



**ACTION ITEM**

- New Contract
- Contract Amendment
- Other Committee Minutes

**CONSENT ITEM**

- Contract Amendment
- Existing Contract Extension
- Existing Contract Additional Spend
- Previous Board Approval \_\_\_\_\_
- Other \_\_\_\_\_

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

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

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

<b>Item Description</b>	The Actuarial and Underwriting Committee meeting Minutes July 9, 2024
<b>Purpose/Scope</b>	Review of the July 9, 2024 Actuarial and Underwriting Committee to provide opportunity for corrections and historical accuracy.
<b>Contract ID</b>	N/A
<b>Budgeted Item</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Procurement Method</b>	N/A
<b>Contract Amount</b>	N/A
<b>Contract Terms</b>	N/A
<b>Committee Recommendation</b>	Staff recommends the review and approval of the July 9, 2024 Actuarial and Underwriting Committee minutes.
<b>Contacts</b>	Jennifer Montero, CFO Jay Adams, CIO

**CITIZENS PROPERTY INSURANCE CORPORATION**

**MINUTES OF THE  
ACTUARIAL AND UNDERWRITING COMMITTEE MEETING  
Tuesday, July 9, 2024**

The Actuarial and Underwriting Committee (A&U) of Citizens Property Insurance Corporation (Citizens) convened at The Westin Lake Mary, Lake Mary FL, on Tuesday, July 9, 2024.

**The following members of the A&U were present:**

Chair Carlos Beruff  
Vice Chair Scott Thomas  
Josh Becksmith  
Robert Spottswood  
Fred Strauss (telephonically)

**The following Board of Governors members were present:**

Jamie Shelton

**The following Citizens staff members were present:**

Tim Cerio  
Jennifer Montero  
Barbara Walker  
Joe Martins  
Christine Ashburn  
Andrew Woodward  
Jeremy Pope  
Mark Kagy  
Jay Adams  
Stephen Mostella

**Call Meeting to Order**

Barbara Walker: Good afternoon, and welcome to Citizens' July 9th, 2024, Actuarial and Underwriting Committee webinar that is publicly noticed in the Florida Administrative Register to convene immediately following the Finance and Investment Committee and will be recorded with transcribed Minutes available on our website. For those attending today's session through the public link, you are automatically in listen only mode. Panelists, thank you for identifying yourself prior to addressing the committee. Presiding Chair Beruff, we have no speaker requests for today's meeting. I will proceed with roll call.

Roll was called and quorum established with Chair Beruff, Vice Chair Thomas, Governor Becksmith, Governor Spottswood and Technical Advisor Fred Strauss.

Barbara Walker: Chairman, you have a quorum.

**1. Approval of Prior Meeting's Minutes**

Chair Beruff: Is there minutes that we need to adopt from the last meeting? Yep, approval of prior meeting minutes April 9, 2024. Somebody make a motion.

Governor Spottswood: So moved.

Governor Becksmith: Second.

Chair Beruff: Minutes are approved, and welcome Mr. Adams.

**2. Chief Insurance Officer Report**

**a. Product Updates – July 2024**

Jay Adams: Thank you, Chairman and committee members. I have two items that I need to go over today. The first one we'll go over is the product updates, and these are included in your package, so I'm not going to go into a lot of detail. I do want to spend a few minutes talking about the roof covering exclusion specific to commercial. Commercial underwriting has recently been receiving a request to insure buildings where the roof age and/or condition do not meet our eligibility requirements. The risks were previously able to find coverage, but the hardening market has left a gap, leaving buildings uninsurable. To address this issue, staff proposes introducing a roof covering exclusion to be used only in our commercial line products. Benefits include providing insurance for those who are unable to obtain coverage during roof replacement, allowing Citizens to limit loss exposure, and supporting a depopulation of risk once that roof is replaced. Staff proposes this exclusion will only be applied to risks that do not meet eligibility requirements for roof age and/or condition that have a fully executed roof replacement contract with proof of down payment. The roof replacement must be completed within the new business policy term, or the policy will be non-renewed.

Chair Beruff: Okay. So, I just want to – I think everybody understands what you said, but I'm going to dumb it down for those of us that are a little slower.

Jay Adams: All right.

Chair Beruff: So, you want to insure people that are in the midst of replacing their roofs and exclude the roof from the insurance?

Jay Adams: Correct.

Chair Beruff: Until it's paid, and then, they have to make a down payment with the roofer in order to be insured?

Jay Adams: That is correct.

Chair Beruff: Okay.

Jay Adams: So, what has happened today is we're getting pressure from all over to write these exposures.

Chair Beruff: I think it's a legitimate problem. I think as long as the -- you know, I just don't know where the rubber is going to meet the road when you've got a situation where you make that policy, storm comes along, the roof isn't put in yet, but its half put in and that half gets damaged. I mean, you know, you're talking a timing sequence. Then where are we on the exposure level? If half the roof is done and then it gets blown off, but we didn't -- do we pay for anything?

Jay Adams: So, the way that we are setting this up with this endorsement is that each building that does not meet the eligibility standards would be eligible for this roof exclusion. Now, we're going to require them to submit an application -- excuse me. They're going to have to submit a contract for having the roof replaced showing money down. If there are multiple buildings, as the buildings are -- the roofs are replaced, they can then write them or remove that endorsement, so to speak, and that will increase the coverage. They'll have to pay the additional premium. When that's paid, then claims would pay that loss.

Chair Beruff: On a certified basis?

Jay Adams: Correct. Correct.

Chair Beruff: So, we're getting into the business of certifying the proper installation of a roof?

Jay Adams: No. So once the roof has been completed by a licensed roofing contractor, at that point, we would consider that roof age to be zero, brand new.

Chair Beruff: Right.

Jay Adams: We would remove that endorsement and it would be eligible for coverage. And the way it would work is the value of that roof would be added back to that building.

Chair Beruff: But until fully done and installed, we take zero responsibility for it?

Jay Adams: That's what this endorsement would do is limit our exposure.

Chair Beruff: So, my initial question was if it happens in the middle of a storm, doesn't matter, we're not paying anything?

Jay Adams: If the roof has not been complacent and the endorsement removed, we would pay you zero for the roof.

Chair Beruff: For the roof.

Jay Adams: Or any resulting damage from the storm.

Chair Beruff: And it's because of the roof failure?

Jay Adams: Correct.

Chair Beruff: Okay. So, you're asking us -- this is an action item for tomorrow, obviously.

Jay Adams: Right. That's part of the product updates. That is one of them.

Chair Beruff: Okay. How many are there?

Jay Adams: There's a handful. I don't think I really need to go into any detail of the others. The majority of them are just updates, and then, we have some statutory requirements that we have to do.

Chair Beruff: The statutory requirements, unless the board has, you know, any issues that you want to discuss on statutory requirements, I think that's a given. Pretty much have to follow the law.

Jay Adams: All right.

Chair Beruff: So, is there -- does anyone have any questions?

Jay Adams: We do have --

Chair Beruff: The board have any questions on this? The biggest twist is the roof thing that we're going to offer insurance for in between roof repairs. Does anybody have any questions on that, or comments? Yes, sir.

Governor Spottswood: Is there a better solution that you can suggest? I mean, putting us in a position of determining what other damage was caused by the roof not being repaired seems like an impossible position to be in to me. So, it just seems like you're going to create a lot of -- a lot of argument down the road with this kind of provision.

Chair Beruff: This could boomerang where we, obviously, are trying to do a good thing to fill a breach in the coverage for other people, and then it could give us a black eye later.

Jay Adams: So, it would basically be the ensuing water damage, right? So, if the roof covering is not there, any water that got into the building that would otherwise be covered would not. So, the physical structure of the building, windows, doors, any of that type of thing, there would still be coverage for that, just like the policies outline.

Chair Beruff: Mr. Adams?

Jay Adams: I'm sorry?

Chair Beruff: This is what's going to happen. The finger pointing starts. No, it came through the window. No, it came through the roof.

Jay Adams: Exactly.

Chair Beruff: I disagree with you, it came through the window, so you got to cover me, you got to pay. No, it came through the roof, we don't have to pay. That's what's going to happen.

Governor Spottswood: I guess what I'm asking is, is there a brighter line to be drawn by having people actually know beforehand when the lifetime in the roof is coming up and they need to make repairs or have a report done or something so that -- so that people know beforehand and there's a bright line there that that, you know, if that roof has been in place for 10 years or 20 years, you're obligated to do something and --

Jay Adams: So, I think --

Chair Beruff: Governor Spottswood, I think that's what we've been operating on for years, which is inspecting roofs and say, "Hey, you know, if you don't get a new one" -- but this is a little bit of a different twist. We're actually going to take roofs that we know are bad, exclude them, and then hope in 12 months they will fix them. But the problem comes in exactly the point that you made when you're going to get into this argument is where did the water come from? And we're going to get caught in the middle. It's the same similar situation as we've had for years where you have wind and floodwater. Then the argument gets, well, was that wind damage or did the -- did the flood create the damage? And we end up rolling over because you just can't cut that -- slice that so thinly.

Governor Spottswood: Yeah.

Chair Beruff: But I think that's a valid point, but I don't know how to make that square.

Vice Chair Thomas: If I could ask, I'm not -- this is an awfully narrow niche we're talking about, people whose roofs don't already qualify, but who have a contract and have made a down payment. So, is the idea that this is a market -- are these people who've come to us for insurance and we've turned them down because of the condition of their roof and this is an opportunity for them to address why we turned them down? Or is the market turning them down and they have nowhere else to go, so they're coming to us?

Jay Adams: The second. So, before the hardening of the commercial market, there were exceptions like this being made. So, each insurance company has their own roofing standards, right? And the agents itself to those carriers, they know what they are. And then, they would know -- from a condo owners' group, they would know what they need to do from a roofing

perspective. What we are trying to do is limit Citizens' exposure when we are pressured to write these types of risk.

Vice Chair Thomas: So, the way to really limit the exposure would be not to write it at all, obviously. But that's why I was trying to -- is it someone we've turned down or someone the market's turned down that can't get insurance otherwise?

Jay Adams: Yeah, I would say it would be the market.

Vice Chair Thomas: Do we have any -- it is such a niche of people, bad roofs, declined by private insurer, have a contract and have made a down payment, which presumably they're going to do that to satisfy our requirements. It's not like -- are we talking about five commercial buildings or five million commercial buildings that are going to fit within this niche?

Jay Adams: Well, traditionally, we haven't seen a significant huge volume, but what has happened to us traditionally is insured says, "We're going to make these repairs to the roof," blah, blah, blah, please write us." They wait until the hurricane season comes to an end to evaluate if they're going to write them or not and then we just non-renew them. If the hurricane did hit, Citizens would have been on the hook without this endorsement to replace that roof.

Vice Chair Thomas: Presumably we wouldn't have written it, though, right, if it didn't meet our standards for age or -- or condition?

Jay Adams: We get a lot of pressure to write some of these that are ineligible in the marketplace.

Chair Beruff: Pressure doesn't mean we write them.

Jay Adams: We write some of them that otherwise do not meet our standards.

(Inaudible cross talk.)

Chair Beruff: (Inaudible) what I've seen is a concerted -- since we've gotten bigger and bigger into the commercial business over the last 18 months, big market share, what I've seen is you've got condominium associations with two, three, four hundred members. That gets the people in Tallahassee's attention. But the political pressure starts getting pressure on us to write these uninsurable buildings because these are well-organized condominium associations. Correct me if I'm wrong.

Jay Adams: That's correct.

Chair Beruff: Some of them in pretty expensive buildings. And all of a sudden, we're picking up the pieces. It sounds good when it's working, but it's going to clean our clock when it's not.

Vice Chair Thomas: Given the practical pressure to write this.

Governor Spottswood: I guess I'm going to follow up on that and ask what our limit is for that kind of building. For a building that type that has 200 condominiums, what's our limit? If that's a single building, what's the limit of insurance that we can write for that building?

Jay Adams: We can write -- we're not limited by the limit of insurance for a residential condo. So whatever value. I mean, we write some that are 50, 60, 80, 100 million dollars.

Vice Chair Thomas: Jay, given -- I'm sorry.

Chair Beruff: Well, just to finish my thought, and then, please, Governor Thomas, but this insurance business, the commercial side of the business, as you've seen on the charts, grown exponentially over the last 24 months. So, our exposure is significant because one building is \$100 million, just one. And when we're ensuring whole coastlines' worth of buildings as opposed to single-family homes all over the state, the exposure is phenomenally worse. And I don't know -- at some point tomorrow I'll bring it up to Mr. Donovan, who's the actuary that does this stuff. But it's beginning to be a concern to this board member. Mr. Thomas.

Vice Chair Thomas: So, to make sure I understand, Jay, so given the practical realities of the pressure we face, are we talking about the dichotomy here is we write these policies without the exclusion? We write them with the exclusion?

Jay Adams: Well, today we don't have the exclusion.

Vice Chair Thomas: That's what I'm saying -- if we approve it. Because it's very different -- if the dichotomy is we don't write the business at all or we write it with the exclusion, then the exclusion is actually increasing our exposure because we're writing policies we wouldn't otherwise write. But what you're telling me is in practice, that's not the choice here. Even though the roofs don't meet our standards, in practice we're writing the business now.

Jay Adams: We are writing some of them, yes.

Vice Chair Thomas: And so, the idea here is, as most exclusions should do, because we're writing it otherwise, this is actually intended to limit our exposure on this area.

Jay Adams: Correct. Correct. And what we're trying to help do is rehabilitate these so they can be taken out, right? So, we have had some commercial takeouts this year. When there's a brand-new roof on the building, it makes that building more attractive in the market.

Vice Chair Thomas: If they complete the repair during the first year of the policy term, are they eligible for renewal, or do we -- or is it just simply an expectation the market will now take them out or --

Jay Adams: Well, they would be eligible for a renewal.

Vice Chair Thomas: Right.

Jay Adams: Right? If they met the objective of doing that within the policy term.



Vice Chair Thomas: So, it's a stopgap that hopefully results in them going elsewhere?

Jay Adams: Hopefully.

Vice Chair Thomas: Yeah, okay.

Chair Beruff: But as long -- if I may add to your comment, which is the right comment, but the idea that we're going -- when we get to renewal, that our prices are going to be more competitive, now they -- in the commercial markets, they have to also be within 20 percent for them to be forced out?

Jay Adams: I don't think that's part of -- we don't have --

Chair Beruff: It doesn't apply.

Jay Adams: Okay, yeah, we do.

Chair Beruff: It does.

Jay Adams: What I will say, though, on these buildings that are A rated, so anything over \$10 million, I believe our rate is actuarially sound for the A rate. So those buildings are probably equally priced to what's in the market, maybe higher.

Chair Beruff: Okay. Thank you. I'm good.

Jay Adams: Any other questions?

Chair Beruff: So, you need --

Jay Adams: Need a --

Chair Beruff: The action item is that plus other pieces?

Jay Adams: Right.

Chair Beruff: When you quickly go through the simple pieces -- obviously, not the statutory pieces, we've already discussed it, we're going to approve the statutory piece.

Jay Adams: So, in the commercial lines, we're going to make some CSP code updates, and those are really just clarifications of what we're writing and gives us a better data feed in the future. And our commercial non-residential multi-peril, we were not doing -- or excuse me, we were doing our own inspections of those buildings, and what we want to do is require an appraisal be submitted on those so that we get the proper valuation to line up with the rest of our commercial business. And the rest of them are the statutory changes.

**(Recommendation: Staff proposes that the Actuarial & Underwriting Committee review, and if approved, recommends the Board of Governors: a) Approve the described proposals to update Citizens' Product guidelines, forms and supporting documents; and b) Authorize staff to take any appropriate or necessary actions consistent with the Product Updates – July 2024 Action Item to include filing with the Office of Insurance Regulation (OIR), system change implementations, updates to supporting documents, applications or forms and other relevant activities. Final changes and implementation timeline may vary, based on project complexity, operational considerations, and feedback from the OIR)**

Chair Beruff: I entertain a motion to approve the action items as read.

Vice Chair Thomas: **So moved.**

Governor Spottswood: **Second.**

Chair Beruff: All in favor, say "aye."

(Chorus of ayes.)

Chair Beruff: **Motion carries.** Thank you.

**b. Business Process Outsourcing (BPO) – Underwriting Production Services [CI]**

Jay Adams: All right. Our second item is our business process outsourcing. And I know, Chairman, you had some pretty significant questions. And I apologize out of the gate that this action item is not written very well. It is a little confusing. Stephen and I had to kind of dig into it, but I'm going to try to explain what's going on here. First and foremost, business process outsourcing is underwriting from a vendor perspective, just like independent adjusters are on the claims side. We don't have enough staff to handle all of the underwriting transactions. So, the high volume/low severity-type transactions we push out to the BPO vendor to allow them to do that. We entered into a contract with them in 2018, and here's where things get a little bit confusing. We had a contract for a base term of five years, the first renewal for three years, the second renewal for two years, for a total of 10 years. We had -- that came to a total of \$35.6 million. So, in the first five-year term, it was a little over \$19 million, the renewal for the three years was \$9.6 million, and then, the three-year -- or, excuse me, the final two-year renewal was \$6.6 million. We came back to the board in December of 2022 and we asked to aggregate the entire contract amount to be able to be spent in the current term. And the reason that the current term was inadequate was when this contract was taken out, Citizens had 450,000 to 500,000 policies. At that time, nobody thought we were going to rise up to this 1.2, 1.3 million as we've been vacillating around for the last couple of years. When we also came to the Board and asked for the aggregation, we could see that we were going to have a shortfall in that first five years and we asked to increase that by an additional \$10 million, which gave us authority of \$45,933,107 that we could spend through March of 2025. Now, what we're asking for today is we are at the end of that first five-year renewal term and we want to invoke the next renewal option, which is for three years. We're asking for \$28,518,476 to carry us for the next three years, which is a total spend of \$74.45 million.

Nothing has changed in our contract. Our rates have increased 2.25% on average year over year of the contract as we've gone through. All the terms and conditions are the exact same. The only thing that's different as to why we're asking for additional monies is we've purely sent more transactions to them than we ever anticipated. In addition to the underwriting volume going up so high, we also have had some things that we undertook, such as inspections. We did 150,000 inspections, and somebody had to review that, put it in the file, and make a decision yea or nay. In 2023, we did 300,000, and this year we're going to do 400,000. We had a statutory requirement for flood where we had to make sure that all the policies that were required to have flood, and that continues to build up over the coming years. And then, they also did a primary/non-primary confirmation, which has to do with how we rate those policies. So, we have to look at those and make sure that we understand the ones that are homesteaded versus the ones that are not. Again, all of those projects were not anticipated when we took this contract out in 2018. So, the ask is that what we do today is agree to allow us to invoke the next three-year renewal term and increase the value of the contract to a total of \$74.4 million.

Governor Becksmith: Mr. Chair, can I ask a quick question?

Chair Beruff: Please, Governor.

Governor Becksmith: Is this a -- on a per transaction basis we're paying? So as policy counts theoretically go down, the spend will go down? It's not that we're just spending \$27 million or --

Jay Adams: That is correct. It's --

Governor Becksmith: It's hypothetical saying policy count stays the same, workload stays the same, this is what we're expecting to spend.

Jay Adams: That's correct. And our forecast is based on what our actuaries used. So, we're using those numbers in budget. We use them to figure out how many claims we're going to get, how many underwriting policies we're going to have, and those types of things. So, it is all transaction-based.

Chair Beruff: Other comments? I have a comment. Are each of these decisions being made by a human being?

Jay Adams: No. So, we are --

Chair Beruff: That's where I was leading.

Jay Adams: Yes, sir. So, we are --

Chair Beruff: In the real world of business, if you have computers making decisions, the bigger the volume, the cheaper the price.

Jay Adams: Correct. So, we are sending -- is it about 30% on average?

Stephen Mostella: Of the inspections?

Jay Adams: No, the auto underwriting.

Stephen Mostella: Yeah, about 30%.

Jay Adams: So, about 30% of all policies that come into Citizens are going through a straight-through automated underwriting processing. And then, we also have straight to file inspection reports.

Chair Beruff: But we're hiring an outside contractor for 70 some odd million dollars to do the policies we send them, right?

Jay Adams: Correct.

Chair Beruff: My question is, what is percentage of the policies that we send them are being done by computer and being underwritten as such, and what percentage is being touched by a human person?

Steven Mostella: For the record, my name is Steven Mostella, Vice President of Underwriting. So, what we try to send the vendors are what we would consider would be high volume, low complexity type.

Chair Beruff: You're sending the simple stuff.

Stephen Mostella: We're trying -- yes --

Chair Beruff: Trying.

Stephen Mostella: -- that's our goal.

Chair Beruff: Okay. And my question is strictly very simple. You're sending the simple stuff. Mr. Adams said 30 percent is being computer underwritten. How much -- that's internally into the total policy count that we have.

Jay Adams: That's correct.

Chair Beruff: Of the stuff that we're sending to the \$74 million contractor, what percentage of his policies are being touched by a human and what percentage is being done by a computer?

Stephen Mostella: From the vendor's standpoint, I would assume the vast majority is being touched by a human, by a person, an underwriter.

Chair Beruff: But you -- but we don't know that fact. We don't know what percentage of the policies we're sending them are being touched by a human being and underwritten by human beings. Touching it and feeding it into a computer doesn't count to me.

Jay Adams: So, it's all being done in Citizens' system.

Chair Beruff: Okay.

Jay Adams: Okay. We control what goes through the auto underwriting process. The vendors have no capacity to do that. So, if we send them a piece of work, they have to physically go in the system and process that to get it released to the policyholder.

Chair Beruff: Okay. I guess we're going around. I'm not asking -- I'm not articulating my questions complete and simple. You are the determining factor what policy this vendor gets to underwrite?

Jay Adams: Correct.

Chair Beruff: You send it to them. How many of those policies are being underwritten by a computer, though they have to open it and move it to the next step? Who's doing the underwriting? Is a person doing the underwriting or is the computer doing the underwriting?

Jay Adams: It is people doing the underwriting through the vendor, just like we would at Citizens.

Chair Beruff: Yeah, that counters what he was saying a little earlier where he thought the vast majority were simple and being underwritten by a computer. We don't know that. You do not know how many they're being underwritten by computers and how many by people.

Stephen Mostella: We have no reason to believe that what we're sending them, it does require a touch by an underwriter, and it's by a transaction type. So, we have different transaction types that we send the vendor, and those items that we send them require some touch, some review by manual underwriter.

Chair Beruff: Okay. So, the 30% that's being underwritten by computers is in our internal that we're –

Stephen Mostella: That is our –

Chair Beruff: Our own process.

Jay Adams: Yeah. So, think about it like this: You get this book of business or these policies that come in. The computer says, okay, I can take these and underwrite them, and then, what's left, part of it is underwritten by staff, part of it is underwritten by the vendor.

Chair Beruff: By this contractor and vendor that you're proposing.

Jay Adams: Correct. And what we do is we segment the easier stuff and the volume to send to that vendor and we try to take the more difficult stuff that needs to be underwritten.

Chair Beruff: And you're sure that they're underwriting it with a person? I'm looking at overhead and cost, that's all I care about, and saving \$74 million, that's all I care about.

Jay Adams: Yes, because we only have one policy system, and those vendors are signing into our policy system. So, we just push the work under their queue, and then, they take people and assign it to, they do the work and send it back.

Chair Beruff: That answers the question. So, there's really no cost savings with AI and all the other things that we keep reading about in the newspaper.

Jay Adams: We are leveraging that in a 30% –

Chair Beruff: Internally?

Jay Adams: -- that we auto underwrite, yes, sir.

Chair Beruff: Internally, but not externally.

Jay Adams: Correct.

Chair Beruff: Why not?

Jay Adams: Because we've determined that a human needs to look at that stuff.

Chair Beruff: So, you've determined that what you're subcontracting out is -- essentially has to be touched by a person.

Jay Adams: Today it does, correct.

Chair Beruff: Okay. All right. I'm done querying you.

Jay Adams: No problem. So, we would obviously – this would also be a consent item for tomorrow. We would need a vote to carry this forward.

Chair Beruff: Board have any questions? Any governors have any questions or comments?

Governor Shelton: Mr. Chair? The hope would be, though -- and if I'm following exactly the question and answers there -- that 30% with other artificial intelligence that we talk about, hopefully over time, that number grows –

Jay Adams: Correct.

Governor Shelton: -- and the need for spending these extra dollars for out there, maybe it grows to 40%, and that extra 10 basis points could save us millions of dollars.

Jay Adams: Right.

Governor Shelton: That's all I have. Thank you.

Chair Beruff: So, this contract is still -- back to the comment made by the governor, is -- go up and down depending on actual policies. So, we're not stuck with the \$24 million additional spend.

Jay Adams: That's correct.

Chair Beruff: You're basing it on what you think might be there, but if our policy count and our depopulation occurs at the end of the year like we normally do, we could find that we're not spending the money. I'd like a report on that in -- When's our meeting in the first -- after the first of the year? Is there a January or March meeting?

Chair Beruff: I'd like a report in March on how we did against the contract we're approving or proposing to approve.

Jay Adams: All right. Barbara, can you put the slide up?

Chair Beruff: We don't need a slide now. I'd rather speak in real time.

Jay Adams: I just want to show you how we have arrived at where we are, and it shows how we're burning --

Chair Beruff: I do not question -- your staff is incredibly competent and, I am sure. I just want to see actual against -- I do the same thing. I budget and then I do an actual, and I want to see what the actual looks like in March, that's all.

Jay Adams: Gotcha.

Chair Beruff: I do not doubt your numbers for one second.

Jay Adams: All right. Thank you.

Chair Beruff: Okay. Thank you. What else?

Jay Adams: Just to be clear, are we okay to move this to the board tomorrow?

**(Recommendation: Staff proposes that the Actuarial and Underwriting Committee review, and if approved recommend the Board of Governors: a) Authorize an additional \$28,518,476 in spending authority for the Business Process Outsourcing (BPO) – Underwriting Production Services first renewal option described in the contract terms section, bringing the total authorized contract amount to \$74,451,583 through October 3, 2027, and b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item.)**

Chair Beruff: Yeah. Is there a board member who will make a motion to approve moving forward with this item?

Governor Spottswood: **Moved.**

Vice Chair Thomas: **Second.**

Chair Beruff: All in favor, say "aye."

(Chorus of ayes.)

Chair Beruff: Okay. Is there any new business? I don't think so. This meeting's adjourned.

(Whereupon, the proceedings were concluded.)

DRAFT