

CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE CLAIMS COMMITTEE MEETING Thursday, September 12, 2024

The Claims Committee of Citizens Property Insurance Corporation (Citizens) convened on Thursday, September 12, 2024, at 1:00 p.m. Eastern.

The following members of the Claims Committee were present:

Josh Becksmith, Presiding Chair
Jason Butts
Jon Palmquist
Jay Adams

1. Approval of Prior Meeting's Minutes

A motion was made by Governor Butts and seconded by Mr. Palmquist to approve the June 13, 2024 minutes. All were in favor. Motion carried.

2. Approval of Claims Committee Charter

Jay Adams: The first item that we have today that we need to go over is the Claims Charter review. This is an annual review that we do just to make sure that there are no changes needed. Staff reviewed the Charter, and we have no recommended changes. If there are no questions or changes, all we really need is a vote to approve.

A motion was made by Governor Butts and seconded by Mr. Palmquist to approve the Claims Committee Charter. All were in favor. Motion carried.

3. Chief Insurance Officer Report

Jay Adams: The next item that I had was a Hurricane Debbie debrief. Hurricane Debbie made landfall in Steinhatchee, Florida, Taylor County, as a category one with 80 mph winds.

Next slide. As a customer focus, on most of all these storms that we have, we send out what we call our Catastrophe Response Center (CRC), which are those trailers that Citizens has where we go out and we put the focus on the customer. We are there to help them report claims, answer questions, and issue Additional Living Expenses (ALE) checks. And for this particular event, we set up those trailers in Perry, Live Oak, Sarasota and Bradenton. Of all of the locations we attended, we had 25 policyholders assisted, we were able to report 11 First Notices of Loss for them, and we also issued one ALE check for \$600.

Next slide. So, this slide here is specific to the call center and it is specific for the timeframe of August 5 through August 10. And this is really the first week of claims. We received 3,009 FNOL calls with an average wait time of 6.6 seconds. And then, over that same timeframe, we did field almost 5,100 total calls with an average wait time of 5.6 seconds.

Next slide. This slide here is just a depiction of the multiple CRCs that we had set up. And what you're seeing here in most of these are Citizens' volunteers who go out there and support the policyholder experience.

Next slide. We also deployed our CAT Managers, and we put them in Brookfield. And what they were really doing was they were out there working with the Field Adjusters. They were conducting ride-alongs to make sure that they understood the Citizens' process, they understood the estimates, and so forth. They were out there for about a week. And, interestingly enough, we turned on our new firms from the recent Independent Adjuster Services solicitation a week before the storm hit. So, it was really good timing for the managers to go out to make sure that the firms really were doing what we expected.

Next slide. From an Independent Adjuster deployment, the firms you see in the left box are the firms that we do business with for our non-catastrophe work. They also handle catastrophe work. And, again, because this solicitation had just ended, we just turned all these firms on, they had complete capacity. We had not really assigned them hardly any volume of claims. So, what we did is we leveraged these firms to handle all the catastrophe claims. We ended up engaging 321 Independent Adjusters, and we did it through the Multi-Peril Team. And that really is our non-catastrophe workflow. There were 63 Desk Adjusters providing oversight to 144 Task Adjusters, those folks that actually went out in the field to do the inspection. We also asked them to deploy some catastrophe resources, and again this was a system's check and tests to make sure that things were working, and we had 49 Tasks and 65 Desk Adjusters in that particular model.

Next slide. There are a lot of numbers on this slide. The only thing I really want to cover here under the claim statistics is that we have, as of this morning, received 2,595 Hurricane Debbie claims, and our current closing ratio is about 65 percent.

Next slide, please. This slide has a lot of numbers on it, and I'm going to go over the numbers as of this morning. And I'm not going to go over all of them. I'm going to go over what I believe to be relevant. So, the number of closed claims that we have to date is 1,640. The number of open claims that still are pending is 955. We've paid out a little over \$5 million in indemnity. Our paid plus reserves, so that means claims that we are aware that we've set a reserve and maybe we haven't resolved them, plus everything that has been paid to date, we have a little over \$12 million set aside for this event.

And the next three numbers that I want to go over, I do want to call some attention to closed with payment. We've had 341 of the closed claims have some type of payment made, meaning it exceeded their deductible. And the number that I really want to draw attention to is the closed without pay. We have about 1,300 claims that have gone through the process where no payment has been made. And you might say that sounds like a whole lot. Some of the reasons for that is there could be no coverage. FEMA often

requires the homeowner carrier to provide a letter of denial before they will take up your claim. So, some of those came in for that reason. Because this was a hurricane at landfall, we had to apply the hurricane deductible, and obviously that deductible is pretty high. A lot of our insureds are going to have that 2 percent or better of Coverage A as a deductible. So, the losses didn't meet the level of the overall deductible. Ninety percent of the claims that we have had so far are very low severity claims, and what I mean by that is when the call center takes that call, they've identified that there's no structural damage. There's probably shingles off, maybe tree limbs down, fences down, those types of things. And we also probably have had some of these claims filed to erode their annual hurricane deductible. So, if Florida were to receive another hurricane in that area, anything paid under this first claim will accrue towards their overall hurricane deductible. So, we only apply the hurricane deductible one time completely for an annual basis. And, Chairman, that really concludes the information that I wanted to cover in this quick update.

Presiding Chair Becksmith: Thanks, Jay. First, thanks to you and your team for a quick response. Although it was not a huge storm, it was still a storm, and we certainly appreciate the response that you and the entire team gave. I had a question, just out of curiosity. I think you said about 65 percent of the claims are closed right now. And, obviously, this was not a huge weather event in some way, shape, or form. Is that kind of par for the course for this lag time between, or is it better off or worse? What is it, in your opinion?

Jay Adams: So, I would say we should probably be a little further along. As I mentioned, a week before the storm hit, we turned on these new vendors, and we had what I will call a system issue where the field claims were not returning back to the Desk Adjusters to resolve them. It took us a few days to figure that out, and then it took a few days more to have that corrected. So, the closing ratio has been climbing steeply since then. The reality is, by statute, we have to have these resolved in 60 days. I will tell you that we continue to get about an average of 40 claims a day, Monday through Friday, and then a handful on Saturday and Sunday. So, we are still getting new reports of claims. We're not going to be at a hundred percent until we hit the one-year statute probably.

Presiding Chair Becksmith: Sure. Great. Thanks.

Jay Adams: Sure.

Mr. Palmquist: Jay, nice report. Thank you. Later we're going to be talking about geospatial imagery and damage assessment reports and the renewals of those contracts. Did you use those tools in this storm?

Jay Adams: For this storm, we did not request any flyovers for the aerial imagery. We had the imagery from last year for Idalia that went over the same area that caused much more damage. So, we didn't feel it necessary to really engage that contract for that

particular storm. Believe it or not, most of the claims have not come from the Panhandle where the landfall is. Most all the claims are in the Tampa market. Pinellas, Hillsborough, Sarasota, Pasco, Manatee, and Hernando have the far majority of all the claims that have been reported.

Mr. Palmquist: Yeah, I saw that. I was surprised. I also was surprised by the number of claims in the tri-county area.

Jay Adams: Of course.

Mr. Palmquist: Enough said.

Jay Adams: Right.

Governor Butts: Jay, are we seeing an increase in claims being filed now past this storm from attorneys or representation?

Jay Adams: As of this morning, 67 percent of the claims have been reported by the insured themselves, and the balance has been reported by either a public adjuster, an attorney, or some combination thereof. So about 20 percent of them were from attorneys and public adjusters. Typically, what we see in storm events, within the first two to three weeks, we usually get somewhere between 50 and 60 percent of all the claims we are going to get for the entire storm. Once we get out past 90 days or so, that is really when we start to see representation pick up, and the representation normally reports those claims. So, we're not quite far enough out in front of it to see those numbers significantly change.

3. Non-Litigation Claims Update & 4. Litigated Claims Update

Presiding Chair Becksmith: There should have been some information that was provided in the committee packet. I'm sure that Jay and his team are happy to entertain any questions if there are any, or comments. If not, we're going to go ahead and move down the agenda. So, I'll pause for a second. Any questions or comments on any of the litigated or non-litigated?

Mr. Palmquist: There's a comment that the Managed Repair Program participation rate has increased 3 percent from July of last year, which is great. I don't know what percentage it is right now. And do we have or is there a specific goal that you are shooting for?

Craig Sakraida: It does fluctuate, and it has increased to about 25 percent. Our goal overall is 28 percent. We have been floating in the 21-25 percent range, but it varies. That just kind of relates to some of the elements of the manufactured claims that are with the non-weather water program, but 28 percent is a pretty lofty target, but we've been hovering in the 25 percent range the last few months.

Mr. Palmquist: Okay. That's good. I had one other question. I noticed also that the plaintiff was represented at that First Notice of Loss in 67 percent of the residential claims and represents a 39 percent increase compared to last year. Do you know why attorney representation seems to be growing?

Elaina Paskalakis: Typically, the farther we move away from a catastrophe event, the more we find that first reported claims include some type of representation. So, we haven't had a high-volume catastrophe event in a while, so this is what has been the trend. Does that make sense?

Mr. Palmquist: I get the cause and effect. I don't understand perhaps the rationale why. They just don't have anything to do?

Elaina Paskalakis: They're finding claims. I think that's probably the easiest way to say it.

Mr. Palmquist: Okay.

Jay Adams: I think the best answer here is when you heard Craig talk about manufactured water claims. There's a high risk of us being able to prove fraud in those claims and there's consequences with that. When a hurricane makes landfall, there's been a hurricane, right? It is much harder to prove fraud in those scenarios. And so, I think you see bad actors tend to go to those claims first because they are the easiest to push through. And as I mentioned at the end of my presentation, it takes about 90 days for us to start seeing a pretty significant ramp-up of representation in those claims. And we will see claims all the way out to the one-year statute for Debbie, as this one falls under Senate Bill 2A.

Mr. Palmquist: Right. Okay. All right. Thank you.

Presiding Chair Becksmith: Great. Thanks, Jay, Craig and Elaina. All right. Anything else from the committee? All right. Moving on. Greg, it's your show. A couple changes, though, just on the agenda. Jon, I heard you mention geospatial imagery. That's actually going to be pulled from the committee on this one. We're actually not going to have an action item on that. And then, as far as the legal services, Jay, I think either you or Greg are maybe going to give a quick update on that, but then we're going to have a more formal, I would say, board presentation in two weeks as well on that, correct?

Jay Adams: If I could just for a moment. So, under the Geospatial Imagery and Damage Assessment Reports, what we're doing here is we're working with the Chairman looking to potentially update some of the pricing information that's there. This contract was based on our Direct Written Premium (DWP). And as you know, we are the largest we've ever been right now on the DWP side. So, Greg and his team are having

open conversations with these folks looking to see if we can make some changes there. If we are successful, the Chairman has agreed to allow us to submit this to the Board during my report out if we can get this done. Under the Claim Legal Services, we are going to ask this Claims Committee to vote on this item. The Chairman, instead of including this as a Consent Item like it has been, he's asked that we pull this out, and during my report out, I will do the same presentation for the full Board that I did for this Claims Committee back in March about the claims legal billing. And he just wants to have some transparent discussion around the spend. And, again, this is our normal ask for \$50 million against the board-approved \$500 million spend. And I'll stop there and turn it over to Greg to go through the items.

Presiding Chair Becksmith: Thanks, Jay.

Jay Adams: Thank you.

5. Vendor Update

Greg Rowe: Thank you, Jay. Good afternoon, Chairman and committee members. As Jay said, I have two Action Items today, and I'll start first with Claims Legal Services, as we just spoke a little bit about. This one I'll split into two components, and the first one is, as Jay said, that \$50 million incremental spend authority, we are asking for that as requested by the Board. To date, we've had approval for \$350 million as a part of that overall \$500 million that Jay spoke to. So, we're just asking for that next \$50 million installment. As of August 1, we've incurred approximately \$333 million in spend, so we still are under that \$350 million threshold. The good news is that overall, we are seeing a slight decrease in the monthly spend. In 2023, if we look at the averages in terms of what we spent on a monthly average, it was about \$13.5 million. So far in 2024, that's down to about \$11.8 million. So, it's not huge, but it is a decrease, so that is a good sign. And certainly, we know that if there's an influx in suits, that could spike back up, but we're hoping that trend continues. So that's kind of part one of the Action Item.

Part two is a component that we're seeking approval for to contract with new law firms as appropriate when a previously vetted attorney that's handling matters for us leaves and goes to another firm. That is something we have experienced from time to time, and we're seeking approval to contract with them if they do leave. So, when this occurs and you have an attorney handling claims for us and then maybe they move to a firm that's not contracted with us, it certainly puts Elaina's team in a bind, right? It causes potential continuity issues with existing matters, and it decreases really the overall panel of firms for any future assignments. So, this requested authority, again, would only be utilized at our discretion and with those attorneys certainly that have been vetted and really demonstrate, I'd say, future value based on their past relationship with us. It helps, they're familiar with our contract, our billing practices, our overall strategies. So, it's a win if we can retain them as they move to the new firm if we need to. And based on what we've seen, this would probably happen maybe one to two times a year at best. We don't see this as a trend or anything like this.

And, then, finally, what I'll say about it is that this will not increase any spend as the contracted rates they had with their old firm would transition over to their new firm. So those are the two components of this particular Action Item that we're seeking approval for. So, I'll pause there for any questions.

Presiding Chair Becksmith: Greg, thanks. Couple questions and maybe a clarifying point. Just on the first part, I think it's obviously important for the committee to remember that the Board voted on the \$500 million spend several years ago with the one ask for a transparency perspective that we're given this in \$50 million increments and just an update to the Claims Committee and kind of what it's for. And so, we're not asking for new money that wasn't previously approved. We're just asking for the transparency purpose. Two, I think, obviously, as the policies continue to come down, hopefully with the depopulation, and then, obviously, some of the changes, then hopefully some of this legal spend continues to come down as well. My only comment in regards to the attorney, the second part of this, again, I fully trust that you and the team have probably vetted this, is there a concern whether from you or from Elaina or from somebody to where if Attorney A leaves Company Y and goes over to the next company, that company, not necessarily the attorney, but the company has the resources and the services that Citizens will continue to need? Is there any pause on that or concern from Citizens' standpoint?

Greg Rowe: I see Elaina, you came off mute and turned your camera on, so I'm assuming you wanted to chime in?

Elaina Paskalakis: I can certainly do that. Governor Becksmith, that is something we evaluate every time when an attorney or group of attorneys leaves a firm. We're certainly reevaluating with the firm that's already under contract whether they have the resources still available to do our work and do it to our satisfaction.

Presiding Chair Becksmith: Okay. Yeah. I mean, I think from a continuity standpoint, I think it makes total sense, right? We have to kind of rebuild the book and everything else. That would be the only concern that you and the team would continue to be diligent on that side to make sure that we're getting the best services, okay?

Elaina Paskalakis: Absolutely.

Presiding Chair Becksmith: I'll defer to the rest of the committee. Are there any questions about this?

Mr. Palmquist: Following up on your comment, I had a similar concern and a question, and I'm sure you've already checked, but I feel like I need to just confirm. In a normal process of procurement, you go through the RFPs and the whole process where a committee sits down and evaluates the firm, its resources, as Governor Becksmith said,

its capabilities and so forth. Is this process consistent with Citizens' procurement policies overall? And is there a risk that it could be challenged that we're actually bypassing that policy with the departure of one attorney and then, therefore, the selection of a brand-new law firm?

Brian Newman: Do you want me to take that, Greg, just really quick?

Greg Rowe: Sure. Go for it.

Brian Newman: The quick answer is no, it doesn't run afoul of our procurement process to do this, and frankly, we're not required by law to competitively bid legal services. We do it because it's a good idea. But this is just something where we feel like we need the Board's approval to do this in the spirit of the competitive solicitation process we could go through and the approval of contracts over \$100,000. But it is a big help and it does help us save resources in those few times when we do it, because if you have this kind of disruption and you'd like to maintain that attorney and they're going to a firm that has adequate backup resources, the process of changing those files to another law firm can often be more expensive, right? So, we're trying to do this sparingly when it makes sense and have the flexibility to do it with all the transparency that we can get.

Mr. Palmquist: All right. Thank you. I appreciate the comments. It makes sense and that's good. The other question, Greg, I had for you is there's maybe a misunderstanding on my part. There's one reference that this is going to fund through the rest of the year of 2024, and there's another paragraph that says it's going to fund through the second quarter of 2024. I'm assuming this is intended to fund for the rest of the year.

Greg Rowe: This \$50 million installment?

Mr. Palmquist: Yes.

Greg Rowe: Correct. That is the plan. And I know there'll be more discussion on that certainly potentially at the Board meeting as it pans out, but if there's a miscommunication on that, really what we do is we look--

Mr. Palmquist: In the first paragraph of your Action Item, you might want to just take a look at that, because it says, "Second Quarter 2024."

Greg Rowe: Okay. Yeah, we can take a look, but it is -- it's -- we look at it, and anytime we think that we are going to come close to running out of that \$50 million, that's when we bring it back. So, we didn't do that with the last Claims Committee because we had enough to get us through, nor at the last board meeting. So, it's certainly as needed as incurred. But we'll take a look at that.

Presiding Chair Becksmith: Yeah, yeah, check that, Greg. I see that as well. Thanks, Jon. That's a good catch on that. So, we probably need to update that before the Board meeting.

Greg Rowe: Okay. We'll do that. Thank you.

Mr. Palmquist: Thank you, Greg.

Presiding Chair Becksmith: All right. Any other questions or comments? Okay. I will entertain a motion to approve this Action Item and bring it to the September Board meeting on September 25.

A motion was made by Mr. Palmquist and seconded by Governor Butts to recommend the Board of Governors: a) Authorize up to \$50 million in additional spend under the Claims Legal Services contracts as set forth in this Action Item which, if approved, would make the total spend authorized to-date \$400 million; b) Authorize the addition of new firms to the Claims Legal Services and General Corporate Legal Services panels as appropriate to continue to receive legal services from attorneys who leave a currently contracted firm; and c) Authorize staff to take any appropriate or necessary action consistent with this Claims Legal Services Action Item. All were in favor. Motion carried.

Greg Rowe: For this next and last Action Item, Citizens is seeking approval to contract with Xactware Solutions for our Claims Property Loss Estimating Software, which is just a fancy name of our software utilized by our staff and contracted adjusters that they use to provide estimates for both structure and personal content damages, which ultimately details repair or replacement costs for any submitted claims. So, we use it pretty much on every claim out there. At the conclusion of the most recent solicitation, we had a public meeting on August 27. The Citizens negotiation team unanimously agreed that Xactware provided the best overall value, I'd say, to Citizens based on multiple factors, including capability and pricing. This contract will replace our current contract with Xactware that we've had in place, going all the way back to 2006, not a single contract, but we've had multiple contracts since then with the same company providing these services. And so, the good news is since we're already integrated with them, it doesn't require any additional implementation costs or efforts from an IT standpoint.

At this time, we're seeking approval of a contract that would carry an initial five-year base term with one three-year and one two-year renewal option, so up to 10 years, for an amount not to exceed \$10,200,000. So, Mr. Chairman, I'll pause there for any questions on that Action Item.

Presiding Chair Becksmith: Thanks, Greg. And I think, again, just to make sure we are clarifying, number one, I believe that this represents a stay in price or potentially even a

little bit lower price than what we're currently at, if memory serves me correctly. Jay, I don't know if you or somebody wants to clarify that, or Greg?

Jay Adams: Chairman, yeah, you're correct. It was a lower cost than what we were currently contracted for.

Presiding Chair Becksmith: Right. And this is a do not exceed \$10,200,000, but it's on a utilization basis. So, it's not that we're giving money, it's only in the event of a storm and we actually started using a lot of these types of things when we need their software, correct?

Greg Rowe: Well, we use it, again, on just about every claim. What would happen in a storm situation, and there could be a situation where we come back and ask for more because we can't account for that, what it may be, because every estimate that we run through, theoretically, is almost like a ticker, a counter, and the more estimates that we utilize their software, it could come at a higher price, but it's impossible to try to come up with a number. So, it would be over the course of this, it's our best estimate, based on projections and things we've seen in the past, what the spend would be.

Presiding Chair Becksmith: Okay. Thank you for clarifying that. Any other questions or comments? All right. I will entertain a motion for approval as Mr. Rowe just described.

A motion was made by Mr. Palmquist and seconded by Governor Butts to recommend the Board of Governors: a) Authorize the Property Loss Estimating Software contract with Xactware Solutions, Inc., for an initial term of five (5) years, with one (1) three-year and one (1) two-year renewal term options, for an amount not to exceed \$10,200,000, as set forth in this Action Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Property Loss Estimating Software Action Item. All were in favor. Motion carried.

Presiding Chair Becksmith: And I believe that brings us to the end of this Claims Committee meeting, unless there are any comments or questions or anything else that the committee should answer. I'll pause for a second. All right. Well, we appreciate everybody jumping on and thank you for your time. Look forward to seeing everybody in a couple weeks. (Whereupon the meeting was adjourned.)