

Claims Committee Meeting Minutes

ACTION ITEM

New Contract

Contract Amendment

Other Committee Minutes

CONSENT ITEM

Contract Amendment

Existing Contract Extension

Existing Contract Additional Spend

Previous Board Approval _____

Other _____

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

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

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

Item Description	Claims Committee Meeting Minutes November 16, 2023
Purpose/Scope	Review of the November 16, 2023 Claims Committee Meeting Minutes to provide opportunity for corrections and historical accuracy.
Contract ID	N/A
Budgeted Item	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No – N/A
Procurement Method	N/A
Contract Amount	N/A
Contract Terms	N/A
Committee Recommendation	Staff recommends the review and approval of the November 16, 2023 Claims Committee Meeting minutes.
Contacts	Jay Adams, Chief Insurance Officer

CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE CLAIMS COMMITTEE MEETING Thursday, November 16, 2023

The Claims Committee of Citizens Property Insurance Corporation (Citizens) convened on Thursday, November 16, 2023, at 1:00 p.m. Eastern.

The following members of the Claims Committee were present:

Scott Thomas, Chairman
Josh Becksmith
Jason Butts
Jay Adams

1. Approval of Prior Meeting's Minutes (September 12, 2023)

A motion was made by Governor Becksmith and seconded by Governor Butts to approve the September 12, 2023 minutes. All were in favor. Motion carried.

2. Strategic Update

Jay Adams: Good afternoon, Chairman Thomas and Committee members. For today's Strategic Update I would like to discuss our new Division of Administrative Hearings process, which I will refer to as DOAH. DOAH is a new alternative dispute resolution by mandatory arbitration pursuant to a revised Florida arbitration code that became effective October 1, 2023 by endorsement. As I have discussed in prior meetings, this new endorsement will be required to be attached to new policies and renewals in order to be in effect as an alternative dispute resolution process. I would like to start my discussion by taking a look at what Citizens has been doing in the alternative dispute resolution process prior to the October 1, 2023 effective date of the DOAH process.

Next slide, please. So why are we looking to add a new alternative dispute resolution process? Senate Bill 76 became effective on July 1, 2021, and it required that the insureds submit a notice of intent 10 days prior to filing a lawsuit. The new statute was established so that the carrier would know that there was a dispute and to be able to address the carrier's position. Citizens only had a few options of how to address covered losses, such as negotiating or agreeing to settle the settlement offer after obtaining a signed release, suggesting DFS mediation, which is not binding, or we could demand appraisal which is binding. The problems we identified were that we did not have a means of addressing claims that had been denied or claims where the full limit of insurance had been paid.

Next slide. As I just stated, Citizens did not have an alternative dispute resolution method to resolve denied claims. If a notice of intent process review upheld the denial of the claim, the only option for the plaintiff was to file suit to attempt resolution. 64.4 percent of all the notices of intent were not eligible for any of the alternative dispute resolution processes. It created a green light for the plaintiff attorney to file suits on many of these.

Next slide. This slide represents the number of new notices of intents received over the last few years. What is worth noting here is that we continue to see about 1,100 new notices each month, and it continues to outpace the prior years.

Next slide. This slide represents the notice of intents that have been resolved through the appraisal process. As mentioned earlier, we are only able to send around 35 percent of all new notices received through the appraisal process, as these are the only ones related to the scope and pricing issues.

Next slide. This slide represents the number of notice of intents where Citizens declined the offer. This group of notice of intents has no other alternative dispute resolution options other than if the plaintiff decides to file a suit. Citizens averaged 476 per month declined offers for 2022, as compared to 729 per month for 2023. We are clearly receiving many more notices of intents on claims that have denials of coverage as compared to those that have scope and pricing issues.

Next slide. We are starting to see a gap occur between the notice of intent received compared to the number of new suits filed. Some of this reduction in new suits is from the reduction in the overall number of assignment of benefits suits received. Senate Bill 2A eliminated AOB claims as of January 1, 2023. Prior to that legislation, about 50 percent of the new suits were from AOB.

Next slide. We have spoken about Citizens' notice of intent process several times in our committee meetings. I wanted to reiterate that we receive all new notices of intent directly from the DFS, and that we have a dedicated team of staff reviewing the prior claims handling and evaluating the new disputed information. After the review they can stand on their prior claims decision which allows the plaintiff to immediately file a suit. They can attempt to negotiate with the plaintiff for resolution, or they can demand appraisal for covered losses.

Next slide. In order to address the need for notice of intents that are received as denials or where the coverage limit had been paid, Citizens filed a new endorsement for alternative dispute resolution under the Division of Administrative Hearings. The new endorsement clarifies that this is a proceeding before the State of Florida. DOAH is an alternative dispute resolution by mandatory arbitration pursuant to the revised Florida arbitration code. The new endorsement will address

and resolve disagreements regarding claim determinations and is binding. A claim determination is our decision in writing regarding the coverage for or the scope and value of any claim that you have presented to us.

Next slide. How does the DOAH endorsement work? Well, Citizens will set up a DOAH endorsement so that the insured or Citizens can demand a resolution through DOAH. The party that made the demand shall initiate the arbitration proceeding by filing and serving a request with DOAH. This request must contain the amount of damages, any relevant policy provisions and a claim determination by Citizens.

Next slide. What do we expect out of the DOAH? Well, the DOAH in return will determine all disputes arising out of any of the following: a determination of coverage, policy exclusions and limitations, all defenses raised, and any amounts of policy benefits that could be payable.

Next slide. How long does this process take? Well, one of the huge benefits for our insureds is that the DOAH process is resolved much sooner than protracted litigation. On average our current litigation is taking in excess of 550 days to resolve. The DOAH final hearing will be heard between 75 and 100 days of the initiation of the proceeding.

Next slide. So, what will happen following that hearing? The insured can expect that DOAH Administrative Law Judge (ALJ) will render an arbitration award 30 days after receipt of the hearing transcript. The award will consist of the following: a rendering on whether the loss or any part of the loss is covered by the policy, detail of the policy provisions justifying the denial of coverage for the loss or any part of the loss, or the amount of policy benefit payable, if any, for covered portions of the loss.

Next slide. What happens if DOAH were to make a clerical mistake? Well, it is possible that there could be clerical mistakes. If this were to happen, the ALJ can correct these mistakes in the award within 25 days from its original issuance. Some of the mistakes that could happen are miscalculations in figures or an evident mistake in the description of any person, thing, or property referred to in the award. Another mistake could be including an award on a matter not submitted in arbitration, and the award may be corrected without affecting the merits of the decision.

Next slide. Would DOAH ever exclude anything from being heard in the arbitration process? And the short answer here is, yes. Those items will consist of an AOB, any award of attorney fees to the prevailing party, any award for extra contractual

or consequential damages, any damages based on alleged bad faith, and any violations of Section 624.155 of the Florida Statutes.

Next slide. I started out the discussion indicating that we had a gap in our ability to resolve all disputes through the alternative dispute resolution process. Prior to the issuance of our DOAH endorsements effective October 1, 2023, we had no means to address notices of intent that were from claims that had been denied or the limits had been exhausted. This process is beneficial to our insureds as they will be able to resolve disputes within 100 days or so without having to go through protracted litigation. Citizens will see benefits and reductions on our defense cost for fees and both parties have the ability to demand arbitration through the DOAH process.

Slide 17. This is just an indication where House Bill 799 codified Citizens' right to utilize the DOAH endorsement and include this as a new process for the alternative dispute resolution using arbitration. And the next slide, are there any questions that I could respond to?

Chairman Thomas: Perfect, Jay, appreciate that. I will open it up to the committee for any questions, Josh or Jason?

Governor Becksmith: No, no, I am good. I appreciate the info, Jay. I know we have been working hard on this and hopefully can get some of these claims that we have been dealing with resolved fairly quickly.

Jay Adams: Yes, we hope so as well. Thank you, Chairman, that would conclude my presentation.

Chairman Thomas: Jay, I actually have a couple of questions for you on this.

Jay Adams: Okay.

Chairman Thomas: I know it is relatively new, it is relatively new to our policy. Have we had any challenges to it? Have we had any policyholder assert that somehow it is denial of their right to their access to court or something like that?

Jay Adams: None. And to be honest, no claims have come through that are eligible yet with the new endorsement filing date. So, we have not even made any demands to DOAH at this point.

Chairman Thomas: Okay, that makes sense. Then otherwise, is this something that is available only to us or are private insurers able to if they so choose, incorporate within their policy forms the DOAH option?

Jay Adams: So, the DOAH option is only available to Citizens, and the reason it is available to us is because we are a semi-governmental entity, and only governmental entities are allowed to enter the DOAH process.

Chairman Thomas: Okay, perfect. Appreciate that, Jay. Anything else?

Jay Adams: Thank you.

3. Litigated Claims Update

Elaina Paskalakis: Thank you, Chairman. Good afternoon to everyone. My report goes through January of this year to the end of September. That is what the data is included in this report. During that time, we received roughly 7,200 new lawsuits. That is an average of just over 800 a month for this year thus far, and that is a 23 percent decrease in the receipt of new lawsuits as compared to 2022. The breakdown of those lawsuits for the residential policies, roughly 44 percent are new catastrophe related lawsuits, with 56 percent being non-catastrophe related causes of loss.

In terms of our pending volume in litigation, as of the end of September, we were at 18,663 pending lawsuits. That is an eight percent decrease as compared to the same time last year in 2022. The breakdown for our residential suits in the pending volume is 46 percent catastrophe related causes of loss, with 54 percent non-catastrophe related causes of loss.

When we look at where the lawsuits are coming from in terms of distribution around the state, 64 percent did arise out of the tri-county area, and that is a decrease of 17 percent. So, what is happening is we are starting to see a higher percentage of new lawsuits emanating from other areas of the state, and it is kind of sweeping across the whole state.

We also track the number of lawsuits where the insured was represented at First Notice of Loss of the claim. So, when the claim was first presented to Citizens, how many of those people presented that with representation, whether it be an attorney or a public adjuster. We are seeing a reversing trend in that over last year, where 51 percent of the insured were represented at First Notice of Loss, and that is based on the new incoming suits. So, of the new incoming suits, 51 percent of those insureds did have representation when they first made the claim to Citizens, and this is a 33 percent increase as compared to this same time last year. And what I believe speaks for this is there is this phenomenon I have talked about in the past. We tend to see catastrophe related losses and claims self-reported in a higher percentage than non-catastrophe. So, in this year as these are coming in and we look at the difference between the CAT related and the non-CAT related,

and the further we move away from large significant catastrophe events, this is what we tend to experience.

In terms of whether or not an insured had any dispute with our Claims' evaluation of the claim prior to bringing the lawsuit, that is less than three percent. So less than three percent of our insureds are not telling us about some dispute that they have with our Claims' position prior to the lawsuit, and that of course, is a direct and continued effect of the notice of intent statute and scheme that is now in play.

When we look at timing, how quickly lawsuits are coming. Twenty-four percent of lawsuits came within six months of the First Notice of Loss of the claim. That is an 18 percent decrease as compared to 2022. Again, this is an expected trend. When we move further and further away from large significant catastrophe events, we tend to see that claims are reported much faster following a catastrophe event than they are a non-catastrophe cause of loss.

In examining the causes of loss and types of suits that we have been receiving, the catastrophe related lawsuits are up by 11 percent. So, they now represent 44 percent of the new incoming lawsuits. In the pending volume, catastrophe related lawsuits are down 11 percent. So, they now represent 46 percent of our pending volume. And catastrophe related claims continue to be the leading cause of loss for both new incoming and pending litigation volume.

In terms of AOB, the new incoming AOB lawsuits are down 42 percent, but they still do represent 28 percent of our new incoming suits. So, while we have seen a significant decrease in the number of claims, and therefore lawsuits coming in that are AOB lawsuits, they are still hovering just below 30 percent of the new incoming volume. In terms of pending volume, AOB suits are up 16 percent, now representing 31 percent of the pending litigation volume.

And then lastly, I look at non-weather water losses. Those represent 27 percent of the new incoming lawsuits, and that is a significant rise of 39 percent. And non-weather water related lawsuits represent 24 percent of our pending volume, which is roughly a four percent decrease.

To wrap it up, we are seeing consistent kind of longstanding trends with the overall decrease in new incoming lawsuits. So, like I said before, it is about a 20 percent decrease. We are also starting to see a decrease in our pending at a slower rate of about eight percent. We are continuing to see the rising trend of distribution of suits emanating from across the state. Still the majority are tri-county areas, but certainly not in the concentration that we had seen in prior years. Catastrophe is our leading cause of loss for both new and pending volume. In terms of the new incoming lawsuits, it is kind of expected given the fact that those catastrophe

disputes are making their way through the notice of intent process. I do want to note, and Jay touched on this when he was introducing the DOAH option now that we have. The vast majority of those lawsuits that we are getting are in fact denied claims because of the fact that we have other options short of litigation to resolve like scope and pricing disputes, things like that. So, it is kind of concentrating into litigation, the denied claims.

And then finally, again, just mentioning the significant rise in the trend of the new incoming non-weather water suits, and I think that can be explained by a couple of factors. Number one, the lack of, you know, multiple significant CAT events, and also, I believe that the sweeping revisions to some of the statutes that they are going to have a direct impact on litigation. I believe that they are looking for cases that are on policies that existed before. So, they're not affected by those statutes yet. And as we know, we have discussed in the past, while we believe that those statutes will have a very large impact on litigation, it is still going to be a year or two before we really can realize the scale of the impact for those statutes, but it is coming. So, with that, that wraps up my presentation. I am happy to take any questions.

Chairman Thomas: Thank you, Elaina, I appreciate that very much. And again, we will open the floor to the committee for any questions.

Governor Butts: No questions, thanks, Elaina.

Chairman Thomas: All right, Elaina, appreciate it very much, good report, appreciate the good work everyone does there.

4. Non-Litigated Claims Update

Craig Sakraida: Thank you, Chairman Thomas, committee members. Next slide, please. I want to touch on briefly, we are about to end the 2023 hurricane season, but with that starts the catastrophe preparation for 2024. So, we are already shifting gears and cleaning up Hurricane Idalia and moving into the planning phases for 2024. We were able to test some of the changes that we made to our virtual onboarding of independent adjusters and that was successful. We are going to focus this year on the full integration of our new phone system with the UCaaS/CCaaS platform that our IT partners are working on. The integration of the new independent adjuster solicitation which we are in the middle of right now, for any changes to our 2024 response, and then further training of new staff in our non-catastrophe team to assist in the oversight for a catastrophe event.

Next slide, please. Just a brief update on our 2023 catastrophe claims. We received about 2,800 claims for Hurricane Idalia. This information as of the end of October hasn't changed significantly. We are at about 2,892 currently. Fifty-one

percent of those claims are from Pinellas, Taylor, Hillsborough and Pasco County. A very small percentage at 6.8 are represented at FNOL from those counties. Eighty-eight percent of the represented claims are from Hillsborough, Hernando and Pasco. We are at approximately at about 90 percent closure rate, first closure rate for Hurricane Idalia.

Moving on to Hurricane Ian, we still are receiving about 100 claims a week, 400 a month, but from January 1 through October 2, we received almost 10,000 Hurricane Ian claims. And from the same time period, from January 1 through October 27, 1,222 Hurricane Nicole claims were received. We also had a hailstorm in April in which we received 3,827 claims and that continues to grow.

Next slide, please. Our claims to PIF trend, this just shows, that there is an increase naturally, claim count with our increasing PIF.

Next slide, please. And our non-weather water claims. We had our highest month in August. It dipped down a little bit with Idalia, but not too terribly much.

Next slide. Some of our non-litigated claims data. New claims reported have decreased 68 percent from September 2022, mainly due to Hurricane Ian. Total claims pending have increased due to the hurricanes, with Ian, Nicole and Idalia. Our new non-weather water claims reported increased six percent from September 2022. And as I mentioned, the highest number of non-weather water claims reported was in August with 2,022. And 2,035 in September 2023. Our emergency restoration services acceptance rate has increased 11 percent from September 2022, and our Managed Repair Program participation rate has increased three percent from the same period, hovering in the mid-20s.

Next slide. Chairman, Thomas, that concludes my presentation, I will gladly take any questions or comments.

Chairman Thomas: Thank you, Craig, appreciate it, appreciate the report and will open up the floor to the committee if there are any questions.

Governor Butts: Just a quick question, Chairman Thomas. Is the percentage of non-weather water claims about the same? Last month I think Citizens hit their peak in terms of policies. I mean, does it correlate to where we are as our policy count has grown?

Craig Sakraida: There is no direct correlation to say if we get 10,000 more policies, we are going to get 200 more claims a month, right? It is really hard to draw that correlation. We have seen the increase in non-weather water claims track fairly closely with our increase in PIF count. The only time we have really

seen any significant decrease is when there is a storm event, and with Hurricane Ian that was really not as much as we had thought. So, I mean, there is a consistent volume of over 2,000 for the last several months. So, we anticipate that is probably going to maintain the same as long as our PIF is roughly in the general area where it is now.

Governor Butts: Thanks, Craig.

Chairman Thomas: All right, that should be it. Craig, appreciate it, good report, appreciate the good work there and always it's kind of funny we are wrapping up, what, 14 days from the end of hurricane season, which just means you have got preparation to do. So, thanks for the report on that.

5. Special Investigations Unit Update:

Joseph Theobald: Thank you, Chairman Thomas and committee members. As Senior Director of the Special Investigations Unit, I lead the operations that include allegations of insurance fraud involving claims, underwriting and insurance agents, and I am here to provide an update of our recent cases.

In September, we learned of the arrest of five individuals, including the owner of a public adjusting firm, two of their employees, owner and operator of a water mitigation firm, and owner and operator of a mobile assessing firm. The group was arrested for their role in targeting an elderly Miami Gardens insured and in submitting over \$60,000 in false insurance claims related to her HVAC and plumbing system without her knowledge.

Now, Citizens SIU had found that the loss was contrived, and that according to our 94-year-old insured, she did not sign any of the contracts that were presented to Citizens by these bad actors for the services claimed. Now, according to details within the arrest affidavits and the press release issued by the Department of Financial Services in collaboration with Citizens, this insured was first approached by solicitors under the guise of a free inspection to help fix old repairs. And when the insured agreed, she was later greeted by a group of individuals that showed up along with dry out machines and began destructive repairs on her property. Five individuals forged the insured's signature to file multiple homeowner claims, including an assignment of benefits documents, public adjuster contracts and repair agreement. The five individuals worked in concert with one another and fabricated that the AC in the kitchen suffered mold and water damage when it in fact had not. These five bad actors were all arrested by the Division of Investigative and Forensic Services (DIFS) and face multiple charges for insurance crimes for their actions. One for unlicensed public adjusting and one individual faces an additional charge of crimes against the elderly.

Overall, our referrals have resulted in actionable investigations in ultimately 28 arrests in the last year and-a-half by the DIFS, including a CSR, a customer service representative at a Citizens appointed agency was arrested for submitting a falsified four-point inspection in support of the issuance of an insurance policy to Citizens. An insured who was arrested was charged with insurance fraud after our SIU revealed that he attempted to collect more than \$93,000 in two separate claims for roof damage and non-weather water claims that he had previously collected from his prior carrier under his previous policy. And most recently an insurance agent was arrested for submitting false declination letters to Citizens to bind coverage that they were not eligible for. These cases and others like it are included in the SIU addendum, along with the press release that I mentioned. And with that I will ask if there are any questions.

Chairman Thomas: Joseph, thank you very much and I open the floor for any questions. I do not see any, Joseph. Appreciate the report and appreciate the really important work you all do. I think the idea that, I mean, this is more than just identifying individual acts and bad actors, but I think the general deterrents that we realize from it is very important. So, thanks for the good work.

6. Vendor Update

Greg Rowe: Good afternoon, Mr. Chairman and other committee members. We have three items for the committee today. I think they will be pretty quick, but I will start first with, we are seeking \$50 million additional spend under our Claims Legal Services contract. And as a reminder, this is our kind of agreed approach we had with the Board dating back to the original inception of this contract in 2021, that we would come to the Board anytime we needed any additional funds in the increments of \$50 million at a time. So, at this point based on the information that Elaina has provided and our current spend tracking it looks like we will exceed the authorized \$50 million ahead of our April 2024 Board of Governors meeting. So, at this point what we are doing is seeking an additional \$50 million to bridge us to that time, which would bring the total authority to \$300 million as opposed to the \$250 million where it is today. I think the committee is pretty familiar with it, but I will pause there for any questions on this one.

Chairman Thomas: Greg, I always have the same sort of question on this. I am not sure how useful it is that we do this every \$50 million tranche. What really matters is where do we look like we are standing in conjunction with the overall budgeted number? I mean, I think that is the real reason the Board wanted to do this, was so that if at some point towards the end of the fiscal year or the end of the year, budget year, we started to have to come back for more authorization versus this release \$50 million within the overall authority, that we wouldn't be surprised by it. So where do we stand in terms of the actual budgeted amount for this in the overall spend?

Greg Rowe: Yes, so these contracts expire on February 2, 2027, and we have got two, one-year optional renewal terms with that. So, you know, if we are tracking somewhere at this point around anywhere from \$13-14 million per month, overall, at some point we would likely need to come back and increase that overall \$500 million. But it is kind of hard to know, right? We are hopeful that the litigation trends will continue to sway in our end, but Elaina said as of now, we have not seen a dramatic increase. So, it's pretty close. We are not, we don't know definitively yet, but there is a possibility to your point that we could come back, you know, to see if we needed to go over the \$500 million threshold.

Jay Adams: I would like to just add a little more color here. So, with our DOAH process, the idea there is we really expect we are going to see a significant decrease in what it costs per case on the defense counsel. And the reason being is, the DOAH process, we anticipate it is going to conclude within 120 days. Right now, our protracted litigation is in excess of 500 days. So, we expect we are going to see some significant savings. They won't have the time obviously to accrue the same level of fees. So, we really don't know what volume we are going to be able to get over into the DOAH program. It is probably not likely to happen until late Spring, early Summer next year to start getting any volume, but at that time, I hope we will start to erode some of this \$50 million or create savings against that \$50 million on a quarter-by-quarter basis.

Chairman Thomas: Thank, Jay. Certainly, I am aware, and my clients are painfully aware of it, that the mere fact a case is open over time makes the case more expensive. It is just that administrative cost of it and e-mail exchanges and scheduling things, which in the whole scheme of the substantive case aren't that important, but they cost money when you are paying by the hour. So I just think going forward, Greg, like I said, I don't think it is terribly useful necessarily to know, well, we have hit a point to release \$50 million more out of the pre-approved amount. That means something if, if you are telling me, well, I know it is not a straight line, but on a straight-line basis we are kind of asking for it six months earlier than we thought we would have to. So maybe in the future when this comes up, it wouldn't be a bad idea, again, I know it is not straight line, but to put the overall in the context of kind of what the overall budget number is and where we stand with that, so we know that we are saying, oh here is \$50 million to authorize within the pre budgeted amount and it is looking good for us or it is looking bad, have a heads up that at some point we are going to have to go back on these contracts and get more money. That is all from my standpoint on that, okay.

Greg Rowe: Absolutely, and we can certainly do that, and if we do play it out over the initial five-year term, we would go over just, you know, a little. I don't know what that would be yet, but if the trend—

Chairman Thomas: If we see a slowdown we won't, but like I said, I think the whole point behind this was so that if at some point we had to go back to the Board and say, our \$500 million approved contract for legal spend is inadequate, we need another \$100 million, that that is not necessarily a surprise to anybody, because during the life of the contract we tracked this in \$50 million increments and we knew this was coming. If we are going to go through this rigmarole of asking every \$50 million, I think that would at least make it a little more worthwhile maybe for us. Do you need a vote from us on this or unless we object to it, it moves forward? It is marked as consent. I don't know that what necessarily means in the context of the Claims committee.

Greg Rowe: Yes, we are seeking, yes, sir, the approval from the committee to take it to the Board.

Chairman Thomas: Well, I will entertain a motion on that then.

Governor Butts: Mr. Chairman, just one question if I may before, to Jay's point, I was curious and I didn't see it in the notes, but I apologize if it was in there, but that spend per claim, the litigation spend per claim, has that been stable, Greg, over the last year or two or three? Is that continuing to increase? And then to Jay's point, would we be able to, obviously over the next six months or a year, be able to track that to see if DOAH is providing and what it is providing per claim basis savings?

Greg Rowe: It's a great question and I am going to see if Elaina would be able to validate or Jay in terms of the cost per claim to see if that has held steady.

Jay Adams: Governor Butts, so the new contract that we are under here that we are asking money for certainly had an increase cost over the prior contract. So, each subsequent run of this, the cost of doing the defense work continues to go up. When we look back overtime, if you back that out, we are staying pretty consistent on a case-by-case basis for what it cost. Again, the contract had some increases, and that increase factored in, still keeps it pretty straight lined. And to answer your second question about the DOAH. We have set up our systems to be able to track the DOAH and the DOAH spend. So, we will be able to do a comparison against the actual cost for defense counsel in DOAH versus civil court.

Governor Butts: Thank you.

Jay Adams: Sure.

Governor Becksmith: Chair, Thomas, can I ask a quick question of Greg?

Chairman Thomas: Of course.

Governor Becksmith: I was looking at your notes and thanks for the color on all this, and I agree with Chairman Thomas' comments on the budget and kind of going back to the well each time, but I do have a question. Obviously, there was a big uptick in January of this year with the fees that are getting paid. Am I correct on the rationale thinking that is because we had a lot of claims that were filed towards the end of last year, whether it be from the hurricane or the change in the legislation that was getting processed fairly quickly?

Greg Rowe: You are referring to the chart and the summary?

Governor Becksmith: Yes.

Greg Rowe: Up from 8 to 13?

Governor Becksmith: Yes, correct.

Greg Rowe: Yes, I am not 100 percent, again, I hate to be bringing Elaina back into it to see if there was anything specific on that.

Elaina Paskalakis: At that time there was a push. When the end of the year comes if there are any trailing bills or outstanding bills there is always a push to get them paid. So that is what you see there.

Governor Becksmith: Okay. And then the increase, I guess my question is kind of, and I don't want to belabor this, but we are running seven and eight million dollars and now we are running 14 in less than a couple of months. And I know we had some hurricanes, and so we have had some claims that were sitting out there from Ian and other things like that, which I am sure have a lot to do with that. I am just kind of curious, is it from the hurricanes or is it because he had a push of these lawsuits and as these claims start getting settled and falling off and as we go to DOAH, could the committee and could the Board maybe expect to maybe see this closer to six, seven, eight million dollars as it was 12 months ago?

Elaina Paskalakis: I don't think it is directly related necessarily to hurricanes. I think it is just directly related to kind of more claims, right? More of the lawsuits come through, more of the lawsuits getting resolved. And in terms of DOAH. Just one word of caution with DOAH. There is going to be a capacity issue, right? Like over time more and more will hopefully go to DOAH, you know, once those claims start rolling in under those policies that have that endorsement, but we are going to initially have a capacity issue just because DOAH only has so many ALJs

available for this program. So, I think there will be great benefit and great savings when we look at how much a case going through the DOAH process will cost us as opposed to a case going through circuit court, particularly because of the fact that circuit court continues to be backed up. There really is this backlog stemming from what happened during the pandemic that just continues for us, right? That is further compounded as all of those disputes that are now coming into litigation, because of the fact that we had all these other ways to resolve scope and pricing, they're all denial claims. So, they're either going to need a trial or they're going to need a dispositive motion before a Judge. Both of those are getting increasingly harder to schedule, right? But to the DOAH point, the only thing I wanted to say is we don't have an unlimited number of ALJs that can take an unlimited number of our claims and our disputes that are coming through, so there will be a great benefit it is just that program is going to have to build over time. Does that answer your question? I kind of went off topic a little bit, but I wanted to kind of give the full sense of what we are facing.

Governor Becksmith: Yes, I think expansion on that DOAH, and I don't think anybody on the committee to expect it to be kind of the miracle pixie dust, right, maybe to all of a sudden make certain stuff go away. I just was drilled into, okay, our pending litigation has kind of stayed about the same, but our fees have exponentially gone up over the last nine months.

Chairman Thomas: And that is what I am going to say, I thought your question dealt with, like if you look at June 2022, we have 19,200 open matters that are costing us \$7.4 million. June of this year we have essentially the same number of open matters, but they're costing us almost twice that. Is there some structural reason for that? I am assuming we did not increase the hourly rate by double?

Elaina Paskalakis: No, but they did go up 18 percent on average. So that does account for some. There are also expenses involved, experts, things like that. And because of kind of the complexity of the cases, they tend to be more involved in these denial cases in terms of having to staff up with experts and that, and also, they're pending much, much longer than they have in the past. So, and as you called out, it is going to cost us more the longer that they are around.

Chairman Thomas: It does seem to make sense. If we have reforms that are hopefully, weeding out borderline to bad cases, you would think the cases that we do actually litigate have more meat on the bone. So hopefully we are getting rid of those that don't have any meat on the bone and look –

Elaina Paskalakis: Exactly.

Chairman Thomas: Some cases do. Look, there are two sides, we are not perfect here. So that would make a little bit of sense, I guess. I don't know if in 2022 we were also still, I don't know the time, were we still a little bit of the COVID hangover in the courts because things weren't moving?

Elaina Paskalakis: Yes. Because the backlog that it created was insane, right, because it is not only the trials stopped, the dispositive hearings stopped for a while and then the catch up that was happening, and then throw on top of that the concentration of cases, it is not like they're going to file a case and we are going to say immediately it is a settlement matter because we got it wrong. That process, that is happening before it even gets to Litigation. So, we are just getting the ones that were pretty much standing on decision.

Chairman Thomas: If nothing else, I will entertain a motion on this item to approve the \$50 million additional authority.

A motion was made by Governor Butts and seconded by Governor Becksmith to recommend the Board of Governors: a) Authorize additional spending authority under the Claims Legal Services contracts of \$50 million as set forth in this Consent Item which, if approved, would make the total spend authorized to-date \$300 million; and b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item. All were in favor. Motion carried.

Greg Rowe: Real quick before the next one. Just to let you know, what we will absolutely do prior to the next request of the \$50 million, we will make sure we put some percentages behind it and add a little bit more color commentary behind how things are trending in terms of the overall spend relative to what we are asking for. So, we will make sure and have that ready.

Tim Cerio: Yes, Greg, let's drill down on the cost per case and just maybe get a better handle on some better rationale to when those good questions do come up, why are we spending more.

Greg Rowe: Absolutely. The next item I am going to have today is for additional spend for our Independent Adjusting Services contract. So, this one back in 2017, Citizens secured multiple vendors, and these are the vendors that provide our adjusting resources for both CAT and non-CAT. So, as it stands today, Citizens has an authorized spend of \$480,236,575 on all of these contracts. And after Hurricane Idalia from this year, continued handling of Ian and Nicole from 2022, and then our continued high volume of non-catastrophe claims, as of September 30, 2023, Citizens has incurred just under \$440,000,000 of the approved spend authority. So, we have just over \$40 million in approved spend remaining. So

based on our current trends for our CAT and non-CAT claim handling, we are really looking at incurring somewhere around \$120 million more in spend through June 2024. And the reason we picked June 2024, because we have got multiple contracts that don't expire in June 2024, but as Craig mentioned earlier, we are in the midst of a solicitation for Comprehensive Adjusting Services that will replace all of our independent adjusting services contracts. And we are anticipating that that will go forward for a public award in February 2024. So, what we are really looking to do between now and the onboarding of those new firms, whoever they may be under the new contract, we are seeking an additional \$80 million to bridge us to June 2024, and that will allow us to fund the existing contracts and give us time to, like I said, onboard the new contracts somewhere between February and June 2024. So, the ask at this point is an additional \$80 million in spend under this particular contract. So, I will pause there for any questions.

Chairman Thomas: Any questions? And barring any questions, I will entertain a motion to approve.

A motion was made by Governor Becksmith and seconded by Governor Butts to recommend the Board of Governors: a) Authorize additional contract spend not to exceed \$80,000,000 across the Independent Adjusting Services contracts listed above, in addition to the \$480,236,575 in spend previously approved by the Board in 2017, 2018, and 2022, as set forth in this Consent Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item. All were in favor. Motion carried.

Greg Rowe: I do have one more item, Mr. Chairman. The last one I have is for DOAH, exactly what Jay was speaking to earlier. We had approval for \$2 million spend specifically designated for 2023 for the Division of Administrative Hearings contract. To date, Citizens has not incurred any of that spend. So really this consent item is really a detail piece. We are looking to seek approval to use that \$2 million and spend through 2024. We are not seeking anything additional; it was just the original request was for spend in 2023. So, we are just looking to carry that over into 2024 as we move forward with the DOAH strategy.

Chairman Thomas: All right, any questions or a motion on that?

A motion was made by Governor Becksmith and seconded by Governor Butts to recommend the Board of Governors: a) Authorize the payment to DOAH of a total amount not to exceed \$2,000,000 through 2024 for alternative dispute resolution services under this contract; and b) Authorize staff to take any appropriate or necessary action consistent with this Division of Administrative Hearings Consent Item. All were in favor. Motion carried.

Chairman Thomas: All right, Greg, thank you for all of that.

Greg Rowe: Thank you.

7. Addendums & 8. New business

Chairman Thomas: And that brings us to a couple of more items if anyone is interested in our agenda, some Recovery Cases of Interest. There is more SIU stuff. As Chairman, I have no new business, but I am happy to open the floor to anyone else if they have any comments or anything to bring, anyone else on the committee who would like to bring something before the committee. Otherwise, we will stand adjourned.

(Whereupon, the meeting was adjourned.)