

CITIZENS PROPERTY INSURANCE CORPORATION

**MINUTES OF THE
ACTUARIAL AND UNDERWRITING COMMITTEE MEETING
Tuesday, December 6, 2016**

The Actuarial and Underwriting Committee (A&U) of Citizens Property Insurance Corporation (Citizens) convened at the Sheraton Orlando North on Tuesday, December 6, 2016, at 4:30 p.m. (EDT).

The following members of the A&U were present.

Jim Henderson, Chairman
Christopher Gardner
Gary Aubuchon
Bette Brown
Fred Strauss (by phone)

The following Citizens staff members were present:

Paul Kutter	Barry Gilway
Kelly Booten	Jay Adams
Jennifer Montero	Joe Martins
Spencer Kraemer	Dan Sumner
Andrew Woodward	Violet Bloom
Michael Peltier	Hank McNeely
Bonnie Gilliland	David Woodruff
Karen Holt	Steve Bitar
Dave Newell	Kapil Bhatia

Call Meeting to Order

Roll was called.

1. Approval of Prior Meeting's Minutes (September 27, 2016)

A motion was made and seconded to approve the September 27, 2016, A&U meeting minutes. All were in favor. Motion carried.

2. Action Item – Product Changes – Residences Held in Trust (Personal Lines)

CHAIRMAN HENDERSON: So I think from the agenda, we have a number of action items that are to be led by Karen Holt, and then some items by Steve Bitar. So Karen?

MS. HOLT: Good afternoon. For the record this is Karen Holt. I have two items for today's meeting. The first can be found behind tab two and it references product changes regarding residents held in trust for personal

lines. Request for insurance for properties held in trust are becoming more prevalent. Citizens currently accepts these risks. However, staff has identified the need to update rules, forms and procedures to ensure appropriate coverage and consistent underwritings.

Again, we have identified the need to update rules and forms to ensure that we have appropriate coverage and consistent underwriting for these properties. Staff completed extensive market research and legal analysis to determine the necessary coverage forms and policy eligibility. We researched numerous Florida private market insurers and the research indicated that many insurers allow coverage for trustees and trust in the attachment of ISOs, Insurance Services Office, and additional insured endorsement. Two carriers use ISO's alternative trust endorsement form which functions similarly to Citizens' current additional insured endorsements, but it does include additional provisions specifically addressing exposures unique to trusts and trustees. During our analysis and research we did obtain outside counsel opinion to ensure that we are approaching the situation correctly, and we determined that the more detailed approach in the ISO endorsement is appropriate because it places more stringent notification requirements on the policyholder. The endorsement also includes language limiting liability coverage for trustees to provide coverage only when acting in the capacity of a trustee. Underwriting eligibility guidelines and submission requirements are necessary to ensure that the appropriate policy forms are used, and to provide guidance on how the named insured and additional insured should be described and to obtain necessary information to confirm eligibility. Are there any questions? May I read the recommend?

CHAIRMAN HENDERSON: Any questions by the committee? There being none, please do, Karen.

MS. HOLT: Citizens' staff recommends that the Actuarial and Underwriting Committee approve and recommend that the Board approve the above proposal to modify the underwriting rules and submission requirements to establish uniform underwriting treatment of residences held in trust, and approve the adoption of the new trust endorsement and authorize staff to take any appropriate or necessary action consistent with this action item to include filing with the Office of Insurance Regulation, system change implementations, development of necessary forms and other supporting activities.

CHAIRMAN HENDERSON: Do I hear a motion for approval of the action item?

GOVERNOR BROWN: Move to approve.

CHAIRMAN AUBUCHON: Second

CHAIRMAN HENDERSON: All in favor, aye. (Chorus of ayes.)

CHAIRMAN HENDERSON: Passed. Thank you, Karen.

A motion was made and seconded to approve the Staff's Recommendation for Action Item for Product Changes: Residences Held in Trust (Personal Lines) and to present to the Board of Governors on Wednesday, December 7, 2016.

3. Action Item – Product Changes – Required Building Updates (Commercial Lines)

CHAIRMAN HENDERSON: Your next item?

MS. HOLT: The second item can be found behind tab three, and it is product changes regarding required

building updates for commercial lines. Citizens' current eligibility rules regarding updates to buildings for commercial lines policies are outdated and no longer effectively address the hazards associated with older buildings that have not been updated. Furthermore, agents and policyholders do not have a clear and consistent method to provide details on building updates to Citizens' commercial underwriters. Finally, the current rules do not provide for any exceptions to be granted. To enhance the current rules and provide a systematic method for updates to be recorded staff recommends the rules for roof and electrical updates be amended as follows and that the attached roofing inspection form and electrical inspection form as found in the documentation be established as a recommended means of reporting updates that have been made. To summarize the changes I will not read through the table. The roof rules that are currently included in ineligible risks, referenced buildings or business personal property located in a building in which the roof has not been updated or replaced in the last 30 years.

The proposed change states that buildings or business personal property located in a building in which the roof covering has not been updated or replaced and exceeds the following roof covering age thresholds found in the table. These standards vary by roof type and do more closely follow industry standards. The next paragraph references exception language that risks that do not meet the roof covering age replacement requirements above may be eligible for coverage by submitting acceptable documentation to establish the remaining life expectancy of the roof. Acceptable documentation includes a Citizens' commercial roof condition inspection form or equivalent document providing similar information from a Florida licensed roofing or general contractor. The next section is very similar for the electrical rule. It currently states the risk will be ineligible if the building or business personal property is located in a building in which the electrical system has not been updated in the last 30 years. The proposed change states that buildings or business personal property located in a building constructed on or before 1975, in which the electrical system has not been updated or inspected to verify if any unsafe or inadequate wiring conditions or deficiencies exist and what electrical system components have been dated. Such risks would be considered ineligible. Again, acceptable documentation to verify the system must be submitted and will be submitted on the completed Citizens' commercial electrical inspection form or an equivalent document that must be signed by a Florida licensed contractor, electrical contractor or general contractor. Any questions? Shall I read the recommendation?

CHAIRMAN HENDERSON: Please do.

MS. HOLT: Thank you, Citizens' staff recommends that the Actuarial and Underwriting Committee approve and recommend that the Board approve the proposal to implement building update requirements for commercial risks as described above, and authorize staff to take any appropriate or necessary action consistent with this action item to include filing with the Office of Insurance Regulation system change implementations, development of necessary forms and other supporting activities. Final changes may vary slightly depending on guidance from the Office of Insurance Regulation.

A motion was made and seconded to approve the Staff's Recommendation for Action Item for Product Changes: Required Building Updates (Commercial Lines) and to present to the Board of Governors on Wednesday, December 7, 2016.

4. Action Item – Policy Document and Mail Services

CHAIRMAN HENDERSON: The next item is the next item is the action item by Steve.

MR. BITAR: Good afternoon, Mr. Chairman. For the record, this is Steve Bitar, Chief of Underwriting and Agency Services. And I have three operational items today to bring forward for approval. The first of which is found

behind tab four. It is the contract ID policy document generation and mail services. As you know, we outsource our document production to a third-party vendor named Novatec. We work off a Florida state contract with them in order to produce our outgoing policy documents as well as the postage associated with that. What we bring forward today is simple continuation of the services with Novatec for a total two year term. There is a one year base term with a one year renewal for an estimated cost of no more than \$19,091,260. If I may read the recommendation.

CHAIRMAN HENDERSON: Please do, sir.

MR. BITAR: Citizens' staff recommends the Actuarial and Underwriting Committee review and approve the contract amendment as submitted and move forward to the Board of Governors for approval.

CHAIRMAN HENDERSON: Any comments on the recommendation?

CHAIRMAN HENDERSON: Steve, I know from having the conversation there that we can perhaps outsource these services where we can and we are pleased to know that those initiatives are in place.

MR. BITAR: Absolutely, Mr. Chairman, just to reiterate for the audience, we are definitely looking at developing a self-service strategy in 2017, which would hopefully enable us to be able to deliver some of this outbound mail electronically to customers who opt in for that service. That will allow us to hopefully save on not only the print, but also the associated postage. So we do have had an annual plan item that we will be working on in 2017, to develop that self-service strategy and this would be a top item that we would be looking at because of the associated savings. So we will keep the committee updated on our progress there as well.

A motion was made and seconded to approve the Staff's Recommendation for Action Item for Policy Document and Mail Services and to present to the Board of Governors on Wednesday, December 7, 2016.

5. Consent Item – Agency Management System Download

CHAIRMAN HENDERSON: Go to your next item.

MR. BITAR: Thank you, sir. Behind tab five you will find our second item which is a consent item. Currently we allow agency management system download for our personal lines agents on a nightly basis. We send any download of policy information that has changed or been updated through our underwriting process. What we seek to do now is extend the contract to now allow us to allow commercial lines policy download for all of our commercial book of business. This would extend the services that we currently have for the personal lines to the commercial lines. We would also like to amend the contract to allow us to download commission information for both personal lines and commercial lines for our agencies. The contract amount currently in place with this vendor is \$160,000. That approved spend will cover these additional services. So we are not seeking anymore spend. We are seeking the ability to amend our current contract to address these additions of service. And if I may read the recommendation.

CHAIRMAN HENDERSON: Please.

MR. BITAR: Thank you. Citizens' staff recommends the Actuarial and Underwriting Committee approve the contract amendments as stated and submitted and then move forward to the Board of Governors for approval.

A motion was made and seconded to approve the Staff's Recommendation for Consent Item for Agency Management System Download and to present to the Board of Governors on Wednesday, December 7, 2016.

6. Consent Item – Business Process Outsourcing – Insurance Services (Phone Answering)

MR. BITAR: Wonderful. My last item today is behind tab six, a consent item here to also amend another contract. Currently we outsource our first notice of loss calls to a variety of call center vendors who take those calls for us and allow us to be prepared should a catastrophic event occur. What we would like to do and what we have done historically is we conduct mock stress tests ahead of hurricane season to ensure that those call center vendors are prepared to respond appropriately. Unfortunately in our current contract we have no wording that allows us to pay for training expenses related to these mock stress test exercises. So we would like to amend the current contract to define what that training spend would be associated with a catastrophic test that we would conduct ahead of hurricane season. What you find here are teams that point out that we would be able to pay an hourly rate of \$18 per hour with a maximum cap of eight hours per resource in association with FNOL CAT stress testing that we would conduct. So if I may read the item.

CHAIRMAN HENDERSON: Please do.

MR. BITAR: Thank you. Citizens' staff recommends the Actuarial and Underwriting Committee review and approve the contract amendment as submitted and move forward to the Board of Governors for approval as well.

A motion was made and seconded to approve the Staff's Recommendation for Consent Item for Business Process Outsourcing – Insurance Services (Phone Answering) and to present to the Board of Governors on Wednesday, December 7, 2016.

CHAIRMAN HENDERSON: For those items. New business or announcements, or any items to be brought before the committee? Hearing none, is there a motion to adjourn.

GOVERNOR GARDNER: So moved.

GOVERNOR AUBUCHON: Second.

CHAIRMAN HENDERSON: So moved. Thank you and staff, for expediting the time frame on this and the items you brought to the committee. I appreciate your hard work. We will see everyone at the Board meeting tomorrow. Thank you.

(Whereupon, the meeting was adjourned.)