Prior Board of Governors Meeting Minutes

☒ **ACTION ITEM**	☐ **CONSENT ITEM**
☐ **New Contract**	☐ **Contract Amendment**
☐ **Contract Amendment**	☐ **Existing Contract Extension**
☒ **Other – Board Meeting Minutes**	☐ **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 and/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 and 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	**Board of Governors Meeting Minutes, December 6, 2023**
Purpose/Scope	Review of the December 6, 2023, Board of Governors Meeting Minutes to provide opportunity for corrections and historical accuracy.
Contract ID	**N/A**
Budgeted Item	☐Yes ☐No N/A
Procurement Method	N/A
Contract Amount	N/A
Contract Terms	N/A
Board Recommendation	Staff recommends the Board of Governors review and approve the December 6, 2023, Board of Governors Meeting minutes.
CONTACTS	Tim Cerio, President/CEO and Executive Director Barbara Walker, Senior Executive Assistant and Board Secretary

CITIZENS PROPERTY INSURANCE CORPORATION

DRAFT

MINUTES OF THE
BOARD OF GOVERNORS MEETING
Wednesday, December 6, 2023

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened at New College of Florida, Sarasota, FL on Wednesday, December 6, 2023, at 8:30 a.m. (EST).

The following members of the Board were present:

Carlos Beruff, Chair
Scott Thomas, Vice Chair
Joshua Becksmith
Jason Butts
LeAnna Cumber
Erin Knight
JoAnne Leznoff
Charles Lydecker
Jamie Shelton
Robert Spottswood

The following Citizens staff members were present:

Tim Cerio
Jennifer Montero
Barbara Walker
Kelly Booten
Jay Adams
Joe Martins
Ken Tinkham
Michael Peltier
Andrew Woodward
Deena Harrison
Palicia Francis
Paul Kutter
Brian Donovan
Stephen Mostella
Karl Justavino
Adam Karns
Adam Marmelstein
Mark Kagy
Jeremy Pope
Raina Harrison

The following people were present:

Dave Newell	FAIA
Kapil Bhatia	Raymond James
Sasha Stiponovich	Raymond James
John Generalli	Wells Fargo

Call Meeting to Order

Barbara Walker: Good morning and welcome to those on the webinar. This is Citizens December 6, 2023, Board of Governors Meeting. It is publicly noticed in the *Florida Administrative Register* to convene at 8:30 a.m. and is recorded with transcribed minutes available on our website. For those attending today's session through the webinar link, you are automatically in listen-only mode. Chair Beruff, we have no speaker requests today other than the President of New college, and I will proceed with the official roll call.

Chair Beruff: Please do.

Chair Carlos Beruff, Vice Chair Scott Thomas, Joshua Becksmith, Jason Butts, LeAnna Cumber, Erin Knight, Jamie Shelton, and Robert Spottswood were present, and thereby a quorum was established.

Guest Speaker

Chair Beruff: Thank you. I will turn the floor over to President Corcoran. And thank you very much for allowing us to use your beautiful facilities here. It's a welcome addition for us. Sometimes we go to these very nice places, but they're just big conference rooms. They don't have the history that this building has. Thank you very much.

Richard Corcoran: Thank you, Chair. It's an honor to have you guys here at New College. Thank you, Chair Beruff, for reaching out and suggesting it back in the fall. I just want to say a couple of things really fast about New College. I never miss an opportunity to sell the beauty of the greatness of what New College has been and can be. I do want to say, you know, it's been a rough 10 months. We were in the news a lot. But when my staff comes by, or faculty comes by, and they're down, and they're thinking, "Hey, this is rough. I always tell them, "Be very, very thankful. We're not Citizens Insurance. [laughter] Yeah, exactly. But I just want to say, you know, the liberal arts done right, you hear all the people say, "Hey, you go to college; you waste all this money; you take all this debt you pay off the rest of your life, and you have a worthless degree." And I tell everyone that that comment (that philosophy) is absolutely true. I think higher education is completely and utterly broken. And what we're trying to do here at New College is show the value of not just any kind of degree, but a liberal arts degree. And if you take the liberal arts, I will tell you (of course, I'm biased) but I think the liberal arts is the best degree you can possibly get. And I can read history is replete with people who, if you look at the great movements, the great changes the great dynamic forces that have happened in the history of our country, let alone everywhere, you'll see that historically, those are always backed by someone for the most part with a liberal arts degree... not like 50%. I'm talking like 80%. And it's something different if you get a liberal arts degree. And what we do here, we're changing our whole core curriculum. We're saying, "Okay, we're going to merge, you know, tech.... You know, the changes of the world Artificial Intelligence (AI).... all those things that happen.... different languages... with the liberal arts (which we say logos) but that merger.... that's what Steve Jobs, first trillion-dollar market cap guy, liberal arts student, he said that intersection of technology and liberal arts, that's what makes your heart sing. And he would say, "I could always teach you technology; I can't teach you the liberal arts." There you have it. You've wrestled with those great questions. You've read those great books. And you've thought about what is the Justice Society? What is my role in society? All those great questions are timeless. That's what you get from a liberal arts degree. And as I sit before a Board, and I don't even have to ask even though I did talk to some of you guys last night, but the majority of this Board overwhelmingly has liberal arts degrees, and yet you're here leading the state through a difficult insurance crisis. All of you guys have tremendous impact. I always say liberal arts degrees.... We're not engineers, we're not, you know, STEM degrees. What we are is we fill C-suites in America. If you look at Fortune 500 companies, all the data is there. You know how many people who are running Fortune 500 companies have liberal arts degrees. An overwhelming majority of have degrees in liberal arts. If you look at people who take the MCAT, the LSAT, the GMAT, the number one test score, over the course of time has been a philosophy major. Why? Because they think outside the box. I'll just leave you with one story because I don't want to take up too much of your time. During the Apollo space mission, there was actually one female on the male-dominated space mission team, and she went to University of Michigan. She got her degree in mathematics. All of the scientists, all of the engineers, and all the mathematicians in her room were trying to figure out how do we get Apollo 11 to land on the moon? Not only did she anticipate what would go wrong (and it did go wrong), but then they absolutely solved what went wrong through this one, individual woman. Every one of the mathematicians, all the scientists, all of the engineers said, you know, why was it her? What made her different? And they asked her that question. There are documentaries written about it, and she said, "Basically, when you're an engineer, when you're a mathematician like me, you know, you're taught go back to where things broke down and say, 'Okay, what's the first thing we did? Okay, that went right. What's the second thing?', and you just go down and you're convinced that you'll get to the point where it broken, you fix it. That's how we think, and that's how we're taught." And, she said, "I was different. I just thought outside the box, you know. I was taught to wrestle with great questions. I was taught to, you know, synthesize large volumes of information and think differently." That's what Steve Jobs would say, "We think differently." They said to her, "That was it?" And she said, "Well, it's really kind of easy. I am a mathematician. And I belonged in that room with those engineers and the other mathematicians, the other scientists, but I was a double major. My other major was philosophy, and I thought completely differently than everyone else in the room." But, if it weren't for that woman being on the Apollo 11 space program, Neil Armstrong would have never taken the first step on the moon. It is something special done right. And we will do it right. And we hope that over the course of time, as you go back into your communities, and all of the folks that you interact on a daily basis, I want you to go back and tell them that we will value a liberal arts degree and New College is delivering that value better than anyone else in the country. But it's an honor to have you here. Thank you very much, Mr. Chairman.

Chair Beruff: We look forward to supporting you in your goals. And I'm sure we'll get there. Thank you very much for having us here today.

Richard Corcoran: Thank you, Chairman.

1. **Chairman's Report**

Chair Beruff: All right. I think we're going to move a lot of things forward, including the Board meeting. So, the Chair will entertain a motion to put the minutes and all the Consent Agenda items up. Unless there is a member of the Board who would like to pull anything off the Consent Agenda, which you are always welcome to. . .

Robert Spottswood: If I may?

Chair Beruff: Yes, sir?

Robert Spottswood: Could I pull item 10E from the Consent Agenda for discussion?

Chair Beruff: Absolutely. Anyone else want to pull something else out? Of course, I am .... It's these meetings...they are sort of after-the-fact. But I want to welcome two Board members, who I welcomed yesterday: Mr. Spottswood, and, of course, Mr. Shelton, who I met in a Zoom call for the first time when it was in Tallahassee a few weeks ago. So welcome to your first official Board meeting. We were happy to have you. You guys know the heavy lifting that we're going to do over the next 12 months. And I know you're going to be great with our efforts. Thank you so much. So other than that, is there anybody else that wants to pull something off the Consent Agenda? I don't see anything. So, will someone make a motion?

A motion was made and seconded to approve the September 27, 2023 Board of Governors minutes and the Consent Agenda items except for 10E: Approval of Increases as Required by Section 627.351(6)(jj),Florida Statute. All were in favor. Motion Carried.[1]

2. President's Report

Tim Cerio: Thank you. Good morning, Mr. Chairman, members of the Board. It's a pleasure to be with you this morning. I had hoped to be able to start off my report by discussing some very positive indicators of recovery in the property insurance market, as well as some good news specific to Citizens. Unfortunately, I do need to first address the matter that arose late last week. On the morning of November 30, our Communications Office received a phone call from a CNN reporter covering some climate change issues, and she asked us if we'd like to comment on a letter from the Budget Committee of the United States Senate making inquiries into Citizens financial viability and its ability to pay claims.... suggesting the threat that we would someday need to seek a federal bailout if we could not meet our obligations to pay the claims of our policyholders at that time. Again, this was the morning of November 30. We had received no such letter. The reporter did offer to send us a copy of the letter to our Communications staff, and the letter she sent was not on US Letter Senate letterhead. It was an unsigned, undated draft Word document. The draft demanded a response to some questions by Citizens by October 31, 2023, basically a month earlier. Clearly it was a draft that she had been provided that was never sent. But then she apologized and sent us the correct letter apparently, on US Senate letterhead dated November 30 that morning signed by Budget Committee Chairman Whitehouse. So, we just had, I think, it was maybe 25

[1] Barbara Walker and Chairman Beruff formalized that all action items were placed into the Consent Index for a consolidated Board Action.

minutes to provide a comment because she had a deadline that morning. And we did comment, and I'll talk about the comment... but only a few minutes after her deadline, the United States Senate sent out a press release releasing the letter and announcing an inquiry into Citizens and our claims paying ability. I have provided you all with a copy of that letter from the Senate, but it was addressed to Governor DeSantis, the Office of Insurance Regulation (OIR) Commissioner Yaworski, and me. We are still checking but I do not believe we have yet received this letter via electronic or US mail or any other way. It has been posted on the Senate's website. I want this Board to know that before the deadline, we did provide information to the reporter clarifying for the record.... I want you all to know this to make sure that you know that we were not asleep at the switch here. We clarified for the record that Citizens always has the ability to pay claims, we are in a strong financial condition, and we have our statutory surcharge and assessment mandate if reserves are exhausted. Claims will always be paid. Unfortunately, none of these comments made it into CNN's subsequent story. And I say it was unfortunate, you know, not to quibble but we have, I think, a great claim shop. We have a good relationship with the media. I think we have a good reputation. We always try to be helpful, but it's unfortunate because the letter from the Senate Committee could very easily cause unwarranted panic amongst Citizens' policyholders, and specifically, in Florida in general. And I cannot overemphasize that the assumptions in the Budget Committee's letter suggest a fundamental misunderstanding of how Citizens Property Insurance operates. And it underestimates our claims paying ability. And I'm speaking now, and I need to speak to our policyholders, so they hear this: Citizens is structured so that it will always be able to protect its policyholders and pay claims. Citizens has ample reserves, and we purchase reinsurance to cover our losses. And if Citizens were to pay out all our reserves and reinsurance following a major storm or series of disasters, and there was a deficit, then, depending on the extent of the deficit, Citizens would be required by Florida law to levy surcharges on policyholders and perhaps assessments on other Florida insurance consumers until the deficit is eliminated. So again, unlike private insurers, Citizens has a mechanism under Florida law requiring and ensuring that we will always be able to pay claims now because of various legislative reforms passed by the legislature championed by Governor DeSantis and Chief Financial Officer (CFO) Patronis. The risk of these assessments and surcharges continues to decrease. We don't want to have to ever assess or require surcharges. And that is great news. And, as you all know, it has been a priority of mine and my team and it's been a priority of you all as Board members, that we do everything in our power to minimize the risk of assessments on Floridians. That is why we advocate to the OIR for actuarially sound and non-competitive rates. And that is why we want to make sure that Citizens' Depopulation Program is successful. A smaller Citizens ensures only those hard to insure risks and is there for Floridians who need us and have nowhere else to go that is good for all Floridians and promotes a healthy insurance market. That is, in fact, why we were created. But I need to say it again. The bottom line is that we are structured so we will always have the ability to pay our policyholders claims even after a series of storms. At no time in Citizens' history has it sought a federal bailout to pay its hurricane loss claims, including after the catastrophic 2004 and 2005 hurricane seasons. In fact, I have never heard of anyone, and maybe somebody else has, I've never heard of anyone suggesting the idea of a failed federal bailout until the Senate Budget Committee's letter was published. It is hypothetical, which I think demonstrates again a misunderstanding of our structure and our claims paying ability. And it fails to appreciate the reforms in Florida's property insurance market. And as you all heard yesterday, and you'll hear today, the reforms are working a healthier Florida market, as evidenced by Citizens' policyholders returning to the private market through Citizens Depopulation Program. We have new insurance companies entering the Florida market and we have existing insurers writing more policies. Our policy count in Citizens has begun to decrease and our litigation rates are down.

And we have every expectation that this strong market recovery is going to continue. My team and I are preparing our response to the Budget Committee's letter, but in the interim, it is very important for me to communicate once again to our policyholders that they do not need to worry that Citizens will not be there for them. If and when they have a claim, your claims will be paid. I do have a couple of slides to demonstrate the good news regarding insurers expanding their Florida footprint. Can you hit slide one for me? First, these are the early signs of improvement. We have six new property insurance companies in Florida this year. Three of them are located in Florida, and three of them are outside of Florida. We've had a tremendous amount of depopulation activity: about 130,000 policies, just through October more. It's going to come in November or December. We have existing companies that are expanding their capacity in Florida and writing more policies. Citizens' litigation cases are down once again. They're down about 20% compared to last year, and the reinsurance market for 2023 (as you all know we've discussed this in this meeting before) was better than we had anticipated. There was more capacity than we thought. Although prices were up, they were not up as high as we thought they would be. The private market was also able to obtain its required reinsurance. We thought there very easily could be some companies that were not going to be able to meet their insurance reinsurance needs and might have to close up shop and that did not happen. And that is again, that's a very strong sign of recovery. Next slide, please. So, this is a slide showing the distribution of policies that have been taken out of Citizens. Most of it has occurred in Miami Dade; I think it's Hillsborough, Miami, Dade, Broward, and I believe Palm Beach, but about half of it is from those counties. The rest of it is spread evenly around the state. And again, it shows that as these companies come in, and they're looking to take out policies, there's good geographic distribution; it helps them to have a more balanced portfolio. But it is working. And things are going well. The market has bounced back. I think these reforms, there's ample evidence, the reforms are working. And again, we're going to do our best to respond and hopefully communicate with the Budget Committee, Senate staff, and its members. And we think there's a great story to tell them. We're very, very proud to tell it. Mr. Chairman, before I move on to the budget, do you or any of the Board members have any questions or comments?

Jamie Shelton: Being one of the new governors here on the Board (and I appreciate your staff's support and getting many of us up to speed in the corporation that's not familiar to all) .... But since the CNN report and the letter you mentioned, I've had people reach out to me. And I don't know that I have .... I think I know the answer to give them, but what do you say to an individual in Florida who has insurance that might live in a low-risk non-coastal area? It's private insurance. Now, most people don't know what we just talked about. Understanding that, you know, if a storm comes in, as you said, we deplete our surplus and our reinsurance lines, and we have the ability to make these assessments even though we never have.... what do you say to them that, you know, why? Why am I funding or potentially have to fund things of that nature, and also for policyholders that are with Citizens that are paying way below market rates? It seems - as what they said - unfair. I'd be interested in your answer. My answer to them has been, you know, call your local representative or your state senator and have them change something, but I would appreciate your thoughts.

Tim Cerio: Well, a couple of things. Citizens has never sought a federal bailout period. We have had surcharges. I'm going to look to Jennifer [Montero] for the dates of those surcharges and assessments. We haven't done the surcharges; just the assessments.

Jennifer Montero: Twice and emergency assessment loss.

Tim Cerio: And the emergency was retired early, correct?

Jennifer Montero: It was.

Tim Cerio: But what you have to remember is because of the glide path (and this is one of the things we struggle with) try as we may to make sure that we are charging actuarially sound rates, the glide path is an impediment. As the state's residual insurer, the law requires us to be both actuarially sound and non-competitive with the private market. The glide path, which is also in statute, hampers that so we're making strides to work with the OIR. Rates are coming up, but the if you are in Citizens, and I want to be careful, I understand that I cannot make a blanket statement. But for the most part, most people, the vast majority of people in Citizens are paying a below market rate. And that is not fair to the 84% of the rest of the private market who are presumably paying actuarially sound rates and still face an assessment from us. So that's why the assessment is ideally if we are charging actuarially sound rates and are non-competitive, and we still have the assessment authority that is like the best of all worlds because we are able to pay claims and the residual market will be protected. But the exposure hopefully is minimal. We hopefully will never have to. So, I mean, that's the answer. If you're in Citizens, you're probably getting a pretty good deal. We want folks to move to the private market. And the idea is we want you to hopefully find a better policy in the private market. But as long as we have you, we're going to take good care of you. We're going to pay claims. That's why the Senate letter is upsetting. It's not that there's no fear of scrutiny. I, again, think we have a very good story to tell. It’s the hopefully unintended consequence that may result of causing panic, or some at least, a lot of heartache amongst Citizens’ policyholders that they start to think, "My gosh! My claim... they won't be able to pay my claim?" That is not correct.

Jamie Shelton: I understand all the points you just made, and I think my response to those people they call him... If you're unhappy with the way it is structured, then you should visit, right? See your local representative that votes on the legislation that you're handcuffed by, and you've spoken to. So, thank you for that comment.

Tim Cerio: And I have to say, Governor Shelton, the legislature has been keenly aware of the issues, I think, frankly, in a bipartisan way. They do not have an agreement on everything, but I think both sides agree that Citizens needs to be actuarially sound and non-competitive, and not be as big as we are.

Jamie Shelton: Thank you.

Chair Beruff: Thank you. Any other [questions], or we can move into the budget?

2024 Budget Discussion

Tim Cerio: CFO Montero, would join me? I need to be hooked up to the brains of the operation up here. So, thank you. So, we have slide one, please. So just as an overview, this fiscal comparison, we're looking at 2019 to 2024. 2018, we actually were at our lowest policy count but 2019 is the point that we're going from where we had up to 447,000 policies, and we're 2.39 million now. That's a 177% increase since 2019. Our exposure has grown by more than five times, and our premium revenue has grown by more than seven times. This level of growth coupled with high priority initiatives such as inspections, Citizens reimagined, and fulfilling legislative mandates, underscores the need for maintaining appropriate levels of resources to meet our demands and responsibilities to the organization, but making sure we're doing it to scale. To that end, staff have been very mindful of balancing the need for resources with fiscal restraints and growth. Our administrative expenses are temporary in comparison to our top line revenue growth. And you can see that if you look at the increases from 2019, administrative expenses have gone up 66%, but it's lagging far behind these a lot of other expenses. And as you know, the overall effort that we've tried to implement, and I think my team has done a great job, is when we've had to grow from a staff perspective, we try and use contract personnel so that we're not in a position of hiring folks. And we never want to hire folks that we have to lay off as market conditions improve, because they will improve, and they are improving. Next slide please. Despite 2024 projections showing premium revenue exceeding $7 billion, the level of depopulation is expected to increase considerably in the latter part of 2023 and into 2024. Projected 2023 and 2024 depopulation activities are expected to result in the removal of about $1.4 billion in premium, which indicates the successful legislative efforts and an improving insurance market. This is further illustrated in the projected 2024 underwriting game that is expected to exceed $1 billion and net income that's expected to exceed $1.4 billion, again driven in part by lower losses and lower Loss Adjustment Expense (LAE) costs. Again, litigation is coming down for newer Board members. It is also important to note that the Board's approval of the budget does not mean that the Board makes blanket approvals of all expense included within the budget anticipated contracts and spend for 2024 will still be subject to procurement and approval procedures that come before you all in this way. The 2024 budget simply represents the staff's estimate of our sources of income and allocation and uses of our resources. Next slide please. This is what I was referencing before the key to understanding Citizens operating expenses is the split between variable costs (like underwriting expenses) and I don't want to say fixed but less variable, and that's administrative expenses. Since 2012, the level of administrative expenses has remained relatively flat. You'll see that at the bottom in relation to underwriting expenses as these expenses are less influenced by the variability in premium volume. And the premium volume is charted there as well. Now, we're not ready to move on yet. Underwriting expenses, which are broadly consistent of commissions, premium taxes, and other associated expenses are highly correlated to the premium volume and accordingly, these expenses trend with the overall levels of premium. Underwriting expenses also represent Citizens' policy acquisition costs, and these are the costs incurred by Citizens in writing new and renewal business as well as the ongoing costs of servicing policies during their term regardless of whether or not these policies leave Citizens through depopulation. That is my broad overview. And I'm going to turn it over to Ms. Montero now to get into some into the weeds with you all a bit.

Jennifer Montero: So, in the next slide - the premium. So, although our policy count is budgeted to be relatively flat, with a 2% increase from 1.21 million policies to about 1.24 million policies, we are seeing an increase in the average premium per policy, as well as growth in the commercial risks, which are driving the premium volume. So, you'll see that the direct written premium has a larger increase from $5.2 billion to $7.1 billion, which is a 36% increase, as well as exposures also going up in a similar way. And while the number of policies enforced is expected to remain flat, the number of policies serviced is expected to increase and approach almost 1.5 [million policies]. So that the policies serviced are the policies that have been assumed but have not non-renewed yet. So once the policy gets assumed all the claim risk goes to the takeout company, but Citizens continues to service all the underwriting or any endorsements or cancellations that the policy has until the non-renewal. The policies that are being depopulated are expected to increase; we're looking at more than 336,000 [policies], with, of course, the additional possibility that you know more policies will be depopulated, but that is our best estimate to date. And the 2024 budget anticipates the number of policies serviced. And the number of policies in force are what we look at from an underwriting standpoint when we look at expenses. So, we do look at not just the net number but both of those together. And despite the growth in the commercial business, we are expected to have a decrease in the number of new business. So, our new business policies are expected to go from 543,002 to, I believe it's 527,000 by the end of 2024. Next slide, please. On the loss and loss adjustment expense, we are looking at improved litigation rates. And because of that, specifically with the non-weather water claims on personal lines is the primary contributor to the reduction in the loss in LAE, and we are looking at a five-percentage point decline from almost 43% to 37.7% in LAE. Next slide, please. So, reinsurance is included in the 2024 Operating Budget and is a placeholder. And the reason it's a placeholder is because we are not sure of market conditions at the time that we actually go to market, and it could change. But we do have a placeholder for reinsurance of $700 million for private reinsurance in the operating budget. And we do estimate that this will give us about $5.5 billion of coverage currently in 2023. We have $5.38 billion of reinsurance, and we will come back to the Board as we do each year, usually in the May timeframe, and we'll come back to the Board for a specific approval for reinsurance spend. We will come back in the March/April timeframe and give you an idea of what we're seeing in the market and what we think the reinsurance rates are looking like at that time. Additionally, $498 million is the current estimate of the FL Hurricane Catastrophe Fund (CAT Fund) coverage, which Citizens is required to purchase. The CAT Fund comes in either 45%, 75%, or 90%. Citizens is required to participate in the 90% level of the CAT Fund. This is about a 3.8% increase from the prior year of $479 million that we spent on coverage. And we are looking at favorable interest rate conditions, which will produce a 3.6% yield on Citizens invested assets. Much of the anticipated investment income is driven by a large balance sheet; however, projected net cash flows from 2024 are also expected to further the growth in the overall investment income. No pre-event financing is expected or contemplated for 2024 outside of the existing credit facility that we have established in the Personal Lines Account in 2023 when we had the line of credit. While interest expenses to June 2020 forced closure is budgeted, we do anticipate closing that facility shorter than that once the merger of the accounts occurs, which we're looking forward to in January of 2024. Next slide please. The administrative expenses ... so in comparison to the private market peers, Citizens' expense ratio is very competitive. As illustrated in this graph, here is a comparison of Citizens expense ratio relative to the average expense ratio of the domestic markets in Florida. As Citizen continues to reduce its risk through depopulation, the Clearinghouse, and improving private market, the expectation is that the expense ratio will start to trend up as our direct written premium goes down, which is the giant denominator in the industry at the expense ratio. And the next slide, please. So, this is the multi-year comparison: this is Citizens operating results summarizing prior current and budgeted operating results. As you'll see in your actual budget book that's provided, the FY 2024 Operating Budget goes into very specifics in detailed schedules of these line items. And I will pause there for any questions that we may have specific to the budget.

Robert Spottswood: On the premiums written going from 5.2 in 2023 and going to 7.1 in 2024, that's about a 35% increase?

Jennifer Montero: Yes.

Robert Spottswood: And with less policies in a 12% increase, or cap on what are a proposed increase on rates in the coming year, how do you get 35%?

Jennifer Montero: There is a small increase. It's about 24,200 policies. It's actually 2% increase in net of depopulations and cancellations. But that's being driven by two factors. One is that the average premium per policy is going up, just inflation wise. And the second one is we have a big rise in our commercial book or commercial residential. So that was commercial residential for each policy. It's that the policy counts aren't large, but the premium for those commercial books is large (unlike the commercial, non-residential there's not a cap). So, for commercial, non-residential, which are like your shopping malls and things like that, you have a one million cap for wind only and a 2.5 million cap on multi-peril for the commercial residential, which are apartment complexes and condos.... There is no cap. So, exposure is very high. So, the premium for those is much higher than a typical homeowner's policy. And so, they're counted equal as one policy. So those are what's rising. And so, we're seeing more of those and that's what's driving the premium volume up.

Robert Spottswood: So, we have a greater percentage of those policies that are not subject to the 12% increase?

Jennifer Montero: They are all subject to the 12% increase, but that's a 12% increase over what their current premium is. So, the whole book can go up almost 12%.

Robert Spotswood: Okay, I think I understand. Okay, not sure. But I think so. Thank you.

Chair Beruff: Anyone else? Thank you, Ms. Montero.

Robert Spottswood: I've got one more question, if I may, Mr. Chair. So, in looking at the ceded premiums, and the depopulation underlying policies, do we do any kind of qualitative analysis as to the overall risk of the portfolio, so that so that we're trying to depopulate the riskier policies in terms of qualitative factors like type of building structure, etc.?

Jennifer Montero: We allow companies to cherry pick, if you will. We let them come in and pick what fits their portfolio and everybody has a different business plan. So, when I say cherry pick, it's not that everybody's looking for the same policies, but what works best for them. And that's what drives the appetite for depopulation... it's the ability that they can go in...in the past, probably many moons ago, like 15 years ago, we tried prepackaging, buckets of policies, and they weren't interested in the thought. They'd take them, keep what they want, and give the rest back. So that was just more work than it was worth. And I think we have a better success rate on the depopulation by allowing companies to take what they want, and it reduces our overall exposure, which reduces the potential of an assessment. So, it's good for both us and the companies.

Charlie Lydecker: You might also mention the modeling capabilities that Citizens has that we've spoken about in the past that might be helpful in terms of on a per storm basis, that you know, what the impact is going to be to the Citizens book.

Jennifer Montero: We do have lots of in-house modeling. We license AIR, and we can run all those models and know exactly how this is going to affect us, especially when it comes to reinsurance. The best part is most companies want to do all of their depopulation significantly before the hurricane season because they need to get the unearned premium from us. And they need that premium so they can buy reinsurance. So, you'll see a significant amount of depopulation happening around November, December, January, February, and March. And then it kind of slows down because they don't want to take out those policies right before hurricane season and not have the money to be able to buy reinsurance. So, it's a cycle that we can pretty much count on and do our modeling to be able to figure out how it's going to look for us.

Tim Cerio: I'm sorry. Obviously, you're the governor, so we'll answer whatever questions you have that we are going to circle up with you and take a really deep dive and sort of a Board orientation. Hopefully whatever's convenient for you.

Charlie Lydecker: Good.

Chair Beruff: What else?

Jennifer Montero: So, we do need to get an approval from the Board on the budget.

Chair Beruff: It was on the Consent Agenda.

Jenifer Montero: Oh okay. Thank you, Mr. Chairman.

Chair Beruff: Thank you. Next, in the next presentation is the item that will get pulled off consent, correct? There's an item that got pulled off consent by Governor Spottswood.

Jennifer Montero: That's Violet [Bloom].

Chair Beruff: Okay. That's at the end. Okay. So, Ms. Montero, you have more to tell?

3. Chief Financial Officer's Report

Jennifer Montero: I do. You let me know what you'd like me to skip. I have the Layer Charts that we went through in the Finance and Investment Committee. I do have one Action Item for the Redemption of the Everglades Re 2022 CAT Bond.

Chair Beruff: Let's go to the charts and then we'll go to the Action Item.

Jennifer Montero: Thank you. So, behind your books on behind tab three, you will find the Layer Charts, and these are very similar to the Layer Charts I brought to you at the last meeting in September. So, as a reminder, the Layer Charts are always projected to September 30; that's when the range that's the exposure level the reinsurers use to basically charge us for our program based off our total insured value at the time. So in in September, I brought you the actual June numbers that were forecasted for September. And here we have the actual September numbers. But the bigger item that I want to share with you will be later on in these where we have the combined numbers. So, on the first chart is the Coastal Account. And here we have the only change from the last chart that you saw; it is the Probable Maximum Loss (PML), which is $8.249 billion in a one-in-100-year event. That went down by $293 million, and the CAT Fund coverage of 2.074 went down by $89 million. The private reinsurance here was $2.461 billion and the CAT Fund was $2.74 billion. Turning to the next slide is the Personal Lines Account (PLA). Here, the PML for one-in-100-year event was $8.49 billion which went down by $253 million. The CAT Fund of 3.08 went down by $132 million. And the private reinsurance was $2.919 billion, both the Coastal Account and personal loans account, all exposed to 100% of their surplus in a one-in-100-year event. The next slide is the Commercial Lines Account (CLA). Now this is important this year, and we haven't paid much attention to it in the past because we don't buy private reinsurance for this account. But this account is made up of both commercial residential and commercial nonresidential business. We haven't bought commercial nonresidential coverage since about 2016 or 2017, but we do buy commercial residential coverage reinsurance in the Coastal Account. We have not bought it in the Commercial Lines Account because it has not really exposed much of its surplus. But when we combine all three accounts, the amount of actual coverage will need will go up because we will need to include the commercial residential that is housed in the CLA today. This has a 100-year probable maximum loss of $1.16 billion which is down $112 million, and the CAT Fund coverage is $229 million, which is down $2 million. So, the next slide is the hypothetical if we combined Layer Charts in 2023, what would it look like and here you can see that the Citizens policyholder surcharge, policy assessments move way higher up into the chart than we had in the Personal Lines Account. And the Personal Lines Account that the Citizens policyholders' surcharge should be at a one-in-five-year event...and the emergency assessment I believe is a one-in-10-year event (here you can see it's not until a one-in-85-year event and a one-in-92-year event). And again, this is our total program which was $5.38 billion of private risk transfer and CAT Fund coverage of $5.39 billion and with the total one-in-100-year PML of potential loss of $17.34 billion. So, when we turn to the next page, this is what we are budgeting; this should match the budget. This is the 2024 budgeted combine Layer Chart, but again, look to combine all accounts at the beginning of the year. Here we're looking to get about $5.5 billion of private reinsurance and $5.59 billion, almost $6 billion... or, I'm sorry, $5.6 billion of CAT Fund coverage. The PML here is $17.796 billion at a one-to-100-year event. The Citizens policyholders' surcharge is about 416 million, and it kicks in at the one- in-95-year event. However, the Citizens policyholders' surcharge is 15% of premiums. So, with a $7.1 billion budget for direct written premium, you're looking at a $1.067 billion Citizens policyholders' surcharge that goes well above the one-and-100-year event before the emergency assessment would kick in. So, the emergency assessment will not kick in until well over another $600 million into that, over $18 billion before we hit that. There's no Action Item here. This is just informational. Do you have any questions about the Layer Charts?

Vice Chair Thomas: On the I guess the maximum Citizens' possible surcharge of 15%, just curious administratively, if we had a one-in-100 event, is that surcharge capped at what's actually needed to get us back to zero? Or is it automatically the full 15%?

Jennifer Montero: No, it goes up to 15%. It would be just what you need. It gets us back to zero, and then if we need more than the 15%, we would cap it at 15% and move to the emergency assessment, which is also the Citizens policyholders but also non-Citizens holders. And it's also on your house, your boat, your car. It's the whole property. It's the assessment base that is all of property casualty minus medical malpractice, workman's comp, federal flood, and federal crop.

Vice Chair Thomas: I can't imagine a chart that better answers or responds to the Senate Budget Committee's supposed concerns about Citizens. So, thanks.

Tim Cerio: Governor Thomas, that's a great point. I would like to say, and CFO Montero can correct me if I'm wrong, last year even though it was in one of the accounts... and this reflects the wisdom of combining accounts and thanks to this Board for championing the combining of accounts, and thanks to the legislature for allowing us to do it.... Last year, we would have had a one-in-four-year event for a surcharge, is that correct?

Jennifer Montero: Four is on the aggregate level.

Tim Cerio: A one-in-five-year event.... Now we're talking a one-in-95-year event for a surcharge because we've combined accounts. By context, I think [Hurricane] Andrew would be considered a one-in-43-year event; [Hurricane] Ian would be a one-in-25-to-30-year event. So, 20-to-25-year events.... So, this is very good for the policyholders of Florida and our Citizens customers.

Action Item: Redemption of the 2022 Everglades Re II CAT Bonds

Jennifer Montero: So, my next item is an Action Item. Following that in your book, it is a part of the combining of accounts. It is the redemption of the Everglades Re Series 2022 CAT Bond. So, in a reinsurance program, we have Traditional, and we also have CAT Bonds. Our CAT Bonds are typically a three-year deal, and we issued this in 2022. It's for three years, but we knew that we were looking to combine accounts. So, within the bond documents, it was structured so there was an option to call the bonds at par for no additional costs, if we were to merge the accounts. So, this is for approval from the Board. According to the bond documents, we can call the bonds after April 30. And the reinsurance contract will be terminated for the third annual risk which goes from May 2024 to May 2025. This is a $200 million bond, specifically for the Personal Lines Account, which is why we want to call it and then we will restructure our whole reinsurance program and issue additional CAT Bonds, but on a consolidated basis (not specific for one account) So this is looking for Board approvals for us to move forward with calling that....

Chair Beruff: Do we have a motion to approve that Action Item?

A motion was made and seconded to approve the recommendation to call the 2022-1 Everglades Re II Catastrophe Bond of $200 million without a call premium and to authorize staff to take any appropriate or necessary action consistent with this Action Item. All were in favor. Motion carries.

Jennifer Montero: Thank you unless you want to hear the financial statements that is my report.

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

4. Chief Operating Officer's Report

Kelly Booten: Good morning. For clarity, did the two Action Items that I have get approved in bulk - the Depopulation Plan and the Technology Action Item get approved in bulk?

Chair Beruff: They did.

Kelly Booten: Okay, that concludes my report because I had those two Action Items. We have Dave [Newell] here for the Market Accountability Advisory Committee update.

Market Accountability Advisory Committee Update

Dave Newell: Good morning, Mr. Chairman and governors. Welcome new governors to the Board. Good luck. So, for the record, my name is Dave Newell. I'm the Chair of the Market Accountability Advisory Committee. Our committee held our meeting on November 29, 2023. Kelly Booton provided an update for our committee on certainly the market. You've all heard the stories the last couple of days on the marketplace. And certainly, it was refreshing to hear about all the new entrants to the marketplace and some of the successes that are happening for depopulation. The committee was very excited to hear about those things. Christine Ashburn brought us up to date on some of the legislative agenda items, and I'm sure you'll hear about those today as well. And then Carl Rockman, Jeremy Pope, and Cecile Lattimore brought us an update on agent and agency services. One of the things that really caught the committee's attention was an outbound outreach program that they have been conducting for quite a while called The Voice of the Customer, where they have reached out to customers that have interacted with Citizens in some form or fashion. Part of the report that they provided us with was their interaction about agents and how their customers transition the policies and information through agents. So, it was enlightening to hear some of those stats. And so, what the team has done through their field managers has gone to those agencies, kind of updating them on some of the things that they're hearing from their customers, about their interaction with agents. So, we thought that was a very good exercise to get the solicited information from the customer, but also advise the agents how they may be able to do a better job in that interaction. Certainly, the last item dealt with depopulation and a lot of good buzz around there. And we'll continue to follow that. But two key points that were made that we wanted to just bring forward today was the success of this process with communication and education. And Citizens is doing a great job providing webinars, providing all kinds of communication pieces, either in print, or virtually or wherever they can to get the information out to the consumer on how this depopulation process works. And I think that has been the key to a lot of the uptick of adoption of consumers accepting an offer from a depopulation company. So, with that, Mr. Chairman, that concludes my report, and I'd be happy to answer any questions.

Vice Chair Thomas: I'd like to take a moment and congratulate Dave on the reduction and severe weather activity this last year. [laughter] I agree with education and communication, but if the Lord has to be helpful [laughter]

Dave Newell: Yep. Happy holidays.

5. Chief Claims Officer's Report

Claims Committee Report

Jay Adams: Good morning, Chairman and governors. My name is Jay Adams. I'm the Chief Claims Officer and the Claims Committee met telephonically on November 16. We really follow a very similar format, each meeting and we provided a strategic update on our Division of Administrative Hearings (DOAH) process that was codified in Senate Bill (SB) 2A, which allows Citizens to open up a new binding arbitration method that we did not have access to prior to that bill. So, we'll be looking at that for lawsuits that are submitted that have to do with denial of coverage and claims limits, and we hope that we will start to see a pretty significant uptake of that new process in 2024. We endorsed it to our policy on October 1. So, all those policies need to be renewed before we can engage that process. But this is another arm for us as far as trying to avoid litigation. In this DOAH process, the advantages, we are hopeful that these will conclude within 120 days. Today are protracted litigation pins somewhere in excess of 600 days. And you might say, "Well, what's the problem with that?" Well, the more defense fees are accrued the longer it pins. And it's not really fair for the insured to have to wait that long to get, you know, their ultimate settlement so that they can start those repairs. And with that, Chairman, that will conclude my presentation.

Vice Chair Thomas: One of the things that we see on the Claims Committee, I think, as we look at these numbers and budgets, and everything is we're actually seeing, I think, relief from various changes. But we're not necessarily seeing relief yet on litigation expenses because that's kind of a lagging indicator because a lot of these are a lot of our current existing claims are from policies that predate the changes. So, you know, forget we just did the endorsement for DOAH. And also, we have a backlog of cases from COVID. That, you know, we have that. So just when you look at these numbers, and you hear well, these changes and things look good, and our claims are down and we're handling them in the present process, but you're still seeing litigation spend, in addition to catastrophic events that .... it just that's something that we're going to see over time. It's just a lagging indicator, I think, in the overall litigation spend. Right.

Chair Beruff: Right. Any other comments? Thank you.

6. Chief Communications, Legislative & External Affairs Report

Christine Ashburn: Thank you, Mr. Chairman. We did not have a Consumer Services Committee meeting during the third quarter, so we do not have an update from the committee. I do have an executive summary regarding the upcoming legislative session and legislation that's been filed, but I believe other than Governor Spottswood all of you here heard that conversation yesterday. As a reminder, the session does begin January 9 and on March 8. There have been 715 bills filed to date. No property insurance bills have been heard by either committee thus far. The Senate Banking and Insurance Committee will not be meeting next week. And as such, no bills will be heard before session begins. The Insurance and Banking Committee in the House will post their agenda this afternoon. But I will tell you they have not been meeting in previous weeks, indicating we've done a lot of work already. I don't think there's a huge appetite to do a lot in property insurance. Before you on the update does provide for you the bills that have been filed thus far that are specific to Citizens. As we discussed yesterday, House Bill (HB) 565 and SB 604 do seek to increase the million-dollar Coverage A Cap for personal lines, residential policies. In the counties where there is no competition, which is Miami Dade, Monroe, I think, it would reduce also the rate cap in those counties. So, we would increase coverage limits and reduce the rate cap in those counties with no competition back to 10%. As you know, we're on a glide path moving from 12% on January 13, and ultimately to 15% in a couple of years. It does create an additional exception to the flood insurance requirements in zone x and for those structures that are elevated at least one foot above the flood zone's minimum base flood elevation. And it does clarify that flood coverage for the corporation is specific to dwelling and does not include, which would exclude the need for contents. That is something that has come up because the flood program, as we understand it, sells a separate contents policy. And if you buy a new contents policy on the flip program today, it's under the new risk rating, and it's causing issues in various areas of the state. We also have a bill from Representative Buchanan, who is from this area of the state. Mr. Chairman, as you know, that would eliminate the statutory provision that deems an eligible commercial residential wind only risks. More than 50% of the units are rented eight times a year for a rental agreement period of less than 30 days. I have not met with Representative Buchanan yet, but we do believe that could cause growth in the commercial residential space for Citizens. It does require roof inspections to use a specific form under law, and ironically, it is Citizens currently filed form. I'm not sure where that's coming from, but we do look forward to meeting with him next week. And also increases the minimum loss assessment coverage provided for condo unit owners from $2,000 to $5,000. That is a statutory change for all coverages, not a citizen specific change. Finally, Representative Cassel out of Hollywood Florida has created a condominium windstorm pilot program to allow Citizens only with OIR creating the program to write an ACV policy for condos. We had, I think, a pretty good conversation yesterday. I think the concern we have you know high level is if it's only for the insurer that can provide any ACV coverage, there is no comparable coverage and as such, it seems so that any condo association that wanted to go down that path would probably be eligible for Citizens because we would be the only game in town. Like I said yesterday, if the legislature wants to look at public policy regarding ACV coverage for condos, that's a very worthwhile conversation to have. But we do have concerns about the fact that if it's just a Citizens program, it could create growth. And of course, with this Board's direction, and the legislature's direction, we are of course trying to reduce our exposure and not grow. And that's all I've got, unless you have questions, Mr. Chair.

Robert Spottswood: Just to comment, if I may, Mr. Chair. So, first of all, I very much appreciate hearing you're working on legislation that would accomplish or reinstate the 10% cap and increase the amount of available insurance and in certain areas. So, thank you very much for that work. And that's a bill that's being proposed for the upcoming session?

Christine Ashburn: It is.

Chair Beruff: I think I'd like to clarify. Legislators are proposing those gaps. We're not working towards that.

Robert Spottswood: Okay. I'm assuming it's being proposed by the delegation from the [Florida] Keys.

Christine Ashburn: Representative Moody and Senator Rodriguez. Yes.

Chair Beruff: But we're so far off actuarially sound correct rates, that the backwards on the glide path after what we've gained will further get us behind .... It depends on where this Board's sentiment is. Okay, my sentiment has been very clear from day one. I don't think we should be in the insurance business period so that's my premise. When I started on this Board four years ago, understanding that Monroe County has its challenges... but when you start passing things that are out of the scope, that is in effect both Monroe and Dade Counties and the magnitude and the size of the Dade County market, and you restrict those premiums to adjustments of no more than 10%, then there is no way we are going to be the only insurers and those two counties. And that I don't think is the direction of this Board, in conjunction with the fact that unfortunately, the way the current statute runs this place. If we can't charge [actuarially sound rates] and if we're losing money in one territory, we can't charge actuarially sound rates in another territory to just break even operationally, which is only in a semi government, private sector company, which is what this is, would that occur. So, our hope has been one, the glide path was created and correct me if the glide path was created, subsequent to the reforms by a governor who has infamy amongst Republicans, Democrats and Independents, named Charlie Crist. Okay. And we have been strangled by that glide path for over a decade (what 13 years now was implemented in 2010?) Okay, so just recently, with all the legislative fixes, and the staff and OIR have done, we been getting closer to getting back to where we need to be. My second thing for being on this Board was from the very first meeting, I said, I never want to assess a Florida rate insurance holder with an assessment. That's my goal. If we can't do that, then we're not doing our job because then we're taxing people because we didn't run the business correctly. So, there are some difficult problems we have to deal with. And hopefully we'll deal with them. But unless this Board directs the Chair, I'm not advocating for any restrictions. As a matter of fact, I'd like to take the restrictions off the glide path altogether. But we are where we are, and the statute exists as it exists. And we'll follow that and continue to move the ball. If other Board members want to have that discussion, I'm more than comfortable having it. Like I said, the only thing about being the Chairman is that I start the meetings and I close the meeting. At the end of the day, I only have one vote like the rest of you. Thank you very much for letting me expound on my thoughts. So, thank you for that.

Robert Spottswood: And if I could come in and also gain some clarification because this is something that's fairly new to me. But I know these issues are really important, and I'd like to understand it. You said it's your position and the Board's position that they're against this legislation that's being proposed. Mr. Chairman?

Chair Beruff: Yes.

Jamie Shelton: We want to start here and go that way. I would certainly fall along the lines with the chairman. It's very challenging for Tim and his staff to piece this thing together, when you're constrained by statutes that don't allow you to run the company in a normal way with these rate restrictions. I've said, not only in our business or any business, but you also know, anytime you insert caps, ceilings, for situations that might occur, not saying there's never not a time to do that, in an emergency situation, or for a very short period of time. But what happens many times, and it's no disrespect to our legislative body, they deal with a lot of things. You pass something in the past, and you forget about it. And if I were to propose some legislation or talk to legislators, we'd want to understand how we can accelerate this to make it a market rate? Whether you do away with the glide path? Or maybe you accelerate it so you can get to where you need to be momentarily quicker? Or, you know, I still don't understand. I think of Citizens as the insurer of last resort when someone really needs to be there. But it seems to me, we've become like the first choice because we are so undervalued in what we charge in the premiums. But, you know, even if there were an opportunity, I don't know if this is possible, but you know, maybe you accelerate the glide path through legislation. And maybe this is the OIR, you know, for new policies coming on, it's market rate for those new policies that come on, as opposed to just, you know, whatever it may be. But I'm fully supportive of the Chairman's views as we move down the table here, that I wouldn't be really supportive of any type of rollbacks in any form or fashion. Thank you, Mr. Chairman.

LeAnna Cumber: Mr. Chairman, I agree with what you said and what a Governor Shelton said. You know, I think that rolling back the cap is going in the wrong direction. And I think that, you know, it will set a precedent where it will become more and more difficult to get up closer to market rate. And so, you know, I think a lot of our discussions are around how do we close that gap? And how do we make it so we're more, you know, aligned, while not being, you know.... We have the mandate of not being competitive and being the insurer of last resort. We also need to make sure that we're not banking on the fact that we can assess Citizens' policyholders and the rest of the policyholders in Florida, you know, if things go if we have some serious storms, and we have some payouts. So, you know, I think that this discussion should be going in the other direction with the caps. And so, I am not in favor of continuing to reduce them.

Charlie Lydecker: I spoke yesterday on it with you. I think everybody knows where I'm at. I agree with the comments made.

Vice Chair Thomas: Mr. Chairman, I certainly agree with you. And just a couple other comments on it. I mean, I think it's important to remember that the glide path actually followed a freeze our rates. So, the idea was the glide path would be we'd get back to actuarially sound, but we do it over time with lower amounts where it's not going to happen. And I'm not even sure if 15% will ever get back to what's actuarially sound. And the failure to charge sound rates has significant consequences. One is - know it's our goal and we want to avoid assessments - but things that are inevitable are inevitable. And the whole idea of the actuarial analysis is what's required for long term risk. And so as long as we're not actuarially sound, that risk increases of having to have assessments just because we're simply not charging enough. The other problem is we're now an impediment to the market. We're hurting the private market. If you're a private insurer, you think, "Well, let me get into the Florida market. Well, I can't possibly match Citizens rights, even if we're actuarially already sound, by the way." We'd be overly competitive because we're tax exempt, and they're not. So, I think that the idea is that in the long term in terms of what it does to the market, what it does to the rest of the Citizens, is something that's counterproductive. We shouldn't have that. Now, having said that, I appreciate Monroe County as a matter of geography being unique.

And it may well be there's nothing we can do to have a thriving private market in Monroe County, which means their policymakers need to look at maybe what we can do and what is the best way to address Monroe County, but I think Monroe County is (certainly in our operations) distinct from Miami Dade. And so, what needs to be done from a policy standpoint to address the uniqueness of Monroe County? I don't think it's this…

Chair Beruff: And we exist to make sure we provide insurance to those who cannot get insurance elsewhere. Monroe County happens to be one of those unique areas in this state that is considered a special consideration that we pay attention to. But when you throw Dade County into it, it becomes a whole different kettle of fish.

Erin Knight: I agree with many elements said of living in Miami Dade myself. I have experienced this challenge firsthand. And I think insurance in Miami Dade is also extremely difficult when you're in that sort of million-dollar insurable value checking. But there are elements and likely issues to address, especially in Monroe County, that every bullet here may not work but agree that you know, a conversation should be had.

Jason Butts: I think you guys know where I stand fundamentally. I agree with you wholeheartedly. Firsthand, knowing the pressure in Monroe, specifically the folks not being able to find insurance. We talk about market rates; there is no market. There is no insurance market; there is no wind market; there is no market. So, you're talking about collapsing, potentially, the real estate market. There are folks in the Keys that are working hard every day that have a mortgage on their home that cannot find insurance. And so, I think when you look at it from that perspective, trying to play in the box that we've been given to play in, we need to consider, and it's obviously not our job to consider it, it's got to be legislatively passed, to find a solution for them. So, if we are the market of last resort, then there should be something there for them. I am a fan of providing a solution with a sunset type of experience, so we hope that this market can come back. But I don't know what next year looks like in terms of carriers being able to provide any capacity in the Keys whatsoever. I know that the team has done a good job trying to provide wind, and there are carriers that will write the X-wind. But there's no wind market there. So, whatever that means, whatever solution needs to be devised to be able to provide those folks with a market. I think that's something that should be explored: be thoughtful, come up with a way to not again put us on the hook for additional funds. If we look at it from how many homes (and $500,000 additional in Coverage A value), I will say it's probably a drop in the bucket to our overall market within Citizens. So, again, I think it's an issue that needs to be addressed. I agree with you that, you know, South Florida, not including Monroe, creates some additional challenges. But again, I we look at these caps ($700,000 I believe in the rest of the state, is that right, ... $1 million?). We've had inflation and everything else, but that number has been fixed for so long. So, as you know, Chairman, building costs have gone up significantly, but yet our caps have stayed the same. So again, I'm not saying let's increase it by 30% or 25%. But I think that there's some areas that if our job is to provide a market to folks who can't find insurance, there should be something there, at least some type of coverage to satisfy their mortgage responsibly.

Robert Spottswood: So, I appreciate very much all the thoughts that all the governors have expressed. And I especially appreciate the willingness to say that the circumstances are a little bit different in the Florida Keys. It's a very tough market for insurance and real estate and the average cost of the home exceeds a million dollars. Florida Keys pay significantly more in rate than other coastal areas in the state of Florida. And so, continuing to increase rates in the Florida Keys, at the same rate, you're increasing in other areas simply compounds the problem. If you go 12% a year for six years, premiums will double every six years, they're going to be twice as much as they were before. So, continuing down that path of continuing to increase the area that already has a significant premium to the other policies we have in the state of Florida.... I'd like to find a solution to this. It's not sustainable. The real estate market in the Keys is being crushed by insurance costs. And so, I don't know what the answer is, and I don't disagree with your view that Citizens should wind down the insurance business. This is not our business; we're doing it because we have to in order to provide insurance to those folks who can't find it. And I think you've done an incredible job at that. I think the programs are working on to depopulate and to get out of the insurance business, or at least to reduce the size, or the largest, largest in the country, have this kind of insurance, say, this kind of insurance provider. So, I agree with all those things. I'm just asking, as we go forward in the process, if we can continue to keep an eye on the Keys and figure out a way to relieve the Keys. Property owners have the difficulty that they have in finding and paying for insurance; it's a real problem for us. And so, I thank you so much for your consideration of that, of that issue.

Tim Cerio: Governor Spottswood, thank you. And I want to tell you.... You may be aware of this, but I spent some time in the Keys to visit with stakeholders down there. Chief Operating Officer Booten and CFO Montero went with me. We met with legislative leadership, local leadership, homeowners, stakeholders.... the issues are very, very challenging; they're unique, and we are committed to try and be a source for solutions. You know, the OIR is reviewing, you know, wind mitigation credits. There was a concern that it's expressed - on the Hurricane Modeling Task Force that I sit on as a member -there's a big concern from folks and the Keys on whether the models take into account the building codes. I will tell you, from what I've seen, there are some, I don't want to call them the bomb shelter because that takes away from the beauty but amazingly well-built, constructed heavy duty homes that are gorgeous that I would think you would want to insure. You'd get a great premium, and they're going to withstand some damage. But the point is, we've engaged in a dialogue; we do want to help. We've tried to do our part, and having the follow up conversations with the OIR as well as Hurricane Modeling that we said we would. One of the things that I really have to give all the credit in the world (this really, I think, started under CEO Gilway, and I hope will continue, and I think it has) .... I think my team has some great credibility downtown. And we do get, you know, the legislative leadership reaching out to us from time to time .... senior staff, staff in the executive branch for ideas that, you know, sometimes we have some good ideas, maybe sometimes they're not so great. But we've been blessed to have the opportunity to have a seat at the table. We will never get ahead of this Board on policy. But we will always want to try and be a source for solutions; we'll continue to do that. And you know, just because legislation is filed, I would encourage this Board and recommend that we don't feel like we have to take a position on every piece of legislation, whether we're, you know, for it or against it. But we definitely want to be seen as sort of the white hat that can provide, you know, unbiased assessment of look, is this good for the market, bad for the market, good for Citizens, bad for Citizens.... This is a long-winded way of saying we are committed to helping Monroe County as well as the other 66 counties. But we have spent some time down there and recognize the uniqueness.

Robert Spottswood: I've heard some comments following your time down there. They were all very positive, and very thankful and appreciative for the time that you spent trying to understand the issue a little bit better. And they feel like we're working toward trying to find solutions that work for everybody. So, thank you very much for that.

7. **Chief of Internal Audit Report**

Joe Martins: Good morning, Mr. Chair and governors. We had the Audit Committee Meeting yesterday. Nothing came out of the meeting specifically that needed to be addressed by the Board. I also do not have an Action Item for the Board. That concludes my presentation if there are no other questions.

Chair Beruff: For the new Board members, Joe's the most important guy in this room, but he's this fastest because I always ask him, "Is there anything on fire we got to worry about?" And his answer because he runs such a good team is there are never any fires because he's ahead of them. Thank you very much, Joe. Welcome, Ms. Bloom.

8. Chief of Human Resources Report

Violet Bloom: The General Counsel item would be next, but you approved it in the consent. Okay, so that puts me in. Good morning.

<u>Consent Agenda Item: Approval of Increases Required by 627.351 Fla Statute</u>

Chair Beruff: Good morning. So, this is an item that you pulled off the Consent Agenda, Mr. Spottswood?

Robert Spottswood: So, I was mistaken about the subject matter of this item. When I went through the pre reads for the meeting, there wasn't a whole lot of explanation. And based upon the information you provided me a moment ago, this is not the item that I intended to pull. So, I'd like to withdraw my ask to have this pulled from the Consent Agenda.

Violet Bloom: In your Board briefing, Governor Spottswood, we will go through the Compensation Program that was approved by the Board and the methodology that we used.

Robert Spottswood: It was not my attempt to pull an item to talk about the Compensation. I was thinking it was involving insurance rates to the new governors.

Chair Beruff: It's informational only. Ms. Bloom and I have been working together for how long now, over a year and a half?

Violet Bloom: The statute was passed in July of 2021. So ever since then.

Chair Beruff: Alright, so what happens is a matter of form. Ms. Bloom provides me with the increases with a background on what we're doing for the employee that's being promoted .... and the salary... and I sign off on everyone. Now, it still has to come to this Board for approval. I just want you to know that I'm reviewing things.

And I don't think I hold up Ms. Bloom from her duties of getting all our team members properly compensated. But we're looking at each one as they go forward. And she does a tremendous job of providing the background that anyone on this Board would go, "Yep, that makes sense. And go forward." So just so that, you know, that's the way we've been doing it, and it works quite effectively.

Robert Spottswood: Thank you, Mr. Chairman.

A motion was made and seconded to authorize the Increases as Required by Section 627.351(6)(jj), Fla. Statutes, as set forth in this Consent Item; and authorize staff to take any appropriate or necessary action consistent with this Consent Item. All were in favor. Motion carries.

New Business

Consideration of a new General Counsel & Chief Legal Officer

Tim Cerio: I'm sorry, this was added to new business. And I've spoken to each of you, except Governor Spottswood. I apologize. We have not had a chance to circle up and I neglected to mention this to you yesterday. We have completed our search for a new General Counsel for Citizens Property Insurance, and the name that we're putting forward for your consideration and hopefully approval is Brian Newman, who is currently the Chief Judge of the Division of Administrative Hearings. I've worked with Brian for quite a while; he is a consummate professional. He has been a great judge and administrator of the Division of Administrative Hearings, which is a big administrative responsibility. As you can imagine, with any governmental entity, not just managing a team of judges, but also you know, budget considerations, policy considerations. He has had to deal with downtown quite a bit. He and I have had the chance to work together. He's had a very successful career in private practice, a lot of insurance experience, litigated insurance rate disputes, rules regulating insurance ratemaking bid protests.... I'm very excited to have him join the team, and we're just putting his name before you. Some of you've had the opportunity to speak with Judge Newman. And I want to answer any questions. And I think the judge is on the line to answer any questions if you have any.

Chair Beruff: I don't see any questions. We typically, as a Board, defer to Mr. Cerio on issues on this particular issue. We do have the responsibility of signing off on this hire, but I always defer to Mr. Cerio pretty much on these things because he's good at what he does. So, he has my support.

A motion was made and seconded to approve Brian Newman as Citizens new General Counsel & Chief Legal Officer with a January 3, 2024, start date. All were in favor. Motion carries.

Tim Cerio: Thank you. Congratulations to Judge Newman, if you're listening. I also want to offer a thank you to Ken Tinkham, Deputy General Counsel/Acting General Counsel twice in one year. He's had to do a couple of stints, and I think you would hear from my entire leadership team that he has our respect and our gratitude. He is a fabulous lawyer dedicated to Citizens. He's done yeoman's work. So, Ken, if you're listening, thank you very much as well. Ken was on the line. He has some family obligations today, but couldn't be here, but he's participating.

And then lastly, a very bittersweet announcement. And I also want to offer my gratitude and thanks to our Chief of Human Resources Violet Bloom. Violet is going to be leaving Citizens. Come on up here, Violet. I didn't tell her I was going to do this. Violet has been at Citizens for 10 years, and I can tell you all that she has provided valuable counsel to me. I don't think I'm somebody that flies off the handle, but she's helped me have a broader perspective. She always cares very much about the culture. She wants to make sure we're doing our jobs and serving the policyholders. But she cares very much about making sure our employees know that they're appreciated, and you have my sincere thanks, my sincere gratitude, and I just want to thank you.

Violet Bloom: I want to thank the Board. What we have created at Citizens, we wouldn't be able to do without your support. You've been great about supporting employee programs, employee development, career development, our total rewards, our compensation, and benefits. And it makes it possible for us to attract and retain the best possible employees to fulfill our mission and serve the policyholders and Citizens of Florida. So, thank you.

Chair Beruff: I hope you're going somewhere lovely.

Violet Bloom: I am. Thank you. Thank you.

Chair Beruff: We will adjourn.