

CITIZENS PROPERTY INSURANCE CORPORATION

**MINUTES OF THE
ACTUARIAL AND UNDERWRITING COMMITTEE MEETING
Tuesday, April 9, 2024**

The Actuarial and Underwriting Committee (A&U) of Citizens Property Insurance Corporation (Citizens) convened at The Westin Lake Mary, Lake Mary FL, on Tuesday, April 9, 2024.

The following members of the A&U were present:

Vice Chair Scott Thomas (Presenting Chair)
Josh Becksmith
Robert Spottswood
Fred Strauss (telephonically)

The following Board of Governors members were present:

Governor Charlie Lydecker

The following Citizens staff members were present:

Tim Cerio
Jennifer Montero
Barbara Walker
Joe Martins
Christine Ashburn
Andrew Woodward
Jeremy Pope
Mark Kagy
Jay Adams

Call Meeting to Order

Barbara Walker: Good afternoon, and welcome to Citizens' April 9th, 2024, Actuarial and Underwriting Committee webinar that is publicly noticed in the Florida Administrative Register to convene immediately following the Finance and Investment Committee and will be recorded with transcribed Minutes available on our website. For those attending today's session through the public link, you are automatically in listen only mode. Panelists, thank you for identifying yourself prior to addressing the committee. Presiding Chair Vice Chair Thomas, we have no speaker requests for today's meeting. I will proceed with roll call.

Roll was called and quorum established with Vice Chair Thomas, Governor Becksmith, Governor Spottswood and Technical Advisor Fred Strauss.

Barbara Walker: Chairman, you have a quorum.

1. Approval of Prior Meeting's Minutes

Vice Chair Thomas: Thank you much. We'll convene the meeting of the actuarial and underwriting committee. We'll start with the approval of the prior meeting's minutes, which are included within the agenda materials for everyone's review. And I'll gladly entertain a motion to approve those minutes.

Governor Becksmith: So moved.

Vice Chair Thomas: There's a –

Fred Strauss: Second.

Vice Chair Thomas: -- motion. Is there a second? A motion and a second. All those in favor signify, by saying, "Aye."

(Chorus of ayes.)

Vice Chair Thomas: Motion carries. Minutes are approved. We'll turn the floor over to Ms. Montero.

2. Chief Financial Officer Report

a. 2024 A&U Charter – Annual Review [AI]

Jennifer Montero: Thank you. Behind Tab 2, you will find the actuarial and underwriting committee charter. Each year we bring the charter to the committee for recommended approvals. The team has reviewed the charter and we do not have any recommended changes.

Vice Chair Thomas: All right. **We have a motion to approve the charter. Is there a second?**

Governor Becksmith: **Second.**

Vice Chair Thomas: Motion and a second. All those in favor signify by saying, "Aye."

(Chorus of ayes.)

Vice Chair Thomas: **Motion carries.** Ms. Montero, you've got to have more for us than that, right?

b. Qualification Documentation for Appointed Actuary

Jennifer Montero: Thank you. So, the next item is the qualification documentation for the appointed actuary, and Brian Donovan, our chief actuary, is here to go over the letter.

Brian Donovan: Good afternoon, Chair, and committee members. I'm Brian Donovan, chief actuary at Citizens. I will address Item – I think it's 2B in the A&U agenda, as Jennifer said, related to the qualification letter for the appointed actuary. This is really a housekeeping item and is not an action item. The purpose of this is to keep myself and Citizens in compliance with a change implemented by the NAIC in conjunction with the American Academy of Actuaries, the Casualty Actuarial Society, and the Society of Actuaries. In 2010, I was appointed by the Citizens board as the qualified actuary. This means I was appointed to sign off year-end loss reserves that are recorded in Citizens' financial statements. Prior to 2019, the rule was that once an actuary is appointed by the board, there's no need to discuss this at the committee or board level unless there's a change in the appointed actuary. However, at the end of 2019, the aforementioned organizations made a change in its role that now requires the appointed actuary to provide the appropriate committee and/or board documentation that demonstrates that he or she is qualified to be the appointed actuary. Included in the document provided is a formal letter from me addressed to Citizens' board outlining my qualifications. Also included is a brief description of my work history. Bottom line, nothing has changed regarding my qualification to render actuarial loss reserve opinions. The only thing that changed is that all appointed actuaries must now provide this documentation each year.

Vice Chair Thomas: Brian, thank you much. And I know it's not an action item for us, but I think consistent with the instructions, I'll ask if anyone on the board requests any additional information not already included within the letter? I certainly don't, and I appreciate you documenting for us what we already know from your performance. So, thank you.

Brian Donovan: Thank you.

Vice Chair Thomas: All right. Jennifer, that's all you had, correct? All right. So, Jay, as our Chief Insurance Officer, we look forward to your report.

3. Chief Insurance Officer Report

c. Product Updates – April 2024 [AI]

Jay Adams: Thank you, Chairman and committee members. Today I have for you the product updates and this -- our rule and form changes for 2024, and I do have an action item that we will need to vote on. And, really, this update is for commercial underwriting guidelines to clarify that exemptions for roofs that are beyond a maximum age are only allowed for a one-time exception. From changes, those are to address emerging issues identified through the internal analysis and market research, and really what that does is just true us up against what the policies are in the market. And there are some changes that came about specifically from a

claims perspective to try to better explain or -- yeah, explain the language so that we can get to the ultimate claims experience that we're looking for. I was talking with Governor Becksmith yesterday, and he asked that I bring before today about how these changes are communicated to the agents and the policyholder. So, for the agents, we have an agent roundtable, we do agent bulletins, we have Citizens agent webinar and training events, and then we have agent association-sponsored webinars, and then we, of course, have our own agency field managers that communicate that. For our policyholders, this goes out in the policy via the notice of change in policy terms. There are several pages of the executive summary in your binder that explain what these changes are. Be glad to discuss any of them. If there are no questions, then I would just read the action item.

Vice Chair Thomas: Before we do that, let's make sure we don't have any questions.

Governor Spottswood: (Inaudible) age and discontinuing a policy because of the age of the roof. What do we do before we actually send somebody a notice that we're discontinuing or non-renewing a policy because of the age of the roof beyond its useful life? Do we go out and inspect to see what they did three years ago maybe or if anything gets done, or is a policyholder required to let us know if they replaced the roof two years ago?

Jay Adams: So, when we write something that's new business, we have standards on the age of the roof based on the type of material of that roof. If it exceeds that, then what we're going to require is a roofer or engineer provide the remaining useful life that might be existing for that roof. If we make an exception to that, then what we do is we will set the policy up to non-renew, and the non-renewal reason will be replacement of the roof. So that gets communicated through that non-renewal process.

Governor Spottswood: The specific question I have is where we've had a policy on the books for a number of years. At the time, the roof -- the roof was in good condition or had enough remaining useful life that it qualified, and we come up on the date that we have in our records that that roof has reached its --

Jay Adams: Remaining useful life?

Governor Spottswood: Right. Do we do anything? Do we ask the policyholder if they've done something? For instance, they could have replaced the roof last year. And I ask the question because I've had someone call me and ask me about this and say, "Well, I got a notice that you're not going to renew my policy, but I replaced the roof last year," and it took them a long time to really get through that process to get us to understand that they had done some work on the roof. Is there anything we do in connection with the non-renewal?

Jay Adams: So, obviously, the agent is going to be notified. They should be reaching out to the insured with regard to that. If the insured did replace the roof, they at least need to let the agent know. That way, we can update the system to reflect what the new remaining useful life would be for that based on the type of roof.

Governor Lydecker: But that's not the issue you typically have to deal with, right? That's -- That scenario is good news.

Jay Adams: That's great news.

Governor Lydecker: Yeah, the issue that I think is something that, you know, we have to consider you know, consistent with your thought process, continue to deal with, is you get an exception for -- call it two years, and now that two-year period has come due, and I think the policy change here is that you get one exception --

Jay Adams: Correct.

Governor Lydecker: -- not to go back to -- so what happens now is you go back, and you get another exception and then another exception, but it might be subject to -- and I'm not saying this in the context that Citizens is doing something that isn't totally thoughtful. I don't mean that. But, you know, they're going to rely on an inspector to come over and provide that inspection. And so -- for the second exception. So, they're limiting it now to one exception, which is probably a material change that is noteworthy. My issue is that that inspection is being done by somebody that the agent selects. And if somebody wants to get -- I think -- I think I can get an inspector to say that I have a couple more years of useful life on my roof based on a set of criteria that exists right now, and the next hurricane that comes, that roof could get blown right off. That's the -- and that's the fraud issue that was what I referenced earlier that Jay and I have been talking about. And I think it's something that Citizens has got to address. And one of the ways of addressing it might be that Citizens appoints -- that inspector should be a client of Citizens and not a client of an insurance agent, not a client of some other party. They ought to be a client of Citizens so that they know who they're working for, because maybe you should get another exception, but if you get another exception, then it needs to be an inspector that you can rely on.

Jay Adams: Correct. And we agree with your recommendation, and we are following through on that. I believe I have a meeting next week to start those discussions.

Governor Spottswood: So, what's the period of time for the exception? A policy year?

Jay Adams: So, it depends on the remaining useful life. So, the underwriter can look at whatever report is sent in. We also have aerial imagery that we look at and we have our own field inspectors as well. We obviously don't have enough to inspect all the properties, but we inspect the ones that we need to. We can send them out if we don't agree with -- you know, say they said it was three years. Maybe we think there's only one year. So, we have the flexibility to grant an exception and grant the number of years left on that remaining useful life.

Governor Lydecker: One other comment. I think that Citizens should be saying to the consumer that you're getting -- we have our inspector who says, you know, "You should get this -- this person needs a new roof, and we're going to give you one year to get a new roof." And then you have -- but in that year, you have to figure out a way to get the new roof, because it's so burdensome to throw on the consumer a new roof. That's like, you know, an unbudgeted item for a lot of households. That's just a massive undertaking. So, you know, and maybe then you say, "And there will be no exceptions after this period of time." I think you're ready to do some of that.

Jay Adams: So, we're talking specifically about commercial policies here.

Governor Lydecker: Yep. Got it.

Jay Adams: Okay. So, it would be mainly on these associations.

Governor Spottswood: So, the exception is only granted for commercial policies?

Jay Adams: I'm not a hundred percent sure.

Vice Chair Thomas: I think we have a whole statutory overlay about when we can cancel because of roof age and the right of the insured to seek an appraisal and contest it and all that sort of stuff.

Stephen Mostella: For the record, my name is Stephen Mostella, Vice President of Underwriting at Citizens. Can you hear me? I pushed the button. If I understood your question correctly, it was about personalized or homeowners' policies and if we have more than a one-time exception available for them. Now, there is a statute that speaks to if we have a licensed roofing contractor come out and state that there's five years remaining useful life on the roof, we have to abide by that. One thing that we were hoping to avoid with that statutory change was having the repeat, as Governor Lydecker mentioned, of having them come out time and time again. The way it is applied today for homeowners, they do have the option of that one-time exception. If they're able to obtain another roofing form signed by a licensed roofer or a licensed general contractor and it states, you know, about another three years or five years of remaining useful life, is that available, we have to continue with that.

Governor Lydecker: Which my point is that's easy to get. That's all. I'm not -- you're doing everything you can do, I agree with that. I'm just taking -- I'm taking more of a macro -- you know, a position on like -- I think something's got to be solved there on behalf of Citizens because, again, it lends itself to degrees of abuse, and all abuse means is higher rates for consumers.

Vice Chair Thomas: Well, I think the key to that -- 1, that's statutory. We don't have any choice there except I think when we discussed this as a product change, there was quite a bit of discussion about the idea that that insured's right kicks in when the insurer won't renew based upon age only of the roof. So the idea was that that was not something that we were going to be attuned to the idea of making those kinds of decisions, not just based on the age of the roof, but based upon the age of the roof and our own independent review inspection of it. So, we weren't necessarily triggering that statutory permission by the insured. That seems to be my recollection of that, but I may be mistaken.

Stephen Mostella: No, that's correct.

Governor Lydecker: Right. But, I mean, if -- but if there's a statutory need to change something, then we need to -- it needs to start with Citizens advocating that change.

Stephen Mostella: Yes. And this was brought up a few -- a couple years ago when it was first introduced, and that's something we can certainly take back and take another look at to see if there's some additional wording that can be changed that would put us in a better position as it relates to this.

Governor Lydecker: I don't think we're telling you anything you don't know. My press is more of a sense of urgency, like we need to get on it because, you know, again, our goal is to depopulate Citizens, right? Depopulate it. And, you know, frankly, our goal is for people to get new roofs, but they got to get, you know, new roofs that could sustain the types of hurricanes the state of Florida faces, but we're trying to -- we're trying to do it in a way that is also consistent with, you know, their budgetary constraints, right, and giving folks a heads-up and not just pulling the rug out from citizens. When I say "citizens," I mean consumers.

Vice Chair Thomas: Okay. Anything else on the roof issue? Any other questions for Jay regarding the series of product changes we have in our materials stretching everything from golf carts to scrivener's errors? If not, I believe that you actually need -- well, ultimately, the board's approval for this. So, we do have an action item.

Recommendation: I would entertain a motion from the committee to recommend to the Board of Governors the approval of these Citizen product guidelines, forms, and supporting documents, and as part of that, authorize staff to take appropriate and necessary action consistent with these product updates with OIR.

Governor Spottswood: **I'll move to approve staff recommendation.**

Vice Chair Thomas: Thank you, Governor. Is there a second for that?

Governor Becksmith: **Second.**

Vice Chair Thomas: Motion and a second. All those in favor signify by saying, "Aye."

(Chorus of ayes.)

Vice Chair Thomas: **Motion carries.**

Jay Adams: That concludes my section. Thank you.

Vice Chair Thomas: Okay. Jay, before you go, I don't want to step on I'm sure what will be President Cerio's discussion tomorrow for the board about some of the changes here, but you're here before us as Chief Insurance Officer, as opposed to vice president of claims. I'm happy about that. I look forward to hearing Tim talk about everybody's new sort of authority and area here, but I'm very pleased by it, so...

Jay Adams: Thank you.

Vice Chair Thomas: I don't know -- I've lost my agenda. I think that may be all our agenda items for today that are set. That is. I don't have any new business, but I'm always happy to open up

the floor for anyone on the committee or not on the committee who may have comments. Otherwise, the actuarial and underwriting committee meeting will be adjourned. Thank you all.

(Whereupon, the proceedings were concluded.)