

CITIZENS PROPERTY INSURANCE CORPORATION

**SUMMARY MINUTES OF THE
CONSUMER SERVICES COMMITTEE MEETING
Thursday, September 15, 2016**

The Consumer Services Committee of Citizens Property Insurance Corporation (Citizens) convened telephonically on Thursday, September 15, 2016 at 10:00 a.m. (Eastern Time).

The following members of the Consumer Services Committee were present telephonically:

Freddie Schinz, Chair
James Holton
Greg Rokeh
Phil Zelman

Steve Bitar
Christine Ashburn
Sha’Ron James
Bette Brown

The following were present telephonically:

Barry Gilway
Adam Marmelstein
Barbara Walker
Brian Weaver
Charles Broward
Sara Golding
Cindy Brunner
Jay Adams

Manda Marsico
Ray Norris
Marsha Watson
John Rollins
Kelly Booten
Joe Martins
Lance Goodmond
Laura Andrews

MS. WALKER: Good morning, and welcome to Citizens Consumer Services Committee meeting. Our meeting will convene at 10:00 a.m. this morning. If you are not speaking on today's call, please press star 6 to mute your line and we ask that you do not place this call on hold. Again, please press star 6 to mute your line and pound 6 to un-mute your line. Thank you for identifying yourself prior to addressing our committee.

Citizens Board and committee meetings are recorded with transcribed Minutes available at our website. We will again convene at 10:00 a.m. with a roll call. Thank you for patience.

Good morning, gentlemen, may I go ahead and call roll? It is 10 a.m. and I would like to go ahead and welcome everyone to Citizens Consumer Services Committee meeting and, Chairman Freddie Schinz, if you would like I can start with a roll call.

CHAIRMAN SCHINZ: I would appreciate that very much if you would do that to be sure we establish a quorum.

MS. WALKER: Okay, great. Governor Freddie Schinz?

CHAIRMAN SCHINZ: I am here.

MS. WALKER: Governor Bette Brown? Governor Jim Holton?

GOVERNOR HOLTON: Here.

MS. WALKER: Greg Rokeh? Phil Zelman.

MR. ZELMAN: Present.

MS. WALKER: Sha'Ron James. Governor Schinz, Sha'Ron James did say that she would be tentative for this meeting. And right now have participants of three. Would you like to -would you like for me to try to call a couple of people to get a few more people or would you like to convene the meeting?

CHAIRMAN SCHINZ: We have established a quorum, haven't we?

MS. WALKER: I -- Dan, may I ask you for your input? We have got three people on the line.

MR. SUMNER: How many are on the committee?

MS. WALKER: There is six on the committee.

MR. SUMNER: You do not have a quorum.

MS. WALKER: Okay, then we will make a couple of phone calls to Governor Bette Brown and Greg Rokeh and get right back with you.

CHAIRMAN SCHINZ: Okay, great, I would appreciate it.

MR. ROKEH: This is Greg, did you -- did you not hear me?

MS. WALKER: No, I did not hear your response, and Chairman, that gives you a quorum.

CHAIRMAN SCHINZ: Okay, great.

MR. ROKEH: I apologize, maybe I had not un-muted, sorry.

CHAIRMAN SCHINZ: It happens to me all of the time, Greg. So anyhow, now that we do have a quorum established and I would like to go ahead and call the meeting to order. We have a roll call and we do have a quorum.

Once again, like I said, and I would like to go ahead and make a motion to approve the prior Minutes unless there is any questions, corrections or concerns, please.

MR. ZELMAN: I would make a motion, this is Phil Zelman.

GOVERNOR HOLTON: Jim Holton, I will second.

CHAIRMAN SCHINZ: There has been a motion and a second. Any discussion? So moved. The Minutes have been approved. Moving right along, I would like to go ahead and welcome Jay Adams and to give us a quick update on the recent hurricane. Jay, the floor is yours.

MR. ADAMS: Thank you, Governor. For the record, this is Jay Adams. I want to provide a quick update to Hurricane Hermine and I would like to start with a few key dates from the claims catastrophe plan activation. On 08/22, we started tracking the tropical wave. On 08/24, it was identified as Invest 99L. When that happened catastrophe operations moved to the watch phase of our CAT plan. On 08/25, it looked like Florida was going to be certainly impacted down in the Keys area. We moved to the imminent phase of our catastrophe plan. On 08/29, the tropical depression number nine was named with a potential landfall in Big Bend, Florida. On 09/01, Hurricane Hermine was named a category one hurricane. On 09/02, we saw landfall near St. Marks,

Florida, and on 08/03, Citizens begin its initial response. To date we have received 776 claims. We have inspected 507 of those claims. We have closed 118 claims. To date we have paid out an indemnity of \$70,754. A couple of just cycle time measurements that we look at, from the date that the claim was reported until we assigned it to an adjuster, it is averaging .72 days. Our report of the claims to make first contact with the insured is averaging 1.73 days. Our report of claim to closure of the claim is averaging 5.3 days and our current pending of what is left open is averaging 7.9 days.

Governor, that is really what I had for an update.

CHAIRMAN SCHINZ: Jay, I want to thank you and I also I want to thank you very much and commend your department for keeping us up to date as I got the e-mails as you sent them out on the update on the hurricane and for your -for your CAT team's response which is just fantastic.

Anyhow, with all of that being said, thank you once again.

Does anyone else have any comment or questions of Jay?

MR. ZELMAN: Yes, this is Phil Zelman. I do. Were all claims reported direct or did we have any third party?

MR. ADAMS: I would say the majority of them were reported either by the agent or the insured. As of Wednesday last week, we had three claims that had some type of representation, whether it be a public adjuster or a plaintiff attorney.

MR. ZELMAN: Wow, that is pretty impressive.

CHAIRMAN SCHINZ: Isn't that great.

MR. ZELMAN: Well, I take a look and say the area of the state where this occurred was a very positive situation for all of the insurance companies in that respect.

MR. ADAMS: I will tell you that from a mix of business perspective of where our claims are, we have received 63 percent of the claims from the Tampa market and it is really a little north of Tampa.

Leon County is where really the eye made landfall. We have only received 18 claims there, and believe it or not, in tri-county we received five percent of the total claims for Hermine from that marketplace.

MR. ZELMAN: Wow, we really didn't see much down here. I am sorry, a major weather event. Okay, thank

you.

MR. ADAMS: You are welcome.

CHAIRMAN SCHINZ: I have one more question with what you just brought up. The five percent that were in tri-county, how many of those were represented?

MR. ADAMS: I am not sure at this point, Governor Schinz. I know that only three of the 716 are marked in our system as having representation at this point.

CHAIRMAN SCHINZ: Okay, but I was just curious whether, and I think it was at five or five percent were from tri-county.

MR. ADAMS: Five percent.

CHAIRMAN SCHINZ: I was just curious how many of those were represented. That would be an interesting picture for us. Was there any other comments or questions of Jay?

MR. ZELMAN: No.

CHAIRMAN SCHINZ: All right, with that being said if there is no other questions I am going to turn the floor over to Christine who is going to give us an update of Call Citizens First with several sub paragraphs there. So anyhow, Christine, the floor is yours.

MS. ASHBURN: Thank you, Mr. Chairman, and good morning members of the committee. As you all are aware with some of the conversation we just had with the representation at first notice of loss and the loss reporting date timelines that we have seen flipping in the water arena, specifically in the tri-county area, we have embarked on a major campaign under the umbrella of Call Citizens First which of course involves policy owner outreach, agent outreach, our legislative and cabinet industry stakeholders, media outreach and our awareness component.

To really focus on getting our customers to call us first after a loss, and I am so happy to hear that at least with the hurricane claims it sounds like the majority of those per Jay at this point have come in from either an agent or a customer. So I would like to think we are having some success in that arena.

So I won't belabor you with a lot of the details on the things we have talked about before, but I wanted to

update you on some new things that we have gotten implemented, things that were pending prior to this meeting that we have got for you.

And most importantly, and I apologize for the late arrival of your e-mail last night and I have just been notified, Chairman Schinz, but Governor Brown is on the call now.

CHAIRMAN SCHINZ: Good morning, Bette.

MS. ASHBURN: I believe we have Bette. Are you with us now? Okay.

GOVERNOR JAMES: Sha'Ron is also on the call.

MS. ASHBURN: Great, wonderful, Sha'Ron, thank you for joining us.

CHAIRMAN SCHINZ: Hello, Sha'Ron, welcome.

GOVERNOR JAMES: Thank you.

MS. ASHBURN: So most excitedly what we want to share with you today and I apologize again for the late arrival of this document, but it was literally hot off the press as of yesterday, being finalized with text updates through our internal process that was slowed down when we were out of the office for the hurricane and with graphics updates. A new assignment of benefits, pamphlet, that brochure that will be starting in November will be sent to all personal lines policyholders with the exception of mobile home will receive this brochure in their policy packets that explains what an AOB is, what happens when an AOB is assigned, likely scenarios that might -- where they might encounter AOBs, pitfalls, associated costs and some fraud red flags.

We are very excited about this brochure and hope that you all find it helpful and useful, and like I said, for all new and renewal policyholders it will begin in policy packets in November. It is also available or will be, it probably hasn't been put up, it will be available in the learning section of our website and we will, of course, be willing to send this to our agency partners at our own cost to get those into those offices in those areas where -- where anyone is interested in having them for their customers when they come in for the point of sale. Again, also we will be, we have implemented that when there is an agent of record change the customers will receive an updated policy or ID card and with their updated declarations page, that was a

new systems enhancement that has just gone in this month.

As you are well aware, we are sending direct mail postcards to H-03, H-06 and DP-3 policies reminding them with about the policy changes related to emergency repairs and the \$3,000 stop point where we need them to contact us and to not make permanent repairs. I know you all have seen that, but included in your books is a copy of that postcard in Spanish language that we have made available on our website and have also reached out to some of our agents and have sent postcards to them so they can do direct mail to their Spanish speaking customers. So we are very happy about that.

Since February, all new and renewal policyholders have been getting the ID card as we spoke about. Agents are able to provide a sample ID card with a claims reporting hotline at the point of sale until they get the personalized one that comes in the mail. All of this is aimed at reminding folks how to get ahold of us in the event of a loss and, of course, we have this both available, the sample cards are available in both the agent and customer persons of our website. We have been working with our agents to remind them about the Call Citizens First campaign. We have made this what we call the Call to Action, Call Citizens First postcard available in both English and Spanish. You have had a copy of that in your books that we are sending to agencies. We are using it at all of our outreach events and making those available by request to Sara Golden. Anyone can call us or e-mail us and ask us for those and we are happy to send those out.

We have got a whole resource kit on our website for the agents. We have continued -we have continued to work with our legislative and cabinet industry partners on, you know, working towards the legislative session which is a whole other bucket and making our materials available to anyone who wants to use them. We did a webinar, a webinar with our legislative district offices. This was the first time we have ever done this, to educate them on the policy form changes when those went out. We had a great response from that and in fact are looking to do follow up webinars in a regional fashion with district offices for all of the legislative aides and staffers on the rates once those are approved which I think is coming anytime now and we will do those regionally because the regional impact of the rates and the reasoning's for rate increases of course vary region by region around the state, and of course we will be able to talk about water during those, the

impact of water and the need to get customers to all us first.

Ongoing media outreach, of course, premium dollars that was put together for the rate increase that is referenced in the AOB brochure talking about what these issues are costing us that we are spending more than a dollar a premium on average than we are taking in because of what we are seeing in the water and AOB space. And of course, a continued focus on fraud awareness and outreach with Joe Theobald with his team and working with our partners at the Division, the Division of Insurance Fraud at the Department of Financial Services and, of course, our ongoing public broadcasting station partnership and sponsorship for this season where we are actually able to hit 90 percent of @13:35 (inaudible) and since we have had some storm activity we are actually seeing more benefit and more frequent usage of our sponsorship than we would have throughout the season without activity, because if we go into alert and response mode with the new channels reminding folks about with the tropical updates, those become more frequently, we actually have an active thumb in the box, which as we know, unfortunately we have had some of that this season so far. And Mr. Chairman, that concludes my report and I am happy to answer any questions.

CHAIRMAN SCHINZ: Well, does anyone have any questions for Christine? And thank you for the thorough report, too, Christine. I am very grateful and so is the State of Florida having someone like you and your team being on top of this. Does anyone have any questions or comments?

MR. ZELMAN: This is Phil Zelman, again, Governor, and I do have a comment to make. There is a situation that came up recently with one of the insurance companies making changes to their -- their agent compensation on all of their depop policies which was against the contract, and Citizens really stepped up to the plate when they were notified about it and brought things back to a reasonable situation.

And my personal feeling was it really helps the depop situation when Citizens is there to back up the agents.

CHAIRMAN SCHINZ: Thank you so much for your comments, I echo the same sentiments. Does anyone else have any questions for Christine or any comments on her report on the AOB and the call of action in the Post Gardner website, which I think that the website is looking fantastic. So good job to the graphics team and to the staff and the lawyers for reviewing.

MR. ROKEH: Chairman, this Greg Rokeh with the District. A quick question for Christine.

CHAIRMAN SCHINZ: Please, go ahead.

MR. ROKEH: Christine, do you sense that there is -- that there is some building momentum among different organizations and different players around the state that -that this in fact is a year that the Legislature needs to dig into this and really try to accomplish some meaningful change?

MS. ASHBURN: Sure, Greg, thanks for the question. I do absolutely see the momentum shifting. Most recently and most surprisingly in a great way we saw a very strong op ad opinion piece from the Palm Beach Post on the need for the Legislature to do something on this.

And then as a follow up to that very, in the last week or so, an entire op ad out of the Miami Herald on insurance issues with flood and other things, but also they did touch on assignment of benefits and the issues there and the need for the Legislature to get involved.

You know, that being said, I know the realtors have kind of weighed in that they believe that this is a priority. I know other consumer organizations have done the same. Of course, the industry has been calling for that with the consumer protection coalition for the last year, we are a part of that. So, yes, I do believe the momentum is building. What is so hard to answer right now is, of course, this is a very tough issue to face and to get consensus on that I think is going to be a big hurdle for us. I am excited, though because Barry, with the leadership of the Board really has decided that we should take an even stronger leadership role than we did in previous sessions on this. So that we are really going to work to try to build a coalition.

I know that there are others, I am hopeful including the Office of Insurance Regulation and I know the consumer advocate, Sha'Ron James, who is on this call has also with her -she has done some great research and had forums. I do believe the momentum is building, you know, but we also were faced with a workers' comp crisis and some court cases there and that will likely or potentially at least crowd some space in the insurance realm this session. So I think a lot of what will happen here will depend on with what is going on with workers' comp, and if anyone else, Sha'Ron or Barry wants to add to that I am happy to have any other feedback.

MR. GILWAY: Yes, Christine, Barry Gilway for the record. The only thing that I would add, I would agree completely with Christine. I am seeing some very, very strong evidence that many of the associations, many of the companies are committed to a much more aggressive stance this session.

I believe that the success is going to be very dependent upon the ability of Citizens to work very, very closely with other companies and the associations and all the parties. I think the key is going to be putting together a very, very strong coalition that -- that really brings the whole industry together.

I would agree also with Christine that the op ads in the Palm Beach Post, the Miami Herald and I believe even though day the comments in the -- from the Sun Sentinel are all really starting to make a very, very strong case, you know, regarding the need for immediate reform. So I am very optimistic that we can make some real progress this year.

GOVERNOR JAMES: This is Sha'Ron James for the record. The only -- I would definitely agree. The only thing I would add, I think that the great thing is that there appears to be some consensus growing in terms of the need for reform, and I think Christine may have touched on this some.

I think some of it is going to boil down to what that solution looks like, and over the past several years that we and others have worked on this issue, it really has boiled down to that. So I am hopeful that we and others will be able to work together to craft a solution that the Legislature can agree upon.

So there is consensus around the issue. I know it is a major issue. I know it is a major issue for CFO Atwater as well and I think it is really going to boil down to what that solution looks like.

CHAIRMAN SCHINZ: Any other questions of Barry or Christine or any comments?

GOVERNOR HOLTON: Mr. Chairman, Jim Holton. I would like to add also, I am hearing from a lot of folks in South Florida, too, that there is a potential unlikely ally in this and that is the members of the Trial Bar, because what is happening is an unintended consequence of all of the water claims down in the tri-county areas. There is a backlogging of the dockets in the court systems, almost comparable to what happened with the mortgage foreclosure crisis. So I think you are going to see a lot of people jump on this bandwagon because of the inefficiencies that are created by all of these claims and the court systems down there. So with all of the folks

working on that, with the Legislature, they are aware of this, too, and they are getting calls from constituents as well as prominent lawyers and court officials saying you have got to do something about this because this is really tying up our court systems down in those circuits down in the Miami-Dade and Palm Beach areas. And I don't know, Christine, whether you have talked to any of those type lobbyists from the League of Cities or, you know, the courts, you know, in your interactions in Tallahassee at, but that is someone to potentially reach out to as well. MS. ASHBURN: Absolutely, the list of stakeholders is long and deep, and we will definitely make sure they are on our list.

CHAIRMAN SCHINZ: And I agree with you, Jim. This is just putting a real strain on the court systems in the tri-county areas, backing up the cases that have much more meaning than these AOB cases, and I hope the Legislature will react accordingly.

And if there is anything that we need to do, Barry, you know, from the Consumer Services and/or from the Board of Governors if you could give us any recommendations we would appreciate that.

MR. GILWAY: Yes, Chairman Schinz, we most definitely will be reaching out to members of the Board. We have offers from many Board members to -- offer of participation on visits to, you know, key legislators, you know, when we start the process of really, you know, socializing the issue and trying to build some consensus as consumer James indicates. So most definitely we will keep you, not only keep you informed but look to you for guidance and for assistance in getting this message out.

CHAIRMAN SCHINZ: And we are all willing and ready to do that. With all of that being said, thanks a lot, Barry and Sha'Ron. Thank you for your update, too, that was great, and Jim, your comments and everybody else, Phil and everyone else who has commented.

Are there any other comments or questions of Christine before we move on to new business? With that being said, and the new business I think everybody got an e-mail late yesterday afternoon on some update on the - on the attorneys in the AOB and what they are costing and then how many there are.

It is -- I haven't had enough time to study it in-depth even though I have looked at it. And I am just going to ask Barry or Christine to give us a very brief update because I don't think any of us are prepped enough on it

yet. And if there is a lot of further comments we can talk about them at the BOG if you prefer. But I think just looking at it at a glance, you know, especially if you look at slide two and then you compare 09/30/2014, at 735, versus 283 and the 09/30/17, it is just absolutely, absolutely amazing, and this water loss is -- is a major problem and I think we have discussed that already, but once again, I echo everybody's opinion that we need to bring this to the Legislature to their attention so they understand, you know, basically what, what the legal, the impact on Citizens customers, because it is not only Citizens but the other insurance companies also.

So with that being said, if there is any -- before the questions, Barry, would you mind going ahead and giving just a very brief overview or is Christine or Jay going to do that for us?

MR. GILWAY: No, I will do that, Chairman Schinz, thank you for the opportunity. The presentation that you have here is relatively short presentation. There will be an extensive presentation provided by Jay in the President's remarks section of the Board meeting, and he will go into some detail on litigation in general and the overall impact of litigation. But for the moment let me just hit on a key, a few comments on the slides that are provided here. It is appropriate we discuss it here because the approach of this presentation is to simply show you the impact that this is having on the consumer.

So if you go to slide one, these are taken directly out of our -- out of our rate hearing package, and this simply shows that the actual loss costs are, you know, climbing dramatically and that they will continue to climb dramatically unless there is some effective reform, you know, in the next legislative session.

What this is really showing is that, excuse me, by 2017, you have got loss costs per policy in excess of \$2,000. Now, that relates to, you know, an average premium overall of \$2,800. So this is really saying that on an average premium of \$2,800, over \$2,000 is simply -- that \$2,000 actually is for water loss, non-wind water alone, just for that one cause of loss.

If you go to the next slide, this -- there is three presentations. One is simply showing that litigation, percentage of water claims that are litigated is increasing each year. The second slide is showing that the severity is remaining relatively constant. However, this is intended to show the difference between litigated and non-

litigated claims settlement costs. So for example, in 2015, if a claim is litigated then you have almost \$34,000 average claim. If it is non-litigated, that same number is 5,800.

The final, on page 3, the final graph basically shows the percentage of litigated water claims and also as a presentation on the representation of first notice of loss.

So here what we are showing is that, you know, back in 2012, only 9.7 percent of all the claims had an AOB. By the end of '15, 55 percent had an AOB. It also shows that back in 2012, the representation of first notice of loss is only 2.4 percent, whereas at the end of '15, 76.1 percent, you know, had representation.

If you go to the next slide, this is what -- this simply shows where it is happening. I mean, this is basically a -- not necessarily a tri-county area, it is a bi-county issue. It is Miami-Dade and Broward, you know, primarily, and this is showing the number of suits year to date, you know, by county. And clearly at this point in time this is primarily a Miami-Dade, Broward and to a lesser extent, Palm Beach issue. And unfortunately, we set a new record in August at Citizens. I believe, Jay, that numbers is 1,156 claims, excuse me, suits, new suits in one month. So that is a staggering number of suits coming in the doors and through all of this at least it has not slowed down.

I believe the two, the next two slides, Chairman Schinz, are the ones that I believe you are interested in showing. If you take a look at the total water suits, it basically shows that the top 13 plaintiff firms in the state are responsible for 50 percent of the total water suits.

And it is even more dramatic if you go to the next page and look at AOB, because in AOB we really have a situation where the top 11 firms are responsible for 60 percent. That is a full 60 percent of all the litigation. So this is a -- this also truly a cottage industry.

If you go to the next page it is really showing the fact that more and more of these firms are getting involved. You have got 30 firms indicated here for Citizens that have -30 firms have over 50 suits year to date, which to me is just an incredible statistic.

If you take a look at the next slide, what we are -- what we are doing here and what our SIU organization does is they pay very close notice of the restoration companies that are submitting suits. And what this basically shows is that you have got 20 restoration firms year to the date that have more than 20 suits.

So this is not only a situation where we have select attorneys that are using this as a real opportunity, but you also have select restoration firms that are also engaged in this as their primary activity, and that is huge.

The consumer impact is really shown on the neck couple of slides. And Ms. James, you know, is working with us on taking a look at the claims response times, and I think the unfortunate result for the consumer is really shown on page 9, excuse me. If you take a look at this, this is, if you look in the southeast what this is showing is that if there is an AOB on the file, then 86 percent of those claims are still open at 121 days. So there we are with four months after the claim and the claim is still open because if there is an AOB. Statewide it is almost as bad, it is 84.7, but of course, the vast majority of the claims are in -- are in the south, in the southeast.

The final slide I have here is really the effect of litigation. And the AOB numbers obviously correlate very, very closely to the litigated numbers and this is simply showing that in the southeast 98 percent of all the claims are still open at 121 days, 98 percent.

So the impact on the consumer, you know, is dramatic because we cannot, you know, work towards an effective settlement with our consumers with the number of litigated cases that we are handling.

So this is just, this will delved into in much greater detail, you know, by Jay Adams, Chief Claims officer at the Board meeting, Chairman Schinz, but this just gives you a high level impact of what is happening from a litigation standpoint.

It is not slowing down, in fact, it looks like it is speeding up, and by the way, as I read the press results for Heritage this morning and other companies, they are all reporting, you know, similar results, you know, and really focusing their rate increases and the reason for their rate increases on the increased non wind, water claim activity.

So that -- that -- if is there any other questions, Chairman Schinz, I would be happy to respond and I have Jay here with me and he would be more than happy to respond, also.

CHAIRMAN SCHINZ: Well, I want to thank you both for putting this together so quickly. I just wanted to -- our committee to have this information before the BOG in a couple of weeks so they can see what an impact to the consumer, to the consumer, what this water litigation is happening.

And also at the same time, if they wanted to reflect that it is a boutique suit, you know, a group of lawyers that have targeted had this area to use the word you coined, Barry. So anyhow, I just think it is important for our committee and for the BOG to understand when Jay brings it up in the Claims Committee meeting in a couple of weeks, you know, that this is a boutique, you know, targeted lawsuits that are happening in the tri-county and they are affecting every insurance company in the state of Florida which means it affects every consumer and every citizen of the state of Florida.

So anyhow, I am very happy that you brought this information to -- to everybody. And does anyone have any comments or questions of either Jay or Barry? And once again, good job. Thank you guys.

Well, if there is no other questions is there any new -- any other new business to bring before the committee?

Mr. Rokeh: Governor Schinz.

MR. ROKEH: This is Greg Rokeh, let me -this is Greg Rokeh, let me ask, if I can have a question for Barry here. Barry, could you see a situation where if this -- this is not curtailed or fixed in some way, that Citizens could potentially be forced to levy an assessment in order to -- that this could eventually hit reserves bad enough that it would require an assessment?

MR. GILWAY: Can I see that scenario existing, yes, absolutely. You know, we run, we are required by statute

to run three independent programs, and, you know, while we -- while we are very strong currently from a surplus standpoint, if this is unchecked, you know, you will absolutely see a hit to surplus, you know, in the next few years in not only in the -- in the PLA, but also in the commercial and coastal, you know, programs.

So most definitely. I mean, we are -- the issue here is right now we are spending about \$1.12 for every dollar we pull in, you know, in the -- in the PLA, and that is just going to get significantly worse. I mean, in the rate hearing, you know, we clearly showed that, you know, last year I think our indication was a 186 percent and this year it was in excess of 300 percent. So the -- what would cause an assessment is a hit to surplus, you know, to the extent that, you know, that we could not cover that one in 100 loss year should it occur. So it is a good question, and I think a good observation and most definitely I think this has to be fixed in our opinion. The short term issue is, and I have said this many times, the short term issue is that the consumer, as a result of a relatively few attorneys, and some contractors that are taking advantage of a situation, they are going to pay increased rates not only for Citizens, but for virtually all of the companies operating in Florida over the next few years.

So the immediate impact is going to be a hit to the consumers' pocketbook and, you know, even this morning looking at some of the proposed rate increases that showed up in the Sun Sentinel article, you got many, many companies that are basically planning on rate increases anywhere from eight percent to 15 percent.

So this is going to hit consumers' pocket book directly and unfortunately it is going to impact the consumers that are not putting in these claims. So I think good observation and unfortunately I have to agree with your assessment.

GOVERNOR JAMES: Governor Schinz, as a follow up if I may ask President Gilway, do you mind having John Rollins get with me on that? I really would like to see the time frame, potentially your time frame that we may be looking at in terms of your response to the assessment question.

It is my understanding that there are several layers of protection before we get to that point. So I would really like to have a really good understanding of what the losses would look like and/or what time frame we are looking at, because consumers get very concerned and Floridians get very concerned when we

begin introducing the idea that we could have potential assessments.

So I just want to have a better handle as I going forward, have a better handle on the time frame and what the losses should look like or needs to look like before we get to that point.

MR. ROLLINS: Ms. Consumer Advocate, this is John Rollins, I have been dialed into the call and I have heard your requester. I will be happy to follow up with you. And everything is as President Gilway says and the mechanism by which we can re -- by which assessment risk could re-emerge is primarily through the hit to surplus as he put it, which would impact our reinsurance budget, which would, in turn de-leverage our ability to handle a significant hurricane.

MR. GILWAY: And I do -- again, for the record, Ms. James, Barry Gilway. I do want to clarify one point. This is my response to Mr. Rokeh is that it is most definitely possible. It is not imminent, you know. We are in a very strong, you know, surplus position, very strong surplus position.

So it is most definitely a possibility should the trends, you know, go on unchecked over the next few years. However, it is most definitely not imminent, and I -- I would -- I think discussions with John I think and to really -- he will do a fantastic job of showing you when and if and under what circumstances that an assessment would occur.

GOVERNOR JAMES: Great, thank you so much.

MR. ZELMAN: Mr. Chairman, it is Phil Zelman. Just another comment dealing somewhat in this area, and something that I don't believe consumers understand. Is when they do have claims of this nature and they go into lawsuits and there are water damage claims, they are very limited as to the other companies that are going to write a new policy for them and if you have too many claims, Citizens won't write a policy for you. So there is an aspect here that doesn't affect Citizens, per se, but it affects the industry, and that is what these claims are doing to the individuals, themselves that they don't realize until they need to find new insurance. So there are a lot of underlying issues here that -- that are hurting the consumers, but it is just a comment I wanted to add.

MR. GILWAY: I would agree, Phil. I think the people do not understand that most -- that are many Florida

domestic companies that have a position that if there is a water loss, any water loss, then they will not write your policy. Citizens is unique in that we, you know, by statute are required to be much more flexible than the balance of the marketplace. But there is no, there is no question at this point that the market is becoming much more restrictive.

MR. ZELMAN: And I believe Citizens has a three claims rule.

MR. GILWAY: That is correct.

MR. ZELMAN: If you have three claims within a certain period of time Citizens is not required to write your policy.

MR. BITAR: Yes, three claims in 36 months for non acts of God. Steve Bitar for the record.

MR. ZELMAN: So, you know, there are a lot of underlying situations here that people are just really hurting themselves. We try and inform the clients, but, you know, sometimes we are the ones being informed by the companies that a claim has been filed.

CHAIRMAN SCHINZ: And I think that, this is Freddie Schinz, and I agree with what you are saying, Phil, but I think that the Call Citizens First that we are sending out and the blasts that we are giving them may have an impact. I hope it does, because like you said, they are just not aware, they just don't understand that, that the AOB, you know, doing it and getting representation is not only hurting them, but it is driving the insurance costs up and it may put them in a position where they cannot get insurance. They just are unaware and we have got to educate them.

MR. ZELMAN: And I don't believe it is Citizens job to educate them in this particular area. Citizens does an awful lot of educating to both consumers and agents and legislators at this point. But the media needs to pick up on this in a proper way which it looks like they would like to go ahead and entertain a motion to go ahead and are starting to do.

CHAIRMAN SCHINZ: Great. Any other comments?

MR. ZELMAN: No. I am good.

CHAIRMAN SCHINZ: No other comments then I

GOVERNOR JAMES: Governor Schinz.

CHAIRMAN SCHINZ: Pardon me?

GOVERNOR JAMES: Governor Schinz, this is Sha'Ron James again. Before you adjourn the meeting, this is my first opportunity to kind of share this with President Gilway and his leadership.

But I wanted to commend them on their -the support they provided to their employees during Hurricane Hermine. It is my understanding that they loaned generators and did other things that really was superior in terms of the support they provided to their team.

So although it is not a Consumer Services issue, I live here in Tallahassee and recognize the impact that Hurricane Hermine had on our community and wanted to commend Citizens for their support.

CHAIRMAN SCHINZ: Thank you very much.

MR. GILWAY: We thank you, Ms. James.

CHAIRMAN SCHINZ: And I think that the home entire committee feels that way, too, fantastic job.

Are there any other comments or would anyone like to make any other -- or have any other questions for any of the -- any of the members on the Board? If not I will entertain a motion to adjourn.

MR. ZELMAN: This is Phil Zelman, I will make a motion or I will second it.

CHAIRMAN SCHINZ: Do we have -- I didn't hear, did we have a motion and a second?

GOVERNOR HOLTON: Yes, Jim Holton. I will make the motion to adjourn, Chairman.

CHAIRMAN SCHINZ: Thank you, Jim, thank you, Phil. Thank you, and I look forward to seeing everybody in a couple of weeks in sunny Orlando.

And therefore this meeting has been adjourned and thank you, everybody, for your time and your dedication to this meeting. Thank you.

GOVERNOR JAMES: Thank you.