

Exposure Reduction Committee Minutes

ACTION ITEM

New Contract

Contract Amendment

Other - Committee Minutes

CONSENT ITEM

Contract Amendment

Existing Contract Extension

Existing Contract Additional Spend

Previous Board Approval _____

Other _____

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

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

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

Item Description	Exposure Reduction Committee Meeting Minutes December 5, 2023
Purpose/Scope	Review of the December 5, 2023 Exposure Reduction Committee Meeting Minutes to provide opportunity for corrections and historical accuracy.
Contract ID	N/A
Budgeted Item	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No - Not applicable
Procurement Method	N/A
Contract Amount	N/A
Contract Terms	N/A
Committee Recommendation	Staff recommends the review and approval of the December 5, 2023, Exposure Reduction Committee Meeting minutes.
Contacts	Jeremy Pope, Chief Administrative Officer

CITIZENS PROPERTY INSURANCE CORPORATION

**Summary Minutes of the
Exposure Reduction Committee Meeting
Tuesday, December 5, 2023**

The Exposure Reduction Committee of Citizens Property Insurance Corporation (Citizens) convened at the New College of Florida in Sarasota, FL on Tuesday, December 5, 2023.

The following members of the Exposure Reduction Committee were present:

Chair Carlos Beruff
Governor Jason Butts
Governor LeAnna Cumber
Kelly Booten, *Staff*
Christine Ashburn, *Staff*
Jennifer Montero, *Staff*

The following Board members were present:

Governor Jamie Shelton
Governor Scott Thomas (telephonically)
Governor Erin Knight
Governor Charlie Lydecker

The following Citizens staff members were present:

Adam Karns	Long Yang (telephonically)
Adam Marmelstein	Mark Kagy
Aditya Gavvala (telephonically)	March Fisher (telephonically)
Andrew Woodward	Mathew Carter
Barbara Walker	Michael Peltier
Bonnie Gilliland	Nick Groll (telephonically)
Brian Donovan	Palicia Francis
Deena Harrison	Paul Kutter
Doug Hageman (telephonically)	Raina Harrison
Eric Addison	Ray Norris
Jay Adams	Sarai Roszelle (telephonically)
Jeremy Pope	Stephen Mostella
Joe Martins	Tim Cerio
Karen Holt (telephonically)	Violet Bloom
Karl Justavino	Wendy Perry (telephonically)
Ken Tinkham (telephonically)	

The following were present:

Coleman Cordell, BofA	John Generalli, Wells Fargo
Christian Sandino, Zoom (telephonically)	Kapil Bhatia, Raymond James
Dave Newell, FAIA	Mark Weinberg, Citi
Frank Leto, Citi	Matthew Sansburg, RBC Capital Markets
Duane Draper, Bryant Miller Olive	Sasha Stipanovich, Raymond James
Fred Strauss (telephonically)	Sam Wishard, Forvis (telephonically)

Call Meeting to Order

Roll was called and a quorum was present.

1. Approval of Prior Meeting's Minutes

Chairman Beruff: Thank you. The Board will entertain a motion to approve prior meeting Minutes.

Governor Jason Butts made a motion to approve the September 26, 2023, Exposure Reduction Committee Minutes, and Governor LeAnna Cumber seconded the motion. The minutes were approved.

Chairman Carlos Beruff: Market Update. Ms. Booten, you are up.

2. Market Update

Kelly Booten: Kelly Booten, for the record. Behind tab two is the Market Update. The first slide shows policies in force as of the end of October is 1,334,620. At the end of last week, December 1st, our PIF was at 1,260,777, which shows the impact of depopulation, which we'll get into later. Our exposure is right around \$563 billion in exposure, and you will also notice that as we add more policies, the tri-county area goes down from around 50 percent down to 40 percent.

On the next slide is the monthly policy personal and commercial combined, which you will notice is declining because of depopulation and the new business is slowing a little bit. For October, the new business total combined for both accounts was 42,991, and for November, that number is just short of 39,000. We start getting into our slow months in November, December, January, so some of that is taken into consideration; however, the numbers are starting to look a lot more favorable.

The next slide is personal lines and it's going to look pretty much like the prior slide because the PIF growth traditionally follows personal lines, and the exposure is what's different for commercial lines. So, the November new business policy count for personal lines was 38,428.

The next slide has a little bit more detail around what's happening with personal lines, and this is new business. The first graph is policy count by policy type. You can see that for the first time we've got some negative numbers over in the percent change category from the prior four months this time last year, and that's predominantly because we did not have any insolvencies in this timeframe like we did last year. This bottom graph shows the geographic region. Southeast coast is usually the highest for us and all categories are declining slightly.

On the next slide is the personal residential policy types. So, the first graph is the Coverage A Range. You see a little bit of movement there from the prior four months mainly because of the increases in Coverage A amount due to replacement cost values. Then the age of home, the zero to ten category climbs a little bit here and the same thing with the age of roof, zero to two category. I always mention those because those are great policies for depop.

The next slide shows for the new business personal lines account the prior carriers. The thing here is Universal has slowed down a little bit compared to July, and other companies are starting to come into the mix a little bit for prior Carrier.

All right, now, for commercial lines, the slide shows --

Governor Butts: Kelly, can I stop you real quick?

Kelly Booten: Sure.

Governor Butts: Sorry, excuse me. On your personal residential type, am I reading this correctly, where we see an increase in homes 10 years and newer as well as homes with a new roof?

Kelly Booten: Correct.

Governor Butts: More policies are coming into the Citizens in that case.

Kelly Booten: Correct.

Governor Butts: I think it's important to point out that that, once again, shows a lack of a marketplace out there when you have new homes with new roofs still being written with Citizens. In some cases, obviously, some people may be choosing Citizens, unfortunately, because rates are lower, which we clearly don't want to happen, but in some cases you see that there is no market. So good homes coming into Citizens.

Kelly Booten: Yes, and it's a higher percentage of the total population when you compare it to prior months.

Governor Lydecker: Is another way of looking at it, I mean, the inference is that's obviously negative since we're trying to depopulate, right, but is there a way of looking and saying some good business in here isn't bad either? You know, we do to --

Kelly Booten: Yes. These are the types of policies that usually return to the market quicker.

Governor Lydecker: Yes.

Kelly Booten: Any other PL questions? Okay, commercial lines is a little bit different story, though it also has some more favorable trends. For our new business, if you look at the policy count which is the top row, it peaked in June at 1,420 and has slowly gone back to a little bit more reasonable numbers with 676 in October and November is 551. These are still elevated quite a bit from a year ago this time, and our biggest growth area right now is commercial. If you look at the total PIF, as of last Friday, it was 13,151 with \$106 billion in exposure.

The next slide shows some breakdown for the commercial policy types. This is new business building counts by policy type. You can see the blip in July, and it's predominantly condo associations. Then the bottom part shows that the southeast coast is the highest section. A little bit of growth in the Tampa Bay area.

The next slide shows the new business total insured value by products. So, this is a TIV comparison where you can see the commercial residential wind and multi-peril is the higher by TIV compared to non-res which has limits.

The next set of graphs is commercial policy types compared to the same four months last year for new business by Coverage A, which you can see the Coverage A, a lot of it coming in is between the one million and the 9.9 million category. The middle area shows the new business A-Rated

building count which are buildings valued at \$10 million and above, and there are around 1,500 of those. And then the bottom is building by age.

Governor LeAnna Cumber: Can I ask a question?

Kelly Booten: Sure.

Governor LeAnna Cumber: And maybe I am just not understanding this chart. Going back to the monthly policy data, commercial policy type charts. If the monthly policy count in June was at 1,420, and the monthly policy count, are those policies being added?

Kelly Booten: Yes, the first row is new policy count. Then the rest of the numbers are based upon current in force. So, the first row is just new business for that month.

Governor LeAnna Cumber: I see. That's why it doesn't seem like it correlates to the total insured value --

Kelly Booten: No.

Governor LeAnna Cumber: -- because it's cumulative. The total insured value is cumulative while the new monthly policy count is not.

Kelly Booten: The number you can correlate the total insured value is the row above it.

Governor LeAnna Cumber: Right.

Kelly Booten: Which is the in-force policy count.

Governor LeAnna Cumber: Got it, thank you.

Kelly Booten: All right. Where was I? Building by age, and then the last one is by prior carrier for commercial. And you'll notice on this slide only one company is not a surplus lines carrier. Most of our commercial business comes from surplus lines. So that is the current state of the market here at Citizens.

The next slide shows the projected policy counts. Jennifer will get into this more in the budget detail, but we have revised our numbers. As of the end of October, and this doesn't exactly line up to the budget because they were on different timeframes, it's around 1.2 million, where we originally budgeted for 1.6 million policies. So good news there. Reduction in exposure to \$551 billion and market share is 16 percent.

The next slide shows some of the same information, but it shows it by TIV policies. And then the other piece of information on this slide is we estimate 282,000 policies being depopulated during 2023 for \$116 million in TIV.

We have a bunch of slides on depop coming up later and I'll go into all of that and explain what's been happening there. So overall good news as far as trends. Any questions on the market update?

The next item is the depop plan, the changes to the depop plan.

Chairman Carlos Beruff: Yes.

3. Depopulation Plan

Kelly Booten: Okay. We have included some changes to the Citizens' depopulation plan; we are governed by statute to do a depopulation program. The plan is what governs the program. The plan is approved by the Board and then approved by the Office of Insurance Regulation. So, we are requesting Board approval to make some changes and then submit it to the Office for approval. There's a clean version and a red-lined version within the document so you can see the exact changes, and then the Action Item, itself, includes bullet points of the changes.

Most of the changes have to do with the statutory changes for the 20 percent rule for both personal lines and commercial lines, and changes in process for commercial lines to bring it more in line with the way we do personal lines. It also shortens the title of the plan to be Citizens Property Insurance Corporation Depopulation Plan. Adds clarifying language that Citizens may send a policyholder notice via e-mail if a policyholder has opted into electronic delivery. It also has some tighter language around Citizens having the exclusive right to control the adjustment of any claim for a loss occurring prior to the assumption date, which is our responsibility. It also clarifies that an insurer will not be entitled to reimbursement if it pays for a loss that it alleges occurred prior to the assumption without providing Citizens the opportunity to investigate, adjust or defend. It specifies that the statute will control in the event of a conflict between any provision of the plan and statute, and then makes some minor changes to language formatting and citation.

Governor Jason Butts: Chair, I would like to entertain a motion to approve.

Governor LeAnna Cumber: Second.

Chairman Carlos Beruff: Is there a motion, we have a second.

Governor LeAnna Cumber: Move, move to approve.

Chairman Carlos Beruff: Again, all those in favor signify by saying aye.

(Chorus of ayes.)

Chairman Carlos Beruff: It moves, thank you very much. Ms. Ashburn, you are up.

4. Legislative Update

Christine Ashburn: Thank you, Mr. Chairman. I appreciate all of the time we were able to spend together last week. I know you all know the legislative process is a moving process. Barbara has handed out to you an up-to-date legislative update that provides just an overview. Reminder, session starts January 9th, concludes on March 8th.

There has not been any property insurance legislation heard in committee to date. The Senate Banking and Insurance committee meeting is not meeting next week, so they will not meet again until session begins after the holidays. The Insurance and Banking subcommittee in the House does not have an agenda for next week until tomorrow, so we do not know what might be on their

agenda. If they meet, I will tell you. They have been canceling their meetings and not meeting the last several weeks.

What you have in front of you is everything that has been filed as of this morning that does impact Citizens directly. I know, Mr. Chairman, we walked through some of this in our meetings last week. Representative Moody out of Key Largo and Senator Rodriguez out of Doral have filed a Citizens coverage bill that is specific to increasing the coverage A limit from \$1 million to \$1.5 million in counties that have been designated as areas with no competition. As a reminder that is Miami-Dade and Monroe County and OIR, the Office, does make that designation, not Citizens. It also reduces the rate cap in those counties with no competition back to 10 percent. As you know, we are on track to move towards 15.

It creates a statutory exception to the flood requirement for Citizens' eligibility for those that are in coverage zone X as designated by FEMA or for structures that elevate at least one foot above the flood zone's minimum base flood elevation. This is something we are reviewing internally. The elevation piece, it's the Monroe County Bill. The elevation piece has been complex and it's something we have looked at in the past. It's been very hard, candidly, to get to a place where we could come up with a good way at legislative requests to try to go to the elevation standard. It also clarifies that flood coverage required for eligibility with Citizens is specific to dwelling coverage available from the NFIP. There has been a lot of conversation. The NFIP sells a separate contents policy. I'm looking at Governor Butts because we have spoken about this. There's been a lot of questions about whether or not the statute requires that we require contents, and as of now we do require a contents policy. This Bill would seek to limit it to the dwelling coverage for NFIP available.

House Bill 625 by Representative Buchanan, which does not have a companion in the Senate as of now, would eliminate the Citizens statutory provision that deems ineligible commercial residential wind only risks for more than 50 percent of the units are rented eight times a year for a rental agreement period of less than 30 days. This is something that we have been asked about and have provided to both the House and Senate, an analysis of what we estimate could be our growth if this provision were repealed. I have not met with Representative Buchanan. We are working to get on his calendar next week when I am back in Tallahassee to walk him through that data on what this provision could mean for our growth on commercial residential wind only. Right now, if somebody is ineligible, that condo building, and Kelly can jump in, they are eligible instead for a commercial non-residential wind only policy, which is the first million of wind only coverage, so a much smaller exposure for Citizens, or they could also -- no, they would have to buy two separate policies, thank you, because of the law, but they could get the wind only and then a commercial non-res. They can only get wind with us, is that correct, Kelly?

Kelly Booten: They can only get the wind and the non-res.

Christine Ashburn: Correct. But the point being it's a much more limited exposure for Citizens for those risks today. You think about the condo hotels in the Panhandle and some areas of the state where you do have a lot of short-term rentals where they could, I think they are seeking here to get full coverage from Citizens.

Just as a real quick history on this one. This provision in our statute was added in to track what was then the CAT Fund rule surrounding commercial residential coverage whether or not there was coverage with the CAT Fund. The CAT Fund has since eliminated that rule and has decided that they're not looking at the short-term rental and what the use is. So, our statute aligns with an old

CAT Fund rule, but it is true in this market that we do believe that if this provision were eliminated it could cause us to grow in the commercial residential wind only space.

Representative Buchanan does require roof inspections to use a specific form and provides that they can have additional information. Ironically, it would be an industry requirement and it actually references our currently approved form at OIR, the Citizens form, and we intend to meet with him to understand where that is coming from. Notably, it specifies the current version of the form, and having that in statute would then mean in order for us to change our form or the industry to want changes, it would have to go before the Legislature to amend that form. Again, not sure yet, who's driving that in the Bill, but hope to find that out when we meet with him.

And finally, it does, for condo unit owner policies, for the industry, not Citizens, increase the minimum lost assessment coverage provided for condo unit owners from \$2,000 in the statute today to \$5,000 per policy.

The last piece of legislation, House Bill 655 by Representative Cassell out of Hollywood, Florida, is a condominium windstorm pilot program. Again, we have not spoken to her, but have gotten some internal feedback at a very high level. It would require the Office to create a pilot program for commercial residential coverage with Citizens for actual cash value coverage, and then amend Chapter 718 to allow condos to actually purchase an actual cash value coverage. It would require that a condo association receive a majority vote of total voting interest in order to participate in the pilot program, and then sunsets the program as of July 1st, 2029. Off the cuff first thoughts that we've had is it's a Citizens only program, meaning any condo that votes to buy actual cash value, there would be no other market for them to go to, making anyone who chose to buy it probably eligible because there would be no comparable coverage to come to Citizens.

Governor Lydecker: But it's less expensive?

Christine Ashburn: It would be less expensive, but there would be no one else offering the same coverage; therefore, for any condo association majority owners that vote to do it, we would be the only game in town.

Governor Lydecker: Oh, so you think it would populate.

Christine Ashburn: I do believe that, yes.

Governor Lydecker: Got it.

Christine Ashburn: We have not met with Representative Cassell to share that with her. I think just having looked at it, everyone's looking for opportunities and options in the commercial space, but what is concerning is this is a Citizens only pilot in her Bill. There is no companion in the Senate on that Bill at this time.

Mr. Chairman, if you might allow me just a quick minute, while we were all gathering here this morning, the Governor did come out with his 2024/'25 budget recommendations. It's a \$114.4 billion total budget from the Governor. And I just wanted to highlight some insurance specific provisions that he has put in his recommendations.

They have put recurring funding of \$107 million dollars in for the My Safe Florida Home program to continue mitigation and grants and inspections for homeowners in Florida. They have recommended \$1.1 million to bolster the Florida Office of Insurance Regulation's ability to carry data related to Florida's property insurance market, and \$675,000 to contract for independent reinsurance and mitigation research experts to bolster OIR's ability to review filings and recommend new tools to mitigate properties from hurricanes. They have also included the focus on Florida's future budget for Floridians, for Florida homeowners of \$431 million that includes a variety of temporary tax deferrals and assessments being paid for by the state. The Florida Insurance Guarantee Association, the FIGA assessment, the State Fire Marshal tax assessment, and including the insurance premium tax in an effort to reduce overall insurance cost to consumers. And then a permanent insurance premium tax exemption for flood insurance policies for \$22 million to reduce the cost of flood insurance policies effective on or after July 1st of 2024. So, I wanted to share those insurance related budget items.

Governor Lydecker: Could I ask a question? On the ACV policy that you talked about earlier, I take your point that it runs the risk of populating by virtue of not opening it up to the private marketplace or not including the private marketplace, but isn't it, it got me thinking, aren't we enhancing our desire to, lack of a better term, enhance the glide path? I mean, you're essentially, we're limited by what amount of rate could be charged on annualized basis, but if you lower the coverage amount and lower the exposure issues on an ACV basis versus replacement costs, aren't you in effect, you don't have to correspondingly, you have a better chance of getting an actuarially sound rate if you accept that premise, and should we be thinking about it and taking it more seriously?

Christine Ashburn: Brian, our Chief Actuary, is coming up to, hopefully, answer that question for us.

Brian Donovan: Good afternoon, Brian Donovan, Chief Actuary. Yes, first off, I'll premise it with I'm not 100 percent sure of all of the details of what Christine is going through there, but in general, I believe your question is, does offering an ACV policy somehow get us closer to an actuarially sound rate I believe was the question.

Governor Lydecker: Correct.

Brian Donovan: And --

Governor Lydecker: Better, but yes. It has to.

Brian Donovan: I don't know that that's necessarily true. I'd have to think about it a little bit more, but the ACV, so in general, charging the ACV, the coverage is outside the glide path. So, if we were to say it's ACV and now we are going to have less coverage, the rate per unit of coverage is still subject to the cap, right, so we might say, all right, it would reduce Citizens --

Governor Lydecker: You're saying a new cap being created with ACV.

Brian Donovan: Something to that effect, yes, because certainly ACV versus --

Governor Lydecker: You are putting a lot more thought into what might actually be in that legislation. I take your point, but based on what I just heard, and to your point, I don't know the details of it either.

Brian Donovan: Right.

Governor Lydecker: I was reacting to should we be dismissing it entirely because you are now, when you have actual cash value, that's a very different level of exposure than replacement cost.

Brian Donovan: Right.

Governor Lydecker: And if the cap, if the glide path issues aren't addressed or it doesn't matter, I mean, by definition that is going to get you closer to actuarially sound.

Brian Donovan: It certainly reduces the exposure and would help with the --.

Governor Lydecker: Which by definition would change the premium amount.

Brian Donovan: Well, it would lower the premium, but the question is the cost per unit of coverage, and that's what's subject to the cap. So, reducing the coverage --

Governor Lydecker: But you're assuming the -- you and I are making an assumption we are not at the moment we can make, but assuming that's not the issue, I'm having a theoretical conversation here that is probably unhealthy, but assuming that's not the case, it is getting closer to actuarially more sound, and if that's the case, should we look at it a little further and see, because making something more affordable, to the extent that a citizen, a resident in south Florida gets a more affordable product and they're willing to accept the fact because of the self-insurance fund now component of this now, right, they're willing to accept the fact that ACV is the valuation basis, then that seems to me like a good thing potentially.

Kelly Booten: If I might. What if our artificially low rates for replacement cost are so low that the ACV product costs more than our RCV or about the same because of the artificially low rates due to the glide path? That could happen.

Brian Donovan: Yes, I think we need to have the details and do a more complete --

Governor Lydecker: Yes, I was assuming we have artificially low rates, we go in with an artificially low rate.

Brian Donovan: Right.

Governor Lydecker: We are changing the valuation. We are not changing this. You are saying you probably have to change that.

Brian Donovan: Right.

Governor Lydecker: I am saying, maybe there is a way you don't change that.

Brian Donovan: Right, right.

Governor Lydecker: But you are still creating a degree of affordability, reducing the exposure. It's still a market of last resort because you are self-funding a certain element, the difference between ACV and replacement cost. Maybe we should think about it.

Brian Donovan: Yes, absolutely everything should be evaluated. Then there's one other risk out there by not covering, you know, offering coverage, replacement costs and there is a total loss, people with ACV obviously would be uninsured. I mean, under insured in that situation. So, there's going to be that consideration of it as well. I think it all needs to be evaluated.

Governor Lydecker: I probably tortured the concept.

Governor Thomas: Can I ask a quick question? Why would we go in with a new offer of ACV at a discounted premium?

Chairman Carlos Beruff: We wouldn't.

Governor Thomas: But the glide path applies to increases. If we're going to start new, we wouldn't come in discounted, would we, we would come in with an actuarially sound premium, right?

Brian Donovan: That is a good point. So, in this scenario what you are suggesting is, we have a new piece of business coming to Citizens and we say, we know the replacement cost that we offer you is inadequate. So here is the ACV, it is a brand-new product. Look, here is a brand-new price that has never been tainted by any sort of cap. I think that's what you are getting at, but that's akin to or right up there with the whole discussion we've had over these last years about capping applying to new business, right. So would they, like there's a whole --

Governor Thomas: It's close. It's a species of that, but new coverage or different policies is different from --

Chairman Carlos Beruff: You and I are of the same mind.

Governor Thomas: Yes.

Chairman Carlos Beruff: It's the time of the year that we dream. Now we've got to make it come true in '24.

Governor Cumber: Can I ask you a question going back to the HB 565? How would those two bullet points impact depopulation in Miami-Dade and Monroe?

Christine Ashburn: Well, certainly it would increase our ability -- we would write more if you went to \$1.5 million, and then if you take the rate cap, assuming we are not actually sound in Miami-Dade County and we need the 13 that we can get in January, and I am not saying that, but if we did need it and all of a sudden Miami-Dade is only getting 10 and we still need 20, it's going to make us more competitive in the private market.

I do believe, in speaking to folks who are working with the members on this Bill, this is a Monroe County focused Bill. You will see Representative Moody represents Monroe County; Senator Rodriguez also represents Monroe County. I think their struggle is, you've got two counties that have an area of no competition, and is there a way to distinguish Monroe that we all know is

different when you look at what we write in wind down there in comparison to probably Dade, but is there a way to do that? I think the focus of this is coming out of the Monroe County delegation and it is coming from Monroe County interest from Fair Insurance Rates for Monroe and from their local legislators, but also local officials at the city and county level looking for this relief for Monroe.

Chairman Carlos Beruff: Tomorrow you'll have a new board member, you can ask him directly.

Christine Ashburn: There you go.

Governor Lydecker: Just one other concept and what caught my attention on the actual cash value. I get feedback quite a bit, and actually in the last couple of days I just read an account of condominium residents, I don't even know where they were, but several condominium residents were just throwing their hands up in the air in frustration with the increase. I think it was like 500 percent, I mean something just hard to fathom, increase that they're going through on their renewal. One of them was quoted as saying, I would like to go, I'd just rather self-fund. Like I'm in a building, he described the construction, he described the likelihood of being impacted by a storm, but this is what he's having to pay. You guys probably hear it a hundred times over again. But the ACV got me thinking, is there a way to come up with a product that allows a person like that, who is by definition already just thrown his hands up in the air and frustrated, to get a lesser product, lesser coverage per se, but maybe it is a little bit more affordable, but it certainly caps our exposure. Replacement cost, that goes on forever it seems like. So, it caps our exposure, we can address that more thoughtfully, and they're getting insurance that might help them if they happen to have a mortgage, they're getting insurance that would qualify for the bank, but it's abbreviated, because it's just sheer exhaustion. I can't speak, Monroe, I do agree, that's a different thing and I think that animal looks like, you got to really have a bona fide insurance product. I'm talking about really a vast part of the state, and so it just caught my attention because of the ACV and these articles that I am reading, but I think we should give some thought to, because I'm part of the depopulation. I don't think this is a place state government ought to be in, but maybe thoughtful insurance that addresses residents' needs runs the risk of populating, but you've created a more thoughtful, actuarially sound environment maybe makes sense. I just throw that out there. I am thinking on the fly, but just food for thought.

Christine Ashburn: So, Governor Lydecker, my initial thought was if there's a policy direction that the Legislature wants to take to allow condos to buy an ACV coverage, that is a big policy decision, but what really is the concern that Representative Cassell is only limited to a product that Citizens could offer. If they wanted to do a pilot program for five years to see if ACV for condos could work in the market --

Chairman Carlos Beruff: We don't want to be the only person that is in a pilot program number one in my opinion.

Christine Ashburn: But you are not wrong.

Chairman Carlos Beruff: One person's opinion. The only pilot program in anything. The other thing is I don't necessarily think, at least, again, my sole vote is that I don't want to be the Lloyds of London of Florida where we're creating insurance products just because we can. I want to insure less people. The other thing that I think is prudent for all the Board members, and particularly the newer Board members, we all need to pause a little bit and let's make sure that the legislative changes that have occurred essentially in the last 12 months, they start bearing fruit that we think

it's going to bear. Will the problem solve itself as we move forward and the litigation rates, which were the driving force behind the growth to Citizens, and the failure of insurance companies in the state of Florida inability to properly program their revenue and cash flow because they couldn't predict three years out what the litigation rates are going to be. A lot has happened. Litigation rates now, you have to file within 12 months of the event, period. It used to be three years, which I thought was crazy and it was crazy.

Secondly is, the clock ticks, all new policies will now fall under the new parameters of the legislation, and the only good thing that happens in the insurance business as everybody here knows, it is only 12 months as opposed to other things that have a five and 10-year life to it. So, over a 12-month period and the advent of all policies having to adhere to the new legislation that occurred, what will happen. I think we need to let this bread bake a little in the oven to see how it turns out before we get too crazy and move with too much vigor.

Governor Lydecker: Vigor. Same word came to mind.

Chairman Carlos Beruff: And do more things other than trying to continue to push the envelope for rate increases to get us to parity where we know we are 35 to 50 percent below the market on the product we already sell. Did I say that pretty correctly?

Governor Lydecker: Yes.

Governor Shelton: Mr. Chairman, a question for you in what you are saying. I think we're philosophically aligned and agree the special session legislation that was passed last year will hopefully attract insurers back into the marketplace, but what's the mechanism in, I know there's something that was passed related to, you got an opportunity from someone else, you've got to go there, don't get in the weeds for me because it's over my head right now as a new Governor, but unless there's still a mechanism -- if we're still 30 and 40 percent below market in premiums, what is the incentive for that person to move out of Citizens?

Chairman Carlos Beruff: Some of the legislation that has been promoted, the 20 percent for example, there are some other things that Mr. Cerio discussed with you that would be, I can't outside of the sunshine, that might be of interest for us to all pay attention to in the next six months.

Governor Shelton: Okay, and we can take that offline. We don't have to do that here, but for the benefit of everybody, I mean, for the benefit of me, it just seems like that seems to be, maybe that's an extraordinary legislative lift and it's a political issue because everyone wants to come in, subsidize ceilings, floors, help everybody out.

Chairman Carlos Beruff: Yes.

Governor Shelton: But it just won't work over time. It's doomed to fail, and to me that seems like something a legislative agenda of sorts that maybe could be promoted and pushed through our elected officials.

Governor Shelton: Okay, thank you, Mr. Chairman.

Tim Cerio: I'm with you Governor Shelton. And again, in Christine's next report it'll touch on it a little bit, too.

Christine Ashburn: I was going to say, we are about to do a big depopulation report and part of what the Chairman is mentioning is where we have that success is a 20 percent threshold whereby customers do have to -- they become ineligible if they get an offer through depop or the Clearinghouse within 20 percent of our premium, and we are starting to see success in that space. As litigation rates go down and hopefully reinsurance stabilizes and we continue to gain rates, more and more folks should be getting offers. You might be surprised to see some of the positive data on the competitiveness of the offers that we're starting to see come through in October and November. I don't know what we have in December yet. So, we will address some of that for you in this next report.

Governor Shelton: Thank you.

Kelly Booten: Do you want us to move into the depopulation report?

Chairman Carlos Beruff: Yes, please.

Kelly Booten: Okay.

Governor Lydecker: This is the fun report. We were just playing. Now it is time to move into the big game.

5. Depopulation & FMAP

Kelly Booten: So, the first slide shows the depop data, and I do have updates to this data because --

Governor Lydecker: Do we have this in our books?

Christine Ashburn: Yes, you do. It is the first page after --

Governor Lydecker: Last tab. Thank you.

Kelly Booten: So, what I want to highlight here since the last meeting is, for October we had 99,773 policies assumed. That's a large number, we haven't had that large of a depop in a long time, but even more importantly, of those, 19,138 got an offer less than Citizens' premium and 66,831 were between zero and 20 percent. So, a combined 86 percent that were 20 percent or less. That's good news for a consumer. The assumption rate was 32 percent and \$45.4 billion in exposure was removed.

For November, which happened on the 19th, we had 92,886 policies assumed. We had 34,239 or 31 percent of those below Citizens' premium. Another 53,476 were between the zero and 20 percent mark, and we had a 52 percent assumption rate and \$33.7 billion in exposure removed. Very successful depop for November. The pricing is coming in a lot closer to Citizens' premium deliberately by the companies taking the policies.

So, for the year-to-date right now, we have 218,734 policies that have been assumed with \$90.8 billion in exposure removed.

For December, 86,620 policyholder choice letters have gone out, and right now that assumption is going to be official and happen on December 19th, but the preliminary numbers are 22 percent of the offers are below Citizens' premium and then 48 percent are zero to 20.

For January, 126,479 policies have gone out. That one closes on January 23rd.

We now have for February 39,000 personal lines policies approved to be taken out, and we also have, for the first time since 2019, approved for 850 commercial lines policies to go out, 750 commercial residential multi-peril and 100 commercial residential wind. So, that's positive news, the first commercial depop in a long time.

We have 12 companies that by the end of the year will have taken policies in 2023 --

Governor Cumber: Before you go on, sorry, can I just ask a question? It's great that they're within the 20 percent and then under, and that is kind of surprising to me. So, I feel like two things can't be true. That either we're not 50 percent below market rate, which we've all understood to be, or are there some protections in that they're not going in within this 20 percent and then two years from now the policies will jump up to what market rate really is, and is there something, because if that's the case, then I think it's going to be challenging to, we could depop everyone, but then within a year or two those rates will go up.

Kelly Booten: They are supposed to stay out for three years, and we are monitoring any policies that come back for each of these depops. But to your point, they do have the ability, and I think the commercial residential is going to be at Citizens' rates, so they have that opportunity to have a successful depop to price accordingly. But there is the risk, you are right, that the renewal offers as they go out a year later could be higher.

Governor Cumber: So, that's helpful, but back to my original question then. I'm just trying to, and maybe I am just missing something, but I'm trying to understand if all of these policies could be depopulated within that 20 percent, then to me it just seems like we're not so far below market rate, that the 20 percent is a sweet spot.

Kelly Booten: That's been on average --

Chairman Carlos Beruff: Yeah.

Kelly Booten: That's on an average premium, so they will select the policies that are better priced.

Chairman Carlos Beruff: If I might --

Governor Cumber: Okay, thank you.

Chairman Carlos Beruff: -- join in the discussion. Would some of it not be the fact that the depopulation is being cherry picked?

Governor Cumber: Certainly.

Chairman Carlos Beruff: So, what's happening is there are some policies where the homes are less than 10 years old which are very attractive because they are built to new standards, right? So, the insurer who is buying those policies will give a reduced rate, which isn't so far from what we

are charging or is what we are charging because they don't view the risk that big because the homes have been built, for example, in my particular company, two years ago we went full impact in windows and sliding doors through the whole house. So, that is a significant upgrade to hurricane and wind damage. That particular house, when you want to buy that policy, you can say, wow, that one has got impact. So, I think part of what's going in is the cherry picking of all of our policies and that's why they can do that, but when you take our universe of policies --

Governor Cumber: Right.

Chairman Carlos Beruff: -- we're 35 to 50 percent below the market.

Governor Cumber: So, what that would then lead to is that where depopulation is great and I am a huge proponent, but because we are allowing companies to cherry pick we are actually putting ourselves in a worse position and more risky position because we have the policies that are going to be more expensive at the end.

Chairman Carlos Beruff: Let me -- yes, is the short answer. The longer answer is that we have nothing to say about the depopulation because that's all OIR's decision to determine. We have really very insignificant impact on the ability to stop depopulation. The only thing we can do is continue to tweak our policies and legislate small changes that will give us a more equal playing field, but we have not a lot of input. Now, we cooperate with OIR, and things have gotten significantly better in the last couple of years so that they're very sensitive to our revolving door, I call it, where they leave and three years later the policy comes back to us.

Governor Cumber: Right.

Chairman Carlos Beruff: They are very sensitive to that, and I think to that extent the OIR is working with us quite well, and we look forward to working with them after the first of the year as we move forward into '24 and we all start realizing the changes that have occurred to our world because of the legislation that happened in December last year, and then the last legislation session that just ended.

Tim Cerio: Governor, Chairman. Sorry, Governor Butts.

Chairman Carlos Beruff: Go ahead.

Governor Jason Butts: I was just going to say a couple of points. I think they're fantastic questions, but one, they've done a great job underwriting and documenting files, so it's more attractive to the carriers. This is also historically, I would guess, a great time for takeouts based on the earned premium that they're going into hurricane season for next year, so these companies can get the premium going now for the reinsurance.

And then the other part of that is when they go to buy reinsurance, by being able to go ahead and selectively take policies where they need them, that helps them be more attractive when they go over to London to buy the reinsurance that they need, they're able to go ahead and spread it out. So, they can use this strategically to go in and get the risk where they need it, so then they can go ahead and fulfill requirements they may have on the reinsurance side, too. So, there is some other I think Carrier things that help them, you know, do this and why they would select them.

Chairman Carlos Beruff: Excuse me, could I make one comment. I was going to leave this for tomorrow, but since the subject came up, I want to, at the end of the day staff very prudently a couple of years ago did something that I think is a significant emphasis for our depopulation. They advocated and we approved, this Board or previous members of this Board approved heightening our inspection of all our policies. That was a huge, huge, so we now inspect all our properties, some significant --

Christine Ashburn: Well, it's 300,000 this year, so about --

Chairman Carlos Beruff: We ramped up, every time we take, we actually go to a house and inspect it and have pictures and we have drone pictures and all that, so we have a better file. When the depop people come in, they're absorbing a product they know about and feel more comfortable taking it and that's kudos to the staff for making that decision and bringing it to this Board a couple of years ago because it is paying dividends. So, I think between your comments and --

Governor Jason Butts: I think you have a valid concern about what rate increases will be going forward. So, I think that that's a legitimate question and something that we are going to have to wait and see.

Chairman Carlos Beruff: Correct.

Governor Cumber: Yes, and I understand why a company would want to cherry pick. It's smart and we are making it very easy, and I guess the question was, is it something we should be -- it doesn't seem like in the end of the day it will get us where we need to go. It is good for them, but I am not sure that it gets us to where we need to go. So, I just wanted more clarity on that, but thanks.

Governor Thomas: I agree with a lot of that except I would just go back to our statutory mandate is to be the insurer of last resort. By definition the risk we carry ought to be bad risk. It ought to be the worst set of policies that are out there, because the whole idea is they can't get insurance in the private market. So, the cherry picking doesn't bother me at all. The idea there is that we are eliminating risks, total exposure, and it's risks that we shouldn't be insuring that we are supposed to only insure that risk if the private market won't. So yes, at the end of the day, do we end up with a portfolio of bad risks, yes, but our overall exposure, and therefore, the overall exposure to the state is much smaller and that's the goal here I think from my standpoint.

Governor Lydecker: What's painful is that if you are having -- I'm an advocate of takeout and I'm an advocate of depopulation and I'm an advocate of the concept that this insurance ought not be the world that the state is in, poor use of tax payer dollars, et cetera. Having said that, we have a 30-year history, to your point, of takeouts coming out and either there have been times where their reinsurance was not adequate and/or their capital structure was not adequate, and it was a -- and there are examples of companies that weren't very thoughtful in terms of what they were doing, and they got wiped out. So, it comes right back and falls back into the Citizens' population. It falls back into the guarantee funds, you know, the Florida Insurance Guarantee Association as an example, there's one for Worker's Comp, and it's been a little bit of a vicious circle. Conceptually, I don't think your view is wrong, we just have to think about it. My question down the road is going to be, what are we doing, what kind of input are we getting from the Office of Insurance Regulation on the cap structure on these newest rounds of takeouts. If they're going to get to pick and have the best policies, are we ensuring that their surplus, their entrepreneurs are putting adequate

dollars in there to sustain themselves to what, the last decade has been some very real and very substantial storms, including more than one in the same year.

Chairman Carlos Beruff: Ms. Montero.

Jennifer Montero: Yes, I would like to make a comment regarding the cherry picking for Governor Cumber. So, they do cherry pick and that is good for us because any policy out of Citizens is great, but they all have their own business plans and they all have their own desires, so they're not actually necessarily taking all the same policies. You might have some that are focused on where the policies are, on the coast, not on the coast. Others might be looking purely at premium. Some are spreading out everywhere. They all have different business plans. There hasn't been, historically, big fighting over the same policies, and we have plenty for everyone. It does, to Governor Thomas' point, it lowers the exposure which lowers the assessment risk for us, so, it's a good thing for us because we lower that assessment risk as policies go out the door. It does do a little bit, sometimes our loss ratio could go up when they leave some of that, but it's not so low that it's a deterrent to stop it. In fact, the previous CEO, Barry Gilway and I went to Washington at one point to meet with some representatives there on behalf of actually a reinsurer, it was Fairmont, to talk about the NFIP and there explaining how our takeout works so they could try to do the takeout because they were all so worried that, oh my gosh, they will cherry pick and we'll be stuck with just the garbage. It does actually work because it's lowering your exposure, and they're picking different things, so what's a yucky risk to somebody might be a great risk to somebody else. So, we haven't seen a problem with that. I just wanted --

Chairman Carlos Beruff: Yes, Mr. Cerio.

Tim Cerio: Again, not to belabor the point, but I think Governor Butts and Governor Thomas, others have just summed it up perfectly. The term cherry picking is absolutely accurate, but I don't think it's a negative. I think that lowering our exposure is good for all Florida policyholders.

And again, to Governor Thomas' point, ideally as the insurer of last resort we should have policies that aren't very great, but we are a place for these people who own these homes and properties did go for coverage because the private market doesn't want them, and hopefully that is a very small number. And I also want to say to Governor Lydecker's point. I think you are asking good questions. We have spent time with OIR, I know the Chairman is interested in circling up with him, and Commissioner Yaworsky has been very willing to talk to us. We think they're doing a great job of bringing a lot of scrutiny to these companies that are getting approved for the takeouts. I think it's better than what it was, and they have been willing to meet with us, and so we are looking forward to circling up with them, but I think they have been doing a great job, OIR has.

Governor Lydecker: That is helpful, thank you.

Chairman Carlos Beruff: Okay.

Kelly Booten: Next slide?

Chairman Carlos Beruff: Please.

Governor Lydecker: We have got a Christmas party to get to.

Kelly Booten: Next slide, please. It shows the top four, Florida Peninsula, Monarch, SafePoint and Slide.

The next slide shows, again through the October takeout, how they are geographically. We always show the tri-county policies assumed, it's in the green. You can see in August it was predominantly non-tri-county and it was Orange, Polk, Duval, Seminole and Pasco. All right.

On page 5 is the participating carriers and we'll have an additional two more to add when we get into January.

Then the last slide is just the calendar for 2024. There's a very intricate spreadsheet that has line items, things happening throughout the months leading up to an assumption. These are the major milestones. Companies have to submit to the Office to get approval. The Office approves how many they can actually take. They make their selections, we send letters, a lot of things happen. These are the major milestones for the personal lines depopulation scheduled for 2024.

One other thing before we move over to Christine on communications and Jeremy on the consumer side of the house, we wanted to report back because the October depop had a lot of noise going on about it and we were in a little bit of turmoil from a press perspective, because of two things. We allow companies to over select. So, if the Office approves 100,000 --

Governor Lydecker: This is Choice, Homeowners Choice?

Kelly Booten: No, it was not.

Governor Lydecker: Who was it again?

Kelly Booten: Slide. Slide was the main one that oversubscribed. They can all do it, but the point being, we had a large amount of policies that they requested above what they were allowed to take. It caused a lot of turmoil, so we put a restriction that you can take 20,000 above or 30 percent whichever is less. So, the smaller ones can take a little bit more. That helped tremendously. That was put in place immediately following October, it made November a very successful depop.

Governor Lydecker: And you immediately reacted. As I re--

Kelly Booten: Yes.

Governor Lydecker: -- immediately reacted --

Kelly Booten: We did --

Governor Lydecker: -- to it --

Kelly Booten: -- immediately. And the other thing that the Office has done starting with the December depop is you cannot make an offer greater than 40 percent of Citizens' premium, so that will also help some of these egregious offers that were reported in the news. I just wanted to say we made those two changes.

Christine Ashburn: Thank you, Kelly. Governor Lydecker, I know we had a robust conversation about what was going on in October at the September Board meeting. And in response to all of that, Jeremy's team, my team, really an enterprise-wide effort, wanted to just share with you what we did and in fact what we are doing going forward to keep some of those things that have been useful.

We have a quarterly electronic newsletter that goes out. We have written an article for the Q3 newsletter, the electronic version that's on our website that you could actually read, educating consumers about this, making them aware that they do have to take action. We've created new envelopes that say right on them, they are on our logo, action required, please open. There is a visual of that in a couple of slides. Next slide, please.

We worked again to update the offer letters and forms. Governor Knight gave us some fantastic feedback that she was actually getting from her friends and colleagues that were getting offers from us and were confused. Example, if I take this offer do I keep paying you, Citizens, for the term of my policy if I'm on a payment plan or do I pay the new company. We've added language to clarify what's expected, and also to clarify that other than if they have a claim after the assumption date, we are continuing to service the non-claim pieces. There were a lot of great improvements that we got feedback on, so those have been implemented.

We did, following what was going on in October, for the first time send out an e-mail reminder to ask folks to make their selection. That was very successful in October and November; lots of clicking and getting folks to go and make their selection. We have implemented that on a permanent basis. Those e-mails will go out to those where we have not heard anything 15 days prior to the assumption date. It was very successful though. Of course, we were all over social media tailoring our messages. We've created on the website a permanent carousel banner that you can click, and it takes you right to the depopulation choice form to make it easy for consumers. Laid out in more detail on the next slide, and I won't go into those, some more of the pieces that we did clarify in those letters.

And then my third slide is just a visual so you can see, next slide, please, some of the social media we did. A picture of a letter that you can't read, and then of course the action required that goes on the envelope, so consumers know coming from their insurance company, we need to hear back from them. We think all of these things combined plus what Jeremy's team is doing hopefully we won't see an October again.

Governor Lydecker: Thank you for reacting so well.

Christine Ashburn: Jeremy.

Jeremy Pope: Perfect, and I will just share also in addition to what Kelly and Christine shared. We looked operationally just to make sure that our depop processes internally were efficient, they drove accuracy, and also essentially were consumer centric. So, some of the things that we did to ensure that the consumer is aware of their choices, Kelly shared some of the sensitivity with the October depop, and what we decided to do at some point, we had about 50,000 consumers during that process that did not make an election, so we activated an outbound calling campaign and that was a mix of customer service representatives, and also an auto dialer which is technology we had already acquired internally which is a recorded message, and those can be annoying. I think we've all received those calls before. The team spent a lot of time perfecting a message that was credible,

and also had a servicing component, so we actually were able to proactively reach out to consumers and as they were listening to those recorded messages they could actually opt out to speak to a live customer service representative to make their election right then and there.

Historically we have always routed consumers to the website or their agent to make their selection, but we were, again, trying to drive some efficiency and ensure that consumers weren't bounced around, because there is so much sensitivity with depop. We found that to be very successful.

On the next slide, we essentially built that into our process moving forward for all depop activity. In November, we made a total of about 69, almost 70,000 recorded calls, and 82 percent of our consumers actually listened to the message. We can tell when they hang up, if they listen to the entire message, and 91 percent of our consumers for November's depop actually made a selection, which is relatively high. Again, consumers don't have to make that election, but we were out there to make the awareness so that they knew that in some cases they had multiple offers if you will. So received positive feedback. Governor Knight also gave us some feedback on a recorded message. We were able to tweak some of that messaging, again, to make it as effective as possible. Again, this is just the best practice we will roll out with all future depop activity.

On the next slide, just briefly for Board awareness, we spoke earlier about consumer complaints whether they come through directly to Citizens or through the IG office, can we track all that stuff, but another mechanism is we have a Voice of Customer program where we routinely collect customer feedback on their experience with Citizens and their overall satisfaction with their agent and the biggest part of that is so we can identify operational opportunities we have. What we decided to do this year and it started in July, is we actually conducted policyholder focus groups where we are speaking with consumers in a group setting from 60 to 90 minutes. We spent some time in July talking about digital adoption to help us with our self-service tools that we offer our consumers. October's policyholder focus group was all about depop, and these were consumers that just recently went through the depop process, or they were in the middle of it, so we had a chance to really get some great feedback from them directly on the letter that they received, the process, itself. A lot of the feedback that we received, we already had some of those things on deck to make some changes, but it also has helped us with some future changes we have. So that is something again we are continuing to meet with our consumers to acquire that intelligence to make sure again that we are putting our best foot forward as an organization. I just wanted to share that for Board awareness.

Chairman Carlos Beruff: Thank you. Kelly?

Kelly Booten: And then the next slide just summarizes what we do for agencies. Agents are an integral part of the depopulation program because they are the point of contact for the customer. We do carrier prelaunch webinars with each carrier and the agents so that the carrier can sell why choose them, and those have been very successful. There's a list of things here that we do with sending them consolidated list of offers, there's system help, all of the things that go with helping agencies. We have a great agency field management team. They have been super, super busy out in the field helping agents.

Also, for carriers of course, we support them through the whole process. We do all of the choice letters. We do provide them with estimated premiums ahead of time. For December, we did have the new premiums go in with the rates that are effective in November for commercial lines,

December for personal lines, so we give that in advance. That helps them make the right selections. And then weekly reports.

The last slide just shows the website and where to find everything. We have great resources out there to assist carriers, agents, and consumers. That concludes the depopulation report.

Then the last page is an FMAP update. It just chugs along as it always does, but there's exposure going out the door.

Chairman Carlos Beruff: I won't forget tomorrow, I promise.

Kelly Booten: That concludes our report.

6. New Business

Chairman Carlos Beruff: Is there any new business? Seeing none, we are adjourning this meeting. Thank you very much. See you tomorrow.

Whereupon the meeting was concluded.