

CITIZENS PROPERTY INSURANCE CORPORATION

**DRAFT MINUTES OF THE
BOARD OF GOVERNORS MEETING
Wednesday, December 4, 2024**

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened at The Palmetto Marriott in Palmetto, FL on Wednesday, December 4, 2024, at 8:30 a.m. (EST).

The following members of the Board were present:

Carlos Beruff, Chair
Scott Thomas, Vice Chair
Josh Becksmith
Jason Butts (By Phone)
LeAnna Cumber
Erin Knight
Charlie Lydecker
Jamie Shelton
Robert Spottswood

The following Citizens staff members were present:

Tim Cerio	Ken Tinkham	Eric Addison
Jennifer Montero	Carl Rockman	Ray Norris
Aditya Gavvala	Brian Donovan	Mathew Carter
Jay Adams	Raina Harrison	John Schmidt
Jeremy Pope	Andrew Woodward	
Mark Kagy	Mike Sills	
Joe Martins	Sudheer Kondabrolu	
Brian Newman	Ravi Tadiparthi	
Barbara Walker	Michael Peltier	
Bonnie Gilliland	Michael Wickersheim	

The following people were present:

Mike Rahn	Chairman of the Board of County Commission of Manatee County
Kapil Bhatia	Raymond James
Lisa Miller	
Dave Newell	FAIA
Nathaniel Johnson	Bank of America
Adam Schwebach	Gallaher Re

Call Meeting to Order

Barbara Walker: Good morning and welcome to citizens. December 4, 2024, Board of Governors Meeting that is publicly noticed in the Florida Administrative Register to convene at 8:30am. It is recorded with transcribed minutes available on our website. For those attending today's session through the public link, you're automatically in listen only mode. Chair Beruff, we have no speaker requests for today's meeting. May I proceed with an official roll call?

Chair Beruff: Please do.

Roll Call: Chair Carlos Beruff, Vice Chair Scott Thomas, Josh Becksmith, Jason Butts, LeAnna Cumber, Erin Knight, Charlie Lydecker, Jamie Shelton, Robert Spottswood were present. A quorum is established.

1. Chairman's Report

Chair Beruff: Great. Thank you, Barbara. I'd like to welcome this morning County Commissioner Mike Rahn, who's the Chairman of the Board of County Commission of Manatee County, who has a few words he'd like to share with us. Mike, thank you for coming.

County Commissioner Mike Rahn: Good morning, Mr. Chair. Thank you very much for allowing me to spend a few minutes with you here this morning. As we all know, here in Manatee County, we've had three catastrophic storms hit, starting with [Hurricane] Debby, with the flooding, and then with [Hurricanes] Helene and Milton. I want to share with you this morning just a few facts that we've experienced here in Manatee County, which impacts every resident and their homeowner's insurance. I had damage to my home due to Milton, and my homeowner's insurance, thank God, stepped up and helped with my roof repair. But here in Manatee County, over 7,000 properties were affected. In Manatee County, 87 homes were destroyed, 5,000 had major damage, and 95% of those 7,000 properties that were damaged were residential, which immediately affects every one of our residents here in Manatee County. As of today, we've moved 1.7 million cubic yards of debris off our streets, out of neighbors' homes, out of their yards, and we expect we will reach 3 million cubic yards before we're done with our debris removal in Manatee County. But the biggest number that is shocking is the total amount of residential loss, which is \$417,090,000 in total residential loss — and that number is still going up. The commercial side of that is \$39,624,000 in losses on the commercial side. So, what I'm telling you this morning is that homeowner's insurance and commercial insurance here in Manatee County — it's imperative that we have it. It's imperative that it's affordable. It's imperative that our residents can obtain it easily. I'm also not just a Manatee County Commissioner, but I'm a mortgage lender here in Manatee County — been doing it for 35 years — and we see how the cost of homeowners insurance is impacting young families and their ability to afford a home. So, I'm sitting here before you today just asking that you help us maintain the cost of homeowners insurance to allow our residents to be able to buy a home, our young families to be able to buy a home, and our neighbors and our citizens to be able to have quality homeowners insurance that will help them in a time like we've experienced, to fix their homes and their businesses. So, Mr. Chair,

those are kind of my comments this morning. I appreciate the time to come in front of you and just give you some information about what we're experiencing here in Manatee County. Thank you.

Chair Beruff: Thank you, sir. I'll entertain any questions from the Board.

Charlie Lydecker: So, if I'm hearing correctly, and it's an interesting concept, actually, I hadn't considered this. So, hold the cost of premiums for Manatee County, but hold the court. But, I mean, you know, wherever damaged counties are, and I don't think we've done that before. I don't think we've had that conversation. Have we?

Chair Beruff: No.

Charlie Lydecker: Does anybody know if we have? I don't believe we have. I mean, I know it's actuarially unsound, and, you know—you know—put all that aside. I get it. I understand the math of it. But it is actually an interesting concept. And take Manatee out of it—there are other counties that have been injured, and the manner by which that was just described ought to be something we should consider. I think we should have a conversation around it. Maybe it's not today, but perhaps in a workshop environment. Which is—yeah—why don't we do our level best to help those communities? One way of helping is to hold the line on rising rates of homeowners insurance. I think it's—you know—you're talking about, hopefully, next year, we're not talking about any county where we have to have that conversation. Out of 67 counties, hopefully, none will need it. But the reality is, we are talking about some counties that have been impacted. I know my county was impacted by it. So, I think that's something we should actually consider, notwithstanding the actuarial unsoundness of the concept.

Chair Beruff: Thank you. Any other comments?

Robert Spottswood: Chairman, if I could?

Chair Beruff: Yes, please, Mr. Spottswood.

Robert Spottswood: Just kind of a statement, really. So, I live in the Florida Keys. We've been through a number of pretty bad storms in the past. I was really reluctant to join this Board. Frankly, when I got the call, I was doing a number of other things—serving on Fish and Wildlife and different things—and I really share your pain, not only from the damage that your communities have gone through and the loss, but also with the cost of insurance. I joined this Board specifically to try and help figure out a solution to bring down the cost of premiums. Between interest rates today and the cost of premiums, folks are just struggling—to buy homes in particular—and to maintain homes. So, I can assure you that this Board and this organization—I've met with Tim [Cerio] and his staff many, many times—asking questions, going to the heart of the issue that you're talking about: What can we do? Can we step out of the box and find a different way to provide insurance to make it affordable and obtainable? And frankly, it's a really, really tough issue to solve. Try as we may, over the past—I've only served on this Board—this is my second or third meeting that I've attended—but I haven't seen an easy solution yet. But you can be assured that we're certainly aware of the issue, and we're trying as hard as we can to work on it. So, I just wanted to

let you know that we hear what you're saying, and we're working hard and actively looking for a solution to solve the cost of insurance problem in the state of Florida.

County Commissioner Mike Rahn: Governor Spottswood, thank you very much for your comments, and I appreciate your empathy for what we've gone through here in Manatee County. But it does not only affect us here in Manatee County—it affects the whole west coast of Florida. We saw Cedar Key basically get wiped out by these storms. I mean, I've lived here all my life—born and raised, third-generation Floridian—and I've never seen it where we've had three storms back-to-back like we experienced here. If you look at our barrier islands, from Anna Maria, Holmes Beach, to Bradenton Beach, with the storm surge that they took—you know—we saw that hurricane-resistant windows and doors don't stand up much when you have a 12-foot storm surge with sand coming with it. So, we're going to see their insurance dramatically increase out on those barrier islands and in those high-velocity wind zones. All we ask is that this Board help us—help the citizens of Florida—keep homeowners' insurance obtainable and reasonable. Mine went from \$3,600 a year to \$4,900 a year, and I've never had a claim. We just ask that this Board consistently look at how we can keep insurance costs low for the citizens of the state of Florida, especially here in Manatee County. Thank you, sir.

Chair Beruff: I appreciate your comments. Anyone else? Thank you, Commissioner Rahn. It's always a pleasure to see you and thank you for your service as always.

County Commissioner Mike Rahn: Thank you. Chairman Beruff. Thank you, Governors, very much for your time this morning.

Chair Beruff: All right, Ms. Walker, we are ready to take up our agenda.

Barbara Walker: Yes, Sir.

Chair Beruff: The Chair will entertain a motion to approve the Board Minutes (Item A); Item C - Loss History Reporting Services – move to Consent Agenda; Item D - Replacement Cost Estimating Services – move to Consent Agenda; Item G - Technology, Infrastructure, Software, Professional and Staff Augmentation Services; and H the last item, is Audit Committee Charter.

Action Item: Consent Agenda Items

A motion was made and seconded to approve the following items:

- **September 25, 2024, Citizens Board of Governors meeting minutes**
- **Loss History Reporting Services**
- **Replacement Cost Estimating Services**
- **Technology, Infrastructure, Software, Professional and Staff Augmentation Services**
- **Audit Committee Charter**

All were in favor. Motion carries.

2. President's Report

Chair Beruff: Alright, Mr. Cerio.

Tim Cerio: Thank you, Mr. Chairman. I want to say I appreciate the chairman of our county, the Manatee County Commission, being here today. We were deployed down here, and before I get started with my report, I'm going to talk a bit about Citizens' deployment after Helene, Milton, and Debbie. I grew up in Bradenton, not far from here, and I was really proud to see the community coming together. There was a tremendous amount of damage, and what you saw were first responders out in the field, folks clearing debris, and local business and community leaders right here downtown cooking for the responders. It was amazing how the community came together. We've seen a little bit of that all over the state, and it helps keep perspective. That's one of the things I'm going to talk about in my report today—perspective after these storms and what I think is important to keep in mind.

Chair Beruff: Let me add a comment to that because I'm local as well, though I'm mostly familiar with Manatee and Sarasota counties. If your staff in your counties reacted to emergencies as well as ours did, we should all be proud. Our staff did a crackerjack job mobilizing, getting people moved around, ensuring people were safe, and cleaning up the streets. There's nothing but good things to say about how they did it and how quickly they reacted. Hopefully, every other county performed as well as we did. Thank you. Mr. Cerio. The floor is yours.

Tim Cerio: Thank you. Board members, I'd like to begin my report, as I normally do, by providing you with a state of the market update. Not surprisingly, you'll hear that the property insurance market, even after the storms, continues to recover. The reforms passed by the legislature—which, it's not an understatement to say, really brought the insurance market back from the brink of collapse—are continuing to work, which is great news for all Floridians. I'll then talk about how Citizens responded in the wake of Helene, Milton, and Debbie, but I do want to spend significant time at the end of my report addressing some specific reports circulating about Citizens having a very high rate of claim denials. I think this story has morphed. What started as a high-level, not very thorough analysis of closed claims evolved into a narrative that Citizens denied 77% of the claims filed. To give you a spoiler alert—that is absolutely incorrect. Can I go to slide two, please? We'll get to that. Starting out with the state of the market, and you all have seen this graph before, this is the 20-year historical policy count and total insured value for our book, along with budgeted projections for the year-end. Although we had budgeted to end the year at about 1.2 million policies, we're now projecting to end 2024 with 907,286 policies and \$387 billion in total insured value. That is terrific news. It shows that the market is recovering, and because the market is recovering, depopulation is working. Depopulation would not be working if the private market was not getting healthier and healthier. Thanks to all the interest in depopulation last year and this year, we are now below these projections. The forecast for 2025 is that we will end the year with just under 771,000 policies and \$326 billion in total insured value.

Next slide. In a release by the Office of Insurance Regulation (OIR), the OIR announced some very good news and strong indicators of overall market stabilization. For the first time in years, companies are making rate filings with no increases and even some decreases. 29 companies made 42 filings seeking no rate increases, and 15 companies made 22 filings seeking rate decreases. As you all know, you've heard us talk about some of the takeout offers coming in under Citizens' premium, which is pretty encouraging.

Most companies, according to the OIR, paid less for reinsurance than they did in 2023. After years of consecutive underwriting losses, insurers saw overall stability, with many companies reporting a net profit in 2023. We believe the same will occur for 2024 when those reports are finalized. The OIR also announced that nine new property and casualty insurers have been approved to enter Florida's market and that existing companies are expanding their writing activity in Florida. Additionally, several national companies have affirmed their commitment to Florida following the legislative reforms—USAA, Progressive, and State Farm, to name a few. Of course, the bottom two items on the OIR release are Citizens-specific. We've had increased depopulation activity, including commercial takeouts, and Citizens' new business is slowing down, which I'll talk about in more detail as well.

Next slide. The new personal lines business remained stable for the first eight months of the year, and we saw a decline in the past two months. In January of 2024, Citizens received fewer than 30,000 policies. Again, these are gross policies coming in, not the net after takeout. In September and October, we received 26,000 and 22,000 new policies, respectively. We had previously forecasted that by the end of 2024, we would likely have 527,000 new policies coming into Citizens. However, the number through October 31 is actually 332,000, and we now project ending the year with only 369,000 new policies, which is 30% below what we forecasted. So again, because the market is getting healthier, we're seeing less new business coming in.

Next slide. This slide provides a historical perspective on depopulation, which is important for understanding and forecasting where we're heading. Last year's depopulation activity behaved similarly to 2013, with about 24% of our policies being removed relative to the total policy count. If that trend is an indicator, we expect to continue seeing strong depopulation activity next year. We had projected over 500,000 policies to be removed this year, and we are on target to meet that goal. For 2025, we budgeted for about 300,000 policies to be removed through depopulation. I hope that is a conservative forecast—we'll see—but again, we're certainly moving in the right direction.

Next slide, please. You've seen this slide before. This shows the depopulation activity for 2024, including the assumptions that haven't occurred yet for November and December. So far, we've had about 371,295 policies assumed, and this figure will increase after the final depopulations of the year. The map shows the areas where these policies are being removed. It's happening all over the state because our growth was so widespread. Interestingly, though, significant depopulation is happening in Southeast Florida and the Bay Area. The top five counties, which make up almost half of the policies assumed, are Broward, Miami-Dade, Palm Beach, Hillsborough, and Pinellas. These are areas that were typically avoided by takeout companies due to high litigation rates. However, companies now continue to have an appetite for policies in these regions because of the positive results they are seeing from reforms, particularly Senate Bill 2A. I'd like to skip Slide 7 and go to Slide 8, Bonnie, if you could. Obviously, the hurricanes hit, and Debby was the first. Before we dig into the claims numbers, I just want to highlight how hard the Bay Area was hit. Hurricane Debby made landfall near Steinhatchee in Taylor County as a Category 1 storm on August 5 of this year. These figures are as of November 20. I want to make sure I point that out, because if there's any data discrepancy, I have some new data I pulled yesterday for the end of my report. But as of November 20, we had about 3,033 Debby claims, with the majority of them in the Tampa and Sarasota regions, having over 61% of the claims so far. As of November 20, we paid out about \$16 million in indemnity for these claims.

Next slide. Helene made landfall near Perry in Taylor County as a Category 4 on September 26. Total Helene claims as of November 20 are about 14,267, with the majority being in the Tampa-Sarasota region, having over 74% of those claims. We paid out almost \$81 million for Helene.

Next slide. Milton made landfall near Siesta Key in Sarasota County as a Category 3 storm on October 9. Total Milton claims are about 54,643 as of November 20, with the majority being in the Tampa and Sarasota region, having over 68% of the claims. We paid out so far \$472 million in indemnity. So again, to echo what our County Commission Chairman said, this area, this whole area, the Bay Area, has been hit really, really hard this year.

Next slide, please. If we could go back to Slide 7, please, Bonnie. I cannot say enough about our Citizens team and how well our employees responded after Debby, Milton, and Helene this year. You can see that for the total number of the three storms, we had 16 catastrophe response centers opened up. We had about 315 employees out in the field helping adjust claims. We've assisted 3,500 policyholders, and it's just really impressive. We had 83 Citizens employees volunteer, and these aren't the adjusters; these are volunteers, employees who were deployed in the field, taking time away from their families for extended periods of time. It is tough work, and they're there for only one reason: to help our policyholders so they can put a name to a face. Again, I can't say enough about these folks. We assisted hundreds of policyholders, and as you can see, after Milton, it was actually thousands of policyholders who filed claims on-site and were able to make human contact, which is very, very important right after a storm. Depending on the language of the particular policy, many homeowners with Citizens' policies were eligible to receive additional living expense checks, and we distributed these checks on-site after the storms. We do that after every catastrophe, and after three storms, we distributed over \$5 million in additional living expense checks in the field to our policyholders. These are individuals and families in desperate need who, in many cases, have lost everything. The bottom line is that that's why we're here. And we often, and I know I often, get focused on surplus—on how to build it, preserve it, and how to make sure we're charging actuarially sound and non-competitive rates. We focus on purchasing reinsurance to protect our surplus and adopting good underwriting and claims practices. As good stewards of the premium dollars paid by our policyholders, that's exactly what we should be doing. But we also need to remember that the primary reason we protect our surplus is so we can pay out our policyholders' claims when disaster strikes, and that's what we're doing. That's what we're supposed to do. And we, of course, also work to maximize surplus so that Floridians who are not Citizens' customers will not face an assessment from Citizens because we're unable to pay our claims due to exhausted surplus. I will share with you that being out in the field really helps me and the rest of the leadership team keep that perspective in mind. I know some of you have visited our Catastrophe Response Centers (CRC), and you see firsthand the difference that it makes in the policyholders' lives. And again, that's why we're here as Florida's insurer of last resort. I do need to address some stories recently in the media. As I said earlier, they've morphed over time. I'm not trying to cast blame here, as some of these insurance issues can be very complicated, but the bottom line is that in some of the stories I've seen, what's been reported is that for the Hurricanes Debby, Helene, and Milton, Citizens has denied 77% of the claims. That is absolutely false. Under a policy, as you all know, providing hurricane coverage, we pay for wind damage. We do not pay for flood, which is also known as storm surge. That is why the Florida Legislature changed the law a couple of years ago to require Citizens' policyholders to separately buy flood coverage, even if they did not live in a flood zone. At the time, that legislation received a lot of criticism. In hindsight, it

proved to be a very prudent policy decision. I saw a news story recently, I think it may have been in the news clips, where a homeowner acknowledged that they weren't happy about having to buy flood insurance at the time, but they were sure glad they did after their home got flooded during the recent storm. So, Debby, Helene, and Milton—particularly Debby and Helene—were more flood events than previous storms, and they impacted many areas that were not in a flood zone. As Citizens' management, we knew we were going to see a higher proportion of claims where the damage was flood-only, meaning there would be no coverage. I think it's vitally important that Citizens—and frankly, all insurers—be very transparent and communicative about that fact to policyholders. The OIR shares that mindset. The OIR recognized that these storms would result in a higher proportion of denials. In the interest of transparency with the public, they required insurers, including Citizens, to report the number of claims closed without payment because the damage was flood-only. Again, transparency with the public is critical—especially for us as Florida's insurer of last resort. Maintaining the confidence of our policyholders, stakeholders, and the general public is vitally important, which is why I think it's necessary to spend a little time addressing the issue of our claims denials and what the numbers actually are. At the outset, I need to explain there is a very significant difference between a claim denial and a claim closed or placed in a closed status without payment. A claim can be placed in a closed status without payment even when there is coverage. For instance, a claim may be valid, but the damage may be below the policyholder's hurricane deductible. Keep in mind that Citizens' policyholders can select higher deductibles than those offered by some private market insurers. So, you may see higher deductibles and more claims where the claim was valid, but no payment was issued because the deductible hadn't yet been met. Citizens' policyholders can opt for a 2%, 5%, or 10% deductible. In cases where the damage does not meet the deductible, Citizens actually encourages policyholders to go ahead and file their claim. That way, if they suffer damage in subsequent storms, they have a better chance of meeting their annual deductible because claims are aggregated. We do this quite simply because it's the right thing to do for our policyholders. In fact, some policyholders did meet their deductible after the second and third storms. Now, if the damage was clearly due to flooding, it's important to recognize that those cases are typically straightforward to process. We had a discussion at the last Board meeting about policyholders who, if it's flood-only damage, want to receive their denial as soon as possible. That's because it's necessary for them to file flood claims with the National Flood Insurance Program (NFIP) or to obtain other assistance from FEMA. In fact, many of our policyholders specifically asked us to expedite denials so they could have them in hand and pursue claims with NFIP. So if it's not, if we don't have 77% denial, what are the figures? If you could go to slide 11, please, there you go. According to our data, and I asked for the most recent data, which was gathered yesterday at 1pm for all three storms, we've had 73,530 claims. Again, this is as of yesterday afternoon. 63,187 have been placed in a closed status. Of those of those 31,407 were closed with a payment being made to the policy holder. And 31,784 claims were closed without a payment. Again, I have to emphasize, closed without a payment does not mean the claim was necessarily denied. Of those closed without a payment, 12,436 or about 39% were valid claims, but they fell below the hurricane deductible. And again, remember, some of these claimants were able to recover later after subsequent claims were filed, and they were able to meet their deductible. I think if we're interested in really looking at the claims that have been closed, or at least closed for now, because there was essentially a determination on the merits that there was no coverage under the terms of the policy, including no coverage because of the damage was flood only. You would need to look at the line that says close, no coverage, which is under the bottom section, closed without payment. It's two more lines down close, no coverage. And then four lines down, close, no coverage, flood loss. If you add those two

figures, the figure is about nine. It's 9766 claims, or about 30.7% of the claims closed without payment, or 13.2% of the total claims filed so far. That is a far cry from the assertion that citizens has denied 77% of the claims filed. And finally, you see all these categories. I think it's important to mention that there are about 9582 claims that were closed without payment for other miscellaneous reasons. And you can see what they are, and I can provide additional information, but essentially, those are not really findings on the merit. Those are because maybe there was a claim withdrawn, or it was a duplicate, or there was no policy in force because the policy holder mistakenly filed with citizens when their claim was assumed by another company. Claims closed for these reasons amount to about 31 or sorry, 30.1% of the claims closed without payment, or 13% of the total claims filed so far. So again, it's really important to point out that when a claim is closed, whether it's closed with a payment or without a payment, that's really a description of the current status, as opposed to a final determination. Even when a claim has been paid and is closed, if an insured discovers additional covered damage, the claim can be reopened — and frequently is — with payments made as long as the statute of limitations has not expired. Similarly, if a claim was closed without a payment for any reason, the policyholder can submit new or supplemental information, and the claim will be reopened at any time, assuming the statute of limitations has not expired. When determining whether we're handling claims properly, customer feedback is a key indicator. Given the high volume of claims, we always experience an influx of communications and complaints, which we try to address aggressively. Customer feedback is very instructive when evaluating our claims-handling processes. We, of course, monitor customer satisfaction data for these reasons. Within the first 30 days after landfall, we had five complaints for Debby, 14 for Helene, and 40 for Milton. In comparison, within the first 30 days after hurricanes Ian and Irma, we had 136 complaints for Irma and 206 for Ian. As of November 30, 2024, total complaints were as follows: 16 for Debby, 46 for Helene, 120 for Milton, 1,182 for Irma, and 1,238 for Ian. Obviously, we're only a couple of months out from the 2024 storms, while we are several years removed from Ian and Irma. However, based on the current trajectory, we don't believe we will reach anywhere near the number of complaints we saw for Ian and Irma. I believe this suggests a strong level of policyholder satisfaction. If we were mishandling or inappropriately closing claims, we would expect complaint numbers for Debby, Helene, and Milton to be much, much higher. Finally, it's critical to point out that Citizens is the state-created, not-for-profit insurer of last resort. We have no financial incentive to deny claims. In fact, I would argue that as a government entity operating in the sunshine, with a Board of Governors appointed by and accountable to the Governor, the Chief Financial Officer, the Speaker of the House, and the President of the Senate — and because I and my leadership team serve at the pleasure of this Board — we have every incentive to pay valid claims to our policyholders as promptly as possible. It's also important to remember that Citizens is subject to rigorous, statutorily mandated scrutiny. We are the most highly regulated insurance company in Florida and one of the most regulated in the United States. We are, of course, generally regulated by the OIR. We're subject to OIR market conduct examinations at least every two years. We're also subject to audits by the Florida Auditor General every three years and are required to have annual audits conducted by external auditors. Additionally, we have our Office of Internal Audit and our Office of Inspector General, which regularly conduct reviews and audits of our operations on an ongoing basis. I'm not mentioning this as a complaint or to brag. I'm pointing this out, so our policyholders and the public understand that we have every incentive to do things the right way, and if we make mistakes, to fix them. If we don't, we'll be held accountable — and that's the way it should be. Now, back to the 77% denial story that's been circulating. I think Michael Peltier, our communications director, has done an excellent job correcting the record wherever he can. Most media outlets have been receptive, digging into the data and trying to understand

the numbers. Nevertheless, I want to announce here — although I stand behind the Citizens data I've presented — that maintaining public trust and the confidence of our policyholders and stakeholders is critical. Therefore, I've asked Joe Martins, our Chief of Internal Audit, to conduct an independent audit of our claims denials and closures for Debby, Helene, and Milton. I believe this is important. I've asked him to redo the audit and make any recommendations he feels are appropriate. For those listening or watching on the Florida Channel who may not be aware, the Chief of Internal Audit does not report to me; he reports to the Chair of the Audit Committee, Governor Shelton. I'm confident that Joe [Martins] will conduct an independent, accurate review, ensuring transparency and accountability. I believe this is a valuable exercise to ensure our data is correct and that we are, in fact, doing things the right way. Mr. Chairman and members of the Board, thank you for your time. I know this report was a bit lengthy, but I felt it was necessary. I'm happy to answer any questions.

Chair Beruff: Thank you, Mr. Cerio. My comment is simply that the attention span of most of the media is limited to that of a fly. So can you generate a document that you can put out in the press with one or two pages of bullet points to succinctly deliver the message you delivered to us in a few minutes?

Tim Cerio: We will. I think it is important. It is the data. I think nuance can sometimes be a term used as a copout; the data is what it is, and we will make it available. We will make it available in a format that is easy to digest. And I do, I do understand what you're getting at.

Chair Beruff: Very good. Any comments from there? Lots. We'll start with the lady to the right.

LeAnna Cumber: Thank you, and thank you, Tim, for that report. I just want to say that I visited a CRC after Helene. My daughter and I went, and I could not have been prouder to be on this Board. Your employees — the employees of the organization — were so professional and kind. They were standing out there in the heat, comforting people, and they did it with joy. As my daughter and I were leaving to drive home, the staff was packing up because they had just been told they were moving from Taylor County, where we were, to another area of the state. There were no complaints — they just said, "All right, let's pack up." What shocked me — and I'm not sure people understand — is that when they're out in the field, sometimes they're driving two hours one way to get where they need to be, and then driving another two hours back because there are no hotels nearby. They have to go as far as needed to find a place to stay. I was thoroughly impressed. Sorry I couldn't get out after Milton, but I do intend to get out next year. Hopefully, we won't have any storms, but I just want to say you're doing an amazing job. Your employees and staff are doing an amazing job, and I know they probably don't get thanked enough by the public, but they really deserve it. Thank you.

Tim Cerio: Thank you, Governor Cumber. I will say we have an amazing group of employees. Frankly, after every storm, we have more volunteers than we need because people want to help. It's incredibly difficult, but it's also a very rewarding experience.

Chair Beruff: Governor Spottswood.

Robert Spottswood: First of all, Tim, thank you very much for putting this information together. It's very helpful for us in responding to questions about how we're going about paying out and settling claims,

addressing issues, and so on. I've been asked a number of times, and I really appreciate the daily reports coming from your team in the field. It was nice to see those reports coming out in real time about the activity taking place. It gave me a great sense that we're out there doing our job and really responding to the folks in this community and others who were hurt — and hurt badly. So, I thank you and your team for doing that. I know it's tough work, as my fellow Governor said, going out into storm-damaged areas where there's a lack of water, lack of facilities, and lack of power. Those are tough circumstances to work in, so I really appreciate your team's efforts. Having said that, I've got a couple of questions about this report, if I may. Of the 73,000 or so claims received, we still have about 10,000 that are not closed. Is that correct? Can you tell me what's going on with those claims? Are they still being adjusted, or are the policyholders not satisfied with the settlements we've offered?

Tim Cerio: It could be all of that, Governor. I'll ask Jay to come up and provide specifics, but those claims are still being adjusted. We're still communicating with policyholders, and there may be some back-and-forth going on, whether they are represented by counsel or not, right, Jay?

Jay Adams: Yes, sir. Statutorily in Florida, we have 60 days to adjust a claim and determine whether it's covered, not covered, or paid. What happens after these storms is that we continue to receive new claim reports daily until the one-year statute of limitations runs out. We will never be at 100% closure until we hit that one-year mark.

Robert Spottswood: So, some of these claims might have just been filed, correct?

Jay Adams: Yes, sir. And if a claim reopens, its status changes from "closed" to "reopened," so it gets counted in that column as well. As Tim indicated, we encourage customers to report any additional damage they believe should be covered, even after a claim has been closed. We reopen those claims, readjust them, and, hopefully, reach an additional settlement for the insured.

Robert Spottswood: Looking at this, our time period for resolving claims seems to be pretty quick.

Jay Adams: Yes, sir. Considering we've gone through these three major storms, and as of this date — about 60 to 90 days out — it looks like we've closed with payment the vast majority of claims we found to be valid and justified. That suggests a pretty quick response time overall.

Robert Spottswood: Can you give me an indication of the claims that were closed with payment? Were they closed with high satisfaction from our insureds? Were they paid in full, or were they adjusted down? What's the process that goes into paying out these claims, and how close do we get to making payments that leave our customers satisfied?

Jay Adams: So, from the claims process perspective, I've testified here before that we use Xactimate as our estimating tool. The Xactimate tool regularly checks the market and adjusts the material and labor costs. When we make adjustments early on, there has been no demand surge. So, oftentimes, our initial estimates for the first 30 or 60 days may be low because Xactimate hasn't updated the pricing yet. When the insured begins the work, they typically submit an estimate of repairs from their contractor. We review that, reopen the claim, and can adjust our estimate by pressing a button to get the most current pricing.

Our goal is to resolve and settle these claims because we want to avoid them moving into litigation. In most cases, when we have a contract with a viable contractor, we'll compare that estimate against the updated Xactimate pricing. In most situations, these estimates are fairly close. Where we encounter concerns with the insured is when the estimates they submit may include damages that are not covered by the policy. That's where the disputes tend to arise. I don't believe we have significant issues with material and labor costs for covered items, but we do with items that may not be covered. When storms like the ones we had this year occur, involving a combination of wind and storm surge/flood, there are often disagreements about what happened first, how much damage came from the flood versus the wind, and so on. These disagreements can cause disputes, and many of these are put into some form of alternative dispute resolution process, such as appraisal. That helps resolve issues quickly, and again, we're trying to avoid litigation.

Robert Spottswood: Typically, how is the amount of the claim initially determined? Is it from the homeowner, a contractor, or a private adjuster? When a claim is received, is it typically just coming from the homeowner, and are we proactive in going out and assessing the damage ourselves, or are we waiting for the insured to bring that forward?

Jay Adams: We encourage the insured to file the claim as soon as they know they have damage. Then, we categorize those claims by severity. I'll go into more detail on the storms in my presentation, but we classify them by severity. A level one is very light damage, like a few shingles off or a fence down. A level five would be structural damage, such as a house that's uninhabitable, with the roof gone or the walls collapsed. Claims with higher severity are assigned to a field adjuster, who will contact the insured, inspect the property, produce a scope and estimate of damages, and submit it back to the desk adjuster. The desk adjuster then reviews the claim against the coverages available in the policy and makes a payment to the insured if one is due.

Tim Cerio: Governor, I'd also add that we proactively communicate with the policyholders before the storm. When a storm is approaching, we send out blast emails and texts to our policyholders with information on how to file a claim. We also provide a link to the website. We notify them when the Claims Reporting Center (CRC) will be in the area post-storm. We do everything we can to make it as easy as possible for them to file claims.

Robert Spottswood: I think that's a great practice. That's got to make our policyholders feel like we're doing our job and looking out for them, trying to provide the best service we can. Thanks for doing that. One more question: looking at the summary of the three storms you presented, and the claims that have been closed with payment, it amounts to just under \$600 million for the three storms. My understanding is that our total potential loss payout was far greater than that. Is that represented by the 10,000 outstanding claims? Where is the balance of that? If you go through your schedule, I forget which one it is, but there's a schedule that shows the total damage somewhere here.

Jay Adams: Can I take a stab at answering that?

Robert Spottswood: Yeah, it looks like about a billion and a half is missing from these charts, and I'm wondering where that is.

Jay Adams: What Tim has presented is the claims that have been reported, along with what has been paid and reserved on those claims. There are claims that have yet to be filed, which we call incurred but not yet received. Brian Donovan, our head actuary, will provide information on that during the December filing when we update our financials. That update will include claims we don't know about yet, any claims that might go into litigation, and additional costs related to those. There are also a few other pieces to consider. The information Jennifer provided yesterday was based on the model results, while Tim is giving you data based on what we have specifically today.

Chair Beruff: Basically, the difference is, one is projected damages and one's actual.

Jay Adams: correct.

Chair Beruff: So that's the reason the numbers don't make sense.

Charlie Lydecker: And so, we've got a large portion that's still out there and undetermined

Chair Beruff: ...according to the model, which we think we're, from the looks of it, we've over projected the amount of damages.

Josh Becksmith: Well, it's property claims too. So it's going to be IVR.

Robert Spottswood: One more point. This isn't really a question for today, but something I'd like to see. We're at about \$400 to \$600 million in claims that we know are fairly certain, and there's another billion and a half or so projected to come about. But I'd like to know what the total damage was from these storms in all areas, not just for our policyholders but for the entire insurance market. I'm also interested in the total cost of the damage, including flood, wind, and public property infrastructure, not just in Florida, but across other states like North Carolina. I'd really like to understand the sources of payment for this damage so we can put Citizens in the context of the overall catastrophic damage. How is the damage repair being funded? Is it being funded by the federal government, state governments, local governments? What portion is ours, and what portion goes to the private markets? This will help me better understand what part of this overall effort Citizens is playing. Are we providing 10% of the solution, 50% of the solution? I'd like to know where we stand in terms of how this is being funded.

Tim Cerio: I think we can get that for you, Governor. Since Mr. Bhatia is here, he could address that, or we could talk offline, however you and the Chair want to handle it. But we can get you that information.

Chair Beruff: Yes, Governor Lydecker.

Charlie Lydecker: Tim, first off, I'd like to thank you for a really thoughtful presentation. I appreciated the nuance you shared with us today, especially in terms of laying out where your leadership team and Citizens' leadership priorities lie. It came across in your presentation. The big priority is the policyholder experience and the ability for Citizens to, first and foremost, do its job to ensure policyholders are taken care of quickly. I'd like to emphasize, and I know we have now a year to think this through, but you

referenced requiring flood-only claims to get a denial from us quickly so they can move forward with their flood-only claims with the federal government. I think that became an issue. It feels like you all responded accordingly. But, you know, if the response, and I'm pulling this number out, but if we have 60 days and we're able to do it in 45 days, that's really good. Maybe we could do it in two days just to get those claims handled. I would emphasize that, as I said here before, there's a natural tension between us needing to be a market of last resort, our need to, first and foremost, make sure we deliver for our policyholders—who are our fellow Floridians—and our stewardship for Florida taxpayers. At the end of the day, Florida taxpayers are on the hook for the success of our ability to underwrite and deliver these services to Florida policyholders in our system. I really feel like you've captured a nice balance between all of that. So, thank you. My question is this: as I listen, I wonder if you can comment on your observation regarding the legislation that was passed. You referenced it briefly, but the legislation passed on tort reform in the last, I'm guessing, year and a half. I think about one-way attorney fees and the fraud that was occurring with the assignment of benefits claims. What you described in your opening comments, which is a successful depopulation strategy that is occurring despite the challenges from Hurricane Debby, Hurricane Helene, and Hurricane Milton this past August, September, and October 2024, shows that we're still on a path of depopulation here in Florida. You're describing these property claims, you're describing these hits we're dealing with, and we may be dealing with them next hurricane season. That seems to me to speak volumes about the legislation passed to address the fraud. Am I interpreting that correctly?

Tim Cerio: Yes, Governor Lydecker, I would put it this way. First, when the storms hit, depopulation has been a tremendous focus for me, my team, and this Board, and for good reason. We should not be competing with the private market. A smaller Citizens, to your point, means less exposure and a lower chance that non-Citizens' policyholders will be hit with an assessment. Depopulation is a critical component of that. When these storms hit, I did lose some sleep wondering if it would torpedo depopulation, in addition to whether we could take care of our policyholders promptly getting out in the field, adjusting these claims. Fortunately, you haven't seen that slowdown. These reforms were critical. I was not overstating things when I said the reforms really brought the legislative market back. The legislative reforms championed by the Governor and the CFO brought us back from the brink. I think it's important that we clear the record and be transparent about how we're handling claims. The success of the market invites critique of our data, but this fight is not going away. The 2025 session is just around the corner. I'm sure every Board member and I are interested in preserving these reforms. I'm sure there are groups—and I know there are groups—out there that will try to roll them back. That's why it's important that we correct the record, communicate with stakeholders, and be transparent. We need to encourage the media and others to ask questions about the data being provided from the other side. There are those with a vested interest in rolling back these reforms. And, as I've said before, I'm a lawyer by training. I'm not critical of the plaintiffs' bar; some really excellent plaintiffs' lawyers do a great job for their clients. However, I do criticize the cottage industry of lawyers, contractors, and public adjusters who engage in fraudulent behavior and inflate claims. Those are the folks who may try to galvanize opposition to these reforms. It's going to be a fight, and we can't be afraid to join the issue in a transparent and communicative way.

Charlie Lydecker: And that's why I just prefaced it and thank you for that explanation. I prefaced my question to you with talking about Citizens as a market of last resort, Citizens' obligation to its

policyholders, Citizens' obligations to Florida taxpayers, and how we should be thinking about that, and when those industries that you've just described are out there bringing harm, then you know, everybody gets hurt in that process. And actually, if it weren't for those legislative changes or reforms that occurred, and then you had all these storms, where would we be today? This is a different conversation at this point, right?

Tim Cerio: Yes, very different.

Charlie Lydecker: Thank you, everybody.

Vice Chair Thomas: Just a couple of comments and a question, probably primarily for Jay. First, I want to follow up on something you said: we generate and maintain a surplus for one reason and one reason only—to pay valid claims. We don't have compensation packages based on the size of the surplus. We don't pay dividends. We don't have shareholders or a share price. We aren't trying to increase our market value. The surplus exists solely to pay valid claims because we have very important stakeholders: our policyholders and the citizens of Florida, who are ultimately on the hook if we don't do a good job or if we exhaust that surplus. We generate operating income to build a surplus specifically to pay catastrophic claims—nothing more. I don't really blame the media; they ran with a story pushed by an interest group that knew it was deceptive. They knew that presenting "claims closed without payment" would be interpreted as "claims improperly denied." The media got fed a story, ran with it, and didn't report anything false. But the person who pushed that narrative knew exactly what they were doing, and it was a fraudulent presentation in my view. We ought to point that out. My question, probably for Jay, is: when do we close contested claims? If I look at this chart showing claims closed without payment, under "Closed No Coverage: Flood Loss," there are 200 claims listed for Hurricane Debbie. The insured presents the claim, and we respond, "Sorry, it's flood only." If the insured says, "I disagree," and submits a pre-suit notice, do we close that claim at that point? When do disputed claims get closed, and when do they show up on this list?

Jay Adams: From a normal claims-handling perspective, once Citizens believes we've fulfilled our contractual duty, we close the claim because we've paid everything, we believe we owe on the front end. If there's a dispute, the first step is for the insured to reach out and provide documentation. If we review that documentation and still disagree, the insured can either demand appraisal (if it's a covered claim) or submit a notice of intent to file a lawsuit. If it's a covered claim, we would typically try to resolve it through the appraisal process because that's binding. If the dispute is about coverage, the only real option the insured has is to proceed with the notice of intent process. Once those claims are resubmitted, they are reopened and stay open until a resolution is reached. If the claim goes through the appraisal process, it's closed when the appraisal is finalized because that's binding. If it goes into litigation, the claim stays open until the litigation is resolved.

Vice Chair Thomas: Is there a way—and maybe this falls under the independent auditor's role—to efficiently track claims closed without payment that are ultimately reopened and paid? Does that make sense?

Jay Adams: Yes, I believe we can track that.

Vice Chair Thomas: It would be troubling if we had 200 flood-only claims closed without payment for Hurricane Debbie, and then 190 of them were reopened and paid for because we were wrong. That would be problematic. I understand that if we end up in litigation, we may pay for risk management reasons, such as defense costs, and not necessarily because we were wrong. I'm not sure how easy it would be to track, but it seems worth reviewing as a self-critical measure. Are we closing claims without payment that ultimately get reopened and paid because we made an error?

Jay Adams: For Hurricane Helene, as of November 1, our closed-without-payment rate was 74%. As of this Monday, it had dropped to 68%. The drivers behind that decrease include exactly what you're talking about. Another factor is that we initially focused on flood claims, so our closed-without-payment numbers were very high early on. As we process disputed claims and reopen cases with additional damage findings, that percentage will continue to come down.

Vice Chair Thomas: Right. Just because a claim was closed without payment and later paid doesn't mean we were wrong. It could be a deductible issue. For example, if the claim is presented and there's a \$5,000 deductible but only \$4,500 in damage, we correctly close it without payment. But if the insured later finds additional damage, pushing the total claim to \$6,000, we'd reopen and pay the claim. Nothing was done wrong by us or the insured in that case—it's just the natural progression of a claim, correct?

Jay Adams: Correct. For the record, a claim is never truly closed unless it goes through a binding arbitration process, litigation, or the statute of limitations expires. Even if a claim is marked closed today, if the insured submits new information, we are required to reopen it. Once reopened, we have a 60-day window to review and resolve the new information, and this process can continue until the statute of limitations on the claim runs out.

Robert Spottswood: Did I hear you correctly that you said that that 77% of the claims from Helene were closed without payment?

Jay Adams: 74% were closed without payment on November 1; it is reduced to 68%

Robert Spottswood: That is a pretty high number of claims closed. Closed without payment, correct?

Jay Adams: Yes, sir, yes.

Chair Beruff: If I may, let me interject a couple of comments. We live on the west coast of Florida, and obviously, we were all surprised by Hurricane Helene. The significant majority of the damage caused by Helene was due to storm surge. The storm passed 80-90 miles off Florida's west coast, so wind damage wasn't the issue—it was a flood event. Flood insurance, not wind insurance, should cover most of that damage. But as we all know, most people aren't insurance experts. They file claims through us, expecting coverage, and it takes time to adjudicate those claims and determine that it's actually a flood issue, not a wind issue. I think that's why we're seeing a disproportionate number of claims denied or closed without payment related to that event. In contrast, Hurricane Milton was entirely different. Most of the damage there was due to wind and rain, not storm surge. In that event, we are responsible for covering the

majority of the claims. It's been an interesting year, and you'll see a divergence in how claims from each storm are handled.

Robert Spottswood: I think that's the point I was trying to make. Some of the chatter out there may be focused specifically on Hurricane Helene, which is different from the rest of the storm season. It might be helpful to provide additional context about that storm—especially why so many claims were closed without payment—since it was primarily a flood event.

Tim Cerio: That's exactly what we're trying to do today, and we'll keep doing it. There's no malice here—we have the story to tell, and we have the data. We need to be transparent and honest about it. And to Governor Thomas's earlier point, if we make a mistake, we need to fix it. Mistakes will happen occasionally, and when they do, we must make them right. If mistakes occur 90% of the time, that's a serious problem—but I don't believe that's the case here.

Chair Beruff: We're not currently tracking that specific data, but we should be, as Governor Thomas suggested. Thank you very much for raising that point. As Chair of the Claims Committee, I'm very confident and comfortable with the work our claims team does. But we should be able to track and review exactly the data you're asking about. If there's a specific issue, it will jump right off the page. Thank you. Anyone else have any comments?

[No response.]

Chair Beruff: Alright, seeing none, let's move on. Thank you. I see no one signed up to speak, but we always welcome public comments. Please come forward.

Lisa Miller: Thank you for the opportunity to speak. I'll keep it brief. I'm familiar with Governor Lydecker and Governor Spottswood, and we've even discussed opening an insurance company to serve Key West. I hope we can keep that conversation alive. I've been a consultant in the insurance industry for 20 years and follow everything related to Citizens. My motto has always been, "As Citizens goes, so does the private market." I've visited the insurance villages and followed the great work that Citizens' claims team has done. So, when I saw that headline in the Miami Herald on November 19, it made me angry. My blood pressure went up. I even invited the person pushing that narrative to be a guest on my podcast, The Florida Insurance Roundup, but he respectfully declined. I believe he based his claims on data from Schedule P of the NAIC financial report. He very narrowly interpreted the data, claiming a 70%-plus denial rate, but those reports are limited. They're based on accident years, not actual claim years—a technical distinction, but important. I'm encouraged by the insurance commissioner's subpoena and hope it will provide the full context we need. I want to state publicly that the private insurance companies I represent—10 in total—are not denying claims without valid reasons. I've seen the water lines firsthand in Pinellas and Manatee Counties. I've been to every insurance village. Calling me a "groupie" of the property insurance industry would be an understatement—I'm a fierce advocate for these professionals. I follow every Claims Committee meeting, every MAAC meeting, and I just want to applaud you for setting the record straight. I'll continue to support this effort through the outlets I have. Thank you.

Chair Beruff: We appreciate your comments this morning. Thank you for your support. Transparency is the only way we'll work through these issues, and we'll remain committed to that. Ms. Montero, I believe you're up next.

3. Chief Financial Officer's Report

Action Item: 2025 Operation Budget

Jennifer Montero: I'll keep this brief. If you could turn to slide two, please—thank you. This slide shows Citizens' financial highlights from 2020 through the 2024 projection and the 2025 budget. During this period, revenue and exposure increased by more than 330% and 260%, respectively. However, starting in 2024, these trends began reversing due to depopulation and increased private market activity. One critical observation is the unpredictability in our book of business—both in growth and contraction. For example, we project ending 2024 with just under \$4.7 billion in premium revenue and fewer than 1 million policies. A year ago, when presenting the 2024 operating budget, we anticipated over \$7.1 billion in premium revenue, nearly 1.24 million policies, and \$680 billion in exposure. Instead, nearly 500,000 policies were removed through depopulation in 2024, reducing both new and renewal policy counts. This variability makes estimating future resource needs complex. We must ensure appropriate resource levels to comply with statutory requirements, handle claims-related events, and maintain customer service standards.

Next Slide: In 2025, we expect a \$1 billion decrease in premium revenue and similar declines in the number of insured policies due to continued depopulation. However, Citizens will still service the 500,000 policies removed in 2024 until they non-renew. This includes billing, policy endorsements, and payment processing—but not claims adjusting, as claims responsibilities transfer immediately to the takeout companies. We expect to service an average of more than 1.1 million policies in 2025, even with projected depopulation removing over \$400 million in premiums. The 2025 budget assumes no future storm events, projecting an underwriting income of approximately \$530 million and a net income of \$853 million, with \$300 million coming from investment income.

Next Slide: Understanding Citizens' operating expenses involves distinguishing between variable and fixed costs. Since 2012, administrative expenses have remained relatively flat compared to underwriting expenses, which are closely tied to premium volume. Underwriting expenses include commissions, premium taxes, and other associated costs. These trends directly with premium volume and represent Citizens' policy acquisition costs.

Next Slide. Two important points related to policy counts. The 2024 rate filing is expected to take effect toward the end of the first quarter, and the 2025 premium revenue budget accounts for this. We continue seeing litigation rate improvements following recent legislative reforms, which are reflected in the 2025 budget's loss and loss adjustment expense (LAE) ratios.

Next Slide. The budgeted reinsurance spend of \$650 million is a placeholder. We anticipate returning to the Board in the next few months with updated information. Approval of our budget doesn't mean there won't be future discussions or adjustments regarding reinsurance, depending on market conditions and insured exposure.

Chair Beruff: Ms. Montero, if I could interject—what's the current status of the reinsurance market? I know it can change month-to-month, but what's your current sense of the market's pulse?

Jennifer Montero: According to Mr. Bhatia's economic update yesterday, reinsurance pricing for the 2025 renewal is expected to remain flat or increase by up to 5%.

Chair Beruff: Okay, thank you.

Jennifer Montero: Overall, we project investment income to decline due to cash outflows related to recent storms. We also have no plans to enter into any financing or credit facilities in 2025, meaning there will be no debt service expenses.

Next Slide: Regarding administrative and other underwriting expenses, we are forecasting an 8% increase compared to our year-end projections. About \$57 million of these expenditures will support various projects and initiatives, with \$51 million allocated toward major initiatives, including: Guidewire (our core system); Enterprise Litigation Management System; Citizens Reimagined; The Holistic Inspection Program; Real Estate Strategy.

Next Slide: This slide summarizes Citizens' operating results for 2023, the 2024 budget, the 2024 projection, and the 2025 budget. I'll pause here for any questions.

Chair Beruff: Any board members have any questions?

Robert Spottswood: We talked about, I believe, in our last meeting, addressing maybe some of the ongoing costs that we incur following the transfer of policies. Is that a discussion that we should take up in connection with the 2025 budget?

Chair Beruff: I think, based on our last discussion, we were going to request in our rate filings from 2025 – we have to go through an OIR process to be able to change the ability to charge for our depopulation services we're providing.

Jennifer Montero: Those are the details that we're working on right now. We're going to bring that to the March Board meeting for your approval. I did send each of the Board members some schedules on the ceding commission, to charge back, to withhold when we pay the unearned premium. We're working on those details, and we'll make sure that we have that for the March Board meeting.

Chair Beruff: Just for clarity purpose, Ms. Montero, what we would be doing is basically reimbursing ourselves actual cost.

Jennifer Montero: That's correct.

Chair Beruff: There's no profit.

Jennifer Montero: No. It will be actually on a sliding scale, so that the the top amount would be basic based off our actual cost, and it would go down depending on the more exposure and the more policies that a company would take out –that ceding commission would reduce.

Chair Beruff: Thank you, Governor Spottswood, for bringing that back up. The staff is working on it. Anything else, anybody else?

Jennifer Montero: We need approval.

A motion was made and seconded to approve the 2025 Operating Budget as proposed by staff. All were in favor. Motion carries.

2025 Budgeted/Risk Transfer Program (Layer Charts)

Jennifer Montero: Thank you. The only other thing I have on my agenda is the layer charts for 2025.

Chair Beruff: The ones that we saw yesterday.

Jennifer Montero: Yes, would you like to see them again very quickly so the Board can?

Chair Beruff: Thank you. Sure.

Jennifer Montero: The good news is there's no red on the projected 2025-layer charts. We started with a Probable Maximum Loss (PML) of \$930 million in 2024. That's been adjusted downward by 29.5% for personal and commercial residential PML and 14% for commercial non-residential (CNR). The overall PML dropped by about \$5 billion—from \$17.5 billion last year to approximately \$12.5 billion. The Florida Hurricane Catastrophe Fund (CAT Fund) coverage has decreased to \$3.6 billion due to shrinking policy counts. Meanwhile, our traditional reinsurance spend is budgeted at \$4.45 billion, up from \$3.56 billion last year. The increase reflects better placement, as we couldn't fully place the desired amount last year. The Citizens policyholder surcharge, totaling \$560 million, now kicks in only at a 1-in-193-year event, compared to a 1-in-73-year event last year. Additionally, there's no emergency assessment unless a 1-in-83-year event occurs. We're also exploring placing a \$200 million sliver of coverage below the CAT Fund to achieve recoveries earlier. Even with this adjustment, our retention remains significant at \$2.4 billion.

Robert Spottswood: Quick question: Is the contingent liability we've forecasted for ongoing claims from this season already deducted from the surplus shown on the chart?

Jennifer Montero: Yes, the surplus has been reduced due to storms. We're starting with a year-end surplus of \$2.8 billion. Adding projected net income for 2025 brings us to a total surplus of \$3.72 billion.

Robert Spottswood: And what's the total amount of coverage provided before reaching the policyholder surcharge?

Jennifer Montero: We have \$4.45 billion in private reinsurance and \$3.68 billion from the CAT Fund. Adding the \$3.72 billion surplus brings the total to \$11.4 billion before the policyholder surcharge is triggered.

Robert Spottswood: What was the total amount last year? Was it \$17 billion?

Jennifer Montero: Yes, the PML was \$17.5 billion last year, and now it's down to \$12.5 billion—a \$5 billion reduction.

Vice Chair Thomas: Given the three storms we experienced this year, can we estimate what kind of event they would equate to in terms of severity? For context, if we say we're only exposed at a 1-in-93-year event, how close did those storms bring us?

Jennifer Montero: If the model for Hurricane Milton is accurate (though we think it's high), the total losses could reach \$3.5 to \$3.8 billion, landing somewhere in the middle of the CAT Fund layer. That would equate to something between a 1-in-15 and a 1-in-42-year event—but it's too early to tell.

Vice Chair Thomas: That's helpful context. Understanding where these storms fit on the scale helps us better gauge the meaning of a 1-in-93-year event.

Jennifer Montero: Correct. A 1-in-93-year event would involve \$11.4 billion in losses, far higher than the \$3.5 billion we've seen so far this year.

Charlie Lydecker: Before we move on, I'd like to raise a point about the reinsurance market. Considering current forecasts, I believe we need a new approach. If pricing is expected to remain flat, that's unacceptable given the support we've received from legislators and the governor in Tallahassee. I suggest conducting an aggressive Request for Proposals (RFP) or Invitation to Negotiate (ITN) process for our reinsurance brokerage relationships. It might be time to refresh the team representing Citizens in the reinsurance marketplace. Flat pricing after everything we've done feels like a loss.

Jennifer Montero: We currently use an ITN process for all our vendors, including brokers.

Charlie Lydecker: How long have we been working with our current broker?

Jennifer Montero: The last solicitation was 23 years ago. This would be the third year with this under this last solicitation, and the one before that was only one year because it was when there was going to be a merger between Willis Re and Aon. So, the Board requested that we only do a one-year renewal and then solicit it again.

Charlie Lydecker: Now Gallagher Re – and they've been our broker for the last three years.

Jennifer Montero: Yes.

Charlie Lydecker: And then prior to that it was Aon and Willis Re?

Jennifer Montero: Then it was Guy Carpenter and Willis Re together. Before that, it was Aon.

Charlie Lydecker: I think right now you're in a unique position to be able to say, you know, who's going to come, who's got the relationships in the marketplace and could tell the Citizens story to reinsurers that reinsurers want to be more aggressive now on the pricing. It's time. So that's my request.

Kapil Bhatia: To answer Governor Thomas's question: Hurricane Helene was mostly a flood event, so its impact on our losses is minimal and won't significantly affect our layer chart. While its total industry losses may be large, they don't factor into our coverage structure because flood damage is covered by the National Flood Insurance Program (NFIP). As for Hurricane Milton, while it's still early in the modeling process, it's currently projected to be somewhere between a 1-in-15 to 1-in-18-year event. That's why Citizens' expected losses are estimated between \$2.5 billion and \$3 billion. In response to Governor Spottswood's question about industry losses, since Helene was primarily a flood event, NFIP is expected to pay around \$5 to \$6 billion in claims. For Hurricane Milton, the projected total industry losses in Florida, including personal residential and commercial residential properties, are expected to be between \$14 billion and \$17 billion. As Jennifer mentioned, these are preliminary estimates, and actual losses could vary as more data comes in.

4. Chief Insurance Officer's Report

Chair Beruff: Alright, Mr. Adams, you're next.

Jay Adams: Thank you, Chairman and Governors. Today, I have a hurricane season debrief that I wanted to go through. We've spoken quite a bit about CAT, so I'm just going to breeze through this. If anybody has any questions, you can stop me or slow me down.

Next slide, please—and one more. So, all the data in here is as of 11/1. The first storm I want to talk about is Hurricane Debby. This made landfall on August 5. It was a Category 1 with 80-mile-per-hour winds, and it made landfall in Stan Heights, in Taylor County. Now, what I want to point out specific about this storm is this storm was a, you know, minimal Category 1 hurricane as it made landfall, and it did push water back into the Tampa Bay area and the peninsula. And short of where it made landfall, it was really a flood event.

Next slide, please. Just a real quick picture here of what we deployed to be able to respond to the storm. In the left box are the independent adjuster firms that we contract with that were deployed, and we had about 321 folks out there working those claims.

Next slide. This is a representation of the activity of how claims are reported for this event. The blue bar represents the new claims reported, and that reddish color are claims that we're closing. And what you should see is a huge spike of blue for the first two to three weeks, and then that comes down, and then you start to see the closings pick up.

Next slide. These are the top 10 counties for claim volume. And Tim kind of talked about this in a different representation, but again, from a Category 1 storm that made landfall in the Panhandle, the majority of the claims came from the west coast of Florida.

Next slide. The only thing I want to point out on this slide, because Tim had a little bit more up-to-date numbers here, is when we look at the "Total Incurred" column, the row, I should say, that includes all paid losses plus all reserve losses. From November 1 till Monday, that number went from \$18.5 million to \$22.8 million.

Next slide. Now we'll talk about Hurricane Helene, and our chairman spoke to really what happened here. This was a Category 4 storm with 140-mile-per-hour winds. Although it was offshore pretty far, it caused significant flooding and damage to the peninsula, West Coast area here in Florida. Most of the claims that we saw from Hurricane Helene were flood related.

Next slide. You can see here; we've now increased the number of independent adjusting contracted firms significantly. We're turning on more and more firms to be able to respond to the anticipated volume. We now have 2,135 adjusters out in the field handling these claims.

Next slide. The claims activity, and again, you can see pretty much the same. The majority of the claims come in the first few weeks; then the closings take over.

Next slide. This is again a representation of where the damage was. Even though we had a landfall over in the Panhandle and it did cause significant damage in Perry, there were a lot of structural damage claims that came from that area. By far, the majority of the claims volume came from that storm surge.

Next slide. It could have been a disaster if it would have hit Tampa, for sure. I would like to refer to the "Total Incurred" here. So on November 1, we had paid and/or reserves posted for \$121 million. As of Monday, that had reduced to \$97.8 million, and in this situation, we're getting further along in the closings, and most of these claims are being shut down.

Next slide. Hurricane Milton made landfall on October 9 as a Category 3 with 120-mile-per-hour winds in the Sister Key area.

Next slide and one more. One thing I'll say about this event: So, as a Category 3 storm, you typically see a pretty significant amount of structural damage—at minimum, roofs off houses. I did damage assessment all across the state. It appears that the majority of these winds stayed offshore, or it kind of fell apart as it made landfall. Although we did have structures that had roof damage, we didn't see a lot of covered losses where they were total losses, or the wind knocked them down. Houses that were built to code, even in the Keys or in the coastal barrier islands, fared pretty well, and you could tell the ones that were not up to code.

Next slide. So, for the independent adjusters, we deployed all the firms that we had under contract, and we added an additional 365 firms to that.

Next slide. This slide right here is the activity again. You can see that we got the majority of the claims at the front end of the storm. And just for a reference point, Monday of this week, we received 237 new Hurricane Milton claims. So, we anticipate that trend for a couple hundred a day is going to go on for some time.

Next slide. Another familiar here—same counties are still impacted for the number of claims.

Next slide. On the “Total Incurred” line, November 1, we were at \$461 million. As of Monday, we had bumped that up to \$672 million.

Governor Becksmit: Can I ask a question really quick? Just looking at these slides, the percent reported by representation is what I'm guessing – What's the difference? I think it was Helene. It was at 19% and now we're talking about 4%. Do you have a pulse on why that dramatic difference on going from being reported by representation at 19% all the way down to 4% when Milton was a much broader event?

Jay Adams: So, Milton has so many more claims—like Helene was 14,000 to 15,000—we're talking 55,000 claims here. So, the total number, I don't have that reported here, of represented claims, I don't know that it would be significantly different. So, if you had representation on a Helene claim and you also filed a Milton claim, you probably have that same representation moving that forward. Typically, in these events, we don't see a lot of representation until we get to 60 to 90 days out from the landfall. Most of the claims were reported by the insured, and we'll continue to see that all the way until the statute runs.

Next slide, please. I wanted to go over just some very quick numbers here. So, this is all three storms combined. You can see that we only received 651 commercial claims. The majority, by far, was personal lines.

Next slide. This is a representation of the severity that I talked about with Governor Spotswood. Severity 1 is very low—shingles off, fence down, whatever—a lot of those claims could be adjusted by telephone because they would not be able to probably meet their hurricane deductible. The other spectrum of that for category or severity codes 4 and 5—those are more structural damage. That would be where maybe the roof is off, and when I say the roof, I'm talking about the shingles or the roof coverings off. Severity 5—that house is not livable. That has got some kind of severe structural damage. You can see by far, two-thirds of the claims were lower-severity claims for all storms combined.

Next slide. By far, the claims reported came under our homeowner product line, closely followed by mobile homes.

Next slide. This is again a representation—when we look at all the claims, Pinellas, Hillsborough, Manatee, Sarasota, and Pasco got the brunt of all the claims volume. With that, Chairman, that would conclude my update unless anybody had any questions.

Chair Beruff: Questions from the board, none. Thank you. Thank you. Mr. Adams.

5. Chief Administrative Officer's Report

Action Item: Security Officer Services

Jeremy Pope: Good morning, Chairman and fellow Governors, Jeremy Pope for the record. Today, I have two action items for the Board's consideration. Both are HR and facilities related. I'll start with the first one—our Security Officer Services request. This primarily provides services to our Jacksonville and Tallahassee Citizens locations. It includes 24/7 roaming patrols, camera and door access monitoring, and lobby area support during business hours and also after hours. It also includes ad hoc services when needed. For example, recently in Jacksonville, we had to add two additional security officers—unplanned—and we were able to do that rather quickly. This particular request is off the Florida Department of Management Services contract that's been competitively procured. It gives us the opportunity to, basically, anytime we need security services, request quotes from all vendors—we're required to—so we can look at the best price.

Charlie Lydecker made the motion for the Board to approve the two security services contracts with Vendors qualified from State Term Contract 92121500-24-STC for an estimated amount of \$565,098 for a 30-month term in Tallahassee and for an estimated amount of \$406,056 for a 15-month term in Jacksonville for a combined estimated total amount of \$972,024, as set forth in this Security Officer Services Action Item; and to authorize staff to take any appropriate or necessary action consistent with this Action Item. The motion was seconded. All were in favor. Motion carries.

Action Item: Stop Loss for Medical and Prescription Drug Coverage

Jeremy Pope: Thank you. The next one is our stop-loss coverage for medical and prescription drug coverage. Just really quick, we went through our broker and attempted to get nine quotes. Two came in because six could not provide a competitive bid. One was a 72% increase from our current premium. The other was initially 46% higher, but through negotiations, we were able to get that down to 34%. So the recommendation is for us to move forward with the lowest bid that came in for our annual premium next year. And we do receive recoverables on this policy every year as well. I can answer any questions.

Charlie Lydecker made the motion for the Board to authorize the Stop Loss Coverage for Medical and Prescription Drug Coverage Action item with Voya Financial, Inc., for a term of one (1) year, for an estimated amount of \$2,474,018, with authorization for adjustment should employee enrollment differ, as set forth in this Action Item; and to authorize staff to take any appropriate or necessary action consistent with this Action Item.

Market Accountability Advisory Committee (MAAC) Update

Dave Newell: Good morning, Mr. Chairman and Board of Governors. Dave Newell, chair of the Market Accountability Advisory Committee. Our committee met on Wednesday, November 20. We heard a lot of this today, so I won't reiterate it. Jay Adams talked about the state of the marketplace, current policy counts, and projections for year-end 2024. Jeremy Pope, Chief Administrative Officer, provided the committee report on depopulation and the exposure reduction for 2024. The committee felt, and I just

wanted to reiterate here today, that the numbers are impressive. They appreciated citizens and the team working with agents and all the stakeholders to make that process better and more user-friendly as it went along. Carl Rockman provided the team and the committee with an update on EasyLinks and some of the changes that are forthcoming with that process. Again, continued communication on those changes with the agent community has been helpful and has aided in the adoption of some of those changes. Again, Carl Rockman brought the committee up to date on current agency counts and just a trend that we've not seen in a while: we're actually starting to see a little decrease in the number of agents being appointed with citizens. Some of that is certainly through M&A activity, but certainly some is through just the normal course of business.

Charlie Lydecker: Question. I'm sorry, you said there's an increased number of agents?

Dave Newell: Decrease.

Charlie Lydecker: Decrease, okay.

Dave Newell: Yeah, that's a positive sign. That the private market is certainly fulfilling a lot of those needs. And then Citizens' field managers are certainly out there talking to agents if there are any issues between performance violations and late submission reporting. So I think that is another tool that Citizens and the team are using to help agents better process that business if they need to. The Citizens team will introduce a new agency and agency appointment agreement starting mid-February through about March to get everybody through that process. I will tell you thanks to Brian Newman and his team for working with the groups on those agreements to make them the best they can be based on the circumstances between agent agency principals and certainly agent individual agents, because there are two contracts: there's an agent agreement and there's an agency agreement that citizens sets up for these agreements. A lot of communication is forthcoming on that process to bring agents and agency principals up to date on what that looks like and so on and so forth. Speaking of communications, Alden Mullins, Director of Communications and Strategic Services, provided an update to the committee on future agency bulletins. For those who are on this Board of Governors, who are agents, and those in the room, certainly, it's a challenge sometimes to see multiple agent bulletins being communicated from the Citizens team. So now they'll all be kind of aggregated on one day, each week, to communicate the message from Citizens. So with that, Mr. Chairman, that concludes my report.

Chair Beruff: Thank you, sir. Yes, ma'am, Governor, please proceed.

Consumer Services Committee (CSC) Update

Erin Knight: Hi. I wanted to provide an update on the November 20 Consumer Services Committee meeting. We covered the CAT response of the three storms, much of which has been discussed today. But I'll add to that, we reviewed the outbound calling efforts, calls, texts, social media. Citizens made over 31,000 outbound calls to policyholders, and in the seven to 10 days after each storm, fielded over 83,000 inbound calls, with an average wait time of eight seconds for policyholders. Many of the other stats were covered earlier, so I won't highlight those. We also recapped our policyholder focus group meetings that took place throughout 2024. Q1 focused on the claims journey, Q2 on payment and billing, and then Q3

on non-renewal and cancellation processes. Our consumer group provides feedback on, you know, friction and anything that we could do to have better communication or improve the process and gives us things to explore there. Lastly, we reviewed and approved our annual charter.

Chair Beruff: Thank you. Up next we have Mr. Gavvala.

6. Chief Information Officer's Report

Information Systems Advisory Committee (ISAC) Update

Aditya Gavvala: Good morning, Chairman and Governors. I have one action item and one consent item to present today. The action item has been moved to the consent agenda this morning. Thank you for that. I had my consent item presented at the Information Systems Advisory Committee and got approved. I'll happily take any questions or get into the details if you prefer.

Chair Beruff: I don't see any questions.

Aditya Gavvala: Thank you. That concludes my report.

7. Chief of Internal Audit's Report

Audit Committee Update

Joe Martins: Good morning, Mr. Chair and Governors. We've had the Audit Committee meeting yesterday.

Jamie Shelton: There was nothing significant in this quarter's audit report or findings or things that have come about. Audits are being scheduled, completed and ongoing, as Joe and his team have so diligently planned, and the findings of communications that have arisen out of those that are completed and ongoing have not risen to a level of really significant concern, but those that have been found have been communicated to management, and they are working. And with Internal Audit to make the proper adjustments and changes and things are going well, that's my report, sir.

Chair Beruff: Thank you, Governor Shelton.

Action Item: Audit Committee Charter

Joe Martins: Thank you, Governor Shelton. We have one item to raise, which is the Audit Committee Charter review that we need approval from the Board. The charter has been revised following a change in the internal auditors' standards. The standards have been in place for quite a number of years, and at the beginning of this year, a new standard was provided with global internal audit standards. This has provided some guidance to us in terms of how we could revise the authority that's been given to the audit committee and the governance structure that's been in place. We've adjusted the Audit Committee Charter to align with the charter that the Institute of Internal Auditors provided us for guidance, and that

has been presented to the audit committee. The Audit Committee approved that to bring it forward to the board for approval. So, we're looking for approval from the board for the Audit Committee Charter.

A motion was made and seconded to approve the changes made to the Audit Committee Charter. All were in favor. Motion carries.

8. General Counsel and Chief Legal Officer's Report

Action Item: Commercial Business Insurance

Brian Newman: This is the Commercial Business Insurance package. We solicited multiple quotes through our broker Gallagher, and we recommend going with the lowest quote we received. That's from Liberty Mutual, and this is for general liability, auto workers compensation, etc. The premium quote that we received that was the lowest, represents a decrease of 1.5% over our premium last year. The premium is \$292,686, which we asked for approval for that item, and another \$15,000 in contingent spend in case there are changes that occur during the policy period that require additional payment.

Governor Becksmith: I didn't see D&O Insurance in here.

Brian Newman: We approved that at the last meeting.

A motion was made and second for the Board to (1) authorize the purchase of Auto; General Liability; Property; Workers Compensation/ Employer Liability; and Umbrella (GL; Auto; Employer Liability) coverage with Liberty Mutual for a one- year term beginning on January 1, 2025 and ending on December 31, 2025, for a total annual premium of \$292,686.00, as set forth in this Action Item; (2) authorize up to \$15,000 in contingency spend for increases in premium due to changes during the policy period, including the new Tampa office location; and to (3) authorize staff to take any appropriate or necessary action consistent with this Action Item. All were in favor. Motion carries.

New Business:

Chair Beruff: Alright, so any new business? Any comments they want to share with the public? Oh, what happened? What did I miss?

Action Item: Approval of Remaining Consent Agenda Items

Barbara Walker: Chairman, we just need to take a vote on the full consent item. We moved items from action to consent. Now we just need to take a vote on the consent index itself.

A motion was made and seconded to approve the remaining Consent Agenda items. All were in favor. Motion carries.

Chair Beruff: Thank you for keeping the train running. Thank you. Alright, no new business.

Meeting adjourned.