CITIZENS PROPERTY INSURANCE CORPORATION

Summary Minutes of the
Exposure Reduction Committee Meeting
Tuesday, April 9, 2024

The Exposure Reduction Committee of Citizens Property Insurance Corporation (Citizens) convened at The Westin Lake Mary in Orlando, FL on Tuesday, April 9, 2024.

The following members of the Exposure Reduction Committee were present:

Governor Jason Butts (Presenting Chair)
Governor LeAnna Cumber
Governor Robert Spottswood

The following Board members were present:

Governor Jamie Shelton
Governor Scott Thomas
Governor Erin Knight
Governor Charlie Lydecker
Governor Joshua Becksmith

The following Citizens staff members were present:

Adam Marmelstein
Barbara Walker
Brian Donovan
Christine Ashburn
Jay Adams
Jennifer Montero
Jeremy Pope
Tim Cerio

Call Meeting to Order
Roll was called and a quorum was present.

1. Approval of Prior Meeting's Minutes

CHAIR BUTTS: Thank you. The Board will entertain a motion to approve prior meeting Minutes.

Governor Jason Butts made a motion to approve the December 5, 2023, Exposure Reduction Committee Minutes, and Governor LeAnna Cumber seconded the motion. The minutes were approved.

2. Depopulation, CHIPS & FMAP Update

MR. POPE: All right. Thank you, Chair. For the record, Jeremy Pope, Chief Administrative Officer. And Carl Rockman was scheduled to be with me today, but he unexpectedly could not join. So Adam Marmelstein, our vice president of market services, is on the line as well, and I'll be covering Carl's part today. Today's materials start behind Tab 2 in your folders today titled, "Depopulation CHIPS and FMAP Update." There are no action or consent items to bring forward to this committee for consideration. This is simply a report out. And I'll start on slide 3 of your materials with the -- recapping our 2023 depop update, okay, when the slide is there. All right. So this slide essentially is just summarizing last year's activity. We depopped a total of 275,324 policies during the year, which is -- equates to 113 -- over 113 billion in exposure removed. The chart itself doesn't include the month of April. There's a footnote there because the 20% rule didn't apply until after that, but when we total everything up for the year, again, we landed at a little over 275,000 policies that we depopped. And on the next slide, 2024, this is essentially –

CHAIR BUTTS: Wait, wait, wait. Where are you getting that number from? I'm trying to find –

MR. POPE: Sure. June through December totals 270,751, what we depopped, which is in the actual table, but underneath there's an asterisk or a footnote, if you will. There are another 4,573 policies that were assumed in the month of April, not included in the chart.

CHAIR BUTTS: So is it -- so 270 have been taken out, even though 626,000 have been approved for takeout?

MR. POPE: That is correct, yes.

CHAIR BUTTS: And so we're right to assume that eventually 626,000 will be taken out?

MR. POPE: Okay. Let me -- okay. So the -- let me back up. For the month of June through December, we depopped 270,751 policies. When we include the month of April, there's an additional 4,573, which gives us a total of 275,324 for the entire year. The OIR, that number that they approved, those are the -- those are simply just the total number of policies that they've approved carriers to take out from us, but, then, obviously, the carriers go and pick the policies that they'd like.

CHAIR BUTTS: Right. But, I mean -- so, in other words, should we be assuming that 626,000 because OIR said, "Go ahead and take that many out," or are you saying no, the carriers, they've got what they want and that's it?

CHAIR BUTTS: That is correct. I apologize. Yes, they received what they wanted after their selection process and they pulled the 275,000 policies away from us.

CHAIR BUTTS: So 275 is -- that's the number that –

MR. POPE: That is the number, 275,324. And that total exposure, again, is $113.375B.

CHAIR BUTTS: Okay. Thank you.

MR. POPE: No, you got it. The next slide on -- is the 2024 same -- same activity, and this is essentially year-to-date. There were -- and there was an update because I have hot off the press the March numbers. When these materials were finalized, our March numbers, we had a depop in flight. So I'm going to give the total numbers, which include the March assumption. We've had a total of three completed depopulations, and they have totaled 114,559 policies. So, again, that chart shows you 92,350, and, then, when we add up what we depopped in March, it takes us to a total of 114,559 policies, and the exposure is a total of $54.5 billion, so that includes March's number. And there was a total of three personal lines, and I should mention there was one commercial assumption. So we had a total of four depops this year so far, three personal and one commercial.

On the next slide, this is essentially just a breakout of the carriers who have participated in our depop activity since April of 2023 last year, and we continue to update that slide as we see carriers come through the state and express interest. On Slide 6, this is the same material, but this is our commercial lines carrier participation. So CORE came forward for the month of February and April. We haven't had that February depop on the commercial space, was the first one we had in several, several years. So we're feeling really good about that. We're starting to see interest in the commercial book of business. And Core is also expressing interest for our June assumption that's on deck as well for this year.

CHAIR BUTTS: So, Jeremy, there is no policies listed there, so none have been taken out yet, is that correct, with Core?

MR. POPE: So for February, they actually took -- in the month of February, they took 321 policies from us, which totaled $3.3 billion in exposure. So CORE did participate in the February 27th commercial lines. They have been the only carrier to come forward so far that has expressed that interest.

CHAIR BUTTS: Thank you.

GOVERNOR LYDECKER: Have we had any more trouble with a takeout carrier, you know, sending a disproportionate amount of letters to consumers and then, you know, just playing the game? I think it was homeowner's choice or -- I thought that did that, but –

MR. POPE: It was a different carrier -- it's a great question, Governor Lydecker. We have not, because last year, the office stepped in and then partnered with us, and now carriers are no longer allowed to provide an offer that's over 40% of the Citizens –

GOVERNOR LYDECKER: So that's working now?

MR. POPE: It is definitely working. In fact -- and when you see -- I'm about to show you some additional stats. We are seeing a tremendous amount of the offers within that 20% premium, and in some cases, certain parts of the state below the Citizens premium. Yeah, okay.

UNIDENTIFIED SPEAKER: Sorry.

MR. POPE: No, it's okay. Next -- sorry, I'm getting distracted here. All right, Slide 7. This is just a 2023 depop update. This is broken out by the carrier for the -- again, the total number of policies that we depop, which is the 275,324 number. The top three were Slide with over 82,000 policies, Homeowner's Choice with over 53,000 policies, and Safe Point totaling over 41,000 policies. Just those three carriers alone equated to 65% of our depop activity in 2023.

GOVERNOR LYDECKER: What is the total policy count in Citizens' post taking out the 275?

MR. POPE: So it's ever changing right now. The latest at one point –

CHAIR BUTTS: Just shy of one, two, is that correct?

MR. POPE: Yeah, it is, 1.172.

MS. MONTERO: (Inaudible).

CHAIR BUTTS: And what is that relative to the high in the last year?

MS. MONTERO: The high was about 1.4 in 2023.

GOVERNOR LYDECKER: Yeah, so it's still filling up -- you know, the net is pos- -- the net is positive.

MR. POPE: On Slide 8, this is just the 2024, again, just broken out by carriers. So we can see, you know, the different companies that are expressing interest. I will tell you in the month of -- again, we have the March information because that's been finalized, and the same carriers on here, Edison, Florida Peninsula, Slide, and Southern Oak, but then we also had American Traditions come forward and participate in the month of March. So on the next update we have for this committee, they'll be -- that carrier will be listed here as well, and, also, anybody else who comes forward that expressed interest in the depop program. For the month of March total, we had on the very bottom in the personal lines piece 22,209 policies were depopped in the month of March. So, again, our year-to-date, that box on the very bottom of the chart, bottom right-hand corner, shows 92,350. When you add up and include the March data, we're at 114,559 policies that have been depopped so far to date. And, again, looking -- comparing that to last year's 275, we definitely -- there's debate on where we think we'll be, but anywhere -- I believe 335 to 360-ish is the number that we're looking at so far based on what we know today, and, obviously, that number can change.

GOVERNOR LYDECKER: So if we don't have a material weather event in 2024 by year-end, are we going to be below a million policies?

UNIDENTIFIED SPEAKER: Yeah.

MS. MONTERO: Yes. We're expecting -- if the wind doesn't blow, we are expecting the fourth quarter of takeout to be higher than what we even forecasted based off feedback we're getting from brokers and others that are talking to companies that are interested in takeouts and new entrances, new companies that haven't -- that won't be ready to start this June, but want to take out policies. They'll have their COA and everything. After hurricane season, take out policies the last quarter to build up for next year. So I was told it could be very, very significant, probably as big or larger than 2014 where over 416,000 policies were depopped.

UNIDENTIFIED SPEAKER: Yeah, I'm asked about this a lot in my business, and, you know, I think that's -- that's my instincts as well. I think there are companies forming right now and investor groups forming right now to -- they see it as an opportunity because rates are high, unfortunately, and they could, you know, cherry-pick, really.

MS. MONTERO: Exactly.

GOVERNOR LYDECKER R: But you're saying that they would take the policies out following this coming season?

MS. MONTERO: Yes, it's usually –

GOVERNOR LYDECKER: Not before?

MS. MONTERO: No –

GOVERNOR LYDECKER: It's a reinsurance placement.

MS. MONTERO: Right. So if they do it before, they have -- especially these new companies, they'd have to have the reinsurance and everything in place for the office to approve them to do a depop within the hurricane season. If they do it at the end of the year, the requirements for reinsurance are so much lower that it's -- it's affordable for them to do that because then they have most of the risk off-season and it just allows them to take that unearned premium and earn it out so by the time June comes around, they can afford the reinsurance for the bigger program that -- the next year.

CHAIR BUTTS: Can I ask two questions? One is just naiveness. If somebody takes a policy out from Citizens, is there a statute somewhere that requires them to keep it on the books?

MS. MONTERO: There used to be. They used to have to keep it for three years. It doesn't say that anymore.

CHAIR BUTTS: So if ABC insurance carrier gets approved by OIR -- I just want to make sure I understand this -- they get approved by OIR to depopulate Citizens. We take out -- pick a number -- 10,000 policies. And, then, next year, they decide just kidding, I don't want it, or the premiums skyrocket back up. Is there a chance -- and I guess there's always a chance, but is there a likelihood that those policies could then turn around and come back to Citizens?

MS. MONTERO: They could.

CHAIR BUTTS: Have we seen any of that?

MS. MONTERO: We have. Not -- it's not so bad right now. The return rate is like 1.2%, right?

GOVERNOR LYDECKER: But they're not being paid an incentive to take out, though, right? So it's not -- I mean –

MS. MONTERO: No –

GOVERNOR LYDECKER: -- we still don't want that, but –

MS. MONTERO: Right. They're getting the unearned premium, and if they do it in the off-season, they get the unearned premium, and, then, at renewal, that policy will leave. Now, they are responsible for any and all claims during that period with that company, but, typically, if they do raise their rates or the rates are higher and the policyholder goes to their agent and says something, they will shop it, hopefully it goes somewhere else, but if there's nowhere else to go, it does come back to Citizens as new business. We do track this –

UNIDENTIFIED SPEAKER: Sure.

MS. MONTERO: -- and we can pull stats on it. But I have looked up these, and the return rate's very low on these, but only for the one year since it's occurred. And, typically, if they're going to come back, it's at the renewals. In the past, we have tried to educate agents to -- and new companies to let them know that if you want to keep the business, if you're trying to grow your business, you can't increase your rates like that because they're going to leave. So it's -- and that's -- it becomes a game where they get them and they would leave. So they've been better about that. However, years past when we had bonuses, we did have a three-year requirement and you had to meet to our rates. But we were more actually sound back then. It was before that -- the law that, you know, made us actually up, you know, under the glide path. They would meet to us so that their rates would be consistent and they could get -- if they kept it for three years, they would get, you know, a bonus, like $100 per policy for doing that, but the requirements for the three years started to fall apart. The MeToo stuff rates -- because now our rates are too low -- fell apart. So –

CHAIR BUTTS: Part 2 of this, and just as we were talking about reinsurance and we're talking about -- by the way, great job. I mean, I know Citizens is working diligently to get the depopulation done and to get the burden off of the taxpayers in Florida. As we get into reinsurance negotiations and you are forecasting June/July in such a more depopulation, am I right to assume that we will see an adjustment on the modeling and the amount of reinsurance that Citizens should be buying for the next 12 months because of the forecast of this?

MS. MONTERO: So the layer charts that I presented are always forecasted to June 30th, two thousand -- whatever year it is -- twenty-four, because that is how the premium is decided by the reinsurers charge us based off the TIV, the total insured value, of what we have at that date. So -- and, then, there's a premium adjustment if you're off. So when we do that forecast, we do forecast for takeouts. What's helpful for us is -- you know, we do this around this time of the year where we only have a few more until the end of the year. The end of the year is after June 30th, so it won't affect our reinsurance that we -- so if we had a bunch of depop, that's after hurricane season anyways. So the next year, we would buy less reinsurance when we looked at the next year's, but we want to buy reinsurance with the coverage that we have, the exposure we have at September 30th, and it's not -- it's difficult because it's the -- it's after September 30th. That is the unknown. It could be huge depops, but if the wind blows, it could be nothing. But that's all after the September 30th.

CHAIR BUTTS: So do we get a refund, I think, is kind of that -- where you're going with that?

MS. MONTERO: So if we -- so how it works is we typically have a 10% collar on the -- on the TIV, and if we go over it, we pay the -- if we go over the 10%, we owe the additional premium for -- let's say go over by one. We owe the additional premium for the 11%. And it goes down too. So if we are under by 11, then we get the premium refund for the 11.

CHAIR BUTTS: Okay. So there is a mechanism that's in the reinsurance contracts where floating -- because, again, I think Citizens has done a fantastic job of really trying to figure out solutions, and the State of Florida has as well, and to Governor Lydecker's point earlier that, you know, hopefully this continues to decrease, which we would expect, obviously, the insured value to come -- keep coming down.

MS. MONTERO: Right, and –

CHAIR BUTTS: And just making sure, just from a business standpoint, just thinking out loud of we're paying for premiums that we're -- we're paying for coverage that we're forecasting and nobody knows what the futures are going to hold.

MS. MONTERO: Right.

CHAIR BUTTS: You know, we could have a wind event and it could revert back. Got it.

MS. MONTERO: Right. And so we do have that premium adjustment on the traditional side because we can't, you know, necessarily predict -- or we try to predict, but we can't -- we can't turn policies away and we can't stop depop. So it's just -- it's a matter of what it is. Now, on the cat bond side, it's a little bit different because it's -- there's premium paid in to have a cat bond and then it can trade. So how that works is if we have -- it would be like a premium adjustment, but what it is is an adjustment to the loss recovery. So instead of getting 100% loss, if we had overstated it, then maybe we get only 99.2% or something like that. It's same kind of adjustment, but it's on the back end. So what's good for us is if we were off on the cat bond side too, then you only pay the difference if there's actually a loss. On the traditional, you're paying it losses or not because it's pure premium up front, so that works a little bit different.

CHAIR BUTTS: Can I ask one more question? And I promise I'm done.

UNIDENTIFIED SPEAKER: We're good.

CHAIR BUTTS: Barbara, we're not going to go with the "fraud" word, I promise.

GOVERNOR LYDECKER: Let me tell you, right now, you're making me look good. Tonight they'll be complaining about you and me.

CHAIR BUTTS: How much of this -- and this is just an opinion. How much of this depopulation -- obviously, the rates are up, capacity is starting to come back in, we all recognize that. How much of this do you think is truly caused by the legislative efforts of the State of Florida in making the changes that we made a year plus ago?

MS. MONTERO: I think a significant amount.

CHAIR BUTTS: Yeah.

MS. MONTERO: Yeah, definitely. I mean, they like to come get business from us when we're big like this because we look like the state, you know, regular, and not residual and they can get it without any acquisition costs, and that's all great, but if they think they're going to have to turn around and it's all going to go to one-way attorney fees, they're not going to want it. So I think that that plays a lot –

CHAIR BUTTS: It's working.

MS. MONTERO: Absolutely.

CHAIR BUTTS: It's working is where I'm going with that.

MR. POPE: It’s 20%.

GOVERNOR LYDECKER: I would just embellish that a little bit because I think it's a really great question. I just came in the last month from a conference where -- an insurance-related conference where several CEOs of reinsurers spoke, and they specifically spoke about the market, the state of Florida, and described it exactly the way you all described it earlier. But in the course of it, they said that the changes that occurred legislatively were the single biggest thing that's bringing them back into the market. To my surprise, actually, they -- the theme was that you can underwrite for weather, you can underwrite for natural disasters, you know, they know how to rate that, how to make money in that environment -- or, you know, lose money during a big event year, but make money on non-big event years, notwithstanding the fact that severity has increased in terms of -- in terms of weather-related events. It was the liability associated with assignment of benefits, one-way attorney fees, several other factors that they could not underwrite. And I -- if I had to guess -- and this is a number I'm coming up with -- I think it's like an 80/20 relationship between legislative changes and hurricane-related events. I think 80% of the enthusiasm that's starting to develop in the state of Florida is a result of the changes.

MS. MONTERO: Yeah, we had a reinsurer that actually said, "I can model anything, I can price anything, but I can't model fraud."

UNIDENTIFIED SPEAKER: Yeah.

MS. MONTERO: "I don't have a way to price this" –

GOVERNOR LYDECKER: And fraud is -- fraud is killing us. Should I start going again on it?

CHAIR BUTTS: Order, please. Mr. Pope, continue.

MR. POPE: I will continue. Thank you.

GOVERNOR LYDECKER: Do we have a pro fraud person on this board?

MR. POPE: Slide 9 and 10 are essentially the same information. Slide 9 is highlighting the 2023. We track where the depop activity is occurring throughout the state, and when you look at Slides 9 and 10, it's honestly well-balanced. It's not just the tri-county area, which is what we saw many, many years ago, so it's good. We're seeing depop all throughout the state, very well-balanced, and that -- and, again, that trend continues.

MR. MARMELSTEIN: Jeremy, sorry -- sorry to interrupt. Mr. Chairman, if I may, Jeremy, if I may, just to correct the record. In all of the things that Jennifer said, most of which I understand, some of which I don't, the one minor correction that I have to make is that there is still, in fact, a three-year requirement for carriers to keep a policy once they depopulate it. It is no longer in statute, that is correct, but it is now in the agreement that we require the carrier partners who assume policies to sign prior to the assumption. Thank you. And that was Adam Marmelstein.

MR. POPE: For the record, that was Adam Marmelstein, director of market services. Thanks, Adam.

MR. MARMELSTEIN: Yep.

CHAIR BUTTS: Okay. So they're required -- just for the record, they're required to keep it for three years. They can charge whatever premium they want. If they increase the premium, somebody can come back to us. There's no requirement that's going to keep somebody out other than the 20%.

MS. MONTERO: The 20% rule does apply, yeah, and for clearinghouse at renewal and for new business. So if it were to come back, we would have that same –

CHAIR BUTTS: They need to offer them a renewal.

MR. MARMELSTEIN: That's correct.

MS. MONTERO: Okay.

GOVERNOR LYDECKER: One piggyback question to that is that are there scenarios where an agent only represents Citizens? I might be catching you off guard, so I'll apologize in advance, but like, you know, an agent in a part of the state that they -- they're sort of in the real estate business, but they also have an ag- -- they have an appointment to Citizens. You're required to have more than one appointment.

CHAIR BUTTS: Christine, I think, will address that, I think Governor Lydecker in a minute, under some of the new rules that passed too.
MS. ASHBURN: There was legislation passed that actually changes that number, but, yeah, we can all address that in my update.

GOVERNOR LYDECKER: Thank you.

MR. POPE: And even prior, there was always one appointment that was -- that was always required, and, then, Christine will give the update that's been increased.

GOVERNOR LYDECKER: Perfect. Thank you.

MS. ASHBURN: Great question.

MR. POPE: Slide 11, this has to do with the repop that we were just discussing. So we are -- this is a -- some data that just shows over the past year, what has come back into Citizens after it's been depopped. And you can see relatively -- I mean, when we look from June to present, less than half a percent. So we do look at those factors, and sometimes it's due -- and most of the time, actually, there's estimated premiums that are given to the consumer, and sometimes those -- those estimates change, which sometimes makes them eligible to come back to Citizens. But we are -- again, we are monitoring the repop as it comes back into the organization. On Slide 12 is simply just the personal lines 2024 calendar for the rest of the year for depops. And Slide 13 is just our commercial lines calendar for the rest of the year as well. We'll continue to bring updates to this committee on the results of those depops, of course.

And I will move into the CHIPS results, which is our Clearinghouse Interim Program. This is the program we have up in place today. It's more of a process, if you will, as we're working on the development of our new -- what we're calling Citizens Reimagined. It will be our new clearinghouse tool. This is simply, on Slide 15, just highlighting -- this really has to do with the quality of submissions from the agent population. We verify the total new business coming in, and the reason we monitor this is just to ensure that agents are verifying the appropriate information. One, it causes a lot of rework when they don't when they send in that information to us, and, then, it obviously impacts the customer experience. So that 2023 results, that top box, you can see each month that 78%, 84%, 88.79%, and 90.46% verified is eligible. That essentially is the percentage of work coming in from the agents that is accurate, submitting the right documentation to us, and there's been a lot of agent outreach with Carl Rockman's group out in the field to ensure that those agents are submitting the right documentation so it can go through underwriting. So this is more of a quality piece for our agent population that -- where we partner with them as much as possible. In the event that they don't send in the submissions correctly, we do issue performance violations that could potentially impact their appointment with Citizens and/or commissions. So, really, just the data piece I wanted to show you there. And, then, on the very bottom was a renewal program. We also look for the renewal piece. Citizens -- we've identified basically policies. This is kind of the leftovers of depop, if you will, that we think are highly attractive. These are policies that typically are, you know, less than 10 years with a roof, less than 30 years old, and doesn't have any claim or minimal claim activity. So these are books that we feel have a high beauty score, and we proactively reach out to the agent population to try to market those policies as much as we can. So you'll see the breakout there from last year, each month, the number of policies we've identified, and then you can see the take-up rate. It is relatively low, but we think as the market continues to evolve, that we'll see a higher number of those policies, you know, be taken by the various carriers. Again, this is the leftover of depop, but it's still -- you know, we still do another scan just to see if there's anything that looks attractive, if you will, potentially profitable for the private market. Slide 16 is the same results as 2024, same data, 2024 results year-to-date, and we did also get -- you can see the -- the percent verified is eligible in that top box. Again, we continue to run around 90%, 91% in January, right under 90% in February. In March, we landed at 89.94%. So we're seeing the continued trend, if you will. And, then, the renewal program on the very bottom there. Year-to-date, when we total up what we have sent out, if you will, from us manually finding these policies, if you will, we're at $3.1M for January 2024, $1.4M in exposure pushed out of the organization in February. And, then, another $2.4M -- is the number we just got hot off the press, if you will -- $2.4M that we pushed out also for the month of March. So in total, close to $8 million year-to-date that we've pushed out through the renewal program. And I'll continue to go through just the -- the FMAP's really for informational purposes.

UNIDENTIFIED SPEAKER: Jeremy, if you hang on for one second. Just, please, just out of curiosity, one of the things that's come up I know in the past has been the request from insurance companies for Citizens to do insurance scoring. Is that something that we have talked about doing? Has that continued to be a request from any carriers?

MS. MONTERO: I do know that there were requests from some carriers that we should get an insurance corp for their takeout policies, but it was not something that we took on.

MR. CERIO: But it is still under consideration. Yeah, it is.

CHAIR BUTTS: Thank you.

MR. CERIO: There's some traps to run with legal, but -- and from a policy standpoint, but we are still talking about it.

CHAIR BUTTS: Thanks.

MR. POPE: And just briefly, Chair and committee members, the FMAP results is really for informational purposes. This is our referral program for agents -- or for consumers, I should say, that are just looking for assistance to try to find insurance in the private market. They sign up and we -- this is like our matchmaker program. We match them with various agents throughout the state to -- and there's -- I will tell you this program has been -- it wanted statute required, if you will, and, you know, this was -- this program was also created back -- we have a lot of technology that's evolved over the years and a lot even direct channels for -- with agencies and even at the agent level. So consumers are more -- we're seeing more and more activity where consumers are reaching directly out to their agents and they're not needing necessarily assistance, but we do offer it just in case somebody is looking -- you know, they don't know where to go or how to start their insurance search. I just wanted to provide that context, if you will. And it's completely paid for by the carriers as well, so -- and that concludes my update. Chair Butts.

CHAIR BUTTS: Thank you. Any questions? Sir.

GOVERNOR SPOTTSWOOD: So I'm not sure this question's fair, but I'm going to ask it anyway, and I'd like to explore it more than get an answer, and if this is something you've already figured out, you can give me an answer, but -- so it seems to me that we're working with two somewhat competing objectives or goals, getting to actuarially sound rates across a portfolio and individually, policy by policy, I assume. And we're also working to reduce some exposure by depopulation. And I'm curious if you have any analysis or data that shows if we are more or less actuarially sound following the depopulation of 275,000 policies in 2023?

MS. MONTERO: We can definitely look into that. I do know that it's not only -- typically, they go after the actuarially sound policies, and now that there's a 20% rule for those companies that want to keep policies, they go and look for those that have policies that are within 20% of their renewal. However, after talking to one of our actuaries who works in our group with corporate analytics, he did mention that there are a lot of policies that are going out that are not necessarily actuarially sound, but they may not have some of the mitigating features in their homes, so their premium is higher. So they are looking for the higher premium, and I would say that that doesn't mean that those policies are more actuarially sound. They're just paying higher premiums because they have surcharges because they don't have the mitigating characters. But we can definitely look and see how -- and Brian is right behind me. Brian can look and see what the actuarial soundness was before and after.

MR. DONOVAN: Certainly we'll have that answer. Like next June, we're going to talk about rates and we'll see what the indication is this year and we can compare it to last year. But I think what you're really asking is, is it a good idea to let companies cherry-pick if we're trying to get actuarially sound rates? I think that's the crux of your question. It's come up a lot because it's a good question. And, ultimately -- I've been with the company for 17 years or so. It took me three years to get comfortable with this idea of letting companies cherry-pick, but the way I got my mind around it is the aforementioned actuary that Jennifer mentioned, our director of forecasting, put together -- we worked on simulations and just, okay, let's do a whole bunch of simulations of events, and with the idea of what is going to reduce the probability or severity of an assessment. Like that was what was set out. Is it better to have a bunch of policies that are closer to actuary soundness, or is it better just to -- as small amount of policies as possible? Exposure down, down, down, down. And it turns out we've convinced ourselves, and it's true that we're better off small exposure. We want the exposure off the book. Other companies, they conceded outside of the state, you know, if it sits with Citizens, we don't buy as much reinsurance as they do, so it's there. Even though it might be, quote, actuarially sound, which is a good thing, we want that, but it's more important to shed the exposure to the private market.

GOVERNOR SPOTTSWOOD: It's a market of last resort.

MR. DONOVAN: Right, right.

GOVERNOR SPOTTSWOOD: I could buy that for any one season. I'm not sure I can buy that over a long period of time. You know, moving exposure off the books this year helps our exposure this year, makes it less likely that we're ever going to get to an assessment. I'm not sure over time just, you know, always saying that depopulation trumps actuarially sound rates portfolio-wide works. And so what I'd be interested in seeing is over as long a period of time as you could give it to us, maybe a graph that shows a deep depop line and actuarially sound rates and how one is affecting the other. And I don't think you can just say, "Well, we're always for depopulation," because of what you said, if most of the policies that are being moved off the books are, you know, within 20%, that kind of instinctively tells you they're taking the best policies and cherry-picking is working for them. I'm not sure it's working for us unless our only goal is to depopulate. If that's our only goal, then let's go about it faster and depopulate, I mean, let's get rid of things. And so I'm not -- I'm not sure you can just say one trumps the other over a long period of time, and I'd like to see the analysis over some longer period of time than just June of 2024.

MR. DONOVAN: Yeah, no, that makes perfect sense And we can address that. And I mentioned -- you're -- I mentioned it earlier, you're exactly where I was at. It's a good question and it's fair and we can provide some additional information. But I think the trump card -- the ultimate trump card on all this is going to be the fact that if it's on our book of business, and even if it's actuarially sound, that's one thing, as opposed to getting it to the private market and letting them seed it to the reinsurance market. They buy more reinsurance than we do. That -- I think that's going to be the -- the end answer is, yes, we get it off of Florida's back.

GOVERNOR SPOTTSWOOD: And so those could be the factors at the end of the day that we say, "Okay, well, it's more important to depop than it is to be actuarially sound," but I'd like to see –

MR. DONOVAN: Sure.

GOVERNOR SPOTTSWOOD: -- what the effect is or the comparison between the two from time to time.

MR. DONOVAN: Sure.

GOVERNOR SPOTTSWOOD: And I'm not sure how often you do the actuarially sound analysis, if that's being done on a monthly basis. Is that being done just by year, or, you know, how often you're doing that, but as often as you're doing that, if you could put that on a chart and compare where we are. And I heard -- I heard, I think, recently that we're 55% below rate. We'd have to increase rates by 55% to get to be actuarially sound.

UNIDENTIFIED SPEAKER: 55% on average?

UNIDENTIFIED SPEAKER: Yeah.

UNIDENTIFIED SPEAKER: Yeah. That can't possibly be true today though. We've been doing this, it seems like, for the last three years. It's got to be like (inaudible).

GOVERNOR SPOTTSWOOD: That's why I'm asking if this is working.

UNIDENTIFIED SPEAKER: Yeah.

MR. DONOVAN: (Inaudible) and our book of business is always changing, and it's true, last year, our overall indication was 55. We're in the process of updating. Like I said, we'll talk about it in June and have a very good number -- I mean an updated number. So certainly we – Oh, yeah, yeah, I think what you're envisioning is this, is we say, all righty, here we can look at our layer charts, Jennifer has layer charts and says all righty, here's, you know, the premium and here's where assessment hits. What would that look like if our premium was 55% higher? You know, we've earned 50%. If they were accurately sound, when were those assessments kicked in? I think -- is that what you're trying to get at? I think that's the idea and I –

GOVERNOR SPOTTSWOOD: You know, I think I'm trying to get at exactly what I asked for, and that is to see a graph of depop and compare that to what that does with regard to our portfolio being actuarially sound. And once you get the whole picture, perhaps you can dig in, you get a little bit more granular, and look at more things like area, types of policies, and risk, et cetera, but I'd like to -- I'd like to really figure out what to do to start inching away at the problem that you just described, that it's impossible that we're still 55% -- you know, we'd have to increase rates 55%. We've been working at this for a long time. I'd like to start to get closer.

CHAIR BUTTS: I think it's a fair question also, and, you know, we probably should, you know -- you know, step back a little bit and look at those analytics. To me, depopulation doesn't happen in a vacuum. To me, for depopulation to occur, which is why for me, depop (inaudible). Consumer protection, depopulation are the two things that at least guide my thought process and all of these and -- but for depopulation to be effective, that suggests that the market is becoming more competitive. And a competitive marketplace is good for consumers, A, and B, it is also a broader question of what is the role of government ought to be in this, and, heretofore, that's only ever been market of last resort. So what you're describing is actuarially -- I think what you're describing actually makes intellectual sense, but, then, it's a question of, is that where we want government? So it would be interesting to see how the numbers come in, the analytics, and a discussion for another day.

UNIDENTIFIED SPEAKER: Sure.

GOVERNOR SPOTTSWOOD: Well, it seems to me that we've gotten a whole lot bigger and broader in scope and scale in providing insurance than what was envisioned when Citizens was first created. I mean, we're doing so many more lines of insurance now, we have so many more policies. And, you know, talking about fraud, I'd be curious as to where the fraud's occurring. I think there's a whole lot more fraud occurring in some of the newer lines that this company has brought on and not -- and not where it started. So I think it's good to step back. And I'm new, so I certainly apologize, but, you know, coming in fresh, I'm just questioning things. I'm not saying we're doing it wrong, because I think you guys are fantastic, I mean, you're providing me with all the information in a very professional manner, but I'm just -- I'm questioning things that I'd like to get my arms around and understand a little bit better because I am looking at it fresh.

UNIDENTIFIED SPEAKER: Plus you're from the most challenged part of the state.

MR. DONOVAN: And these are good questions, and certainly we can get you an answer, get some information around that.

CHAIR BUTTS: Perfect. Ms. Montero, final comment.

MS. MONTERO: Yeah, I'd just like to make one comment. And -- but once we do get those policies actuarially sound, the first thing that's going to happen is they're going to get depopped. So...

GOVERNOR SPOTTSWOOD: Yeah. Yeah. And so the faster you get actuarially sound, the faster you can get totally depopped.

MS. MONTERO: Exactly.

GOVERNOR SPOTTSWOOD: And if we don't get there, we're never going to get there, so...

CHAIR BUTTS: All right, perfect. Moving on to legislative updates.

3. Legislative Update

MS. ASHBURN: Thank you, Governor -- Chairman Butts and members of the committee. As you all are aware, the legislative session was early this year, starting in January, ending on March 8th, so just several weeks ago. I just wanted to share with you what did pass, and I think also more importantly, what was proposed that did not pass related to Citizens. There was change in Senate Bill -- House Bill 1503 is the bill that we worked with legislative leaders on with specific changes we had requested and some other items that were also added. Chairman Boyd in the senate ran the bill and -- oh, my gosh. I've been sitting here so long, my -- her mind escaped me. Representative Esposito was our bill sponsor in the house. I apologize to Representative Esposito for that loss in my mind for a second. We did work with Citizens okay, and I think I've talked to some of you in the business on this. What we learned with the flood requirements that have been added to the statute you'll recall in the special session to require that if you're going to be with Citizens, you also need to have a flood policy, both starting in the high hazard zones, but, then, on a Coverage A basis, moving us to requiring flood with Citizens statewide, idea being if you have a flood policy and you have a wind policy with Citizens, you're less likely to try to make a -- have a wind/flood problem after a hurricane, and given that we can assess, important that we try to minimize those risks. What we've learned, and I think what legislative staff has learned and we've learned from our agents is the way the law was initially drafted, we opined legally that you must also carry a contents policy with the flood program. That's a separate policy. Many people do not carry it. And so when we were requiring that for eligibility for you to have contents on your homeowner's policy, folks were having to go out to the market and procure a contents policy only that was at flood 2.0, not grandfathered in, because they didn't previously have the policy. And as such, the contents coverage in some cases could be cost-prohibitive when looking at their dwelling program that was phased in under NFIP. But this law now, once upon becoming law -- the governor has not received the bill as of yet -- would state that it's for the dwelling coverage. So we would no longer have to require contents. We have had some of our customers drop their contents coverage to avoid buying that flood contents coverage. So we've already gone into motion communications to our agents and customers ready to go because that is effective upon becoming law. So I think it's an overall positive change. We heard a lot about that, by the way, out of Monroe County because all -- many of -- most of your residents do carry flood coverage down there. So it does delete a number -- a good chunk of obsolete language, because as we talked about today, the merger of accounts. And, Governor Lydecker, to your direct question, under current law today, you as an agent must have an appointment with one other carrier writing business for property in Florida. The new law beginning July 1st will require that you have at least three additional appointments. I don't have the number with me, but the data that we shared when looking at this statutorily, it was something that we move forward, about 400 or so agents will be impacted this. We will (inaudible) the goal, of course, is if they want to stay with Citizens, they're going to get other appointments and have more access to markets. So there is a direct impact of around 300 to 400 of our agents, and there'll be agent communications well in advance from Carl's team and my team on that. So I think that is a positive to try to make sure folks are shopping the business.

CHAIR BUTTS: Just for clarification, too, sorry, that is not limited servicing appointments. That is for new business. So carriers that are writing new business, and an agent must have a new business contract, is that correct?

MS. ASHBURN: I need to go back and look at the language. I believe it's just -- it's -- I don't know that it specifies new business. It does say "actively writing," and I can pull that language and share that with the committee.

UNIDENTIFIED SPEAKER: Great question.

MS. ASHBURN: I don't know that it specifies a new business, but we can -- we can certainly look and get you an answer for tomorrow.

UNIDENTIFIED SPEAKER: I think clearly the intent behind that would be that they have the option for new business and they're not a limited servicing agreement where they're not placing any new business for that carrier.

GOVERNOR LYDECKER: Thoughtlessly pushing into Citizens when there's a private market –

MS. ASHBURN: Right. Understood. I'll get with -- I'll take a look at the bill and make sure Brian and I agree on the interpretation, and we'll have that answer for you tomorrow at the update I'm giving on the same material. And, then, there are several changes that were made. As you all know, we comply with 287.057 for procurement purposes. In state government, state agency heads act as the deciding factor. Following a bid protest that had gone to DOAH, there's been an order, as many of you will recall. Right now, under current law, the board acts as the agency head, and we had to wait for a regularly scheduled meeting, which did push back with the Bolt challenge for the new clearinghouse, Citizens Reimagined, and so this just allows us to be treated as other agency heads are, and including that we were prohibited by law from requiring an issuance of a bond by a protesting vendor, and that is allowed under state law and we've -- this bill will strike that so we can act more like a state agency in that respect. It does allow us to apply for trademarks, copyrights, and patents, which was important, I think, in the -- in both the IT space and business space. We do develop our own in-house technology and solutions, and we want to make sure those can be protected. And I think, importantly, Governor Lydecker, to your comments about fraud, our data is protected and confidential and nonexempt from public records for claims files and underwriting pieces for obvious reasons. Because of those statutory requirements, we are not fully able to share all of our data like the private market does with the National Insurance Crime Bureau where they look across carriers to see if they can see syndicates and patterns. Obviously, Citizens' dataset not fully being there is a hinderance for DFS and their DIFS unit when they're looking, again, for the really bad actors in the rings. We do a great job on that ourselves, but having our data set there. So I think this is a good lift. NICB and the CFO's office worked with us on having that passed.

And, then, the other piece that was not proposed by Citizens, but is in the vein of depopulation, there is language in this bill that would allow surplus lines carriers to participate in depopulation for non-primary residents that are also non-homesteaded. Our non-primary statute says you have to live in the home nine months. You could also have a homestead exception, but -- exemption, but that's at a six-month mark. So this is to protect the homesteaded and make sure this is truly second homes. They would be subject to more regulation by the Office of Insurance Regulation, have minimum rating required by AM Best, and have to comply with a 20% rule for eligibility. So they're really acting like -- more like an admitted carrier if they're --

and we do know of at least one group that is interested in creating a program and a carrier around this concept. Other bills were related to consumer protection. There's, you know, just various changes. If anyone wants me to go into them specifically, I am going to run through this tomorrow as well. Providing for more opportunity after an event that's a declaration of emergency for a consumer to cancel a roof contract when they -- you know, someone shows up at your door and you're under duress, to make sure people have an opportunity to kind of take a deep breath following a hurricane so that they're not locked into contracts that may be, you know, predatory, as we've talked about today. Also requiring that a PA contract must in- -- public adjuster, the license number of the adjusting firm. That's something we work with Jay's team. His -- we'll train our adjusters on all of that so that if we see contracts that are out of compliance, those can get flagged. To Jay's point, we send those over to the licensing services at DFS who regulate the public adjusters. And, then, some language that would make the notice and coverage change in policy terms when we change policies -- this is industry-wide -- have to be in 14-point font and bolded so that consumers are actually reading what coverages are being changed in their contract annually.

And, then, some changes that were made that related to loss assessment coverage. When you have a loss assessment on a condo unit owner's policy because you're -- there's been an emergency assessment because of a covered event where your condo association policy has damages and they've got to assess you as an owner, when we changed the claim filing deadlines overall in Florida, this was overlooked, and there had been some -- I think some confusion amongst the industry about what is the timeframe for this, because you could have the data loss, which is, say, Hurricane Ian. You may not know for X number of months, 18, 24 months, that your -- all of a sudden, your association figures out they've got enough of a loss in the deductible and the claims that they need to assess you as owners. So there's some clarifications here to make sure that everyone is handling it the same. Some folks were rumored to have been treating the date of the notice as the date of loss. What is -- you know, so this defines that the date of loss is the date of the covered event, and there's three years after the date of loss must -- and must be provided to the insurer of letter within one year after the date of loss or two within 90 days. So we'll work on the -- both on the product side and then, of course, on the claims side to make sure that this -- that our contracts truly reflect what the new law is.

And, then, I think the only other things I wanted to really share about what did pass, the OIR had a package. House Bill 1611 does require monthly filing of data, and usually it's at the county level. This will provide it at the ZIP code level. We will be ready to comply with that as of 1/1/25. Obviously, the more granular the data the OIR has, the better for making policy and looking at trends. And, then, does clarify that if a carrier uses an average model, that the same average model must be used throughout the state. So Brian and his team will take a look at those changes when determining recommendations for you all on ratemaking. And, then, it does repeal language requiring that Citizens charge the non-primary residence rate, so the higher glide path of up to 50 to policyholders or applicants who apply for coverage with Citizens where the previous insurer is deemed to be unsound or insolvent. This is something that was -- is in our current law. There has not been an insolvency since it passed. The commissioner has expressed concerns about it. There's no data to show that they're any more risky. And so he did add to his package a repeal of that provision that we had previously put forward. There are some tax breaks that we'll have to implement with the premium tax credit and some state fire marshal trust fund to help consumers with that overall rate hit that they're seeing and the Coverage A values being so high beginning October 1st for a 12-month period.

And, then, really just wanted to share with you all as I -- I spoke to a number of you during this session. There were various proposals regarding increases to our Coverage A limit of -- as you all know, in 65 counties, it's $700,000 for personal lines, residential, Miami-Dade and Monroe, it's up to a million, meaning that if the structure is valued more than either of those numbers, they're ineligible. So it's not a layered approach. There was specific language to try to raise the 1 million to 1.3 in Miami-Dade and Monroe that did not make its way through the process in the house. It was not heard. And, then, there was other legislation that would have actually changed the $700,000 to a million statewide, and, then, ultimately, some compromised language that would have allowed OIR -- right now, OIR can only make that determination of no competition at a county-wide level, and in certain places, there are -- there are ZIP codes, I think, with more granularity that would allow the commissioner to make a determination of no competition at the ZIP code level. That program would have been a little bit different as it would have required actuarially sound rates for those new ZIP codes coming in at the million-dollar level, but, ultimately, that did not pass. And I think most of you have seen, I hope, Tim's great presentation on one proposal that was of great concern to us. It was only in the house. The senate did not ever file anything that would have created a statewide wind pool and have Citizens take on all the wind. I think the actuaries, Jennifer's team -- Tim did a fantastic job of sharing what would -- we call those that's really some real doomsday scenarios on potential assessments if we had another Andrew. That bill did hear -- have a workshop in the house insurance and banking subcommittee, but it did not ever come before the house committee subcommittee for a vote. So just wanted to make you aware of those items. I'm happy to answer any questions.

CHAIR BUTTS: Any comments? Questions?

UNIDENTIFIED SPEAKER: Can I just ask one quick, just clarify? Is surplus lines -- if they're being depopulated, are those policyholders going to be protected by the guarantee fund because it's ENS?

MS. ASHBURN: No.

UNIDENTIFIED SPEAKER: Thank you, Mr. Chairman.

UNIDENTIFIED SPEAKER: One question on the one you just mentioned there, the bill that didn't pass that Tim did some work on where there was suggestion that we just take on all the wind coverage in the state of Florida. Would it have been a concept or a model where we were just taking on wind coverage only for named storms, or would we have gotten rid of all the underlying claims that any other homeowner may have for other perils that may occur? Is it just wind only?

MS. ASHBURN: It would not have taken us out of the other perils market wholly. It would allow us for -- for example, there are some older homes and mobile homes. So the answer is we would still be writing those other perils, but unlike today, you could be in Orlando, you can't get a wind-only policy from Citizens. I think the concern was this wasn't -- I think the way this was drafted -- and even the bill sponsor said there would be things that they would want to work on. It really did put us at the forefront of writing wind because our rates are not actuarially sound.

UNIDENTIFIED SPEAKER: Oh, no, I do get it.

MS. ASHBURN: Right. And so -- but it would not have gotten us out of the other peril market is the –

UNIDENTIFIED SPEAKER: But just curious if -- you know, if all the legislation were to change around who we were chartered to be and we were to be recharted, and all of a sudden, we're just the reinsurance company for wind only and there's underlying coverage with all the towers that we build, it's interesting, but that was not the case.

MS. ASHBURN: No. And to recall, the state does have that through the Florida Hurricane Catastrophe Fund, right? We already have a state-created reinsurer that sells a certain layer of coverage that we all have to purchase. But, yes, it didn't contemplate it in the way you're thinking. It did absolutely allow us to still be writing in that whole homeowner space.

CHAIR BUTTS: Great. Any other comments? Christine, thank you. I know it's always challenging getting ahold of you when you're working the steps of the Capitol all the time, but thanks for the updates throughout. Appreciate it. Also, I think it's worth mentioning, carriers out there, come in, we've got more depop for you. So come on, bring it. And thank you to the ones that have taken 275,000 policies out. So with that, we'll adjourn.