

CITIZENS PROPERTY INSURANCE CORPORATION

**DRAFT MINUTES OF THE
BOARD OF GOVERNORS MEETING
Wednesday, June 25, 2025**

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened at The Westin Lake Mary in Lake Mary, FL on Wednesday, June 25, 2025 immediately following the Consecutive Board of Governors Committee Meetings that began at 8:30 am this morning.

The following members of the Board were present:

Carlos Beruff, Chair
Jamie Shelton, Vice Chair
Josh Becksmith
Jason Butts
LeAnna Cumber
Erin Knight
Charlie Lydecker
Jamie Shelton
Robert Spottswood (by phone)
Frank White

The following Citizens' staff members were present:

Tim Cerio	Brian Newman	Deena Harrison
Aditya Gavvala	Brian Donovan	Kyle Sullivan
Jay Adams	Mike Sills	Carl Rockman
Jeremy Pope	Michael Wickersheim	Ray Norris
Joe Martins	Michael Peltier	Mathew Carter
Mark Kagy	Andrew Woodward	Eric Addison
Barbara Walker	Bonnie Gilliland	John Schmidt

The following people were present:

Kapil Bhatia	Raymond James
Dave Newell	FAIA
Sasha Stipanovich	Raymond James
Bryan Friendshuh	Gallagher Re
Trevor Hillier	Gallagher Re
John Generalli	Wells Fargo
Mark Weinberg	JP Morgan

Call Meeting to Order

Barbara Walker: Good morning and welcome to Citizens' June 25, 2025, Board of Governors meeting that is publicly noticed in the *Florida Administrative Register* to convene following our Board committee meetings. This meeting is recorded with transcribed minutes available on our website. Chair Beruff, we have no speaker request for today's meeting. May I proceed with the official roll call?

Roll call: Chair Carlos Beruff, Vice Chair Jamie Shelton, Josh Becksmith, Jason Butts (stepped outside momentarily), LeAnna Cumber, Erin Knight, Charlie Lydecker, Robert Spottswood (by phone), and Frank White were present. A quorum is established.

1. Chairman's Report

Action Item: Consent Agenda Items

Chair Beruff: Mrs. Walker, would you go ahead and move the items that we've to consent agenda and read them out please in the board minutes?

Barbara Walker: Yes, sir. In addition to the consent items listed on our board agenda, the following items are requested to be added to the consent agenda:

- A. Board Meeting Minutes: March 12, 2025
- B. Special Board Meeting Minutes: April 30, 2025
- C. Financial Advisory and Investment Consultant Services
- D. 2026 Policy Level Rate Capping
- E. GIS and Location Data Services
- F. Product Updates – June 2025

New Business – Product Updates – Policy Form Updates – Commercial Lines *(This item was brought forward from the Actuarial & Underwriting Committee Meeting earlier in the day.)*

Chair Beruff: The Chair will entertain a motion to approve all to consent items.

A motion was made to approve all Consent Agenda items listed above.

Robert Spottswood: . . . the rate cap can be removed from the Consent Agenda. I voted against it in the committee.

Chair Beruff: I'm sorry, which one is that? I didn't hear that, Governor Spottswood.

Robert Spottswood: The 2026 policy level rate increase of the rate cap.

Chair Beruff: Okay. So, you'd like to pull that? That's fine.

Robert Spottswood: Thank you.

Chair Beruff: We'll pull that agenda item.

Robert Spottswood: Yeah, I'd like to vote against that. Thank you.

Chair Beruff: You're going to vote against? Let's talk about that. Well, this doesn't require a vote. You can pull it off the Consent Agenda, and we'll vote on it as an action item later. So that'll work.

Robert Spottswood: Thank you.

Chair Beruff: Sure. Do you want to modify that?

Barbara Walker: Yes, sir, then all of those will stand and the 2026 Policy Level Rate Capping will maintain its status as an action item.

Chair Beruff: Right. Now, do I have a motion for that?

A motion was made and seconded to approve the following Action Items as Consent Agenda Items:

- **Board Meeting Minutes: March 12, 2025**
- **Special Board Meeting Minutes: April 30, 2025**
- **Financial Advisory and Investment Consultant Services**
- **GIS and Location Data Services**
- **Product Updates – June 2025**
- **Product Updates – June 2025, Policy Form Updates – Commercial Lines**

Existing Consent Items:

- **Comprehensive Material Analysis and Valuation Services for Insured Losses (Flooring Valuation)**
- **Claims Legal Services**
- **ELMS Single Source Extension Contract**
- **Market Accountability Advisory Committee – Citizens Consumer Member**
- **Business Process Outsourcing (BPO) Call Center Services**
- **Contingent Workforce Staffing Services**

All were in favor. Motion carries.

2. President's Report

Tim Cerio: Thank you, Mr. Chairman. Good morning, members of the Board. It's good to be with you all for my President's Report. I'd like to cover two areas. First, I'd like to cover Citizens' preparedness for the 2025 hurricane season—talk to you all about what we've done to prepare and what we're prepared to do should a storm make landfall. Then, I want to move into a discussion and present some data. I think you've already heard this in most of the committee meetings, but I really want to home in on the fact that, based on the data we have, it is simply irrefutable: the reforms championed by the Governor and passed by the Legislature have had a tremendous impact on improving this market. The data bears that out. I think there needs to be a lot of discussion about it because, in many ways, you're seeing the recovery in the numbers. You're seeing rates start to go down. That doesn't always necessarily equate to a premium decrease—because of inflation, you know, folks' homes increasing in value—but the recovery is there. You're also seeing more and more competition coming into the market, which is good for Floridians, good for Citizens, and it promotes a smaller Citizens. It helps us return to that role of the insurer of last resort.

So, just jumping right into it—So first, obviously, what we do—there are really five phases of our CAT response for storm season. Before storm season begins, we enter the preparedness phase. We do a lot of stress testing, including mock CAT exercises with our employees and vendors. We ensure we have an adequate number of vendors in place, that our equipment is functioning properly, and that any necessary replacements are made ahead of time. We also conduct employee and vendor training where needed. Next is the monitor phase—Bonnie, please go back one, I'm going to go through each of the five. The monitor phase is activated when the Hurricane Center identifies a weather system. If there's no threat to Florida, no action is taken—we simply monitor the situation. Third is the activation phase that's triggered when a storm watch or warning is issued. It involves a cross-organizational call led by Jay [Adams]'s team. Members from all facets of the company are involved, participating in daily coordinating calls. We work closely with our adjusting firms to ensure readiness in the event of an imminent landfall. Then we have the landfall phase. That's when we begin deploying resources after evaluating the storm's impact and confirming that conditions are safe for deployment. The goal is to initiate the claims-handling process promptly, robustly, and safely. Lastly is the recovery phase, which includes three sub-phases. First is the initial 30 days, during which our Catastrophe Response Centers (CRCs) are activated, staffed by our great employee volunteers out in the field. At that time, much of the internal staff returns to regular duties while field teams focus on taking claims. The sustained response phase spans from one to six months after the storm. This is the primary period of claim intake, adjustment, and—ideally—prompt resolution. Finally, the closing phase covers six months to two years post-storm. By then, we're dealing with reopening claims when needed. It's a smaller team handling this phase, and we gradually return to normal operations and close out that storm event.

Next slide. As far as preparation for the company goes, first, we've acquired a GIS mapping tool for visualizing storm paths and estimating potential impacts. We also utilize Power BI, a Microsoft dynamic reporting data tool that allows us to evaluate data and determine staffing needs for storm response based on modeling. We have a CAT dashboard—also through Power BI—that provides real-time metrics on

claims operations to evaluate performance. It helps us understand how we're doing for our policyholders, and that is, of course, critical. Lastly, we have satellite-connected vehicles that function as remote offices for our employees and Claims leadership out in the field. These are not branded or customer-facing, but they allow us to supervise adjusters and facilitate the claims process on-site to ensure we're handling things the right way. Next slide, please. Communications. You've all heard me talk about this in the past. We have a very active, year-round communications campaign promoting preparedness. Our multi-channel outreach system includes agent bulletins, targeted emails, text messages, and our Citizens website. We also communicate through public radio, emergency network messages, press releases, social media, and other policyholder outreach. Our goal is to overcommunicate with policyholders. Regarding the Catastrophe Response Centers (CRCs), we take great pride in our employees who volunteer to be deployed. When they're out in the field, they assist with policy coverage verification on-site. Many of our policyholders have been displaced. Some may still be in their homes, but without power or with significant damage. They come to the CRCs, where a first notice of loss is taken, and we also distribute additional living expense checks on-site as needed. So far this year, we have 146 volunteers signed up for potential deployment. For context, last year we had about 87 employees deployed after the three storms. We believe we're well-staffed. Of course, we never take anything for granted—we want to stay prepared. Some of you have visited the CRCs, and I know it meant a lot to our employees to see you out there. It meant a lot to me to hear your descriptions of what you saw. Like me, you were all very proud of our employees in the field. We also have first notice of loss (FNOL) call centers. We utilize multiple vendors to run a dedicated FNOL call center, which is activated within 72 hours of a catastrophe declaration. It operates 24/7. For the 2025 storm season, we have 16 vendors with the capacity to handle up to 50,000 calls per day. The bottom line is I believe we're well-positioned to take care of our policyholders across Florida in the event of a storm—to ensure they receive timely service and that we can process their claims effectively, all while keeping our employees safe. As I've said before, we don't take anything for granted. You never know what Mother Nature will throw at you, but I believe we're in the best possible position to respond. And I'm very proud of the entire Citizens' team for getting us to this point. Next slide, please. Now, getting into the industry rate filing—this is a snapshot I wanted to provide to you. I saw this earlier this week in a report I received. It shows the progress we've made in reducing our exposure and what happens when we can move policies into the private market. You can see here, almost a year ago—on June 28, 2024—we had 1.2 million policies. As of last Friday, June 20, we had 770,592 policies. That's a 36% reduction, and it's exactly the direction we should be heading in. We would not be heading in that direction without the success of the reforms, particularly tort reform. Our total exposure—which is critically important—has also decreased. The more exposure we have, the greater the financial risk in the event of a series of storms. If we were to run out of surplus or reinsurance, other Floridians—non-Citizens policyholders—would be responsible for covering the difference. That's why we focus heavily on reducing exposure. Our total exposure has gone from \$520 billion to \$295 billion—a 43% reduction in our premium—did somebody have a question?

Robert Spottswood: Tim, on that exact point—just quickly—do you know where in the state the total exposure was reduced? What part of the state is that coming from?

Tim Cerio: Yes, Governor, I have a slide later that gets into that. But basically—and it's kind of surprising—the top five counties are, I believe, Miami-Dade, Broward, Orange, Pinellas, and I think Pasco. I will come to that, Governor Spottswood, but they're coming from areas where we traditionally haven't seen a whole

lot of depop. The reason for that is the tremendous drop in litigation in those areas. Because of the litigation, those counties had higher rates, and now the private industry has been able to come in, be competitive, and take policies out of Citizens. But I'll get to that in just a few moments.

Robert Spottswood: Okay, thank you.

Tim Cerio: But again, with that comes a reduction in premium. We collected about \$4.2 billion as of June 2028—that's what our Power BI metrics showed. As of right now, that number is \$2.4 billion. That's a 41% reduction. Obviously, we need to be mindful of that, but the reduction in exposure—I would argue, and our team shares the philosophy—that it's worth it. That's a trade-off we're willing to make. And I think, again, it speaks to the strength of the market. Next slide, please. This is related to rate filing—and it's very good news on rates. We often talk about where consumers can actually see a benefit. This information comes from OIR. In 2024, a total of 27 companies (companies often make multiple filings) submitted 52 filings that requested a rate decrease. Additionally, 41 companies made 74 filings where they requested no change in rates. So far this year—and I want to emphasize so far, because more filings will come—you've had 21 companies make 31 filings with a decrease, and another 21 companies make 27 filings with a decrease. It probably goes without saying, but I want to clarify, these aren't necessarily the same 21 companies in each category. It's likely made up of different companies. But this is still very, very good news. Among the top 10 national carriers in Florida, six have expanded their books—they're writing more than they had been—and four have filed for rate decreases. So again, that's very, very good news. One thing I forgot to mention in my report—Commissioner, you were asking about this—relates to the growth in the insurance market. We've had 12 new insurers enter the market since the reforms. For context, 12 insurers went under in the years leading up to the reforms. These positive results show the tangible benefits we've received from those legislative changes. This is huge. In 2024, Florida had the lowest average homeowner premium increase in the country—right around 1%. As you all know, in the years immediately prior, we were either the highest or among the highest. That's a drastic change and a strong indicator of the market's improving health. It's tremendously significant. Again, this was the smallest increase in homeowner premiums nationwide. Related to that—and tying into the earlier discussion about the indicated rate—when Brian [Donovan] and I came up to the table, we mentioned that without the 2023 reforms, Citizens would have needed a 91.5% increase just to be actuarially sound statewide. That's how bad the market had gotten. Because of the reforms, that indicated rate dropped to 55.1%, which equated to about \$900 million in reduced premium needs. In 2025, that figure further declined to 25.2%, which means we needed about \$500 million less in premium to be actuarially sound. Now, I know Brian doesn't want me to set expectations, but I think that number will improve significantly when we make our rate filings in 2026. The trend is heading in a very positive direction. Also—because Brian included this in some of his figures, and I'll revisit it later in my report—the litigation rate is down significantly. Back in 2015, 2016, 2017, we were seeing litigation rates in the mid-20s to high 30%. That meant up to 30% of claims were going into litigation. Last year, that number dropped to around 10%, and we expect it could drop into the single digits in 2025. Again, we don't want to get ahead of ourselves—we need to keep monitoring the data—but the trend is very encouraging. Next slide, Bonnie. Thank you. This slide [see page 8, last slide] shows the historical depopulation of Citizens' policies. You've seen this chart before. It reflects the annual counts and exposure removed through depopulation. In 2024, we removed 478,000 policies and \$215 billion in exposure. In 2025, we budgeted for about 300,000 policies to be removed through June. So far, that number is approximately 200,000 policies, with \$83 billion in exposure removed.

Next slide. Governor Spottswood, I don't know if you can see this clearly, but this slide gives a visual of the depop activity for 2024 and where we are in 2025. The map shows where policies are being depopulated. Again, the top five counties are Miami-Dade, Broward, Palm Beach, Orange, and Pinellas. I couldn't remember Palm Beach earlier. Forty-eight percent of the depopulation has come from these counties. These are areas where companies traditionally avoided takeouts because of litigation risk, and this turnaround is entirely due to Senate Bill 2A (SB 2A). If you combine the 2024 and 2025 data so far, we've helped move just under 678,000 policies and \$298 billion in exposure back to the private market. Next slide [next page]. You can see here where the SB 2A reforms kick in. This reflects the rate of new business coming into Citizens, which has also slowed down dramatically. The rate of new business significantly declined in 2024, and that trend is continuing in 2025. So far through May, we've received almost 93,000 new policies, and we're forecasting just over 189,000 policies for the entire year. In 2024, we had 364,000 personal lines policies and 8,871 commercial. So, that's a significant drop in the rate of new business coming in. The reason for the drop is that these policies are finding a home in the private market. Next slide. Policy Count and Total Insured Value (TIV) as of June 20—our policy count, as I mentioned earlier, was 778,000. We were under 800,000, which made the team very, very happy, with approximately \$295 billion in total insured value (TIV). I have updated figures—a little more recent than the figures Jeremy shared—because I wanted to make sure whose numbers were more current. Jennifer [Montero] verified that mine are the later figures. We are now forecasting to end 2025 with just under 654,000 policies and \$255 billion in total insured value. That's about a 15% reduction from what we budgeted. Again, I want to remind everybody—and especially the public, if you're listening—that our policy count will likely creep up during hurricane season. That's natural. Takeouts aren't happening right now, and you do have new business coming in. But we are projecting that once the takeouts resume in the fall, that number will drop again. Hopefully, knock on wood, we'll be just under 654,000 policies. Next slide.

This slide represents the residential property insurance market, broken out by types of entities. The key takeaway from this figure is that, for the first time since 2021, our market share is back down to single digits—it's at 9%. You may recall that we were as high as 17% of the market in the third quarter of 2023. And I think it was back in 2011 that we hit 25% of the market. I'm just giving you some context—when the market went south most recently, Citizens never reacquired the market share it had in prior years, but we did get as high as 17%. Now we're back down to 9%, and again, knock on wood, we think that figure is going to continue to drop. Next slide [next page]. Great news on litigation and lawsuit trends. This chart shows the top Florida property insurance lawsuits by entity, based on calendar year, beginning with June 2024. You can see the purple line—our rate has dropped significantly for new lawsuits coming in. The line we crossed just before May—between April and May—is State Farm. We were always at the top of the litigation list. Again, we're seeing great results here because of the reforms.

Next slide. This is some litigation trend data. You can see how the figures are going down. For 2024, for our personal lines, non-CAT litigation, the rate is 10.6%. That means when a claim is filed, 10.6% go to litigation. That used to be as high as the mid-30% range. We think we'll be in the single digits again—knock on wood—by the end of 2025. Hopefully 9%, maybe 8%. So far in 2025, the figure is 8%. I'll share that with you, but we'll see how the year plays out. As for the overall pending litigation count—the number of suits currently pending at Citizens—there were almost 21,000 in 2022. Thanks to a combination of fewer new suits coming in and some aggressive measures taken by Jay and the team to settle older

cases when appropriate, that number has come down. As of June 2025, we're down to 12,622 pending cases, which is great news. Next slide, Division of Administrative Hearings (DOAH). Here's a comparison: since July 3, 2024, if you compare DOAH to state court, the average legal spend for Citizens—this is for our own attorneys—is about 15% of what it would be in state court. That spend is about 59% less when cases go to DOAH. The benefit to the consumer is also significant—it's about 86% faster. Results are obtained in an average of 85 days, compared to 621 days in state court. That is significant. I'll also share something that's harder to quantify. Because of the shorter timeframe, DOAH really forces both sides to focus on the merits. We re-examine what may have been a denial or a partial payment—or at least perceived as partial by the policyholder—and the policyholder and their attorneys also have to dig in. So, we're seeing a lot of cases settle and resolve on the eve of hearing. We're settling as well. From both a financial and time standpoint, DOAH provides significant savings and much faster results for the policyholder, along with a substantial reduction in our legal spend. Governor?

Robert Spottswood: So, it's hard to evaluate that without knowing what the average settlement cost has been. Has the average settlement cost been going down along with the legal spend? Are the results better, worse?

Tim Cerio: I think what's happening—and this would require a deeper dive than what's reflected in the data on this slide—is that, as I said before, there's more front-end work required. We are settling cases on the eve of a hearing. I'll also tell you, a lot of plaintiffs and policyholders are dropping their cases on the eve of hearing. That means one of two things—and I don't mean to state the obvious, but I am a lawyer, and I know these lawyers have a fiduciary duty to their clients. So, either the claim doesn't have the merit they originally believed, or they're committing malpractice. I do not believe they're committing malpractice. I think the DOAH process forces both sides to dig in and make a serious determination about whether the indemnity is warranted. Are we settling? Yes. But I can't tell you definitively whether the settlements are for more or less. I can tell you the overall savings are there. What we can do is a deeper dive into the data and get you that information. I hope that answers your question.

Robert Spottswood: Yes, thank you.

Frank White: Quick question on, I guess, was the prior slide on decreasing litigation. Do you do any benchmarking against other insurers of last resort to see if, I mean, is our, is our percentage of litigation?

Tim Cerio: Well, I mean—yes and no. We're a member of Property Insurance Plans Service Office (PIPSO), which is an association of insurers of last resort. I'll ask Jeremy [Pope] if I'm leaving out a key piece of information, but based on national data, we've seen this figure floated around for many years—either in 2021 or 2022—we had 8% of the claims in Florida but 76% of the litigation. We were the outlier. We were deemed a litigation "hellhole" by a national publication. So, I would say that, yes, our litigation rates were higher. As far as where we are on trend—we are definitely trending down. The one-way attorney's fee statute, which was eliminated in Florida with the reforms, was pretty unique. Most states did not have it. I don't know if we were the only state that did, but it was rare. I think that's one of the big reasons why we've seen litigation go down so much. And I'll call them schemes—because I've said this before—sometimes insurance companies get it wrong, sometimes Citizens gets it wrong. Litigation happens, and

when it does, that's right for the policyholder. Or sometimes you go through an alternative dispute resolution process. But when there are incentives to drag out litigation, that's a problem. When there are incentives not to settle and to run up attorney's fees, that's what we had with the one-way attorney's fees. Every scheme—sinkhole abuse, fraudulent water claims, roofing scams—all of that was incentivized by the one-way fee statute. When that went away, you saw litigation drop, both in the private sector and at Citizens. Again, sometimes litigation or an Alternative Dispute Resolution process is necessary, but I think we're seeing now that we had a lot of frivolous litigation in Florida. Bonnie, back to the last—yes, I think it was the last slide. You've also seen this slide before. These are the financial results for a segment of selected domestic insurers that we monitor here in Florida. For the first time since 2015—almost a decade—these companies' net income and their net underwriting gains were positive. They were not in the red. The net income for 2024 was just under \$476 million for these insurers, and the underwriting gain was just under \$315 million. That is huge. People wonder why companies failed. Why did they leave the state? If they stayed, why did they reduce their filings? Why were they stricter on things like the age of a roof? This shows that these companies were actually operating in the red. I think we're now seeing a benefit. And to Governor Lydecker's point earlier in the meeting, the industry is now reaping the benefits. That's why companies are willing to come back into Florida and expand their writings. All of this is directly attributable to the reforms that were championed by Governor DeSantis and passed by the Legislature. And I would not be doing my job if I didn't emphasize how important it is that we do everything we can to hold on to these reforms. I think that's the last slide. Is that it, Bonnie? That's it for me. Mr. Chair, I'll answer questions.

Chair Beruff: Perfect. Comments? [silence] Good. Thank you, Mr. Cerio.

3. Chief Financial Officer's Report

Chair Beruff: Ms. Montero, I'd like to say—one of the benefits of the new format we're using for these Board meetings is that everybody's here together in the morning. So even if you're not on a committee, you're here, you listen, and you follow along. I think this can help expedite our Board meetings, because we sure don't expect anybody on this Board to forget what they heard this morning. So, Ms. Montero—with that thought . . .

Jennifer Montero: Should I just move to the action item?

Chair Beruff: Yes, ma'am.

Jennifer Montero: Do I need to review the issue?

Chair Beruff: Just read the—oh, we have two action items because we pulled the 2026 Policy-Level Rate Capping, right? So, you have Financial Advisory Services. Go ahead and move to your action items, please.

Barbara Walker: So, the Financial Advisory item was moved to Consent and was already approved by the Board. The 2026 Policy-Level Rate Capping was pulled by Governor Spottswood.

Chair Beruff: Just deal with the action items that came out of committee and need Board approval.

Action Item: 2026 Policy Level Rate Capping

Jennifer Montero: If approved at its June 25, 2025, meeting, the A&U Committee recommends that the Board of Governors: a) Approve the above proposals to the 2026 Policy Level Capping, effective 1/1/2026; and b) Authorize staff to take any appropriate or necessary action consistent with the filing of the proposed rates which includes filing with the Office of Insurance Regulation, system change implementations, and other relevant activities.

Charlie Lydecker: I thought we amended it to . . .

Jennifer Montero: As said in the statute.

Chair Beruff: As in the statute.

Charlie Lydecker: Okay, I was going to say—as updated by the Legislature, reflecting statute change.

Jennifer Montero: As per SB 76.

Multiple speakers: We are recommending referring to—that's the statute that...

Charlie Lydecker: I'm going to say I'm inclined to vote against it because it just feels unnecessary. And also, I don't like the idea that we're voting on something that increases the glide path to 15% in the absence of other information—even though I know there's no approval process occurring today. So, I'll vote against it, but I'm going to be watching it closely with Governor Spottswood. Thanks.

Chair Beruff: So, the Chair will entertain a motion to approve.

A motion was made and seconded that the Board of Governors: a) Approve the above proposals to the 2026 Policy Level Capping, effective 1/1/2026; and b) Authorize staff to take any appropriate or necessary action consistent with the filing of the proposed rates which includes filing with the Office of Insurance Regulation, system change implementations, and other relevant activities. Charlie Lydecker and Robert Spottswood voted against the motion. The remaining members voted for the motion. Motion carried.

4. Chief Insurance Officer's Report

Jay Adams: Good morning, Governors. I don't have any other updates beyond what we covered in the committees.

Chair Beruff: Okay, thank you. Mr. Pope?

5. Chief Administrative Officer's Report

Jeremy Pope: Chairman, I have no further updates either. I can turn it over to Dave Newell.

Chair Beruff: Thank you, Mr. Pope.

Charlie Lydecker: Can I ask a question? I think this is for Jay, and this may not be the right spot to ask it, but I wanted to follow up on our conversation regarding replacement cost. Would that have fallen under your section that we just passed, even though there wasn't an action item? Mr. Chair, do you mind if I step back for a second?

Chair Beruff: Go ahead.

Charlie Lydecker: I want to raise the issue we talked about during our briefing session. We're talking about the glide path and raising rates, and at the same time, we're all excited that our reinsurance renewal rates have come down—some 13 to 14 percent—which is really good news. And tort reform has also been a very positive development. But one of the concerns I have, looking at what's happened in California after the fires, is that home values there—and in Florida—have gone up significantly. A homeowner living in a house insured for \$750,000 or \$1 million may now have a home worth \$2 million or even \$2.5 million. Whether they know it or not, they could be 50% to 80% underinsured. Now, before a catastrophic event happens, they're paying less in premium because the rate is applied to the insured value of their home. But it's our responsibility to make sure Citizens is receiving the full premium based on accurate valuations, which ties into a lot of the conversations we've had today. More importantly, we should also be making sure homeowners understand the risk of being underinsured. It's not ideal to rely on inflation adjustments alone. After the initial new business underwriting, we rely on an inflation guard—which, I think, is around three to four percent annually. That's not enough to keep up with actual market values in some areas. Citizens policyholders could be substantially underinsured—whether they know it or not. And that also means Citizens may not be collecting enough in premiums—whether we know it or not. So I'll ask Jeremy to comment in a moment, but on the issue of replacement cost software—I think CoreLogic is the example we discussed—it's my understanding we use that for underwriting new business, but not on an ongoing basis. For renewals, we just use the inflation guard—the 3 to 4 percent we talked about. I think that's a mistake. I believe we should use replacement cost software at every renewal, every single year, to ensure that our customers are fully insured. That way, if a major event occurs, we don't end up in the same situation California is facing. It also ensures we're collecting the right premiums. I just wanted to put that out there. If that's correct in your estimation, then I think we need to consider: how do we communicate this to our policyholders? How do we make sure they're aware that they need to be fully insured? Because they don't want to find out—after a total loss—that they didn't have enough coverage. And then, is there a professional obligation on the part of the insurance agent to ensure that the home is insured to value? Someone needs to be using the full, accurate value of the home—especially when they're in Citizens.

Jay Adams: For the record, Jay Adams, Chief Insurance Officer. I want to answer this in two parts. First, regarding new business—when we underwrite a new risk, we use software called Cotality, which is an offshoot or rebrand of CoreLogic, the firm you mentioned. We leverage that tool on all new business writings. It's a required submission, and our underwriters spot-check these inputs to ensure the tool is being used and applied appropriately. That sets the initial coverage limit—the value of the home—and that value is based on replacement cost, not market value. So, it doesn't include the land or any of those other non-replacement elements. That's for new business. Now, under the renewal process, Cotality provides a quarterly inflation factor at the ZIP code level. They monitor local market conditions—labor,

material costs, etc.—and adjust their inflation factor accordingly. If we got the replacement cost correct on the front end, what Cotality is doing on the back end is providing quarterly updates, which we push into our system as they are released. The inflation guard I believe you're referring to is a bit different from what we're doing now. It used to be just a flat 2, 4, or 6 percent number applied at renewal. Now, we're actually using real market data from the replacement cost tool. That updated factor is what gets applied at renewal. So essentially, customers are receiving a brand-new replacement cost each time they go through the renewal process.

Charlie Lydecker: Okay—up or down?

Jay Adams: Correct.

Chair Beruff: Governor Lydecker's comments are right on point. My question to you is: what happens if you reassess the policy at renewal, and it exceeds our insurance limits?

Jay Adams: If that happens, the policy would be non-renewed based on whatever limit is applicable at the time—whether that's \$700,000 or the \$1 million maximum.

Chair Beruff: But I agree with Mr. Lydecker—we want to make sure our policyholders are well protected. It's a two-edged sword.

Charlie Lydecker: Yeah, I take your point. But in the case of a major event—more than likely a hurricane—do customers understand that even though we have a coverage limit relative to the home's insured value, their home could far exceed that value? And they might not fully appreciate that. That might actually be one of the reasons why we're attractive.

Chair Beruff: Well, after listening to the explanation that was given, I think, to your point—we're not using national core inflation rates, and we shouldn't be. What I think we heard is correct: it's ZIP code specific. The actual costs of goods and labor to repair a house are taken into consideration. Now we're going a little off on a tangent, but I know a bit about this business. A house may be worth \$4 million, but let's say there's \$300,000 in damage. Without that \$300,000 repair, it's not worth \$4 million. Maybe it's worth \$2.7 million, because people just can't grasp the magnitude of what has to be fixed. You have to spend that \$300,000 to bring it back to \$4 million. If you don't, the house is worth maybe \$2.5 million—because people are afraid. So, market value and actual repair cost are not directly related. If we're using a software system that factors in hard costs and labor in that ZIP code, and we rely on it—and it's accurate—I think we're safe.

Market Accountability Advisory Committee (MAAAC Update)

Dave Newell: Great discussion. For the record—Mr. Chairman, Board of Governors—Dave Newell, Chair of the Market Accountability Advisory Committee. Our committee met on June 11, 2025. After approval of the minutes, we heard from Jay Adams—who was just up here—giving us a current policy count and projections for both personal and commercial lines. Following that, Jeremy Pope and Carl Rockman provided updates on depopulation, the Clearinghouse, and FMAP. What the committee learned—and I

think we heard this today as well—is that there will be quite a bit of activity this fall, particularly in September and October. Even now, there’s some early movement, and it’s expected to pick back up.

Clearinghouse enhancements were also discussed—you heard about some of those today. The main takeaway is increased visibility for consumers—making it easier to find an agent or carrier that their risk may be eligible for. The new override process appears to be very successful. FETCH is now part of that process, and it seems to be a helpful tool for Citizens and for agents working to complete placements. Carl provided the committee with an update on agent counts. Overall, they are down year-over-year. There will likely continue to be some fluctuation, depending on business flow and the number of agents coming into Florida—whether resident or non-resident. Field managers are doing a great job addressing late submissions and policy violations. That’s a tool they use to work with agents who may be outside the norm or miss certain benchmarks. So that’s a good thing. The committee was very pleased to hear that all agency and agent appointment agreements were renewed this year. I believe over 12,000 of those went out. That project was wrapped up around June 10, and Carl and his team were very pleased. As of now, only about 400 are still outstanding—for whatever reason—but that’s a manageable number for the Citizens team to follow up with those agents and agency owners to track down the agreements and get them back to Citizens. The Voice of the Consumer continues to be something the committee values highly. We receive quarterly reports on feedback from consumers regarding their relationship with their agent and with Citizens, and those benchmarks continue to be consistent. The committee also welcomed Sheryl Parker from the Office of Insurance Regulation. Virginia Christy, who sat on the committee for a few years, has retired and entered her next chapter—chasing grandkids. So, we welcomed Sheryl Parker in her place. With that, Mr. Chairman, that concludes my report.

Chair Beruff: Thank you very much.

6. Chief Information Officer’s Report

Aditya Gavvala: Mr. Chairman, Governors, my report is very brief today. I do not have any action or consent items, but I’m glad to take any questions if you have them.

Chair Beruff: That’s a good report. Great report. Thank you so much. And Mr. Martins is not here, so I think we can adjourn this meeting. Is there a motion to adjourn?

Other Business

Josh Becksmith: Can I just make one quick comment? I know I’m standing between us and another committee. I was sitting here thinking—and I know there’s been a lot of discussion this morning, especially in some of the committee meetings—and Mr. Cerio, thank you very much for your presentation. I think it’s important for the Board to recognize, and for the public to recognize, some of the stats Mr. Cerio shared earlier: litigation is coming down, claims are coming down, premium count is down, and the number of policies in force has dropped over 40%. When you start coupling that with the new capacity, new carriers, and broadening of coverage—I think Mr. Cerio may have actually understated it a little—it

has a lot to do with the reform that was passed, particularly with SB 837. There's a lot of new momentum building from that. It's important for the Citizens team and this Board to stay engaged and continue supporting that legislation. I can't speak for my fellow agent/Board members here, but I can say, having worked in the business for over 20 years across many fronts, I don't know if anyone expected the market to rebound the way it has. We saw it spike, and I've seen this before—then it kind of steps back—but this time, we're seeing real improvement. We have to ask why that's happening. And I think it's clear the reforms at the end of 2023 have had a positive impact. It's good for consumers. It's good for insurance carriers. And it continues to create new options. So, I want to thank the Citizens team specifically—you pushed a lot of that. And Chairman, I know you were very involved as well. But especially thanks to the Legislature. Sometimes the media will say, "We're not seeing changes," and I think we've heard that a lot over the last 18–24 months. But the proof is in the pudding. Citizens, one of the largest insurers in the state, is down 40% in a year. Who would've thought that would happen? I just didn't want to let that pass without making the point. Thank you for the time.

Charlie Lydecker: I think those are important comments—I echo them. But I don't think the credit will really be felt by our customers until rates flatten. That should be the next goal. I'm almost afraid to say rates should go backward—it creates an expectation. But that aside, everything you said is right. The system has been fortified through those reforms. The next step is for the consumer to benefit.

Josh Becksmith: I agree. And to your point—look at what Georgia just did. They passed legislation very similar to Florida's because their insurance rates were skyrocketing, and litigation was rising. So, I agree with you, Charlie, and hopefully the outcome continues to be positive. Now we just need Mother Nature to cooperate, right?

Charlie Lydecker: That's a big one.

Jason Butts: Mr. Chairman, if I may—just to the Governor's point—I think rates have stabilized, and we're going to continue to see that. But I believe the most important effect of the legislative changes has been the creation of an environment that brought in new insurance companies wanting to compete. These companies are now formed. We're seeing them engage in depopulation efforts. Some are starting to write new business. A lot of them just got their certificates. They're using depop as their entry point, and they're beginning to write policies. We'll really see the impact of that at the end of this year. That's when I think Floridians will start to see rates come down. As mentioned earlier in the presentation, several companies have already filed for rate decreases. These new companies are capitalized, they want to generate returns for their investors, and they'll be aggressive with pricing. I think it's important we continue to educate consumers about the market and about the carriers coming in who are willing to insure them. This is directly tied to what's happened in the Legislature, and we should continue supporting the folks who made that happen. The market is getting better. It's exciting to see. I believe we're going to start seeing rates come down—again, hopefully we have a very quiet next few months.

Chair Beruff: Thank you. I'd like to close by saying that what we all prayed and worked for through reform—what we all held our breath to see actually happen—is happening. Unfortunately, it's going to take another six to twelve months for it to fully work its way through the system, but Floridians are in a much better place than they were prior to December of 2022, when the first set of reforms were finalized

in the 2023 legislative session and implemented. I think we're all going to benefit from the good choices made by the Legislature and the Governor's Office, who pushed to get the reforms done. And now, other states are starting to copy what we've done. What we have to be watchful for, every legislative season, are the tweaks to the laws that could reverse some of the gains we've made. Thank you—and I'll entertain a motion to adjourn.

[Meeting adjourned.]

Final