

CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE CLAIMS COMMITTEE MEETING Thursday, November 21, 2024

The Claims Committee of Citizens Property Insurance Corporation (Citizens) convened on Thursday, November 21, 2024, at 1:00 p.m. Eastern.

The following members of the Claims Committee were present:

Scott Thomas, Chairman
Josh Becksmith
Jason Butts
Jon Palmquist
Jay Adams

1. Approval of Prior Meeting's Minutes (September 12, 2024)

A motion was made by Governor Butts and seconded by Mr. Palmquist to approve the September 12, 2024 minutes. All were in favor. Motion carried.

2. Strategic Update

Jay Adams: I'd like to spend a few minutes today and talk about the 2024 hurricane season. I plan on doing a pretty significant debrief of this at the full Board meeting, so I'm just going to highlight some numbers. For Hurricane Debbie that made landfall in August, we've received 3,033 claims as of yesterday, and we have a closing ratio on that storm for about 87 percent. Hurricane Helene made landfall on September 26. We received 14,253 claims for that storm. We're about 90 percent closed on that event. Hurricane Milton made landfall on October 9. We've received 54,554 claims to date, and we're about 74 percent closed on that event.

And I want to transition and talk a little bit about some articles that have been in our newsclips here this week, and the titles of these articles go something like "Citizens Insurance had the worst rate of paying Floridians' claims, half of the people got nothing," and so forth. And I want to spend a few minutes and talk about that. So, some of the facts are misleading in the articles that I've seen. So, one of the things that I talked about at the September board meeting was I had a concern about the events that had occurred so far, that we were going to see a large number of closed without payment. And what I mean by that is these could be claims that are less than the deductible. So, being a hurricane, the hurricane deductible was deployed for all these claims and those deductibles range anywhere from 2 to 10 percent of Coverage A. So, they're pretty significant deductibles. There may not have been any coverage, right, for whatever reason. The policy may not have been in force at the time. It could have been a flood or storm surge. The HO-3 policies, none of the policies that Citizens writes includes any type of flood coverage. And as we discussed at the Board, FEMA often requires a denial from the homeowner carrier prior to them getting significantly engaged in their process.

Citizens has a lot of No Policy In Force, and that's kind of a strange acronym for most insurance companies. And the reason for that is Citizens has a depopulation program. So, if a carrier came in and depopulated some of the policies that were involved in one of these storms, that particular carrier, after they assume the policy, is responsible for

the claim handling. So, a lot of the policyholders get confused during the process and they will submit a claim to Citizens. We investigate that, determine that the carrier is X, we notify the insured that they need to contact that particular carrier. Well, all of those types of things show up in our closed without payment numbers.

So, another thing about these storms, Hurricane Debbie and Helene, although they did not make a landfall in the West Coast of the Florida peninsula, we received claims for both of those, and all of those claims were primarily related to storm surge; again, something that's not covered under Citizens' policies. No hurricane force winds from either one of those events made landfall on the West Coast of Florida. Then we had Hurricane Milton make landfall, and it was reported that this was a Category 3 event with 110-mile-an-hour winds. I believe that this storm fell apart before it made landfall. I went out and did damage assessments across all the landfall areas and across the entire state. We found very few homes that had any type of wind damage, and didn't see significant damage that would be structural unless a tree or something like that fell. Now, I will say with Hurricane Milton, we received, I believe, 137 tornado warning alerts in advance of Milton making landfall. Now, those warnings had embedded winds in them that you might call them straight line, you might call them downdrafts, you might call it tornadic. There are pockets across the state that did get some pretty significant wind damage, but, again, not to the point that it's knocking homes off foundations, ripping the structure apart. We didn't see any of that as we did our inspections.

So, you know, it makes sense from a Citizens' perspective that we will probably have more closed without payment claims than many of the other carriers. These articles talked a lot about denials. A lot of these claims have not been denied. Now, the ones that have strictly flood or surge damage, they strictly are denied claims. Many of the others were covered claims, but they fell under the deductible limit, as I spoke about earlier.

So, you might say, you know, "Is there truth behind Citizens probably has the highest closed without payment rate?" I think that's probably very factual, yes. Well, why would that be? Well, Citizens is the insurer of last resort. We are writing the most risky policies in the state. We are the ones that are writing the coastal homes. We're the ones that are writing the wind-only coverage. And all of these policies have very high All Other Peril (AOP) deductibles, so if it was not a hurricane, it would fall under the AOP, and those deductibles are probably higher than some of the other carriers that are writing across the state, which again, the loss may fall under that amount, and then our hurricane deductibles, I would venture to say, are also probably more substantial than a lot of the other carriers. So, I just wanted to try to bring some clarity to that.

I'll also say that Citizens is highly regulated. We are under some type of state-backed audit almost consistently. So, the Office of Insurance Regulation looks at our claims, we have market conduct studies that are done, and we very seldom have any significant claims issues. If we were incorrectly paying claims or denying claims that should have

been covered, they have the right to fine us and there's all kinds of statute things related to those types of activities. And we come out with pretty good grades all the time for those claim handling. And I really just wanted to set the record straight for what is going on here at Citizens. And with that, Chairman, I'll pause and see if anybody has any questions.

Chairman Thomas: Certainly. Glad to open the floor up for any members of the Committee. Any questions about that?

Governor Becksmith: Jay, can I ask just a quick generality question? Thank you for clarifying that, because I do think that a lot of information gets out there and probably is not, not that it is written incorrectly, but maybe all the facts aren't out there. But by chance, do you know and if you don't, we can talk about it at the Board meeting, but the rough percentage of the claims that actually came in that fall into one of those three buckets, whether it be a flood, fell beneath the deductible, or the policy truly wasn't in force because XYZ carrier took it out or is a storm surge? I mean, is it 50 percent? I mean, what's the number, do you think?

Jay Adams: Well, I can tell you this, so I don't have at my hand right here to give you anything other than those that were denied by flood, and then I can give you the closed without payment total. So, for example, with Debbie, 74 percent all closed without pay when we look at it in totality, and 7.6 percent of those were flood denials. For Hurricane Helene, we have 68.5 percent closed without pay, and 23 percent of those are flood denials. And in Milton, we have 44 percent closed without payment total and 2 percent flood denials on that.

Governor Becksmith: Gotcha. Yeah, so a pretty good chunk. And just to reiterate the comment that was made at the September Board meeting and then also what you just made, if I have a loss and I'm a homeowner and I'm trying to get flood coverage for this flood, I have to have a denial from that primary carrier, and so the fact that you guys are able to react as quickly as you were enabling to help get those denials to those homeowners, I think, is probably being lost a lot in context.

Jay Adams: Right.

Governor Becksmith: And I know from the updates that you all gave to the Board and to the various committees, you guys were on top of it. So, I want to say thank you for that and thank your team for that, too.

Jay Adams: Yeah. Thank you. It's totally a Citizens team effort.

Governor Becksmith: Yeah, absolutely.

Jay Adams: It takes an army to get this done.

Governor Becksmith: Absolutely. Thank you, Mr. Chairman.

Chairman Thomas: You bet.

Mr. Palmquist: Mr. Chairman, I had a question as well.

Chairman Thomas: Go ahead, Mr. Palmquist.

Mr. Palmquist: Jay, on the percentage closings that you mentioned, do those include -- I'm assuming they include the CWPs, correct?

Jay Adams: Yes, Sir. So, the closing percentages that I gave, the CWPs are included in that number.

Mr. Palmquist: Do you have what the closing percentages would be without the CWPs, just closed, normal claims? And if you don't, that's okay. We can cover it later.

Jay Adams: So, I do have that, but I do not have it in front of me, Jon. I can put that together in an email and send it to you if you need it.

Mr. Palmquist: That would be great.

Jay Adams: Okay.

Mr. Palmquist: Thanks, Jay.

Jay Adams: And, Chairman, before I close out, I was so anxious to get started on this, I failed to say that we will not be having any other formal presentations that we're going to present for the remainder of our Claims Committee today.

Chairman Thomas: Okay. We'll address that. I want to make sure this is clarified or clear on the record. With respect to policyholders and their deductibles, is this a per occurrence deductible or a calendar year deductible?

Jay Adams: So anytime the hurricane deductible is invoked by statute, the calendar year deductible applies. So, if you were unfortunate to have all three hurricanes and have a claim, then your hurricane deductible would only apply one time. So, it would aggregate across every claim.

Chairman Thomas: So if you have the first storm and you submit, and we want you to, you submit a claim, and we don't pay it because it's within your deductible, we obviously track and account for that claim, and so if you're in the Panhandle or West Coast and you have multiple claims "credit" may not be the right word for it, but we are accounting

for that, and even though it's not a paid claim, we are accounting for that as part of their calendar year deductible, and so that if they unfortunately have a second or third claim, now they're over the deductible. If we didn't do that, if we didn't encourage that claim to be made, there'd be no way to account for it. If we said, "Look, it's below your deductible, walkaway, don't submit the claim," that's actually to the detriment of the insured considerably.

Jay Adams: That is absolutely correct.

Chairman Thomas: Okay. Jay, did you have anything else for us? I know you're going to give a much larger presentation, I believe, at the Board itself.

Jay Adams: That's correct. That's all I really wanted to cover today. I just wanted to give the Committee an update on the claims volume and address this issue because it seems like it's very prevalent in the market today.

Chairman Thomas: Thank you much.

Jay Adams: Thank you.

Chairman Thomas: And it's frustrating, you know. I look at news clips, I see the story, you know, the headline, the first sentence I think it described it as we had the worst record on paying claims.

Jay Adams: Right.

Chairman Thomas: That's horrible and that's just not accurate.

Jay Adams: Correct.

Chairman Thomas: To associate open without payment with denial of a legitimate claim is pretty irresponsible, in my view. I appreciate the clarification.

Jay Adams: Sure. Thank you for the opportunity to speak about it.

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

Chairman Thomas: We'll move on with the agenda. So, we're not going to have a formal presentation for either the Non-Litigated claims with Craig or the Claims Litigation with Elaina, but I believe they may be available if anyone has a question from the materials provided on that. Certainly, happy to open the floor up for any questions for either Craig or Elaina.

Mr. Palmquist: I thought it was interesting to read about the claims reported and that are being referred to the Department of Administrative Hearings (DOAH). What, and it may be too early to tell at this point, but what are you seeing? What kind of results are you getting on those?

Elaina Paskalakis: Well, I can tell you we've sent over. Just to give you some context to date, we've sent over about 260 claims there, and there's still about 196 of those pending, so roughly 63 have resolved. But the vast majority are resolving through voluntary settlement with the insured. So, it's actually helping in that it's helping us be able to resolve claims without even having to really litigate in the DOAH system as well. So we have, I'm just looking at my data right now, roughly 75 percent have settled in one way or another in agreement with the other side for those that we've sent to DOAH. We've had just a handful actually go to a hearing, and we've only received about four or five results back from that as well. And then we have also had about 24 percent in which the insured has chosen to just voluntarily withdraw their dispute.

Mr. Palmquist: That's good. If you could keep us advised as this goes forward, I think we'd love to hear that.

Elaina Paskalakis: Absolutely.

Mr. Palmquist: Thank you.

Chairman Thomas: Elaina, maybe I'm wrong on this, but that certainly seems to me to be, I would say, a more successful rate of settlement in terms of how quickly we're resolving, not just the number, but how quickly. Is that a function of the compressed timeline with DOAH versus you file a case in a civil action and in state court of Florida, it can just sit? It sits, and even when they try to do case management issues because of post-COVID, they just sit forever and there's no format, timeframe, to push these things to resolution. Is that part of what we're seeing?

Elaina Paskalakis: Absolutely. So, I can even tell you that the average day to closure from the day that we invoke DOAH or the insured invokes DOAH to where it's completely just done is 76 days. But you compare that to the state court system, and because of the volume in state court, that is 624 days. So, this is absolutely a benefit to our insureds that they're getting a resolution much more efficiently and much quicker.

Chairman Thomas: 78 days in the state court system is hardly the case at issue. Filing of a complaint, service to process, 20 days to answer, probably an extension of time to answer. And so, I mean, you're really talking about wrapping cases up for the benefit of both us and the insured on a timeframe which is astronomically quick compared to what you get in the state court system.

Elaina Paskalakis: Absolutely.

Chairman Thomas: Do we have any issues? This does seem like a fairly high number. Are we okay with DOAH? Are we getting any feedback that we are over capacity with them or anything of that nature?

Elaina Paskalakis: We work closely with them to be able to send to their capacity, because it's a limited resource, right? So, we work closely with them. And that's why when you look at the number and we've only got, you know, two hundred and some that we've sent, we can't just send over because our volume would obviously outpace that, right? So, we are working closely with them.

Chairman Thomas: We could shut DOAH down, yeah.

Elaina Paskalakis: So, we can stick to the timelines that we've all committed to.

5. Vendor Update

Greg Rowe: Good afternoon, Mr. Chairman, other Committee members. I only have one item today. It's a Consent Item where Citizens is seeking approval for additional contract spend under our current contract with EagleView. And just as a reminder, this contract provides aerial imagery reports for homes that have damaged roofs, and these reports are integrated with our estimating systems. So, whenever we invoke one of these reports, it filters into our estimating system that the adjusters utilize and provides sketches and photos of that roof, which is really, really critical, particularly in a CAT event. And speaking of CAT events, due to the three we've had in 2024, Debbie, Helene, and Milton, we utilized reports on nearly every one of these claims, and it's resulted in over 50,000 reports being ordered here in the last few months.

So our current contract with EagleView, we are billed on a per-report basis, so we're not obligated to spend anything unless we leverage their reports. And at this time, due to an increased spend from the recent CAT events, we're requesting an additional \$3.4 million in requested spend to ensure that we have adequate funds for additional 2024 CAT claims, because those will still continue to roll in for Debbie, Helene, and Milton, but also to get us through our anticipated volume of non-CAT claims for the remainder of 2024 and into 2025. So, it's primarily CAT related. Again, that's the reason for this. So, I'll pause there for any questions from the committee.

Chairman Thomas: Certainly. I'm happy to open it up to the committee for that. Greg, we're not terribly inquisitive today about this, but it's pretty straightforward. We all at this point, we've all understood the idea that we do contracting and budgeting on a non-CAT basis and it's the only really way you can do it. We generate a surplus. When we have CAT events, we have to spend more money, maybe dip into surplus, and that's what we have here.

Governor Becksmith: Greg, how often does this technology change? Obviously, with a lot of the stuff that's been going on the last five years and imagery and things of that nature, I feel confident in you and your team in making sure, obviously, we're getting the best program and the best option out there, but I've got to think this is a rapidly changing industry in some way, shape, or form with imagery and AI and things of that nature. Is that a fair statement?

Greg Rowe: It is. And certainly EagleView leverages, you know, cameras mounted on planes. That's one way they can get their imagery. They also have programs where they leverage drones, and certainly we have access to GIC satellite imagery. What's unique about, I would say, Eagle View, at least at this time and the reason we sole source with them is that they're the only vendor that integrates currently with Xactware, our estimating software that we leverage. So there may be other I'd say technologies out there that can get a lot of the same data, but it does not integrate with Xactware. So, to be able to automatically order those, to have a huge inventory we can pull from, and then to filter down into the estimating platform to where it's available when that adjuster goes to work that estimate, it's already there, that's the only company right now that is able to do that with Xactware. So, if that changes over time, certainly we would look at that, and we always continue to look at different technologies. But you're right, it's an evolving landscape, and we're trying to take advantage of as many of these technologies as possible. Aerial imagery certainly is key. It's an area we have our eye on. So, we'll see what happens when this expires in 2026, and if there's anything else out there that we can leverage to help us be more efficient, then we'll certainly take advantage of it.

Governor Becksmith: Thank you.

Greg Rowe: You're welcome.

Mr. Palmquist: Greg, so the amount of \$3.4 million is the amount you are projecting that you'll need through the January 2026 date, assuming there's no further spike in claims; is that my correct understanding?

Greg Rowe: We can't really project CAT. We've done our best to see, you know, what we think will get us through the remainder of the 2024 CAT season. We can't project 2025. So, what we've done is just take our average, and we think that assuming we've built in some cushion for the remaining 2024 CAT claims, if we don't have any CAT claims in 2025, this spend, we think, would get us through like 19 months, and we have 15 months left. So, we've built a four-month cushion. So, it would project to get us to 2026 through contract end. But, again, if there's an event in 2025, it's almost certain that we will come back and need more spend for this contract.

Mr. Palmquist: All right. Thanks, Greg. And I can assume with the expiration date of January 2026, then next year sometime, you'll be looking at this contract again?

Greg Rowe: Absolutely.

Mr. Palmquist: Okay.

Chairman Thomas: Not to get ahead of ourselves, but is it anticipated that at that time it will still be a single source that they have remained the only vendor that is—

Greg Rowe: Integrated?

Chairman Thomas: Integrated. That's it, thank you. Well, it's freezing cold in my office today and I can barely think and talk, I'm so cold. Thanks for helping me out.

Greg Rowe: As of now, it is. I have no clue, I mean, like Governor Becksmith said, something could change tomorrow. As it stands today, we would like to go out and single source with them, but we always look, and even a single source, we still have to make sure that there's nothing else out there that we may not be aware of. So, we'll see what's out there.

Mr. Palmquist: As I recall, Greg, that integration effort was huge and took quite some time to accomplish with your system and theirs.

Greg Rowe: That was more for the GIC aerial imagery for the damage assessment reports. That may be what you're referring to. That was much more of a heavy lift. Being that we're already integrated with Xactware, this was a very simplistic integration because we're already integrated with them. And EagleView, again, is the only company that integrates with them. So this one was a pretty light lift on our side. Of course, I might have some IT folks that would beg to differ.

Mr. Palmquist: So from an IT's perspective, then, if a competitor were out there trying to develop the technology and if they worked through Xact, then there would be a relatively easy shift over then?

Greg Rowe: Absolutely.

Mr. Palmquist: Okay.

A motion was made by Governor Butts and seconded by Mr. Palmquist to recommend the Board of Governors: a) Approve an additional \$3,400,000 in contract spend under the Roof and Property Reporting Services contract with Eagleview Technologies, Inc., for a total approved amount not to exceed \$6,457,000 as set forth in this Consent Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item. All were in favor. Motion carried.

Chairman Thomas: Greg. Anything else from a Vendor standpoint?

Greg Rowe: Sorry to disappoint you. That's all I got.

Chairman Thomas: Thank you much. I feel like we're going to have to start budgeting for CAT events just so I don't have to keep having every Claims Committee meeting, what new money we need for a CAT event.

Greg Rowe: I'm waiting on the AI crystal ball that can project that, so if that comes our way, then we'll take advantage of that for sure.

Chairman Thomas: Put the Actuaries to work on it. They ought to know. All right. That should be about it.

6. Addendums

Chairman Thomas: We do have a couple other items, not to bring up, but we always have our addendums for SIU and Recovery Cases of Interest, if there's any questions or comments on that.

7. New Business

Chairman Thomas: And I'll open the floor for any new business consistent with whatever the Sunshine Act allows us to discuss, unnoticed new business.

Governor Butts: Mr. Chairman, can I make just a couple of quick comments?

Chairman Thomas: Please. That'd be great, Jason.

Governor Butts: Thank you very much. So, I just wanted to, based on Jay's presentation, I've been extremely disappointed in what I've read in these articles as well. You know, it seems to be the day and age where it's just clickbait to try to get people into these articles that are just not correct, factually, you know, lacking. I know that there may be some journalists on this call today, and I would just encourage them to dive deeper. I mean, we've got some of the best experts, I feel like, in this industry that work at Citizens. I know Jay and his team volunteer countless hours to speak at events and things like that to help educate people. So, I would just, I would really love it if people went ahead and wrote the facts and pushed those out, because it is important for the industry overall and how insurance agents and carriers work with insureds throughout the state. So, I would encourage that.

I also just wanted to go ahead and show some appreciation to Jeremy Pope and to Jay Adams and those teams that after these storms, one of the few companies that showed up, set up in Pinellas and Pasco Counties where a lot of Citizens' risk is, they came in, set up the tents, brought in the teams, and just did a phenomenal job helping people in their time of need, which is what our promise from Citizens is to those people, and, you

know, showed up, was able to see how they help people, how they put people's minds at ease, just did a great job. I think, Mr. Chairman, that in Pasco County, I believe the Lieutenant Governor was able to join actually in Pinellas. I believe the Governor and Lieutenant Governor, you know, were able to show up. I think Mr. Cerio was able to show up as well. And I just think it speaks volumes that even if they're not our insureds, Citizens is there helping people, provide information, and point them in the right direction. So, I just wanted to acknowledge that, seeing it firsthand, once again, that when disaster strikes, that Citizens is there. And I appreciate the opportunity.

Chairman Thomas: Governor Butts, thank you very much for those comments, and I'd echo that as well. I mean, it is somewhat frustrating, in my view, that, I know in terms of our claims handling, we err on the side of supporting the policyholder because we appreciate our unique role and our association with representative government we have. I used to joke, "Look, we don't want your business." That's the whole idea of being an insurer of last resort. But if we do have your business, we do a heck of a good job to commit, to make sure that you're treated properly and well. And I appreciate our whole team, Jay, Craig, Elaina, that whole process, and I think, you know, the DOAH thing is a fine example. There are folks out there who practice law who probably have taken the position immediately what a horrible thing the DOAH referral is because it cuts off some fee claim or some litigation right, they think, in state court. But, in practice, what we're seeing is how it moves these things quicker to a quicker result, agreed-to result. And so, I'm proud of the team, I'm proud of the work we do through Claims, throughout Jay's entire portfolio here. So, I just wanted to echo your comments. And with that, unless there's anything else, I will adjourn today's Claims Committee meeting. Thanks, everyone. Appreciate your time.

(Whereupon the meeting was adjourned.)