

Claims Committee Meeting Minutes

ACTION ITEM

New Contract

Contract Amendment

Other Committee Minutes

CONSENT ITEM

Contract Amendment

Existing Contract Extension

Existing Contract Additional Spend

Previous Board Approval _____

Other _____

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

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

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

Item Description	Claims Committee Meeting Minutes March 6, 2025
Purpose/Scope	Review of the March 6, 2025 Claims Committee Meeting Minutes to provide opportunity for corrections and historical accuracy.
Contract ID	N/A
Budgeted Item	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No – N/A
Procurement Method	N/A
Contract Amount	N/A
Contract Terms	N/A
Committee Recommendation	Staff recommends the review and approval of the March 6, 2025 Claims Committee Meeting minutes.
Contacts	Jay Adams, Chief Insurance Officer

CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE CLAIMS COMMITTEE MEETING Thursday, March 6, 2025

The Claims Committee of Citizens Property Insurance Corporation (Citizens) convened on Thursday, March 6, 2025, at 1:00 p.m. Eastern.

The following members of the Claims Committee were present:

Jason Butts
Jon Palmquist
Erin Knight
Jay Adams

1. Approval of Prior Meeting's Minutes (November 21, 2024)

Presiding Chairman Butts: Thank you everybody for joining the call today and welcome Governor Knight to the Claims Committee. Happy to have you here and always love your insight so thanks again for joining. With that, to get started, I wanted to seek approval for our minutes of the last meeting. We'll entertain a motion. **A motion was made by Mr. Palmquist and seconded by Governor Knight to approve the November 21, 2024 minutes. All were in favor. Motion carried.**

2. Strategic Update

Jay Adams: Thanks, Presiding Chairman Butts and Committee members. I also would like to welcome Governor Knight to the Claims Committee and thank her for serving. And I would also like to thank our past Chairman, Scott Thomas, for his service and his full support of the Claims Committee all these years.

I'd like to spend just a very brief few minutes this afternoon here talking about the 2024 catastrophe (CAT) season. And really what I'm doing is just bringing up to speed where we are on the financials. Next slide, please. So, I'd like to just recognize that this data is as of February 1, 2025.

Next slide. So, we'll talk about Hurricane Debbie first. As everybody probably remembers, this was a CAT 1 that made landfall in Steinhatchee over in Taylor County.

Next slide. So, we've received so far through February 3,095 claims. We've closed out 2,733 of those, and so far, this is a paid plus reserve number, we have \$29,512,000 that we've paid out on this particular hurricane.

Next slide. This just is a representation of the top 10 counties.

Next slide. Hurricane Helene was the next landfalling hurricane on September 26. This was a CAT 4, and it made landfall near Perry over in Taylor County, very close to the same proximity as Debbie.

Next slide. So, through February, we received 15,029 claims, we closed out 13,860, and paid plus reserves on this one is \$120 million.

Next slide. And this, again, will just be our top 10 counties.

Next slide. And our last hurricane of 2024 was Hurricane Milton. This made landfall on October 9 as a CAT 3 with 120-mile-per-hour winds, and this one was near Siesta Key in Sarasota County. Next slide. Through February, we've received 60,481 claims, we've closed 52,549, and our paid plus reserve on this event so far is \$857.7 million.

And the next slide is our top 10 counties again.

And the next slide really concludes this. One thing I would like to say, and, you know, I'm not sure that all of our Committee members are aware of this, we'll continue to get claims for these three events all the way until the one-year statute runs for each of these events. So, each and every month we are continuing to get new volume, and that's why I decided to go ahead and just do a really brief update. And with that, I'll just open it up and see if there's any questions from our 2024 catastrophe season.

Presiding Chairman Butts: Great. Thank you, Jay, for those numbers. Just a quick question. How many of those claims are we getting pre-suit notice on at this point?

Jay Adams: I would say that it is significantly less than we saw for Ian. I don't have a direct count. I can get that to you by the end of this presentation today.

Presiding Chairman Butts: I was just curious if most of these, if the First Notice of Loss (FNOL) are still coming in, if they're represented, or they plan on going down the litigation route, or if they are folks who are just discovering damage and filing a claim on their own, or what that looks like?

Jay Adams: Well, I can tell you as time goes on during the catastrophe process, in the first 60 to 90 days, most of those claims are reported directly by the insured. And as time moves out from that 90-day period, we start to see some representation on those particular claims that have already been filed. And then as we start getting new FNOL filed, they have a much larger representation number the further we get out from the storm. So, a lot of these are coverage disputes in the end, and they do come in through a notice of loss. The ones that are scope and pricing where we have agreed to coverage but maybe disagree on the amount of damages, we try to resolve as many of those over in the appraisal process as we can, you know, to prevent litigation downrange.

3. Non-Litigation Claims Update

Presiding Chairman Butts: Thank you. Any other questions for Jay? Moving on to Craig. Jay, is that next up?

Jay Adams: Well, we would like to just see if there are any questions for Craig. We were just providing materials in the manual for the Non-Litigated and the Litigated Claims

Updates. If there's any questions, we'll be glad to field those, and if there aren't any, we'd like to move on over to Greg to do a Vendor Update.

Mr. Palmquist: Jay, thanks for the slides. They look thorough and aggressive as usual. Looks like you're off to a really great start. Couple of questions I didn't see addressed, was will you be meeting with the CAT Independent Adjusters (IAs) this year?

Jay Adams: What do you mean by meeting with them?

Mr. Palmquist: Do you have separate meetings with the independent adjusting firms to establish training, guidelines, standards, practices, things like that?

Jay Adams: Our current contract that we have that we executed last year, the firms that we engage with provide full-service claims handling for us, meaning they will handle non-catastrophe claims, and they are the same firms that are called on to handle the catastrophe claims. We do have train-the-trainer meetings with the team leads of the firms. We do that on an annual basis. And as far as the CAT adjusters, most of these IA firms have what I would call regular routine adjusters. Some of them, they're actually staff, some of them are independent contractors. But during a catastrophe, most all these firms bring in what I would call a catastrophe adjuster. They may reside in Florida. They may come from somewhere else across the country. And really all those folks do is go out and handle catastrophe claims. And those are the ones that typically go out in the field and write the initial scope and the estimate and return it to the desk adjuster back at the firm.

Mr. Palmquist: Is it your train-the-trainer program that you will rely upon to make sure those field CAT adjusters know how to submit the Xactimate estimates, what to include, what not to include to make sure that you have got a consistent practice?

Jay Adams: Yes, sir. Part of the responsibility of the IA firm is to have team leads in place and it's their responsibility to conduct the training and make sure that their field adjusters that are working the CAT understand what is going on. We also deploy our own Citizens' staff out in the field typically during these storm events, and we set up an internal facing for the Independent Adjusters. And we will ride with them, we will do some quality file reviews to make sure that they understand all of Citizens' best practices and estimating guidelines, and that is pretty much how we ensure that they are maintaining and meeting the quality of what we're asking them to do.

Mr. Palmquist: Okay, good. Thank you, Jay. The other question I had was, in the past, you have included a discussion about communication strategies to keep the policyholders informed during a catastrophe. I'm assuming that is still going forward. Is that true, and are there any changes utilizing continuing evolved technology to take advantage of?

Jay Adams: We do have communication plans built into our catastrophe model. That is typically handled under Jeremy Pope's organization. They do most of the communication

on our behalf. But we do communication over air, we do publicized communications, we leverage e-mail to affected areas, we do text messaging, we do lots of that type of stuff. And then when the CAT actually makes landfall, we typically send out one of our Catastrophe Response Centers (CRC) to the area of damage, and that is another outreach for the customers.

Mr. Palmquist: Okay. All right. Very well. Thank you, Jay.

Jay Adams: Sure.

Mr. Palmquist: That's all for me, Governor Butts.

Presiding Chairman Butts: Thank you, Jon. Jay, I was going to hold this question to later, but I think Jon kind of opened it a little bit, so I figure I would ask.

Jay Adams: Okay.

Presiding Chairman Butts: Is the original adjuster the person who sees it all the way through from that initial visit through potential litigation, or do we have somebody else that steps in at the time of litigation?

Jay Adams: So, again, with their contract with the firm, we expect the independent adjusting firm to make the decision on how best to handle that claim. That claim could be just desk adjusted, meaning if it is very low severity, they may just handle that claim over the phone because there may not be a need to send an adjuster. If it is deemed that an adjuster needs to go out on site, that is when we would deploy a CAT field adjuster. They would go out there and would really do the initial scope of damages. So, the expectation is they're going to take photos, they're going to document what they see, they're going to put it in the Xactimate estimate, and then they're going to return it to the desk adjuster. The desk adjuster is really the claim owner during the catastrophe event. That adjuster is going to make sure that all of the items submitted are covered by the policy, they're going to make sure that measurements and those types of things make sense for what they've put in the estimate. So, ultimately, the desk adjuster becomes the adjuster that the insured would have to deal with. If that claim gets disputed later on, we do transfer that file away from that individual desk adjuster and a new adjuster would pick that up. And the idea is we're going to try to work with the policyholder or their representative to bring that claim into a dispute resolution process, and that could be, hey, we just have a conversation back and forth, look at the documentation. We may agree to whatever they're submitting. If we don't agree, then the next option typically is we will move that over into the appraisal process, and, again, that will set the amount of a loss that's binding and then that ends the process. If that claim was denied for any particular reason, it would be eligible for our Florida Division of Administrative Hearings (DOAH) arbitration process, or they could file a lawsuit.

Both of those processes start with a Notice of Intent. So, Senate Bill 76 requires the insured to submit a Notice of Intent 10 days prior to filing the lawsuit, and we leverage that 10 days to see if we can negotiate a settlement. If it goes over into litigation, or even into the DOAH arbitration process, it transfers over to a litigation specialist, and then they handle that until it is ultimately resolved. So, there's a potential it could pass hands several times.

Presiding Chairman Butts: So DOAH sees both denied claims as well as disputed amount claims, they can go into the DOAH process, correct?

Jay Adams: That's correct. Anything that comes in through the Notice of Intent process today is eligible to go to DOAH, or if we choose to stand behind our decision, if they decide to file a lawsuit, then it would just go into the circuit court system.

Presiding Chairman Butts: Okay. I know we're getting into litigated claims, and I can go ahead and push it off, but, you know, where are we getting it, where is it not right? What's causing this increase? And, obviously, a decrease in terms of total litigation, that's come down. The new law has helped tremendously.

Jay Adams: Absolutely.

Presiding Chairman Butts: Is there any liability onto these independent adjusters when they don't get it right? When it's moving from them to the second adjuster and then potentially into litigation, how far off do we allow them to be, or how many that are disputed that they're wrong on until we take an action against that potential independent adjuster continuing to work with us?

Jay Adams: That's a really hard question to answer. So, when an event occurs and we go out and we start adjusting that claim, there's typically no demand surge. And what I mean by that is repairs are not being done 30, 60 days into the event, right? People are still trying to figure out what the damages they have, emergency services are going on, those types of things. When there's a large amount of work where the repair process is starting, that is where the demand surge hits. And it could be material, it could be labor, it could be both. When we write our estimate, a lot of times, again, we're trying to get out there as soon as we can to put money in the policyholder's hand. A lot of times, the Xactimate database pricing has not changed because there has been no demand surge. Once the demand surge hits, there can be some significant differences in the original estimate versus if we reprice that estimate, you know, at 120 days per se. You ask, is there liability against the adjuster, and the answer to that's really no. They're doing the best they can with the information they have. A lot of times, you know, immediately following an event, there may be tree debris. There could be all kinds of things that would keep the adjuster from being able to see and experience all of the damages. So what we like to say at Citizens is it really is an iterative process. And what I mean by that is we provide our initial estimate for what we see is damaged and covered under the policy, and

then if the insured has a representative or a contractor that comes out and they have a different value on the estimate, we ask them to submit that. We'll review that. We have the ability to re-price the estimate that we have with the latest Xactimate database, and then that's where the process starts of back and forth. And, you know, the goal state here is that we continue to work with the insured, we can resolve the claim without going into any type of dispute process. And that's really what the process is intended to do. Doesn't always work out like that, but that's what we intend.

Presiding Chairman Butts: I think the intention sounds great. It sounds, you know, having been in and having lived in Pinellas County, and that was the top county impacted by all of these storms, and seeing, you know, what folks are going through, you know, it seems, it's awfully frustrating when an adjuster comes out originally, provides an estimate, and then when they get around to getting a contractor out there to give them an estimate, that we're saying it could be a material difference, right?

Jay Adams: Yeah.

Presiding Chairman Butts: In today's world of knowing, predicting and artificial intelligence, you would think that they would have some type of standard of knowing when there are so many claims in a certain area, what that, you know, surge pricing could be. And it seems the frustration of folks could lead to a much quicker decision to hire representation. I would love it if we could take a look at that and try to be more out in front of that, if that is an issue that we're seeing. It just doesn't make sense to me why we know that original loss estimate is going to be potentially significantly less than what it's going to cost to put their house back. So, something that, you know, I think we need to look into and continue to work with our partners, whether it's Xactimate or whoever else may be used to have a better solution to that so folks aren't having to experience that. It should, in my opinion, it shouldn't be a back and forth for months at a time to get to a number that it's going to cost to truly put somebody back. And I think that that's the expectation of most insureds is when they have a loss is to get put back whole and not have to have a long process to get paid. So, I would love it if we could potentially be a leader in that and look to maybe bring some solutions to that issue because it sounds like something from the community that's happening quite often and potentially leads to less litigation if we're able to get out in front of it. So sorry to be long-winded on that. Just it seems like there could be a better way.

Jay Adams: I'd be glad to have a conversation with you offline. We have had conversations with Xactimate exactly in this space and, again, not to take up time here, I'll be glad to have a conversation with you.

Presiding Chairman Butts: Thank you.

4. Litigated Claims Update

Mr. Palmquist: Governor, may I ask a follow-up question on that?

Presiding Chairman Butts: Sure, Jon. Thank you.

Mr. Palmquist: Jay, somewhat related, but the slides mentioned that there's a 24 percent increase this year in the first representation of incoming residential property lawsuits, and that's quite a jump for the claimants being represented by somebody on 67 percent of the incoming first notices of loss. I was surprised by that. You know, it's not incremental. That's a big jump. Have you looked at why or what's going on? Is it pricing? Is it scope? Is it surge?

Jay Adams: So, are you referring to the litigation presentation?

Mr. Palmquist: Yes, yes, I am.

Jay Adams: Okay. Elaina is on the phone. I'm going to let her step in and answer that question.

Elaina Paskalakis: Sure. And Mr. Palmquist, I believe you are referring to the figures that I quote in my presentation where when we're looking at the lawsuits, we're looking back at whether or not the insured had representation at the First Notice of Loss. Am I correct in my assumption?

Mr. Palmquist: Yeah. Specifically, page 3 says, "the plaintiff was represented at FNOL in 67 percent of incoming residential property lawsuits, which represents a 24 percent increase as compared to 2023," which again, that's a jump. That's a big jump. Because it was already high in the past.

Presiding Chairman Butts: Is she looking to address that or did we lose her?

Elaina Paskalakis: I'm back. My apologies, Chairman. I'm back. I started to ask Mr. Palmquist if he's referring to the portion of my presentation where I look at the lawsuits and I look at the representation at the First Notice of Loss. Is that what you were referring to, Mr. Palmquist?

Mr. Palmquist: Yeah. Maybe you didn't hear me. On page 3 of your executive summary, you say, "the plaintiff was represented at FNOL in 67 percent of incoming residential property lawsuits, and this represents a 24 percent increase as compared to 2023." The number's always been high anyway, and to now see a 24 percent increase, I wonder if any of this is touching upon some of the issues that Governor Butts raised?

Elaina Paskalakis: That is a phenomenon that we see that the farther we move away from the storms, and I think Jay touched upon this, the farther we move away from the storms, the First Notice of Loss coming in tend to have, are very much higher represented at that time than when we're close to the storms. So that's the phenomenon that we're

seeing now when I look at the different data points for the lawsuits, when we're close to the storms, we will see the lawsuits come in on claims where the insured was not represented when they first reported the claim itself. And then the farther away we get, we start to see representation increase, and that's just a phenomenon we've seen over time.

Mr. Palmquist: We've seen that each time. And so my question was more driven to the point that the bullet says that, you know, "when plaintiff was represented at FNOL" they're already represented in 67 percent of the cases. That's a lot. But this represents a 24 percent increase as opposed to last year. Do we have a feel for why we've seen a 24 percent jump in representation in FNOLs?

Jay Adams: Let me take a stab here. So, in 2023, which she's referring back to, the only storm we had was Hurricane Idalia. And if I recall, I believe we got less than 4,500 or 4,800 claims out of that. So, you're comparing a non-catastrophe year to a year where in 2024, we had about 75,000-80,000 claims. And, you know, I was not very clear, I didn't state it this way. The further we get away from the date of loss and then you just get a First Notice of Loss, a lot of those are set up to go directly into litigation because those folks had marginal to no damage, and what they're trying to do is claim something that is not related to the storm. We deny the claim, and through the Notice of Intent process, they just flip that into a lawsuit. And I think that is what the driver is here when she's doing a look back from 2024.

Mr. Palmquist: So, if I hear you correctly, then the insured, the plaintiff, goes to someone else, being an attorney or a PA, on the majority of cases before calling Citizens in these lawsuits.

Jay Adams: Correct.

Mr. Palmquist: So, they have a feel to go outside versus calling you all, and that has increased 24 percent. And what I hear you saying is that's because of the three hurricanes in the prior year?

Jay Adams: Well, I think it is because we did not have significant catastrophe activity in the year she's comparing this against, right? So, I don't know that there's any significant change. Idalia hit the Panhandle as well, and, typically, we don't get a lot of public adjuster or representation activity coming out of that area. So, again, you know, when things start hitting the peninsula, that's where you see the representation and such start to pick up. And another thing for 2024, a lot of the damage from all three of these events were related to flood, rain, and storm surge where, you know, there's no coverage in our policy for those things. So that tends to drive up lawsuits as well.

Mr. Palmquist: But, again, the point's not, I'm sorry to belabor this. The point is not lawsuits. It's because the lawsuits are going to come in, whether it's 2022, 2023, or 2024, but the percentage of claimants who went to a PA or an attorney before calling you is the

question. And I sort of hear you saying that it's somehow tied to greater CAT volume. I'm not sure, but we could talk offline.

Jay Adams: That's exactly what I'm saying is in 2024, we had three different catastrophes. All three of those impacted the peninsula, and the peninsula of Florida typically has the highest volume of representation, whether it's public adjuster, plaintiff attorney, or both, and the majority of all the lawsuits filed against Citizens come from that area. So, it makes perfect sense to me that we've seen higher percentages than what we saw in 2023 when it's the only storm that occurred or hit an area that we don't see representation in.

Mr. Palmquist: I'm willing to move on, Governor.

Presiding Chairman Butts: Thank you, Jon.

Mr. Palmquist: Thank you, Jay.

5. Vendor Update

Greg Rowe: Good afternoon, Mr. Chairman and other committee members. For the record, this is Greg Rowe. Today I've got four consent items related to existing contracts we have in place, three of which really involve exactly what we've been talking about today, and that's just increased catastrophe claim volume that was not originally anticipated for these contracts. So, I know each of you have the binders that contain a lot of the detailed information, so I'll provide a high-level overview of each item, but I'm certainly happy to address any questions as I move throughout my presentation.

I'll start first with the Independent Adjusting Services Consent Item. This is for our IAs, exactly what we were talking about, that service our litigated claims. And, again, this contract just provides adjusting services for everything litigation, liability, as well as for appraisal and mediation procedures as well. So, this contract went into effect in 2017, and from the start of the contract, dating back again to 2017, leading up to 2024, catastrophe claims are the leading cause of loss for all I'd say new incoming and pending suits. So, we've done the math and estimated that dating back to 2017, approximately \$171 million in spend has been related directly to catastrophe-related claims. So being that this amount was not budgeted for in the original spend request, for this item we're seeking an additional \$125 million to get us through the existing contract, which expires in August 2027. So, Mr. Chairman, I'll pause there for any questions on this item.

Presiding Chairman Butts: Thanks, Greg. Just a comment. And, again, don't want to belabor the point, but it seems to me this is an extraordinary spend, right? And, obviously, we are not going to be able to do anything about catastrophes that happen in Florida. We're an insurance company. That's what we're here to do. This committee specifically, obviously, steps in to make sure that we're doing right and getting it right. I just think we really need to take a look as we spend this money. Is there a way to make sure that we are getting the best folks into the field to get these claims adjusted properly and keep us

from having to spend more on the litigation side? Please correct me if I'm wrong, but if somebody is going out and it's not correct to begin with, we just have a higher percentage of that leading to litigation, which is just causing, you know, additional spend on, you know, having adjusters. So, you know, Jay had said earlier that we can take a dive into that. I'm looking forward to doing that. So that would be my only comment, and, you know, again, just continuing to work to make sure that that money is spent the absolute best way possible, claims are handled quickly from the beginning, people are paid what they're owed, and we can move on. So, any other comments or questions for Greg?

Mr. Palmquist: Greg, I think this is correct, but this is for the desk adjusting component, right?

Greg Rowe: Right. These are individuals at the desk level that once that front-end adjuster they're done with the claim and it moves into Elaina's area, they handle the claim through conclusion in the litigated process.

Mr. Palmquist: Right. All right. So, I was trying to distinguish field versus desk, and so that's desk. Okay. Thank you.

Greg Rowe: You're very welcome.

Presiding Chairman Butts: And so, sorry, just so I'm clear on that, the field adjuster sends it to the desk adjuster, which works at the same firm, correct, before it then comes into somebody at Citizens?

Greg Rowe: Correct. So procedurally from the front-end claims, I'll separate front-end from litigated. Front-end claims, there is a field adjuster. They get their information to a desk adjuster on the front-end. That's not a part of this contract. That's just for our I'd say non-litigated, independent adjusting services contract. They handle that claim to completion and close the claim. Then if a suit arises out of that closed claim, it moves into Elaina's world, and at that point, we have a separate contract in place for independent adjusting firms to handle that claim throughout the litigated process.

Presiding Chairman Butts: And, sorry, do any of the same firms, I thought Jay's report earlier said the same firms do both. Is that accurate?

Greg Rowe: There are some of the same firms, not all of them, because they're, again, separate contracts and are open to different firms, but there is some overlap, but not all of them.

Presiding Chairman Butts: That seems like a conflict to me. I mean, maybe you guys can educate me offline if I'm missing something, but it seems like a conflict, you know, if, again, it's not done to satisfaction first and then it's going on, which, again, is now an additional payment to the same firm. So, what am I missing there?

Mr. Palmquist: Does it go to the same firm, or is there a rule against that, Greg?

Greg Rowe: No, there's no rule against it, and, again, they're working in conjunction with Citizens' staff and, in most instances, legal counsel. So, they're there to shepherd the claim through the process. But, procedurally, there's no incentive for them to do anything different in Elaina's unit based upon what happens on the front end. They're separate workflows. There's separate leadership in place. And what I'll tell you is very different from the front-end claim handling versus Elaina's team is the expectation of the firm. We have a lot of resources here at Citizens, along with our legal counsel, devoted to oversighting these litigated claims because of the cost, exactly what you said, Governor Butts, the cost associated with these. The front-end claim handling, it's not to say that we don't have an army with those either, but there is a lot more emphasis and expectation contractually placed upon the firms to ensure the quality of those. So, there is no conflict of interest as we move through the process, and to answer your question, Mr. Palmquist, sometimes it does go to the same firm, sometimes it doesn't, but Elaina's team is not structured, I would say, by firm. It's by different specialty units. So, I don't know, Elaina, if you wanted to add any color commentary to that, but she has various teams within her department that handle the suit based upon the nature of it, catastrophe, non-catastrophe, cause of loss, things along those lines.

Elaina Paskalakis: Yes, and if I could weigh in. The skill sets are completely different in what we're looking for the independent adjusters that do the work for the litigation team, as opposed to the adjusting portion that takes place under basically Craig's umbrella. So, they're not linked in any way. Even if we are using some of the same firms, it's really a completely different structure within that firm that we are using their contingent workers and there is no conflict in that in terms of whether there's a conflict of interest or some type of legal conflict if we just happen to have the litigation specialist coming from the same IA firm that the front-end CAT adjuster or whatever claims adjuster would have been working. And I will say this as well, with the number of, and Jay may want to speak to this more, but with the number of stop gaps that we have between us adjusting a claim, and by the time it would get to litigation and what it causes it to get to litigation, if there is an opportunity for us to make it right, if, in fact, we did something wrong, because keep in mind, a dispute doesn't mean we did something wrong, right? But if we did, there's so many stages along the way that that dispute, and we try to resolve that dispute with the insured so it doesn't get to litigation. Oftentimes what we find, and the driver for litigation is, you know, it's something that's not uncommon in Florida. The litigation situation in Florida historically has always been a little different from other states, and it's very aggressive in terms of representation coming in and pushing disputes that, quite frankly, may not be meritorious. So that's why there really isn't, like, a link between the front-end adjusting and then the litigation specialists, and there's no conflict of interest, because the driver most of the time for a dispute, by the time it gets to a lawsuit, is that there is no merit to the claim being made, if that makes sense.

Presiding Chairman Butts: It makes sense. I'd like to see some additional information on that, but Greg, do you want to go ahead and read the recommendation and what is needed for this?

A motion was made by Mr. Palmquist and seconded by Governor Knight to recommend the Board of Governors: a) Approve an additional \$125,000,000 in contract spend authority, for a total not to exceed \$755,980,650 through remaining renewals expiring August 2027; and b) Authorize staff to take any appropriate or necessary actions consistent with this Independent Adjusting Services – Litigated Action Item. All were in favor. Motion carried.

Greg Rowe: The next one is Claims Legal Services. This next Consent Item revolves around our contracts to provide outside law firms representing our claims in litigation, again in Elaina's world. And at this time, we're seeking the next \$50 million in spend authority. This will bring us to \$450 million of the approved \$500 million in spend authority to fund these services through the first part of 2025. And, again, this spend authority is tied directly to catastrophe-related claims, which represent approximately 50 percent of all spend under this particular contract. So I'll pause there for any questions on this item.

Mr. Palmquist: Greg, is this part of this sort of continuing resolution that we've had from meeting to meeting and we're just sort of going after another tranche of \$50 million towards the total?

Greg Rowe: Correct. This dates back to 2021 where we had requested \$500 million and the Board approved \$50 million tranches/installments with the caveat of Citizens providing ongoing litigation updates, which was presented in your binders from Elaina. So, you're exactly right. This is just the next \$50 million tranche.

Mr. Palmquist: Okay. Thank you, Greg.

Greg Rowe: You're welcome.

A motion was made by Mr. Palmquist and seconded by Governor Knight to recommend the Board of Governors: a) Authorize up to \$50 million in spend under the Claims Legal Services contracts as set forth in this Consent Item which, if approved, would make the total spend authorized to-date \$450 million; and b) Authorize staff to take any appropriate or necessary action consistent with this Claims Legal Services Consent Item. All were in favor. Motion carried.

Greg Rowe: Thank you. So, this next one, I'll spend a little bit of time on this. This is for our Enterprise Litigation Management System, and this is the software that both Elaina's team and our defense counsel work out of. And this particular item is requesting an additional spend of \$350,000 for our existing contract with Acuity. They are our current vendor in which all of our litigation action takes place. So, this contract ends on June 18,

2025. Now, that said, we're currently in the final stages of implementing a new litigation management system from Litify, and that's being implemented by an implementation partner known as CGI, and this contract was awarded in 2023.

So to bring you up to speed, the original go-live for this new system was originally slated for October 2024, but to ensure we had everything that Elaina's team and all of our defense counsel needs, the bells and whistles and the minimum functionality to do what they do today, I would say jointly both CGI and Citizens mutually agreed to postpone the go-live until May 2025. So, we are due to go live with that here in the next couple of months. And this date change, it did not increase any of the Board approved spend under this new Litify contract, this new system, but because we moved that date out, we still need to operate under our existing system, Acuity. We still have to use that until we actually turn the switch and move over to the new litigation management system. Once we do go live with that, we'll turn off the old Acuity system so there won't be a scenario where we're double paying, if you will, for a litigation management system. And, ultimately, our cost for this entire litigation management system is not increased by the change in this. It's really just a change in timing. So, we want to make sure so there's no disruption for Elaina's team, for our defense counsel, that we have a system that is viable that they can work in. So, the request, again, is for \$350,000 on our existing Acuity software to get us to the place until we are ready to turn on that new system here in May. So, I know I said a lot, so I'll pause there to answer any questions.

Presiding Chairman Butts: I just want to reconfirm here. So, there's no prorated or additional expense because of the delay is that correct?

Greg Rowe: None at all.

Presiding Chairman Butts: Okay.

Mr. Palmquist: Governor, I had a quick question.

Presiding Chairman Butts: Yes, sir.

Mr. Palmquist: Greg, what's our confidence level that we're going to hit that May date with Litify? And if we don't, I thought I read something in here that said we couldn't extend the system. Do I remember that correctly?

Greg Rowe: The contract with Acuity ends June 18, 2025, and I think that's what you're referring to. To answer your question, we're very confident that we will go live in May. We've pushed it out again. From October to May, a lot of conversation took place with that. Elaina has been phenomenal, her team and a host of others, in making sure that we are ready to go. And that's why we wanted to be extremely cautious and not try to ram something in. It just introduces way too much risk. There's a lot of volume, there's a lot of money tied up in litigation, as we've spoken about today. So, we are confident that we'll

go live in May. Now, there may be some hiccups as we move forward, we understand that, with any new system, but we're confident that when we flip that switch and we move from Acuity on to Litify, that it won't be a massive failure. It may just be a few little defects and bugs to work out, but we're confident moving forward.

Mr. Palmquist: And if there is a few hiccups that are a few more than expected?

Greg Rowe: So, as part of the contract with CGI, there's an intensive, I believe it's a 90-day, I'd say umbrella where there is a SWAT team if there is something that goes wrong, that they have to fix contractually immediately. So, it's not something that we just go live with and they walk away from. Contractually, they're still obligated to make sure that they fix any of those things promptly, so we don't have a massive disruption in service.

Jay Adams: We are testing this alongside with CGI. So, our team is intimately engaged throughout the process, so we know what works and what doesn't. So, when we get to the May timeframe, we're going to know exactly what we have.

Mr. Palmquist: Thank you, Jay. I assumed you would have been in the testing phase by now and would have been able to narrow it down. So, I'm very pleased to hear that you have a high level of confidence. Thank you.

Jay Adams: You're welcome.

A motion was made by Mr. Palmquist and seconded by Governor Knight to recommend the Board of Governors: a) Authorize additional spending authority under the Enterprise Litigation Management System Agreement with Trialnet, Inc. D/B/A Acuity Management Solutions, a Subsidiary of Mitrtech Holdings, Inc. of \$350,000 as set forth in this Consent Item which, if approved, would increase the total spend authorized to \$3,300,000; and b) Authorize staff to take any appropriate or necessary action consistent with this Consent Item. All were in favor. Motion carried.

Greg Rowe: All right. Home stretch. This is our last one. This is for Court Reporting Services. As we've seen, we had a theme today of everything litigation seemingly, but for Court Reporting Services, this contract provides Elaina and her team with vendors who provide court reporting, transcription, and video services. Again, with this contract, we didn't factor in any spend directly related to catastrophe claims. So, from the time this contract went into effect in 2020 up through 2024, catastrophe claims account for approximately 54 percent of the overall spend under this program. Next, I'd say the original approved spend of \$36 million, which is in place today, only covered services through the first renewal term, which is set to expire in April 2025 here next month. So at this point, we're asking for an additional \$10 million in spend, which is intended to cover the remainder of that first renewal term and the last one-year renewal option we have available

to us under this contract, which would extend us out through contract expiration of April 2026. So, I'll pause there for any questions.

Presiding Chairman Butts: I have questions on this one. I'm having a super hard time, so I hope you can take just another minute and explain this to me.

Greg Rowe: Absolutely.

Presiding Chairman Butts: Is there not technology with transcription services and video and everything that is far less expensive than dropping \$10 million on this?

Greg Rowe: That's a great question. Elaina, I'm going to turn it over to you.

Elaina Paskalakis: Absolutely. So, there are legal reasons why we require a court reporter and their services. It has to do with swearing in the witness so that they're -- they're under oath, and court reporters are deputized to do that. So, while it may seem like, you know, we have all this technology, we can just record these things, and that should be fine, those are not legally acceptable in a court of law if we do it that way. So, court reporters are baked into the system and a necessary component of that. Does that answer your question, Governor?

Governor Knight: It would seem, though, that a hybrid or some of the new technology would be able to be integrated into this somehow because I agree that that number is hard to wrap your mind around.

Elaina Paskalakis: So I understand the concern and I understand your points, and there is technology that's being integrated into the way things are done, but it does not take away the need for having a court reporter there and certainly then we have to pay for them.

Presiding Chairman Butts: Is there no other insurance company, Elaina like you're saying there is no other option in the marketplace that provides a solution to this?

Elaina Paskalakis: So legally--

Presiding Chairman Butts: -- at a cost would be significantly less?

Elaina Paskalakis: It's not just insurance companies. This is how the legal system works in terms of sworn statements and depositions. You have to have a court reporter. Otherwise, it is not considered a sworn statement and recognized by a court of law. So that's where we're at. The technology has not caught up with the legal system. The legal system tends to be archaic in many ways, right? So, while it seems that there's no reason to have this person, we could all get on, you know, and record this and have that, that is not the way the legal system currently works. It is not something we can get around.

Governor Knight: Is there any, maybe because it's new for us seeing it, so I apologize, being new to the committee, but can you help us break down that number? Like how is \$10 million in services arrived at, number of hours generally?

Elaina Paskalakis: So I will defer to Greg on the breakdown, but what I can explain to you is court reporters are paid on an hourly basis. So I believe, because we are contracted with them for the best prices we can get, and there's an hourly attendance base price for the court reporter themselves, and then when we get the transcription, if the transcription is necessary, and there's a per page charge for that. But, also, in this post-pandemic world where we do see technology affecting costs is the virtual deposition. Prior to COVID, a virtual deposition, it was almost unheard of and only done in the most extreme of circumstances. Because of the pandemic and the lockdowns, the Florida Supreme Court allowed for virtual depositions. A virtual deposition necessitates specialized systems and technology that allows for everybody, obviously, to appear at this what used to be an in-person event, allows everybody to appear remotely. So there's a separate charge there. The good part is what we pay for that separate charge, also creates a savings for us because now we don't have to pay our attorneys to travel there and back to a deposition, things like that. So, it kind of washes itself out in that sense. But in terms of the breakdown, I do have to defer to Greg on that piece.

Greg Rowe: Yeah. I mean, in terms of the projecting the extra \$10 million, we, again, try to project based on our existing volume and the utilization of the program, period. Again, we don't bake in anything with catastrophe. That's impossible. But we've got a great team that does a phenomenal job at forecasting as best we can based on our inventory and what we typically see, the utilization under this program. So, again, it's set to expire in April 2026 and we are looking at a new solicitation and certainly interested to find out if there's going to be other technology changes that may help us down the road, as long as they align with what Elaina just spoke to in terms of any reasons why we have to do things a certain way. I don't know if I answered your question, Governor Knight, but the \$10 million is just based on projecting what we will need to get us through, minus any new catastrophe, to the end of the contract in April 2026.

Elaina Paskalakis: And if I may add on, it's really volume that's driving this. This is what we're experiencing, right? After we did these contracts, we had the surge in PIF, our Policies in Force, which brought the surge in claims, which brought the surge in lawsuits, and then the catastrophes on top of that, right? So, it's really the volume and that is what's driving these numbers right now. Our volume is coming down. So, in the future, do we expect to see this volume? No. But that's really what's driving all of this right now.

Jay Adams: All of the contracts that we've brought forth asking for this additional money are related to the pending litigation, and litigation takes a long time to get it resolved. So, we're going to have a backlog of this for some time. We are starting to see favorable trends. The fourth quarter of last year, we received less litigation than the prior year. And

so far in January and February, we're seeing lower numbers than what we saw in the fourth quarter. So, we believe that our litigation strategy, our non-dispute litigated strategy, those are starting to come into play here, along with Senate Bill 2A where it abolished one way attorney fees. But we have some strategies in place that are, I believe, helping to reduce the plaintiff attorneys filing suit against Citizens. We do get a market-level litigation report, and it appears that Citizens is starting to see less litigation at a much higher percentage than the rest of the market. So, our strategies that we have in play are the drivers of that. Now, it is probably going to take us a year or two more to work out what we have in the backlog before we start seeing significant financial improvements in these numbers, but our anticipation is all these numbers are starting to trend in the right direction.

Presiding Chairman Butts: Jay, I appreciate those comments, and I think Citizens and I know that you and your team have done a phenomenal job, and we've heard a lot about that over the last, you know, couple of years of me being on the Claims Committee, at least, I've heard the stories. I know that Mr. Palmquist has been on quite some time as well. And I just feel like Citizens should absolutely be the industry standard on accurate and efficient claim handling. I hope you look at the questions today as the continued challenge to make us better to reduce litigation. If we can do it on the front end, if we challenge every step along the way and just continue to look for a better way to do it, I think that that's what this Committee and the Board is trying to get at. I find this \$10 million absolutely ludicrous. I'm having a hard time doing it. I understand that the current contract expires here in just a few weeks and this will take us, Greg, through April 1 of next year, which at that time I hope that there is something in the marketplace, and if not, I'm going to certainly go tell a friend or somebody to build it because this is crazy.

Elaina Paskalakis: Right.

Presiding Chairman Butts: Again, if there's nothing else available in the marketplace and this is what our only option is, obviously, you know, we've got to have it to be able to move forward. So, Governor Knight, any additional comments?

Governor Knight: Well, I echo everything that you said and appreciate all of the hard work. I would just, as someone approving it, like to fundamentally understand, is this \$50 an hour? Is this \$100 an hour? I mean, this is tens of thousands of hours, it would seem. I'm just trying to understand the math. Even if there's nothing that we can do about it at this juncture, I'd still like to understand.

Presiding Chairman Butts: Yeah. Greg, make it make sense.

Greg Rowe: It is. It's hourly rates based on state contracts, and there's a lot into that. And we can certainly, if you'd like, send you the specific contracts so you can see the various rates. But, again, everything Elaina spoke to in terms of the hourly rates and the transcripts by page, we do kind of follow suit with other states under this particular contract. And I think maybe seeing it, I don't have all the particular rates right here in front of me, but we

can certainly get those to you as soon as we get off the call, we'll get my team and get those contracts over so you can see the rates.

Brian Newman: Can I jump in for one second to speak to this? I understand the frustration over court reporting fees, but they are a necessary evil. And it's for as much of the reasons as Elaina explained as certain evidentiary rules require you to have a certified transcript from, produced by a court reporter for it to have value if you get to a hearing, to use it either to impeach a witness or to offer in lieu of live testimony. You can't just take a Zoom recording of a virtual deposition and do that. And until those rules change, I'm afraid we're stuck with court reporters. I think we're making a pretty efficient use of it, but when your numbers are as high as they are, that number is going to seem high as well. So typically, and I haven't looked at our contract for the details, but typically you pay an appearance fee and there's also a fee for producing a transcript after the fact in case you order it. We don't generally speaking, we don't just knee-jerk order them at every case. We only order them if we need them to help cut that cost down as well. So, I'm confident we're being as prudent as we can on, again, a necessary evil. And to Jay's point, how do you cut this cost down is you start to control the litigation, which we're just finally seeing. So, anyway, that was a lot. If you have any questions, I'm happy to answer.

Mr. Palmquist: Governor Butts, I had one question for Greg just to make it abundantly clear over the years we've been doing these meetings, and he made the comment, but I want to make sure it didn't slide by. This assumes no additional CATs that come through this year? If we have a year like last year, then this number is probably going to be bumped, correct?

Greg Rowe: Yes. I mean, we could come back if there is another catastrophe and need more. That possibility exists.

Mr. Palmquist: And, Governor, I will, not to editorialize, but I will say I've been on this committee probably over 20 years now, and I've seen Citizens do wonderful, wonderful things in the marketplace. They can kind of lead the marketplace in many respects. I think this is certainly one area that we'd like to, but, unfortunately, somebody used the word, "the legal system is a little bit archaic," and as a lawyer, I can agree with that. But I do believe Citizens has historically shown they're trying to challenge the norms and take care of and take advantage of all the efficiencies they can. Fortunately, or unfortunately, lawsuits and the fees lag behind the PIF, Policies in Force, count by anywhere up to my experience, could be up to a year or two years. So the good news, hopefully, is that with the reduction that we've seen through legislative efforts and Citizens' efforts and the reduction in the suits, that will lag so that hopefully we won't see continuing high prices and high costs, and hopefully technology can do something as well.

Presiding Chairman Butts: Right.

A motion was made by Mr. Palmquist and seconded by Governor Knight to recommend the Board of Governors: a)Authorize additional spending authority of \$10,000,000 under the Court Reporting Services contracts, for a total of \$46,000,000 in authorized spend; and b)Authorize staff to take any appropriate or necessary action consistent with this Action Item. All were in favor. Motion carried.

6. Addendums

Presiding Chairman Butts: Perfect. Thank you. Anything else, Jay? Did you want to touch on anything else that was included in our packet, any of the SIU stuff, or are we done for today?

Jay Adams: We're done. You may want to check for new business before you close it out.

7. New Business

Presiding Chairman Butts: Thank you for that. I appreciate it. Any new business? Any questions? All right. Perfect. With that, we will adjourn today's meeting. Look forward to seeing everybody next week in Lake Mary at Citizens' Board meeting. Have a great day.

(Whereupon the meeting was adjourned.)