I do believe you have the right if you choose to abstain from voting on this. But I do not see this at the offset as being a conflict of interest.

Charlie Lydecker: So, well, if you're giving me a choice, and one of the choices is to abstain (and therefore, ensure that I've not entered into a conflicted situation), then I would obviously go with the safer of the choices wishes to abstain. I'm surprised though that part of your advice wasn't that I had an obligation to vote. Once you preface the facts, as you did in your opening comments, which is that there's no financial gain (and there's no, it's not). It's not my company that's in this involved in this dispute. And I accept your advice. And I don't mind abstaining. But I just make that comment.

Chair Beruff: Any further comments or questions from the governing Board? So, Governor Lydecker, are you going to be involved in the vote?

Charlie Lydecker: I'll abstain.

If disclosure of specific information would violate confidentiality or privilege pursuant to law or rules governing attorneys, a public officer, who is also an attorney, may comply with the disclosure requirements of this section by disclosing the nature of the interest in such a way as to provide the public with notice of the conflict.

July 12, 2023

Date Filed



Signature

NOTICE: UNDER PROVISIONS OF FLORIDA STATUTES §112.317, A FAILURE TO MAKE ANY REQUIRED DISCLOSURE CONSTITUTES GROUNDS FOR AND MAY BE PUNISHED BY ONE OR MORE OF THE FOLLOWING: IMPEACHMENT, REMOVAL OR SUSPENSION FROM OFFICE OR EMPLOYMENT, DEMOTION, REDUCTION IN SALARY, REPRIMAND, OR A CIVIL PENALTY NOT TO EXCEED \$10,000.