

Claims Committee Meeting Minutes

ACTION ITEM

New Contract

Contract Amendment

Other Committee Minutes

CONSENT ITEM

Contract Amendment

Existing Contract Extension

Existing Contract Additional Spend

Previous Board Approval _____

Other _____

Action Items: Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

Move forward as Consent: This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

Consent Items: Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

Item Description	Claims Committee Meeting Minutes September 12, 2023
Purpose/Scope	Review of the September 12, 2023 Claims Committee Meeting Minutes to provide opportunity for corrections and historical accuracy.
Contract ID	N/A
Budgeted Item	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No – N/A
Procurement Method	N/A
Contract Amount	N/A
Contract Terms	N/A
Committee Recommendation	Staff recommends the review and approval of the September 12, 2023 Claims Committee Meeting minutes.
Contacts	Jay Adams, Chief Claims Officer

CITIZENS PROPERTY INSURANCE CORPORATION

**MINUTES OF THE CLAIMS COMMITTEE MEETING
Tuesday, September 12, 2023**

The Claims Committee of Citizens Property Insurance Corporation (Citizens) convened on Tuesday, September 12, 2023, at 1:00 p.m. Eastern.

The following members of the Claims Committee were present:

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

1. Approval of Prior Meeting's Minutes (June 8, 2023)

Chairman Thomas: Okay, thank you very much, and my apologies to everyone for my sort of partial attendance here. I had some flight issues getting home yesterday. So, I am stuck doing this through the wonder of my Apple iPhone, but I will try to do the best I can. I may need a little assistance. I don't have ready access to our agenda, but memory tells me we probably start by entertaining a motion to approve the Minutes of our last meeting which were provided with our agenda material. So, I will entertain a motion in that regard.

A motion was made by Mr. Palmquist and seconded by Governor Butts to approve the June 8, 2023 minutes. All were in favor. Motion carried.

Chairman Thomas: So, correct me if I am wrong, we probably now have our report from Jay.

Tim Cerio: Governor Thomas, this is Tim Cerio. How are you today?

Chairman Thomas: I am doing wonderful, thank you.

Tim Cerio: I know you are in transit. I just wanted to let everybody know that Governor Cumber is joining as a guest, and she is on. I know you are traveling, you might not be able to see it, but, but just wanted to give her a welcome.

Chairman Thomas: Oh, thanks very much. With this connection I couldn't see that, but it is great to have Governor Cumber with us, and welcome, welcome to this committee, welcome moreover to the Board as a whole. We hope we can do some good work together.

Governor Cumber: Thank you, I am excited to be here.

2. Approval of Claims Committee Charter

Mr. Palmquist: Mr. Chairman.

Chairman Thomas: Yes.

Mr. Palmquist: I know you said you don't have the agenda in front of you. I just pulled it up and looked at it. It said number two on the items is approval of the Claims Committee Charter prior to the Chief Claims Officer report.

Chairman Thomas: Perfect, Jon, I appreciate that. Is that something, Jay, that you are going to present for us?

Jay Adams: There is no presentation for that. We have made no changes. We just each year bring it back before this committee to make sure that you are okay with what is there. So, I guess all we are doing is asking for a vote.

Chairman Thomas: So, what I will do then, I guess there is no changes to the existing charter. Certainly, if anyone has any questions or comments about it, we will open the floor up for that as well as we will open the floor for a motion to approve the charter, I guess for submission to the full Board, correct?

Jay Adams: Correct.

A motion was made by Governor Butts and seconded by Mr. Palmquist to approve the Claims Committee Charter. All were in favor. Motion carried.

3. Strategic Update

Jay Adams: Good afternoon, Chairman Thomas and committee members. For today's strategic update I would like to focus on the impact that Senate Bill 76, the notice of intent, has had on Citizens' litigation. And if you recall this was at the special request of Jon Palmquist from our June meeting.

So, if we could go to slide number two, please. Senate Bill 76 covered multiple topics, but I will only be focusing on the section for the insured's requirement for the notice of intent to file a first party property insurance lawsuit. The notice of intent applies to all suits brought by an assignee and requires the notice as a condition precedent of filing a lawsuit. The insurer must provide at least 10 business days' advance notice prior to filing the suit. The notice is required to contain the pre-suit settlement demand, and that includes an itemization of

damages, attorney fees and costs, along with the associated disputed amount. Senate Bill 76 became law effective July 1 of 2021.

Next slide. Senate Bill 76 contains a section for insurer duties, which includes having a procedure for the prompt investigation, review and evaluation of the dispute, and a requirement to respond in writing within 10 business days. The statute provides remedies that the insurer can take to attempt to resolve the dispute. Available options for covered claims are to negotiate with the plaintiff for a potential resolution. The ability to leverage an alternative dispute resolution, such as mediation or appraisal, or to stand behind the company's position which will allow the plaintiff to proceed to suit if they desire. The statute also provides options for non-covered claims that the insurer can utilize. The remedies include accepting coverage after having a second review of the claims handling process. They can stand behind the company's position which will allow the plaintiff to proceed to suit if they desire, or they can request to reinspect the damaged property to determine if they want to extend coverage, or to remain with their prior coverage denial.

Next slide. Senate Bill 76 for the first time in Florida history now required the plaintiff attorney to have skin in the game with respect to the claimant attorney fees and costs for all first party lawsuits. Fee sharing would cause the plaintiff attorney to evaluate the strength of their case or the risks that all of their fees and costs may not be paid by the insurer. The fee sharing worked as follows based on the following settlement amount as compared to the disputed amount of the plaintiff. If it was less than 20 percent, each party paid its own attorney fees and costs. If it was between 20 and 50 percent, the insurer pays the claimant attorney fees and costs equal to the percentage of the disputed amount, and anything greater than 50 percent, the insurer paid the claimant's full attorney fees and costs.

Next slide. There were two special sessions in 2022 that were targeted towards the property insurance market crisis. Senate Bill 2A was the second special session that was held in December that eliminated the plaintiff attorney fees and costs from all first party claims, and it also included Senate Bill 76 under the notice of intent section. All other portions of the notice of intent remain unchanged, and that new law became effective January 1, 2023. Although the law became effective January 1, our policies will require that they be written as new or renewed after January 1, 2023, for us to take full advantage of the elimination of these plaintiff attorney fees and costs.

Next slide. Citizens receives all notice of intent directly from the Department of Financial Services. Once received, a dedicated staff team reviews the notices as well as reviews the prior claim handling to determine next steps in the process. Once their review is complete, they can make one of the following decisions. They can stand on their prior claims decision which allows the plaintiff to move forward

with a suit if they desire. They can negotiate with the plaintiff on their demand for resolution or move the claim into the alternative dispute resolution process, that is, if it is a covered claim, and that could be mediation or appraisal.

Next slide. So, this slide represents all the notice of intent accounts received by the DFS from the period July 1, 2021, through July 11, 2023. As you can see, Citizens has received a total of 14,954 notices of intent over this period, and they are distributed among different categories for tracking purposes. Now I will spend just a few minutes explaining what each of these categories mean. So 'Decline Demand', that means that Citizens declined the plaintiff demand due to the underlying claim not being covered. 'ADR' stands for alternative dispute resolution, which refers specifically to demanding appraisal. 'In Progress', these are notices that are currently in the review process under the 10-business day guideline where no decision has been made. 'Agreed on Settlement', Citizens and the plaintiff were able to negotiate a successful settlement. 'Reinspection', the statute provides the ability to request a reinspection of the property if Citizens has previously denied the claim. If the NOI reviewer believes that something may have been missed based on the information submitted by the plaintiff, they can request that the property be reinspected. 'Extended Coverage', Citizens reversed its decision on the previously issued denial and provided coverage for the loss. And 'Accepted Demand', Citizens accepted the plaintiff demand as filed.

Next slide. This slide details the cause of loss associated with the notice of intent and by category of the decision of the reviewer. The cause of loss associated with the highest number of NOIs follows very closely with our loss frequencies, being hail, water damage for non-weather related and then water damage weather related, and of course, windstorm and primarily catastrophe there. The overwhelming majority of the resolutions are from the category of 'Decline Demand' as it was deemed there was no coverage for the loss.

Next slide. The number of new notice of intents has steadily increased since the effective date of Senate Bill 76, which was July 1, 2021. As a reminder, it took one full year for all policies to renew to make them eligible for the requirement of a notice of intent to be filed. Thus, the overall growth from 2021 through 2022. With the passage of special session SB 2A, with an effective date of January 1, 2023, the elimination of the one-way attorney fee has caused a significant increase in the notice of intents that are being filed. It will take another year for all of our policies to review under the new statute before taking full effect against our entire book of business. It is worth noting that the elimination of the one-way attorney fee statute does not impact any policies that were in effect prior to January 1, 2023. What this means is that suits for policies that were in effect prior to January 1, can still go through the NOI process and plaintiff attorney fees can be awarded. What we are currently seeing is that the plaintiffs are filing suits on older losses while the statute

of limitations is still open. Many of the suits are related to prior catastrophe events and non-weather water related claims.

Next slide. This slide shows the number of notices of intent that were resolved through the alternative dispute resolution process for appraisal. The number of appraisals for 2021 were extremely low as Citizens was accepting NOIs for policies that were not renewed and eligible under Senate Bill 76. Many of the notices that were received were deemed inappropriate or lacked proper standing, and Citizens attempted to resolve the dispute directly with the plaintiff attorney. As more policies renewed into 2022 and the full requirements of Senate Bill 76 were applicable, the number of appraisals gradually increased throughout the year. As we approached the end of 2022, we saw a significant spike of notices moving into the appraisal process and that was primarily due to Hurricane Ian and Nicole. The significant increases carried over into 2023, and still consistently consist of hurricane claims. An important point to understand from the notice perspective is that under Senate Bill 76 we are only given a few options of how to respond to the notices. Primarily we can negotiate with the plaintiff, accept the plaintiff's demand, or follow an alternative dispute resolution process such as appraisal. Citizens' options for alternative dispute resolution primarily consist of appraisal once an NOI is submitted. The only claims contractually allowed to move into the appraisal are covered claims where the appraisal process will set the amount of the loss that is in dispute. Claims that have been denied are not allowed into the appraisal process. A large gap for Citizens when engaging in the NOI process was that we did not have a process for resolving disputes where claims had been denied. To resolve these disputes the plaintiffs would have to file suit if they disagreed with Citizens' position. In a few more slides will show the impact in the denied claims on our overall pending litigation.

Next slide. A natural question to ask might be, why leverage the appraisal process at all if the plaintiff is not willing to negotiate the dispute? First and foremost, there is no protracted litigation, and therefore, there is no award of fees and costs to the plaintiff or to our defense counsel in an appraisal matter. The appraisal process is only focusing on setting the amount of the lost and the only cost associated with this process is Citizens paying for their respective appraiser and splitting the cost of the umpire with the insured if the two appraisers cannot agree. This process also provides the more timely resolution, usually less than 120 days as compared to protracted litigation which can be in excess of 460 days. We are measuring the outcome of the appraisals against the plaintiff's demand to measure the effectiveness of the appraisal process. As you can see from the graph, 75 percent of the appraisals settled for less than the plaintiff demand as compared to 14 percent of the appraisals settling for more than the plaintiff demand. The data suggest that the appraisal is clearly saving on our indemnity payments on plaintiff disputes.

Next slide. In order to appropriately assess the effectiveness of appraisal, we need to consider how much litigation cost we have effectively avoided since there are no attorney fees and costs associated with appraisal. The timeframe associated with our data is July 1, 2021, through June 11, 2023. Over this timeframe 2,945 notices were resolved through the appraisal process. Looking back over our five-and-a-half-year average, looking at our defense fees and costs associated with litigation, we are typically spending an average of \$8,118. When you do the math, this is a savings of \$23.9 million for the defense fees and costs. For those situations where we know what the plaintiff charges, it closely correlates to what we pay our defense attorneys. This amount would need to be added to the savings calculation as well. Therefore, if we look at the total litigation avoidance cost, we have avoided in excess of \$47 million related to the statute changes from Senate Bill 76.

Next slide. As mentioned earlier, the current Senate Bill 76 notice process does not provide a solution to claims that have been denied or the total limit of coverage has been exhausted. The only solution it has is after a thorough review of the claim process, continue to stand on the denial or the policy limits being exhausted, and that provides the plaintiff ability to file suit. Over the timeframe of our data there have been 11,436 claims that have been denied or have had the limits exhausted out of the 19,954 total NOIs received. This translates into 76.5 percent of all the notices received to date are not eligible for any type of resolution under Senate Bill 76, and the current programs that Citizens offers. This chart is reflective of the growing number of notices that are being submitted that contain a claims denial or an exhaustion of limits with no option to resolve the dispute through an alternative dispute resolution method. Once Citizens stands behind their decision, the plaintiff typically moves these to suit.

Next slide. This slide represents the total number of notices and litigation matters created month over month. As I have said many times already, our policies are not impacted by Senate Bill 76 until they renew after the effective date of July 1, 2021. If you look at the July 2021 timeframe you can see that litigation was significantly outpacing the number of notices that were being submitted mainly due to the policies not renewing and being impacted by Senate Bill 76. As we approach the one-year mark in July 2022, we start to see that the NOIs are overtaking the litigation numbers which is exactly what we would have expected. Every notice filed does not necessarily translate into a suit being filed as representative as we move out through 2023. Another point worth recognizing is that there is not a timeframe for the plaintiff to file a suit once it has gone through the NOI process. The requirement is to follow the mandate of notification.

Next slide. This slide represents all suits filed against Citizens from June 2022 through May 2023. If you remember back to the graph showing the notices and

litigation matters, this is the timeframe where the notices start to outpace the litigation filed, and also represents the time when all policies have renewed and are now eligible fully under Senate Bill 76 and a requirement to file suit. The point of the slide is to point out the dispute type and reasons behind the why the suit is being filed. As mentioned earlier, the notice process does not currently address claims that have been denied or have had their limits exhausted. When reviewing the data on this slide, there are only 465 suits which represents 4.4 percent of all matters listed that could have possibly been settled in the NOI process. I am showing this slide to outline that Citizens is doing everything possible to resolve disputes prior to a suit being filed.

Next slide. So, what else can be done to avoid litigation? As mentioned many times in this presentation, Senate Bill 76 only addresses claims that can be settled through alternative dispute resolution methods. Currently Citizens only recognizes mediation and appraisal as our alternative dispute resolution processes. The new statute also provides a section for arbitration and how it must work within the provision. Citizens has been working on an arbitration program that either party can demand once the notice of intent process has concluded. This new offering will be set up to specifically handle denials and policy limit exhaustions, which fills the gap that currently exists. The program will be referred to as DOAH by Citizens and stands for the Department of Administrative Hearings. When either party demands this arbitration process, they will complete a form on the DOAH website that initiates the process of the hearing by an Administrative Law Judge. Our goal is to have the hearings within 75 to 100 days from the date of notice with a final written judgment within 30 days following the hearing. The advantage of this process is it prevents the protracted litigation process and brings resolution much quicker for the insurer. Citizens is filing this endorsement into the product language with an effective date of October 1, 2023. Any questions?

Chairman Thomas: Jay, thanks, that was very informative, and I think at least from my standpoint, very encouraging in terms of the actual real world effects we are seeing on this, and importantly, it is not just us, there is no reason to believe that each private insurer is able to realize, and of course a healthy market is exactly what we need more than most anything.

Jay Adams: Sure.

Chairman Thomas: But again, appreciate the presentation. Appreciate Jon asking for that and getting it before us. But any questions, any comments from anyone else on the Board?

Mr. Palmquist: Jay, your last slide is what else can be done to avoid litigation. Oh, by the way, that was very well done.

Jay Adams: Thank you.

Mr. Palmquist: I am getting ahead of myself. I think we all greatly appreciate the numbers and the stats and certainly appreciate the time involved in creating all of this data. It was, I know intensive, but extremely well done and very much appreciated. One thought though is what else can be done to avoid litigation? And when you asked that my mind went back to previous discussions over the years over the number of claims that are already represented at first notice of loss and we struggled with those high numbers. They are higher than I think most, most companies experience and the industry experiences. And so, for some reason people still feel a need to get representation prior to presenting a claim and representation is one step prior to litigation. Is there anything Citizens is continuing to do to try to address why so many claimants or insureds feel the need to get representation before they present a claim to Citizens?

Jay Adams: So, we still have a Citizens campaign for Call Citizens First. Christine's team sends out significant amounts of information to our policyholders and policy brochures and such. Our website speaks to those types of things. But I'll tell you the root of the problem is, we just get out advertised by the plaintiff bar as well as the public adjusters knocking door to door. Part of the reason that our representation is so high is a lot of this is related to catastrophe claims. That and non-weather water claims are our two most represented causes of loss that we have. So, we do encourage people to file their claim with us. When we get an opportunity to speak at town halls and stuff after CATs and so forth, we tell them the importance of giving the insurance company the opportunity to try to resolve your claim first, you know, and if you are unable to do that, then all those are other opportunities you are choose. So, I feel like we have done what we can do at this point to try to reduce those numbers as much as possible.

Mr. Palmquist: Okay, thank you, Jay.

Jay Adams: You are welcome. Chairman, just for reference the next item on the agenda is the Non-Litigated Claims Vice-President report from Craig Sakraida.

Chairman Thomas: Okay, thanks, Jay. I just wanted to comment though really quickly about what you just said about the fact that they have counsel. Look, I am a lawyer, I do some of this stuff. I don't have an issue with that. I think what is important and what the notice of intent process emphasizes is that there not be perverse incentives in the process. That there is not an incentive for counsel to use the fee shift provision, for example to maximize a fee return at the expense of early resolution of the claim. And so, I think that was part of the issue with the process before the statutory claim changes were the perverse incentives that, in

essence, subsidized litigation. And so, I think what we are going to see is that hopefully with that, with some of that gone, that the retention of counsel is not really a problem. They should be well presented. We don't have any problem with that whatsoever, it is just so long as the incentives are where they should be, but thanks.

Jay Adams: Chairman, I was also going to add to that, so prior to Senate Bill 76, and you know, the requirement around notice of intent, Citizens routinely reported to this committee that in 50, 60, 70 percent of the policies were in litigation, we had no idea that there was any type of dispute prior to the litigation being filed. And that is one thing that Senate Bill 76 did 100 percent to resolve. So, anything that is going into litigation, we have had an opportunity to take a look at, and that has made a significant difference and you saw in the numbers we estimate we have avoided 40 some odd million dollars of expenses that would have gone through that litigation process just because of Senate Bill 76.

Chairman Thomas: Sure, look, lawyers who are representing insurers who made that decision in essence file suit immediately were only doing what probably made sense. If there is a statutory fee shift triggered by a process, then for your client you ought to get that clock running as fast as humanly possible given what, you know, not bad behavior on the lawyer's part, just the perverse incentive in the statute that they obviously pursue. So hopefully we will see in the market will see quite a bit of relief from that.

4. Non-Litigated Claims Update

Craig Sakraida: I did want to briefly give an update that is not in the slide deck on Hurricane Idalia that came ashore on the 30th of August near Keaton Beach. To date we have received a little over 2,000 claims. The bulk of them are residential. We are 98 percent contacted, over 60 percent of those have already been inspected. We are 15 percent closed. The great majority of these claims were reported in Pinellas, Taylor and Pasco Counties. We have seen a significant amount of these claims have some surge damage. So, we have specialty teams working on those, and we anticipate having this wrapped up relatively quickly with a low claim count.

Next slide, please. Well, we are in catastrophe season. So, our catastrophe preparation is really year-round, and we have done a lot this year. We have had our independent adjuster resources are ready to respond. We called on them for Idalia, they showed up. Our second test for our virtual on boarding with our Microsoft Teams platform was successful. Our overall catastrophe readiness for your tactical items was at 97 percent, and the items that are pending are minor and were related to time specific releases in the systems. We have been pleased and worked through some challenges with our Microsoft Teams platform. We have

it deployed for our current independent adjusters that are working Hurricane Ian and Nicole, as well Idalia. Our commercial management has completed onboarding and review of the expectations for team adjusting of large complex losses as our A rated buildings increased since we brought on new firms under a new contract.

Next slide. Some updates for Hurricane Ian. We are still receiving approximately 150 to 175 new claims per week from Ian. Overall, Lee, Miami-Dade and Broward Counties are the top four represented claims at first notice of loss as Jay was touching on. Eight percent, in comparison, eight percent of claims in Lee County are represented at first notice of loss as opposed to 60 percent in Miami-Dade and 50 percent in Broward. Activity on Hurricane Nicole has subsided to approximately seven to 10 new claims per week.

Next slide. I did also want to talk about some trends and statistics just as the focus goes from, you know, the front end of the storm to the cleanup phase of the storm. We have received 740 new Ian claims in July, with 37 percent of those coming in represented. As I mentioned, 80 percent of the represented claims in July came from Miami-Dade, Broward and Palm Beach. Our current pending is around 3,700 claims. We have a claims resolution unit that answers phone calls, and these could be anything, public adjusters calling in, attorneys calling in and insureds. We received 37,000 phone calls from April through July just to give you an idea of the volume that we are still receiving and the adjusters we have on staff. Our phone compliance is at 97 percent with an average call time of six minutes and a wait time of 11 seconds. So, we are answering the phone. We are responding to the customers. We have approximately 100 contingent workers with Citizens' oversight. And we still had when Hurricane Idalia came ashore, we did have field resources in place that were inspecting new losses as well as available for the inspections.

Next slide, please. As you can see our claims trend PIF increase, the big one there was with Hurricane Ian.

Next slide. And our non-weather water trends. We continue to see an increasing amount of non-weather water claims month over month. There are some dips as you can see in the graph. May was a very high month. It dipped off a little bit in June, but it was up again in August.

Next slide, please. Overall new claims reported have increased 18 percent from April of 2022. Naturally our pending have increased mainly due to Hurricane Ian and Nicole. Our new non-weather water claims reported increased 13 percent from June of 2022. As I mentioned, at the time of this report, May was one of our higher months with 2,016 claims. Our August numbers are over 2,200 non weather water

claims for the month of August 2023. Our emergency water restoration services acceptance rate has increased 11 percent from June of 2022, and our Managed Repair Program participation rate has increased two percent from the same timeframe. Next slide, please. And with that, I believe that is the end of my presentation. So, I will gladly entertain any questions or comments, please.

Chairman Thomas: Thank you, Craig and thanks for the good work post storm.

Governor Butts: Craig, a couple of quick questions. I receive Jay's report daily. Thank you, Jay, by the way, for the counties that were filing the claims after Idalia. You mentioned I think in the first slide, Pinellas and Pasco. I am a Pinellas County resident. Very little wind and rain overall I would say. Kind of right on the border of Pinellas, Pasco, but yet those were the highest claim counties I believe. I was really curious as to your experience on the surge what happened and how that interacted now with the requirement to have flood insurance for Citizens' policyholders. Again, a flood event I believe in this area. So clearly the Citizens' policy is not going to respond.

Craig Sakraida: Correct. There still is a high number of people in Florida that don't have a flood policy. As far as timing goes with renewals and having to have flood insurance, there are still folks that don't have to have it. And FEMA requires a declination letter, at least most times, they require a declination letter from the carrier to provide any type of resources, as well as some other government entities do. And some people call us because they don't know anyone else to call. With the small amount of claims, you know, Pinellas was 19 percent, Pasco is 10 percent, and the other counties that were impacted by the wind our policy in force count was relatively low. So, the numbers do skew a little bit, but we have seen quite a bit of surge claims from those areas. I don't have any specific data to say that there is some impact from the requirement to have flood insurance.

Governor Butts: Thank you.

Governor Becksmith: Craig, is it common to be almost a year down the road and in your opinion and still see that number of claims coming in from Ian, or any storm for that matter, especially when the devastation that happened down there?

Craig Sakraida: No, it is not. We saw the same thing with Hurricane Irma.

Governor Becksmith: Correct.

Craig Sakraida: We did not see much with hurricane Michael or Sally, but we saw that with Hurricane Irma as well as Tropical Storm Eta. And a lot of it is the represented claims that are coming in. The Miami-Dade, Broward, Palm Beach

numbers for Hurricane Ian are increasing at a more significant rate over the ones from where the storm actually made landfall in, you know, Lee, Charlotte and Collier Counties. So that is an effect of the two-year tail on filing a claim, and it is, it is not surprising judging our experience with the recent storms, but in reality it should not be happening.

Governor Becksmit: Is there anything that we can do? I mean, you just pointed out it is coming from the tri-county area. Is there anything we can do to get in front of some of that to maybe curb some of that potential litigation or is this just kind of we have got to wait and see?

Craig Sakraida: Well, I think there are some combinations. I think the legislation is going to help. We do, Christine's team does do a good job as far as, you know, getting the word out there to report the claim to Citizens. We do actively have policyholder outbound calling campaigns for the larger storms, or if we think that we are missing claims. You know, we don't get a high reported, number of high reports in certain areas that were hit. We kind of mine for the claims. And I think now that there is a year to file a claim, I think that that will solve some of the problems, but it is still a problem with the representation and the door knockers going around trying to entice people to file claims. Now, if they have damage that is fine, but when you see it in some of the outlying areas that over time start to increase, it is alarming. But I don't personally know of anything else that can be done other than the legislation that is there to curb any of that with the current market.

Governor Becksmit: Perfect, thank you very much.

Mr. Palmquist: All right. Craig, well, well done on the report, thank you. I know you mentioned last time, and I assume you are still probably receiving a fair number of claims for assessments as well. Given, especially given the water nature of this storm, I would assume that would account for some of the new claims?

Craig Sakraida: For Hurricane Ian, yes, we are seeing the loss assessments come in. Typically, you know, that starts, you know, anywhere between, we saw them I think earlier with Hurricane Ian just because I think there was some significant impacts from the storm, right. It was not necessarily, you know, Hurricane Irma where there was a small, concentrated area of damage. There was some widespread damage with Ian, but they account for some of it, but you know, the assessments are coming in from the hard-hit areas, the Lee, Charlotte, Collier County areas, not the Miami-Dade, Broward or Palm Beach areas.

Mr. Palmquist: Right. What percentage of claims are closed now for Ian, and do you know how that stands or compares with the industry?

Craig Sakraida: As far as how it stands with the industry, I do not. I would assume it is fairly common. We are over 98 percent closed with Hurricane Ian, and that number, like I said, we are still getting 150-175 a week. So you know, that number is going to be fairly stagnant and maintained in that 98-99 percent over the next few months.

Mr. Palmquist: Yes, congratulations, that is a good number at this point given the number of new claims coming in. Switching gears to Idalia. Did you mobilize a CAT response center?

Craig Sakraida: Yes, Jeremy Pope's team mobilized catastrophe response centers in coordination with the Department of Financial Services in the hard-hit areas, in Perry as well. They had some satellite operations in Fanning City, I believe in Horseshoe Beach, and anywhere else where they thought there was a need and coordinated with the Department of Financial Services. We have our mobile claims trailer out for our adjusters that were in the area. But all that, I believe Jeremy's team wrapped up last week with the mobile response centers that are customer facing and then our claims response will be brought back in the end of this week.

Mr. Palmquist: Good, all right. At the last meeting you will recall we approved some funding for geospatial imagery data as well as Xactimate expert software functionality. Have you been able to utilize those tools for this most recent storm?

Craig Sakraida: As far as the GIC, the post event imagery, yes. We have meetings with them prior to the storm to talk about flight plans, because it is consortium, right. There are other insurance companies that have a say-so in areas of interest, is what we call them. So, they flew the hard-hit areas from Apalachicola, where there is population, Apalachicola down to Cedar Key. We did some in the Tampa Bay area and then we also had them fly some in Miami-Dade Counties also. And we have used imagery and we are running some damage assessment reports to assist the adjusters in handling the claims quickly. As far as the Xact expert, that is something that is more of a Q/A tool that I believe, I don't have exact knowledge of when we are going to implement that as far as anything further. But I can talk to the GIC.

Mr. Palmquist: I didn't see that as a Q/A tool, but more as a tool to ensure that claims standards were being followed during the completion of an estimate or an appraisal.

Craig Sakraida: Well, everything runs through an Xactimate Q/A review queue per se. So, it goes through a review queue at a firm level and then it goes through

a review queue with our own staff quality assurance people before it goes to a desk adjuster for a settlement. So, there is like a two-prong process before it actually goes to a desk adjuster for settlement. So, we have multiple people looking at it to ensure that it meets standards that are covered as well as, you know, meets our best claims practices.

Mr. Palmquist: Thank you, thank you, Craig. Mr. Chairman, that is all I have.

Chairman Thomas: Thank you, Jon. Anything else for Craig? Okay, well, Craig, thank you very much. Thanks for the good work, and for the presentation today,

5. Litigated Claims Update

Jay Adams: From January 2023 through June 2023, Citizens was served with 4,711 lawsuits, and that averaged about 785 per month. This is a 20 percent decrease in the number of new incoming suits per month as compared to the same time last year. As of June 30, 2023, the current pending volume is 19,051 lawsuits. This is consistent compared to the same timeframe last year. 63 percent of the incoming residential property lawsuits are still arising out of the tri-county area, and the increasing distribution of Citizens' growth is moving some of that out into central west. So, it has caused a little bit of a decrease over what we have seen in the past on the geography basis of that.

When we talk about representation. The plaintiff was presented at first notice of loss in 48 percent of the incoming lawsuits, and that is a 23 percent increase as compared to 2022. And you can see that 38 percent is public adjuster, 10 percent attorney and so forth. In three percent of the incoming residential property lawsuits, the insured did not dispute Citizens' position or adjustment of the claim prior to filing suit, which is a 72 percent decrease compared to 2022. And as I mentioned in my presentation, this is what we expect to see happen, because this is the direct impact of the notice of intent statute. And we anticipate that this will continue to decline until we get to the full one-year statute point, and then there should be no more of that.

When we look at our water losses, AOB and catastrophe, new incoming CAT lawsuits have increased by three percent, and now that represents 43 percent of all new incoming lawsuits. Our pending CAT lawsuits have decreased by eight percent, which means that we have a book of about 46 percent of all pending lawsuits through January 2023 through June of 2023. And that also continues to be the leading cause of loss for all of our pending lawsuits.

AOB lawsuits have decreased by 33 percent and now they represent 32 percent of new and pending suits. Pending lawsuits have remained about the same, and that represents 34 percent of all pending suits. And our non-weather water lawsuits

represent 26 percent of the incoming which is a 27 percent increase over the prior period.

And in conclusion, we continue to experience decreases in incoming suits. This year thus far incoming suits are 20 percent less than the same timeframe over 2022. Catastrophe lawsuits remain the leading cause of loss in both new incoming suits and pending volume. New incoming AOB lawsuits continue to dramatically decrease as compared to 2022 and remain stable in pending volume. Non-weather water lawsuits are rising in the new incoming volume and remain relatively high in the pending volume. And Chairman, that would include the litigation portion for today.

Chairman Thomas: Thank you, Jay, appreciate it. I know you may be handicapped on this, but I still open up for any questions if anyone has about the litigated claims. And with that, we will move on to the next item.

Shari Hamilton: Before we begin with Joseph Theobald, I just wanted to note for the Minutes that Governor Becksmith had to drop off of our call.

Chairman Thomas: Okay, thank you much, but we retain a quorum is my understanding?

Shari Hamilton: Yes, correct.

Chairman Thomas: Perfect, thank you.

6. Special Investigations Unit Update:

Joseph Theobald: Good afternoon, and my name is Joseph Theobald, I am the Senior Director of Citizens' SIU and I am here to provide an update on SIU operations and some recent results. In August, it was announced that a Miami insured along with her public adjuster, a water restoration provider, and insured were arrested for conspiring to defraud Citizens of more than \$136,000 by allegedly submitting fraudulent insurance claims related to the insured's HVAC system, the roof system, and a tarp installation. Now, these arrests stem from investigations we initiated on two claims on behalf of our insured which determined that the interior water damage predated the issuance of the insurance policy. The insured further indicated that the public adjuster was aware at the time that the roof material damage predated the policy, and that he fabricated the two claims.

Jay and Craig did a good job talking about the door knockers and what is happening that we are seeing a lot of these claims that are driving a lot of the claims that we see, especially those late reported claims involving bad actors. I think it is important to dissect what is happening in these particular claims,

especially this arrest, to help kind of give insight of what we are seeing on a day-to-day basis. And if you will refer to the details that were in the arrest affidavits, also the details publicly available in the press releases issued by the Department of Financial Services in collaboration with Citizens, David Caballero, of No Stress Claims, staged the insured's home to show sustained accidental water and roof damage, and then he directed the insured to assist in planting false evidence of a water leak. Now, Caballero would also coach the Citizens' insured on exactly what to say to the insurance adjuster from Citizens, ensuring that she could not say any of the damage was preexisting. Then Caballero hired Alex Castellanos, the owner of Prestige Restoration & Renovation to perform the property restoration and tarp placement, knowing that there was no active leak. In addition, Castellanos, a former public adjuster himself, forged the insured's signature on the assignment of benefits agreement which allowed him to execute the work. This case is an accurate portrayal of Florida's growing insurance fraud problem which contributes to the unstable marketplace, one that is saturated by far too many public adjusters knocking on doors of unsuspecting insureds, conjuring false claims and engaging in corrupt business relationships with water and mold remediation firms and often at the expense of the Floridians we serve. This case and others like it are included in the SIU addendum along with the press release I mentioned. And I will pause there to see if there are any questions.

Chairman Thomas: Anyone from the committee, I will open it up?

Mr. Palmquist: None here.

Chairman Thomas: None here, although I would just say, good work on this. This sort of thing, sometimes I feel like we are bailing water out of the boat with a thimble, but it is very important, it is important we get cooperation with the State, and I think it is very important that we properly publicize these things when we have successes such as this. So good work all the way around.

Joseph Theobald: Thank you. I do think it has a sentinel effect and can affect the marketplace, thank you.

7. Vendor Update

Greg Rowe: Yes, absolutely. Good afternoon, everyone. I have three items for the committee today that I wanted to present, and the first one is for our Claims Legal Services contract. And just as a reminder, back in December 2021, the Board approved an initial \$50 million spend request and then requested that Citizens provide ongoing updates to the committee and to the Board for any additional \$50 million increments so those could be discussed and approved as we go forward. So, since that time Elaina and then of course Jay today, have provided multiple updates and we have come back on three separate occasions for those additional

\$50 million increments, putting us today at a total spend of \$200 million. And as of August 14, it looks like we are at about \$182 million. So, we are close to breaking that 200 million threshold. So, we are coming back to the committee today to request another \$50 million in spend under this contract to get us to the end of 2023. So like I said, this will be the fourth time. We have done it three separate times before and like I said, that should get us through the end of 2023 and then we will proceed forward in 2024 and provide updates as needed. So, I will pause there for any questions.

Chairman Thomas: And Greg, just to clarify, I think you already did, but this is really for spend authority within the dollar amounts already approved and budgeted by the Board, correct?

Greg Rowe: Yes, that is correct, this is the \$50 million increment piece.

Chairman Thomas: Right, understood. Any questions from anyone?

Mr. Palmquist: Greg, your notes say that Citizens forecast of the spend will likely exceed the approved \$200 million prior to the December 2023 Board of Governors' meeting, but we just heard that there has been a 20 percent reduction in suit volume. How do you reconcile the accelerated fees at the same time of reduction in suits?

Greg Rowe: There is a reduction in suits, but we have pending, I think 19,000 pending lawsuits. Those are ongoing. They stay around for a while and every lawsuit obviously that is out there continues to have bills associated to it. So, I do think over time we will see a decrease, but I don't know that we have hit that yet from a financial aspect seeing an impact at this time.

Mr. Palmquist: Thank you, Greg. You may have addressed this once before, but do we use any kind of fee budgeting or fee review mechanisms or software or anything like that to review fee bills on a case-by-case basis to audit them?

Greg Rowe: Absolutely. We have a specific team for that, and every single claim has to have an approved budget that the attorneys put in, and then we have a legal billing team that reviews literally every single invoice that comes through to determine its validity and to make sure that it is appropriate based on whatever actions have taken place. So, every single invoice is being looked at in our system. So, we have those checks and balances in place.

Mr. Palmquist: Thank you, Greg, thank you.

Greg Rowe: You are very welcome.

A motion was made by Governor Butts and seconded Mr. Palmquist to recommend the Board of Governors: a) Authorize additional spending authority under the Claims Legal Services contracts of \$50 million as set forth in this Consent Item which, if approved, would make the total spend authorized to-date \$250 million; and b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item. All were in favor. Motion carried.

Greg Rowe: Okay, the next one I have is requesting additional spend authority for our lease agreement on our Claims Print Management Hardware & Software. And under this, we have a state term contract with our vendor by the name of Quadient Leasing, UAS Inc., and they provide this hardware and software to us. that basically automates our claim checks that get sent out to our policyholders into envelopes, and it matches them with the corresponding claims documentation, and then finally just provides a proof of mailing required by the USPS. So basically, it is an automated approach to get the checks out as quickly and accurately as possible.

So, our current lease, we have a contractual limit of five million images, and just for reference, an image is basically a page that is attached to a claim check. So, with a claim check we may send out obviously a letter which could be a few pages, it could be a copy of the estimate, corresponding documents, whatever it may be. So, every check does have an associated group of documents with it. So, we have a 5 million limit under the current lease and Quadient has advised us that we have exceeded that five million allowance and to move forward in our lease, what we need to do is basically upgrade our license from a five million limit to a 10 million limit, and with that there is a \$70,000 upgrade charge that we need to proceed with to move forward with this. So, what that would basically do would be to change the approved amount under the lease agreement from \$377,000 to \$447,000. So that is what we have for you today, and I will pause there for any questions on that.

Chairman Thomas: All right, any questions? And if no questions, I will entertain a motion.

A motion was made by Mr. Palmquist and seconded by Governor Butts to recommend the Board of Governors: a) Approve an additional \$70,000 in contract spend under the Claims Print Management Hardware and Software lease agreement with Quadient, for a total approved amount not to exceed \$447,000, as set forth in this Consent Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item. All were in favor. Motion carried.

Greg Rowe: This is for an extension to our Claims Quality Assurance Software. At this time, we have a contract with a vendor by the name of Inpoint, Inc. and they provide the software for our internal quality assurance team to leverage their Q/A audits for our claims departments and our vendors. And their current contract ends on February 5, 2024. So, in anticipation of this expiration, Citizens is currently in the midst of an ITN solicitation for a new Q/A software vendor, and that public meeting for the next awarded vendor will be November 7, 2023. So what we are looking for at this time is a six-month extension of the current contract with Inpoint, and what that will do is basically just allow a smooth transition to whoever the next awarded vendor is in that November public meeting and allow the adequate time for implementation of the new software without any disruptions to the Q/A team or our Q/A scores that are leveraged throughout the claims organization. So this would extend the contract for Inpoint to August 5 2024, and it would not require any additional spend, as we have sufficient funds to cover the requested extension. So, it's just a request for a six-month extension on the existing contract. So, any questions on that?

Chairman Thomas: Any questions from the committee?

Mr. Palmquist: None here.

A motion was made by Mr. Palmquist and seconded by Governor Butts to recommend the Board of Governors: a) Approve a six (6) month contract extension for the Claims Quality Assurance Software contract with Inpoint, Inc.; and b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item. All were in favor. Motion carried.

8. Addendums & 9. New business

Chairman Thomas: I don't have any new business for the committee, but if there is anything that any members have or wish to raise or discuss or ventilate, I am happy to entertain.

Mr. Palmquist: None here.

Governor Butts: None.

Chairman Thomas: I will say this. We have raised this before, I appreciate the presentations today, especially the one about the pre-suit. I think we are going to begin to see some, some real improvements in the market, maybe we already are in terms of new entries, but I think we have got three or four new companies recently. There would be nothing more harmful to the success of these statutory changes than for us if the private insurers do not treat the claims process in

absolute good faith and not do the best possible to fairly and properly adjust these claims quickly and efficiently and fairly to the insured. So, I am very encouraged and appreciate what I see that we are doing, and I hope the private market is doing it, because again that would, we really have a chance for some success here and that would be one of the worst things that we could see would be, would be people exploiting these changes rather than utilizing them in the proper way. So, thanks for the good work, Jay, for you and the entire team there. We really appreciate it.

Jay Adams: Thank you.

(Whereupon, the meeting was adjourned.)