

CITIZENS PROPERTY INSURANCE CORPORATION

**MINUTES OF THE
ACTUARIAL AND UNDERWRITING COMMITTEE MEETING
Wednesday, March 12, 2025**

The Actuarial and Underwriting Committee (A&U) of Citizens Property Insurance Corporation (Citizens) convened at The Westin Lake Mary, Lake Mary FL, on Wednesday, March 12, 2025.

The following members of the A&U were present:

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

The following Citizens staff members were present:

Tim Cerio
Jennifer Montero
Barbara Walker
Joe Martins
Michael Wickersheim
Jeremy Pope
Mark Kagy
Jay Adams
Aditya Gavvala
Jeremy Pope
Brian Newman

Call Meeting to Order

Barbara Walker: Good afternoon, and welcome to Citizens' March 12, 2025, 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, 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: Thank you. The Board will entertain a motion to approve the previous meeting's minutes, December 3, 2024.

Governor Becksmith: So moved.

Chair Beruff: Thank you. Ms. Montero, you're up again.

2. Chief Financial Officer Report

Action Item: 2025 A&U Charter - Annual Review

Jennifer Montero: Hello. Behind the first tab, you'll find the Citizens Actuarial and Underwriting Committee Charter. Each year we bring the charter to the board for any changes. Staff had no recommended changes for the board. So, I'll ask if there are any edits from the committee members?

Chair Beruff: Entertain a motion to approve the charter.

Governor Spottswood: So moved.

Fred Strauss: Second.

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

(Chorus of ayes.)

Chair Beruff: Motion passes, I think.

2024 Rate Filing Update

Jennifer Montero: Thank you. Next is a -- we're going to give a 2025 rate update, and our Chief Actuary, Brian Donovan, will do that.

Brian Donovan: Good morning, Chairman and committee members. As Jennifer said, I'm Brian Donovan, Chief Actuary at Citizens, and I will give an update on the 2024 rate filing that we brought to the board back in June. On February 7th, Citizens received the rate order for both personal lines and commercial lines. We had filed for a 13.5% overall increase, 8.5% is what was approved. The difference between the filed and the approved rates is due to the Office -- the OIR not considering our competitive analysis. As a reminder, our recommended rates considered Citizens' competitive position, and any county where Citizens' rates were deemed overly competitive, we recommended a 14% across-the-board change, regardless of what the actual indication was. The office did not take this into account. And for personalized primary policies, the order had us allow decreases up to 10%. So, all rate changes -- where we had recommended 14% across the board in most cases, the order is directing Citizens to allow decreases minus 10 to 14. It's based strictly on the actuarial indications. So, overall, what that means is -- you know, as a reminder, for personal lines rate indication, overall rate indication was 27.8%. We had filed for 14% increases. Allowing for decreases up to minus 10 for primary policies reduces that rate impact to 8.6 where about 18% of Citizens' policyholders will have a 4.6% decrease. For non-primary policies that make up about 7% of Citizens' personalized policies, they were capped between zero and 50%, you know, because that's written in the legislation. So, there's no decreases being offered for non-primary. All changes would be between zero and 50%. And for non-primary, we had filed for a 22.8% increase, and what was approved was 17%. And for commercial lines, we had filed 10.3%, and what was approved was 7.8%. That concludes my update, and I'm happy to take any questions.

Chair Beruff: Now that everything's adjusted over the last 12 months, how much less expensive are we than the general market on our standard primary home policy?

Brian Donovan: Right. Based on our analysis when we first did this, we were saying that basically Citizens was half. To give an exact answer to that, we're -- safe to say we're a good 40% lower.

Chair Beruff: So, our primary resident insurance program is 40% less than --

Brian Donovan: Yes, and --

Chair Beruff: -- the competition?

Brian Donovan: Yes. I think that that's a fair number based on --

Chair Beruff: After the currently processed increases that we were given?

Brian Donovan: Yes. I'm ballparking that. To get a more precise answer, we'd have to redo --

Chair Beruff: So somewhere between 38 and 42% would be a fair assumption?

Brian Donovan: I think that is safe to say that, yes.

Chair Beruff: Okay. I just want everybody who's listening -- how we're still the cheapest show in town for primary residents. How do we compare on the commercial rates and non-primary?

Brian Donovan: With the commercial rates, we did not have information to do a complete competitive analysis but based on discussions with the office who have seen -- you know, they can see the files coming in -- they feel that we're not, you know, overly competitive with pricing for commercial. In fact, I had mentioned that we had filed 10.3% and they approved 7.8%. The difference between that was -- you know, we didn't have a competitive analysis, but we could see where we were really growing like crazy. So, the assumption was, well, obviously, we're undercutting the market; otherwise, we wouldn't be growing so fast.

Chair Beruff: Correct.

Brian Donovan: But, anecdotally, the actuaries from the Office had said, "Now, when we look at these filings, you're not underpriced." So that's the best answer I can give for commercial lines is that the office had told us -- you know, a reliable source, the Office said, "No, what we're seeing is you're not underpriced for the product you're offering." For non-primary, it's obviously going to be closer. I don't have an exact number to give on that, but if I had to, you know, pull one out of the air, so to speak, 20, 25%.

Chair Beruff: So even on a non-primary, your estimate or your guesstimate is about 20% below the market?

Brian Donovan: I think that's a reasonable estimate.

Chair Beruff: Thank you. Any questions from other governors?

Governor Spottswood: Chairman, can I follow up on that a little bit?

Chair Beruff: Sure.

Governor Spottswood: I think the message that you bring up is very important, and I'm not sure that -- I'm not sure that I really understand it. You know, I was reading through a report put out by the Council of 100 recently, and the average cost of a homeowner's policy in the state of Florida is five times the national average. So, we may have gone down, but we must have started at a very high place to begin with. And so, a couple of questions. That primary homeowner's policy, is that including wind or is that other perils?

Brian Donovan: Well, it's multi-peril, so it includes wind -- well, let me -- let me be clear -- I mean let me be careful here. It's -- majority is multi-peril, which includes wind and, you know, all the other -- fire, you know, all the other perils. But then there's a portion of that that's wind only that only covers wind.

Governor Spottswood: But the reduction from 38 to 42% that you mentioned over the past several years, that includes wind and --

Brian Donovan: Yes.

Governor Spottswood: -- flood as well?

Brian Donovan: No, no flood, no flood.

Governor Spottswood: Wind.

Brian Donovan: Wind.

Governor Spottswood: And so, you know, comparing the numbers that are out there in the public – and I think this goes back to what we talked about with regard to claims as well and clarifying what we're doing with regard to successful resolution of claims -- I don't think the public's understanding that Citizens is bringing down the cost of insurance. And so, if we are bringing down the cost of insurance because of tort reform and others, we need to figure out a clearer way of messaging that because that's not what I get from the public. When I talk to the public, they talk about their insurance rates going up every single year. And so, I don't know if there are certain pockets of markets that are coming down significantly; for instance, what we saw recently this year with OIR bringing down insurance in certain areas by a certain amount, but not others, because while certain areas were offered a reduction from last year, other areas actually went up. And so, I'm trying to figure out a way to get across to markets, and I hear from constituents in markets where their cost of insurance just goes up every single year. It's not coming down. And so, I need -- I need better information to be able to communicate that.

Chair Beruff: I like to I just want to be clear with Governor Spottswood. Our rates haven't come down 38 to 42%. Our rates are artificially below the market 38, 42% because of the constraints of the increases that the OIR has let us take over the last four and a half years, almost five years I've been here. So, I just want to be clear that our rates haven't come down. They just -- that we continue to be -- we're supposed to be the insurer of last resort, and we just can't seem to get there. Now, the only thing that's going to fix that, at least in my opinion -- because when I got on this board in September or August of 2020, what I learned quickly from half a dozen people, they all said the same thing from different areas that it's funny, but you can model nature, but you can't model human behavior. So, the litigation rate was not something the reinsurers or insurance companies could model. So, they just got tired of getting beat up in the courts here. So, the tort reform has by far taken effect. Unfortunately, it's been, what, twenty -- yeah, it's going on 24 months -- two years from the big lift that we did in '23. And the insurance market is getting healthy and they're making a lot of money because they cut out the litigation. So, we'll see. The only bad thing that's happened -- we all read the same newspapers we live the same lives. The only thing that happened as we were finally fixing that, inflation came and hit us in the teeth. So even though we were getting ready to do some really good things, the inflation isn't -- the cost of replacement has exceeded 40% in the last four years. So, we are where we are, but I'm still unhappy about the fact that we couldn't raise our rates again, in the markets where we needed to raise them to more effective rates. But we will see what we do with this season, and maybe next year we can do better. But I wanted to be clear, our rates haven't come down. We just artificially have been kept below the market. You are done?

Brian Donovan: Yes, I am. I just need to make one point -- just a caveat, I'm sorry. But we say our rates haven't gone down, and I think this is important to understand in certain areas, and I think you, Governor Spottswood, alluded to it. Like in Dade, for example, is where our rates are the highest. That's where the litigation was the highest. That's where we took all the rate increases for many years. And with this filing, even though we're overly competitive in that market, our indication was like minus 4 because that benefit -- they're going to see the first of that benefit of the reduction in litigation. Based on a competitive analysis, we said, you know, 14% across the board. The OIR said, "No, you know, give the minus 4%." So, there are these little pockets where they did come down, like overall -- like I think I mentioned 18%, but overall, you're exactly right, rates have been suppressed. We're still in the aggregate actuarially under -- unsound and we are overly competitive. So, all that remains true.

Chair Beruff: Thank you. Any other questions? All right. Mr. Adams.

3. Chief Insurance Officer Report

Action Item: Loss History Reporting Extension

Jay Adams: Thank you, chairman and committee members. For the record, my name is Jay Adams, the Chief Insurance Officer here at Citizens. I have a couple of action items that I need to go through today and then a follow-up for the Chair. The first one is our loss history reporting extension. What we're asking for is a six-month extension to the current contract with ISO. And what we use this contract for is to make sure that we can underwrite the policies correctly. It provides loss history information. It includes dates of loss, cause of loss, amounts paid, catastrophe indicator, and so forth. On December twenty -- excuse me, December the 4th, 2024 --

Chair Beruff: Mr. Adams, if I can interrupt a second, could you just explain to the board that this is the second extension?

Jay Adams: I'm sorry?

Chair Beruff: This is the second extension for this implementation, is it not?

Jay Adams: This is the first time we are asking for the extension for the loss history reporting.

Chair Beruff: Okay. Which is the one that we were talking about in our discussion where you -- they didn't meet their date?

Jay Adams: That's claims.

Chair Beruff: That's the next one?

Jay Adams: Yes, sir.

Chair Beruff: Okay. Sorry.

Jay Adams: That's all right. And so back on October -- excuse me, December the 4th, 2024, the board approved the contract with LexisNexis. So, they're going to be the new provider. The reason that we're asking for the extension is that we are currently going through a policy center upgrade, and that upgrade is anticipated to go live sometime in early May. We did not want to do all the integration work to pull this into the old policy center system. We want to wait until the new system comes so we only have to do it one time. We're not asking for any additional monies. We're just asking for an extension. And we are not incurring any cost from the new provider while we're in this extension period.

Chair Beruff: The board will entertain a motion to approve the action item.

(Recommendation: Staff proposes that the Actuarial and Underwriting Committee review, and if approved, recommend the Board of Governors: a) Authorize a 6-month extension to the current contract with Insurance Services Office, Inc. ("ISO") for loss history reporting; and b) Authorize staff to take any appropriate or necessary action consistent with this Loss History Reporting Extension Consent Item.)

Fred Stauss: So moved.

Governor Becksmith: Second.

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

(Chorus of ayes.)

Chair Beruff: **Motion is approved.** Let's go on to the next one.

Action Item: Product Updates – March 2025

Jay Adams: Thank you. Okay. The next one is our annual Product Update. We come to the board every year with new updates, and these updates really hold two purposes. One is to true up with what's going on in the marketplace, and probably most importantly is when we identify issues during the claim handling process, maybe our language is not as articulate as it needs to be in some areas, so we go back with these updates to try to make the language as articulate as possible so that we can defend claims or litigation down the road. We have included all the product updates in the manual -- or in your manual, and there's nothing that I could see in here that is overly significant. I'll be glad to take any questions on this, or if it's the committee's opinion, I can go through it all if it like.

(Recommendation: Staff proposes that the Actuarial & Underwriting Committee review, and if approved, recommends the Board of Governors: a) Approve changes to Citizens' Product guidelines, forms and supporting documents to address emerging issues as described in the

Product Updates – March 2025 Action Item; and b) Authorize staff to take any appropriate or necessary action consistent with the Product Updates – March 2025 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: Board will entertain a motion to approve the updates -- product updates.

Fred Stauss: So moved.

Chair Beruff: Second?

Governor Spottswood: Second.

Chair Beruff: All in favor, signify by saying "aye."

(Chorus of ayes.)

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

Business Process Outsourcing (BPO) – Underwriting Production Services

Jay Adams: Thank you. And the next item is just informational purposes on the business process outsourcing. Chair Beruff, you asked that we bring back to this March committee where we are in the overall spend, and you can see in the chart that is on page 1 here that with our depopulation that is occurring and such, that we are starting to forecast that as the remaining term of this contract goes out, that we probably will come in about thirteen and a half million dollars under what we originally asked for. And I'll be glad to take any questions. This was really just informational.

Chair Beruff: Okay. Any questions? Thank you.

Jay Adams: And that will conclude my presentation. Thank you very much.

Chair Beruff: Any new business? None?

(End of proceedings.)