

CITIZENS PROPERTY INSURANCE CORPORATION

**MINUTES OF THE CLAIMS COMMITTEE MEETING
Thursday, June 15, 2017**

The Claims Committee of Citizens Property Insurance Corporation (Citizens) convened telephonically on Thursday, June 15, 2017 at 1:00 p.m. (ET).

The following members of the Claims Committee were present telephonically:

Gary Aubuchon, Chairman
Jim Holton
Freddie Schinz
Jay Adams

The following Citizens staff members were present telephonically:

Barry Gilway	Allison Begley
Dan Sumner	Michael Guerra
Steve Bitar	Mike Gilmer
Stephen Guth	Greg Rowe
Craig Sakraida	Joseph Theobald
Elaina Paskalakis	Jeffrey Lambert
Anne Olson-Markowski	Michael Peltier
Lisa Walker	Shari Hamilton

Call Meeting to Order

Roll was called: Chairman Gary Aubuchon, Governor Jim Holton, and Governor Freddie Schinz were present.

1. Approval of Prior Meeting's Minutes (November 30, 2016)

A motion was made and seconded to approve the November 30, 2016 minutes. All were in favor. Motion carried.

2. Approval of Claims Committee Charter

Jay Adams stated, each year we are supposed to bring the Charter back to this committee for ratification. We made a slight change this year under item C, Meeting and Communications. The Charter currently says that the committee shall meet "at least four times a year" and the Claims Committee is really not meeting all four quarters. We did not meet first quarter this year. So we would like to make a recommended change for that to say "at least two times per year". And other than that there were no changes. **A motion was made and seconded to approve the revised Claims Committee Charter. All were in favor. Motion carried.**

3. Strategic Update

Jay Adams stated, I have several topics I would like to go over today. The first one would deal with the new Independent Adjuster Solicitation. And if you recall, last fall we conducted a Request for Information for the marketplace to try to determine what would

make the best solicitation that we could put out. We wanted to get the market intelligence and understand what the independent adjuster firms were looking for so that we could get the best mix of vendors and maximize the number of resources that we could get. We took all of that into play and we decided that we would issue two separate solicitations.

Jay Adams stated, Chairman Aubuchon, I would like to recognize and thank you for being a Board observer for both of those. The first one that we did was for litigation and appraisal. We lumped those two together because both of those require office space in Jacksonville. The non litigation did not require office space. We also were looking for a minimum commitment of 35 litigation specialists from each vendor that solicited. The second solicitation that we did was for non litigation and catastrophe. This one did not require any office space. We were asking for non CAT commitments of 35 and CAT commitments of 25.

Jay Adams continued, one of the major changes between what we had done in prior solicitations and this one was we took an emphasis on obtaining reliable adjuster commitment numbers. So we moved away from creating so many points around vendor commitment, because as we saw in Hurricane Matthew, sometimes the vendors were providing over committed numbers. So we wanted to make sure that the numbers that we did receive were credible.

Jay Adams continued, I wanted to point out that both of these contracts will be leveraged in response to catastrophe. So under the litigation and appraisal contracts we are going to engage the litigation adjusters to act as our closing team to document the claim file, communicate with the insured and adjudicate and close the claim. We will ask them to work extended hours. That would be four additional hours Monday through Friday and 12 hours on Saturday and Sunday, and that would mimic the CAT hours that our catastrophe teams would be working. And the reason that we are doing it this way is we always have risks of retention of these litigation adjusters during a storm. Many of them want to go out and be able to earn the catastrophe pay. This structure and the strategy will allow them to earn catastrophe pay and maintain their adjuster role in litigation.

Jay Adams continued, under our non litigation and catastrophe contract the MCM firms will engage in our first response to catastrophe by working additional hours to manage the CAT claims. And then what we will do is we will apply those claims until their capacity is reached. And again, the market intelligence told us that these adjusters also wanted to retain their daily MCM position. This gives them the ability to be rewarded with catastrophe claims and catastrophe pay as well. Our CAT field adjusters will be deployed to inspect the loss, write the estimates, upload photos and diagrams and provide limited claim notes back to the closing teams. This aligns better to what a CAT adjuster really likes to do. The CAT adjusters do not like being in the claims management system and handling a full adjustment of the claim. They really like to go out and appraise the losses.

Jay Adams stated, so we hope we have tailored these two solicitations and set up benefits for all involved to create a better vendor relationship, better credentialing of resources and then a truer commitment to what those resources are. We have changed our catastrophe plan for 2017, and I am going to let Craig go over that under his catastrophe piece for today's meeting.

Jay Adams continued, the next topic that I would like to move to is the Assignment of Benefits. As this committee knows, there was no meaningful legislation passed in the AOB space. So we need to address what is Citizens doing to be responsive to the AOB crisis that we have in the light that no legislative reform was undertaken. What I would like to do is go through a handful of topics of things that we are doing here internally to continue to address this crisis.

Jay Adams continued, one of the things that we doing is we are partnering very closely with product to determine if contract language changes may need to be introduced. As you recall, we made some contract languages that were effective 07/01 of '16. Those changes have made some positive impact and results, and we need to look at those products to see if there is any additional changes that we need to recommend. We partnered with agency and communications and everyone knows that we are really pushing this Call Citizens First campaign. We continue to do this and leverage that in every opportunity that we can. And we sent out some strategic information about Assignment of Benefits. We have targeted policyholders in south Florida and we have also provided education to our agents along the topic of Assignment of Benefits.

Jay Adams continued, we have been partnering with Underwriting. We have been enhancing the claims to underwriting referral process to identify underwriting hazards so that underwriting has information necessary to take action before there is a claim. We also have been working to identify a renewal underwriting process on policies where claims have occurred and we need to go in and figure out a methodology to verify that the repairs have actually been done.

Jay Adams continued, we have been partnering with Systems and Operations in an enterprise cross functional team to conduct a deep dive into the allocated loss adjustment expense and loss adjustment expense to show concerns that were raised at the last Board meeting. We are digging into to gain understanding of all of the interlocking pieces and parts that go into those ratios and we are gaining a really good understanding of that. I am going to delay giving any further detail on that because I believe Barry will be providing some detail in his President's report at the Board meeting.

Jay Adams stated, so specific to claims, our claims management team continues to operate discreet non weather water team to keep those adjusters consistent. They are getting assignments in a specific geography, and they are dealing with the same third-party bad actors in each of those marketplaces. We continue to provide ongoing training and coaching and mentoring for this team and we have created a tight calibration around policy language and changes to make sure that our claims handling standards are accurate, appropriate and most of all, consistent. We have had continued to utilize the Lynx Florida mitigation expert review program and this is a validation of water mitigation invoices that are supplied by AOB members to make sure that they are in fact meeting our IICRC water standards.

Jay Adams stated, our SIU team continues their focus. We are doing data monitoring on claims analytics and we are really targeting and looking at relationships and trends. We also are partnering with Department of Insurance Fraud and the Department of Florida Law Enforcement. We provide continuous feedback, training and coaching between the SIU investigators and the non weather water adjusters. We have started to leverage our

appraisal process a little differently in the AOB space. Our contract allows us to demand appraisal if a dispute arises. We have been invoking those privileges since December of last year and we are starting to see some pretty positive results in that space.

Jay Adams continued, we continue with our enhanced litigation strategies. We will continue to leverage the triage team to evaluate all new suits and that evaluation helps us make the determination which ones are settlement candidates versus ones that we may want to hold for trial. We have committed to defend our lawsuits through the trial process when there are non litigated claim file has been adjudicated properly.

Jay Adams stated, lastly, we are rolling out the Managed Repair program. This program is effective 07/01 of '17, and it will be for all non weather water claims for H-03 and DP-3 policies. I am going to pause here before I direct you to go to tab 3. I have a Managed Repair presentation that I would like to go through. Are there any questions on anything that I have communicated thus far?

Chairman Aubuchon asked, John or Freddie, any questions?

Governor Schinz stated, I don't, thank you.

Jay Adams stated, okay, thank you. So I would like to go ahead and dive into the Managed Repair Program, and I apologize that this, this presentation is maybe a deeper in the weeds than this committee needs to know, but we are leveraging the same presentation to communicate this to many different audiences. And I wanted to make sure that everybody was receiving the same message when it came to the Managed Repair program. So I am going to start on slide number two. So our Managed Repair program has two components. One is for mitigation services and the other is the actual Managed Repair and that is for permanent repairs needed to return the home to the pre-loss condition.

Jay Adams continued, on slide number three, our goals are that we would like to make this mitigation program available to every insured with an H-03 or a DP-3 policy during the first notice of loss process when they have a non weather water claim. And one thing I need to mention, we are rolling the program out July 1. However, these policies must be endorsed with a new endorsement that support this program. So policies that renew or are new business after 07/01, will be the ones that are eligible for this program. Citizens will continue to provide mitigation services up to \$3,000 or one percent of the Coverage A limit until coverage is determined. If the vendor is on site and determines that more dollars need to be spent they need to seek adjuster approval to be able to continue those repairs. These mitigation services are considered to be a service offered by Citizens and they will be coded as an expense to the claim file. No policy deductible will be applied and we have created a product endorsement that allows Citizens to travel down this path.

Jay Adams continued, page 4, so the goal is for us to provide immediate response and have a general contractor assigned for mitigation services. While they are there they will assess all damages and they will write up an estimate of all repairs needed and that would be the mitigation and the permanent repairs. Then that claim will also be assigned to a specialized group of dedicated adjusters for again with consistent claim handling. On

page 5, our Managed Repair program and again this is for the permanent repairs, is really to focus on those permanent repairs.

Jay Adams continued, we will provide a customer centric program where Citizens and the insured mutually agree to enter the program. If the insured does not mutually agree to enter the program we will go ahead and continue to handle that claim just as we would any other non weather water claim. Citizens will utilize contracted vendors to complete the repairs once the MRP is invoked and we will return the dwelling to the pre-loss condition. Any policy deductible that is applicable to this claim will be applied against the permanent repairs which we call the Managed Repair process.

Jay Adams continued, on slide number six, claims that are eligible for the Managed Repair will receive estimates generated by a general contractor. And as I said earlier, they will write mitigation estimates and Managed Repair estimates. These estimates will be reviewed and approved or rejected during the desk adjustment process.

Jay Adams continued, slide number seven, in order for these claims to be eligible, again, they have to be a non weather water claim, and there must be mutual acceptance between Citizens and the insured. We are not going to limit any of these to any dollar threshold. We will exclude any claim that is reported greater than 365 days from the date of loss. We will exclude it for any policy that is considered to have no policy in force or a claim that may have been depopulated. These endorsements that we have written provide the insured the ability to terminate their consent up to entering a signed contract. In the event that they do terminate their consent and we will talk about that process a little later, the endorsement no longer applies and then you start to travel right back under the base policy.

Jay Adams stated, so how does the program work? Well, the first thing that typically happens is we have to get a first notice of loss. During that process the system will automatically identify if this is a non weather water claim and create prompts for our Call Center. The Call Center will be able to provide them the mitigation services that we discussed, basically at no charge to the insured with no deductible, regardless of coverage, and if the insured has reported a claim greater than three days those prompts will not occur. And the idea again is this is an emergency water service. So we want to dry and extract to save as much as we can. Anything past three days we would consider probably a repair and it could not be saved.

Jay Adams continued, on page 9, so after the first notice of loss process has gone through, depending on the scenario that happens, so whatever the insured says depends on what the ending script posts. If the insured said, yes, I would like to have those mitigation services, the ending script will provide the information for Contractor Connection who is the administrator of this program on behalf of Citizens. If the insured rejects the mitigation services they will render the adjuster information just like we do today.

Jay Adams stated, what I would like to do to try to outline how the program is going to work is go through a few different examples or scenarios. I am on page 10 now. So when a first notice of loss is received with non weather water as the cause of loss and the insured has the ability to accept that mitigation services when it is offered. If they do that, the claim is going to be referred to Contractor Connection and to the dedicated claims team.

So this is an assignments that happens to both simultaneously. Contractor Connection will then assign a general contractor and make a three-way call with the insured.

Jay Adams continued, the general contractor will arrive on site within four hours to complete the mitigation services, and while they are there they will go ahead and write a scope and estimate of all of the damages. That estimate will be returned to Citizens and reviewed. It can either be accepted or rejected. If it is rejected Citizens may provide insight into what needs to be included or deleted from the estimate. Now, once that package comes back in we always ask questions. Is the claim eligible for the Managed Repair, and again, permanent repair, is it eligible? If it is we would offer that to the insurer. When those repairs are completed the vendor would be paid direct. If the claim is ineligible the claim is paid just like we normally would pay the claim.

Jay Adams continued, the next scenario is the same scenario, except for the insured does not accept mitigation services. So the same process occurs. The claim is still referred to Contractor Connection and the dedicated claims team. The general contractor will visit the property, develop a scope and an estimate of the damages. The claims team will review to determine if it is eligible for Managed Repair and then discuss it with the insured. Now, in this situation since the insured has rejected the mitigation services, now we are going to review the limits of insurance. If they submit an invoice that is greater than \$3,000 or one percent of Coverage A their vendor would need to have contacted Citizens for approval to exceed that limit. We also would follow the Lynx process in this scenario to make sure that it was applicable to the IICRC standards.

Jay Adams continued, I am moving on to page 14 now. So this scenario is the claim has been submitted either it has no mitigation needs or it was reported greater than three days after the date of loss. So it was not eligible for the FNOL script or mitigation services. In this scenario the claim is assigned to a general contractor and a dedicated claims team just as we have done in every other instance. The general contractor will prepare the scope and the estimate, submit it to Citizens. Citizens will then look at it and see if it is eligible for the managed repair. If it is they will offer that to the insured. We will complete those repairs and the vendor will be paid direct. If it is not eligible or the insured says they are not interested we will handle the claim just like we would have handled it outside of the program.

Jay Adams continued, so the claims work flow, how does this really start to kick off on our end? After the first notice of loss, again you have a concurrent assignment, one to Contractor Connection, one to the dedicated claims team. The claims team does exactly what they do whether this claim goes through the program or not. They make contact with the insured. They explain the process. They explain the process that we have a Managed Repair program now, and they set up the expectations that a contractor is going to come out on site to write an estimate of the damages.

Jay Adams stated, on page 15 now that we have the contractor on site, written the estimate, 72 hours to return inspection to Citizens. And that inspection would include estimates, diagrams, photos, any notes and any subcontractor bills. So the claim owner now is reviewing the file and they are looking to see if there are any applicable emergency services. If the water extraction is more than \$3,000 or one percent the contractor again would reach out to Citizens for approval. If payment is due we would review the invoices

for accuracy and we make this payment to the contractor only. The insured's name is not on the check, because remember, this is a service that Citizens is providing. No deductible applies and it is coded as an expense to the file. The work has already been completed.

Jay Adams continued, so the next thing that has to happen before we can determine eligibility for the Managed Repair process is, we need to determine if it is a covered claim. So that claims adjuster is going to review documentation submitted by the contractor, they are going to review their first contact information. If it is a covered claim they would offer it to move through the process, and if it is a non covered claim they are going to issue a denial letter and contact the insured and the contractor to advise them of that.

Jay Adams stated, I am on page 19 now. So we have got to determine what the eligibility standards are for the program. To be eligible we need the insured and Citizens to have a mutual agreement to move into the program. If they advise that they will do that, we are going to advise the insured that the payment will be less the policy deductible. The profit and overhead will be held back until the satisfaction of work letter is received by the insured, and we do that to make sure that we continue to have leverage over the contractor program until all work is done and everybody has signed off. These payments will be made to the contractor and the insured without the mortgagee on there, and the reason we exclude the mortgagee again is because the work has been completed. We will also advise the insured the deductible will be handled between the contractor and the insured.

Jay Adams continued, and finally, we send out the initiation letter and that initiation letter defines the program, explains what is to happen and most importantly, it goes over what the warranty program is going to look like. On page 20 we spoke earlier about the termination of consent for Managed Repair. So as we built up these endorsements we created a space for the insured to be able to change their mind. However, there is only a window of time that that change can happen. The window starts when the insured accepts entry into the Managed Repair with Citizens. So when that adjuster is speaking with them and they say that they would like to move into the program, that program starts. The window would end for the insured when they sign a contract with the contractor that is going to complete the permanent repairs. The reason that we must end the window of time at that point is, the contract is between the insured and the contractor at that point. Citizens is not a party to that contract. We will send out an initiation letter that further details the termination of the process that is explained in that letter that we send, and once the repairs begin it will be our attempt to conclude all of those repairs back to its pre-loss condition.

Jay Adams continued, on page 21 the claims person is also going to establish a period of restoration. This is something that we do on every claim. We want to make sure that the contractor sets those expectations, and then what Citizens does in the customer centric portion is the claims adjuster assigned will make weekly data entries and contact the insured on a weekly basis throughout the entire process until all of the repairs are completed and that claim is closed. That gives the insured the ability to express any concerns of discontent on a weekly basis or if they contact us, it gives them as a single point of contact for that.

Jay Adams continued, on page 22, dispute resolution. If something does go awry and the insured is not happy with the quality or the progress to date we have some escalated

means to be able to handle the dispute. The first thing we would do is we would reach out to the contractor and see if we could resolve the issue. If that did not happen what we would do is we would engage the Contractor Connection contract manager to see if they could step in and make that happen. And lastly, if we didn't get any of those accomplished we would engage our vendor relations team to invoke the formal resolution process that is actually in the contract with Contractor Connection. So we make sure that we have a solid process to handle all of those disputes.

Jay Adams continued, on page 23 when the Managed Repair process is over the contractor is going to upload the signed satisfaction agreement from the insured and a copy of the warranty agreement. The claim is not concluded until that piece has happened. Once that is done that is our authorization from the insured to release their profit and overhead hold back payment, and that final check is still issued to the contractor and the insured. We send a closing letter that again wraps up this whole process.

Jay Adams continued, now, what happens if the claim is not eligible to go into the Managed Repair? So it may not meet the eligibility standards. The insured may not mutually agree to enter. What we do in that instance is we would send a settlement letter, the contractor's estimate, a statement of loss and we would indicate in that letter that we did offer the Managed Repair program but they failed to accept it. We would also settle that claim based on the contractor estimate, because we have a bona fide credentialed contractor who says they could do the work for that amount.

Jay Adams continued, I am going to skip all of the way to page 26, and I just want to point out that we wanted to make sure that this committee understood that this program, once it goes live is a 24/7 program. We have a call center that provides the information and phone numbers for escalations. If it is entered into the Managed Repair we give out the Contractor Connection information and they have the ability to monitor and service those calls, and then if we have an escalation that Contractor Connection cannot handle, we have adjusters on call 24/7. We would escalate and push that information over to our adjuster so that we could have somebody step in and resolve whatever the conflict may be. And with that, Chairman, that concludes my Managed Repair presentation.

Chairman Aubuchon stated, very good, Jay and as you said, there is a lot of detail it looks like you and your team have thought through all of the eventualities that may occur, so well done. Freddie or Jim, any questions of Jay?

Governor Schinz stated, Mr. Chairman, I have one quick question for Jay, if I may.

Chairman Aubuchon stated, sure.

Governor Schinz stated, Jay, one quick question. When you go in and give the final payment to the general contractor, do you have provisions to have a final lien waiver or signed by him and also by his subs to make sure that he submits his subs final lien waivers also?

Jay Adams stated, our contract with Contractor Connection prevents the contractor or any subs to lien the insured. And we would leverage, if they lien the insured we would leverage

our contractor, our contract with Contractor Connection and we would resolve that matter through those channels.

Governor Schinz stated, I just think it is important that everybody gets that. From being in the building business a long time, just get a final lien release with all of the subs which is kind of a standard operating procedure. So anyhow, that is my only question, Mr. Chairman.

Chairman Aubuchon stated, thanks Freddie.

Governor Holton stated, a great job there, Jay, in putting this together and hopefully we will get some traction going on it.

Jay Adams stated, thank you. This is not a Jay effort, this is an enterprise effort. There are so many people that have been engaged in this process I could not speak for the next hour and name everybody that has been a part of it. So totally an enterprise effort and we are going to do the best we can to execute and roll this out.

Governor Holton stated, fantastic.

Chairman Aubuchon stated, any further questions? Okay. Jay, does that conclude your update?

Jay Adams stated, yes, sir.

4. 2017 Catastrophe Model Update

Craig Sakraida stated, thank you, Chairman Aubuchon and committee members. I just want to give a brief update. A brief update on some of the changes that we are employing for the 2017 CAT season. We have kind of broken it into three tiers. The tier one would be for wind storm, tornado, hail, a small tropical storm event where we would leverage our managed claims model that would receive the claims up to the capacity. I think that they have some capacity there to absorb, you know, we have been getting a lot of claims here lately with the weather, and infuse additional MCM adjusters if needed into that off of the credentialed list.

Craig Sakraida continued, the tier two would detail a minor hurricane where we would have our tier one response to handle the first wave of claims, and then we would deploy team leads and desk adjusters here to Everbank and/or firm office if needed to handle the desk portion of the claim. We would also employ task adjusters and I will go into a little bit in detail later about what they are actually going to do. The tier three would be a major hurricane, and we broke that into two phases just because, you know, there is a lot of complexities in a major hurricane. We would naturally employ the tier two response with our MCM adjusters as well as desk adjusters at our Everbank or the firm office. We would notify staff to reduce pending and transition to CAT hours and a desk adjuster role. And then phase two would be to transition all non CAT work to our MCM teams and require the staff and the adjusters to work 7:00 a.m. to 7:00 p.m. seven days a week.

Craig Sakraida stated, and one of the newest components and the most critical is to notify our litigation desk adjusters of CAT hours and transition the split shift working, them

working litigated files eight hours a day and then CAT claims the additional hours, along with weekends and holidays. Some of the additional claim handling workflow changes, and this is what we got from some market research, was the task adjusters will be grouped by tiers in zip code, policy count or county, and Citizens will assign a claim through Xactanalysis and the task adjusters will work in Xactimate only. So this lines up with the industry where, as Jay mentioned earlier, they really just want to go out and be an appraiser. So they will just be working in our estimated software only and not in our claims software. The desk adjusters will review and settle claims with the insured and their representative, and our resolution units, which is kind of like a supplement or clearinghouse unit will serve a much larger role by handling any reopened claims processed by the litigation desk adjusters or by staff. Just a brief update on the, I think it is the most effective use of resources and we made some changes after some of the what we saw with Matthew and this aligns a little bit more with what the industry has in place. So are there any questions?

Jay Adams stated, I would like to add just a few comments here. So when we did our request for information for the CAT solicitation back in the fall, one of the things that came from that was as a marketplace we feel there is less CAT adjusters in the marketplace than there has been in prior years. There has really been 10 or 12 years since there has been any significant storm activity, and a lot of those adjusters have moved on to, you know, other career paths. We tried to redesign our catastrophe plan to leverage the fact that there are less adjuster resources in the marketplace. And what Craig is presenting is this will give us the ability to handle more CAT volume with less resources and still meet all of the statutory deadlines.

Jay Adams continued, one other piece is Craig mentioned the Xactanalysis workflow. That is our claims estimating system, and that is not a Citizens system. Xactanalysis is probably, well, they are one of a few estimating systems that are really the standard in the marketplace. So the benefit of us moving down this workflow path is any of these CAT field adjusters that are prepared to come adjust claims for Citizens will not need to be trained or oriented by Citizens in order to begin adjusting claims. That will give us a much faster ramp up time and Craig will be able to make the deployment request and send the adjuster right to the marketplace that they will be adjusting these claims.

Chairman Aubuchon stated, thank you, Jay. Any questions, members? Okay. Thank you very much, Craig, for your presentation.

Craig Sakraida stated, thank you.

5. Litigated Claims Update

Elaina Paskalakis stated, thank you, Chairman. Good afternoon, everyone. I would like to provide just a brief update of what we have been experiencing with litigated claims here at Citizens. My report is based on January through April of this year. We have been served, as of April 30, we were served 2,953 lawsuits, in total, 2,829 of those were on residential property claims. That is averaging 738 lawsuits per month. When we compare where we are at this time with where we were in 2016, it currently reflects an 11 percent decrease in the number of incoming, new incoming lawsuits per month. However, I just want to note that it is too early to tell if this is going to be an ongoing trend, if we are going

to stick with this. You know, we will have to wait until the end of the year to see how that really lines up in comparison with our prior year experience with new incoming lawsuits.

Elaina Paskalakis continued, as of April 30 of this year our pending total was at 10,424 lawsuits, almost 9,600 of those being residential. This as compared to the same time last year in 2016, is a 41 percent increase in pending. I will note also that that is not unexpected with our refined litigation strategies and where we see particularly in the water and the AOB areas with the front end adjusting efforts, and the credible adjustment that has been done that we can then stand behind litigated in a litigated matter and defend. So that, although it seems to be a sharp increase it is not unexpected.

Elaina Paskalakis stated, as we have seen almost consistently for the past three years, 93 percent of these residential property lawsuits are arising out of the tri-county area. Miami-Dade, with 65 percent, Broward County with 23 percent and Palm Beach with five percent. The leading dispute in nearly 50 percent of these new incoming residential property lawsuits is the disagreement over scope and pricing issues. We see that 83 percent of the lawsuits that come in have representation of some sort at the time of the first notice of loss, whether it be a public adjuster, an attorney or sometimes both. In 61 percent of the incoming residential property suits we know that the insured did not dispute Citizens' position at the time of the adjustment. That the first notice that we had any disagreement with any insured was at the time that they filed the lawsuit. This again has been consistent over the last few years.

Elaina Paskalakis continued, we also see that 44 percent of our lawsuit are served against Citizens within six months of the FNOL. Again, that has been a trend that has been holding for quite sometime. When we look our water losses and our AOB losses, in terms of the new incoming suits, water losses remain the leading cause of loss at about 47 percent of our new incoming lawsuits. Compared to 2016, it is down a little bit because it was at 55 percent of the new incoming, but that doesn't necessarily translate into that we are getting less. What is happening is we are also seeing an increase in the distribution with AOB matters that are coming in. They now account for 40 percent of our new incoming lawsuits. That is a seven percent increase over 2016, and a 19 percent increase over what we experienced in 2015.

Elaina Paskalakis stated, in terms of our pending lawsuits, what we have, you know, in the hopper now, water again represents the leading cause of loss at 50 percent of all of the pending. We have seen an increase again with the distribution of AOB losses and they have increased about five percent as compared to 2016, because they now represent 29 percent of all pending. So with that we do continue to see and experience what we have experienced over the last three years with the majority of lawsuits arising out of the tri-county area. The cause of loss being water, the rising number of AOB suits coupled with we have seen the lawsuits coming in faster than we had in prior years. We are getting the majority of those within six months of the first notice of loss. The vast majority are coming in that they have representation at the time of the first notice of loss, and we are continuing to work closely with the adjustment front end of claims as well as our in-house and outside counsel in adjusting and refining our litigation strategies to respond to the incoming suits. Are there any questions?

Chairman Aubuchon stated, members, questions? Elaina, I have a question. I am just still trying to wrap my head around the concept of an 11 percent decrease in the number of lawsuits filed and the 41 percent increase in the number of pending lawsuits that seems to be a compounding effect. In years prior were we just trying to settle suits and pay them out and we are taking a deeper look at this with our new strategy and not moving so quick to settle and doing a more thorough evaluation of the suit?

Elaina Paskalakis stated, I will tell you this, it is actually a combination of saying, but mainly due to the increase in the quality of the front end adjustment of the claims. So now because we have a consistent, a very consistent approach with very good quality products coming out of our front end claims, we have claims that and positions that are highly defensible. So that I think is the biggest contributing factor. Also, since 2014, when we started the triage process to give us that early on evaluation and be able to set the claims and the matters that is on the right track from the beginning, as well as really refining and enhancing our litigation approach as well as our defense, I think all of those contribute to what you are seeing.

Chairman Aubuchon stated, so would it be fair to conclude then, that of the suits that are now pending against Citizens from our perspective we don't see those suits having nearly as much merit as the suits in the past?

Elaina Paskalakis stated, I would say to some extent, yes, because there are still some lawsuits that are pending from dates of loss that proceed some of these changes.

Chairman Aubuchon stated, yes.

Elaina Paskalakis stated, but for the most part for the new suits, absolutely.

Chairman Aubuchon stated, okay. Any further questions?

Barry Gilway stated, the DFS litigation numbers, and I just want to put our numbers in perspective. The DFS litigation numbers are really aggregated by a private firm under a case glide, and we have access to the year end 2016 litigation numbers for the top 25 insurance companies in Florida.

Chairman Aubuchon stated, yes.

Barry Gilway stated, it is fascinating information in that, I will give you some very rough numbers. Unfortunately I don't have the document in front of me, but in 2014, for the average of the top 25 companies there were about 340 litigated suits. In 2015, that number had grown to 670 litigated suits, and by the end of 2016, that had grown to roughly nine -- I believe it is 927 litigated suits. So for the private marketplace the number of litigated suits over the course of the last three years has tripled.

Chairman Aubuchon stated, all right.

Barry Gilway stated, so it is -- it is just really further validation that this is not our numbers, these are DFS numbers, it is just further validation that this is a -- the same process to

mine these claims and litigation is in place not only within Citizens, it is really across the industry.

Chairman Aubuchon stated, right. Okay. Further questions, comments? Hearing none, thank you, Elaina.

Elaina Paskalakis stated, thank you.

6. Vendor Update

Greg Rowe stated, Thank you Chairman and as you stated, we have three items for you today. I will start with the consent item. The consent item for amendment to the Water Mitigation Review Program, this consent item is directly tied to a lot of what Elaina just spoke to in terms of our continued high volume of non weather water claims and litigation volume in that space. We are still seeing anywhere from 700 to 900 new claims per month non weather water related. So due to that this consent item we are looking to request approval to amend our current contract from the existing amount of \$1,829,065 to \$3,420,000. That is one of the things that we wanted to discuss. And the second would be to add a line item, a billable line item of a resolution support services. This basically allows our defense counsel, our outside defense counsel to speak with Lynx, who is our provider in that area, and it allows both to correspond and the defense counsel can certainly get more information which helps them move towards a resolution on their end. So we need that as a particular billable item in this contract. So before I move forward with a recommendation, Mr. Chairman, are there any questions on that particular space?

Chairman Aubuchon stated, any questions, members? Hearing none, Greg, you may proceed.

Greg Rowe stated, thank you. So this is a budgeted item. However, as I indicated our current estimates indicate that the initial approved contract spend will be depleted by approximately June of 2019, and the current contract term is not scheduled to expire until July of 2021. So we recommend the Board approve the recommended increase from \$1,829,065 to a total of \$3,420,000 for the Water Mitigation Estimate Review Program. We also recommend the Board approve the contract amendment to provide resolution support services as a billable item. And there are no changes to the contract terms.

Chairman Aubuchon stated, okay, and slightly tweaking this, you are actually asking for the committee to approve and recommend to the Board to approve those items?

Greg Rowe replied, that is correct.

Chairman Aubuchon stated, okay, any questions? Hearing none, do we have a motion?

A motion was made by Governor Holton and seconded by Governor Schinz to approve and recommend Board approval of the Water Mitigation Estimate Review Program Consent Item, RFP 16-0007. All were in favor. Motion carried.

Chairman Aubuchon continued, okay, and now the next action item, Independent Adjusting Services – Litigated.

Greg Rowe replied, yes, sir. First I would want to thank Governor Aubuchon for his oversight on these next two items that we are presenting today for the Independent Adjusting Services. A brief history on this process, Jay alluded to it a little bit earlier. Previously under the existing contract we had both non litigated and litigated adjusting services combined into a single contract. And in terms of our RFI and internal discussions we thought it best to separate those into two distinct contracts to align with our new business model and ensure we can respond appropriately in a hurricane with minimal disruption to our litigated business units. So with that the first item I would like to bring before the committee today is the Independent Adjusting Services – Litigated contract. This contract is specifically for our litigation independent adjusting resources who are vital to the success of our continued litigation claim volume as well as providing additional desk oversight resources in a hurricane response. On March 20, 2017, Citizens issued RFP number 17-0002 for litigated independent adjusting services. Upon conclusion of the evaluation process for this RFP an intent to award contracts to multiple vendors was published on May 17, 2017. As a result Citizens intends to award five primary contracts. These five primary firms are actually on Attachment A in your binder. But those particular five firms, I will read those off. Lozano Insurance Adjusters, Inc.; CIS Claims Services, LLC; Pacesetter Claims Service, Inc.; Claims Questions, LLC; and Bradley Stinson and Associates, Inc. Mr. Chairman, if there are no questions I will move to the recommendation.

Chairman Aubuchon stated, members, any questions?

Governor Schinz stated, yes, I just have one quick question, Mr. Chairman. Is this \$630,980,650 that is spread over the five years?

Greg Rowe replied, yes, actually this is over the course of 10 years. It is a five-year contract with five, one year renewal terms.

Governor Schinz stated, okay, thank you for the clarification.

Greg Rowe stated, you are welcome.

Chairman Aubuchon stated, and along those same lines, in the next action item for the non litigated we are going to be asked to approve another \$343 million over the 10-year period for that as well, amortized over the 10-year period is just under \$100 million a year for the two, so a couple of questions. One is that already in the budget, and two, when it comes to the CAT side of things and maybe I should reserve that, but perhaps I can ask this question for either. Is it an automatic spend or is a spend only if we use the services?

Jay Adams stated, so all of these action items that we are bringing today are expenses to the claim file. This budget amount is to allow us to spend up to that limit. It is only spent as incurred. So there is no guarantee that we will reach the limit that we are asking for the total spend.

Chairman Aubuchon stated, very good, that is what I wanted to know. Thanks, Jay.

Jay Adams stated, sure. And your question about the catastrophe. So if we were to have a large catastrophe where we had an extended response we would have to come back to

the Board for additional funds for that contract, because we would certainly move through the limit that we are asking for. It does not consider a significant CAT.

Chairman Aubuchon stated, got you. Okay, thank you.

Jay Adams stated, sure.

Chairman Aubuchon stated, further questions or comments? Okay, Greg, please read the recommendation.

Greg Rowe stated, thank you. We recommend that the committee approve the recommended award and resulting contract including renewal periods for Independent Adjusting Services –Litigated under RFP 17-0002. The list of attached vendors is set forth in this action item. This is a budgeted item and the estimated contract including renewals is not to exceed \$630,980,650. The terms for this contract would be a five-year base term with an optional five, one year renewal terms that may be exercised upon mutual agreement of the parties.

A motion was made by Governor Holton and seconded by Governor Schinz to approve and recommend Board approval of the Independent Adjusting Services–Litigated Action Item, RFP 17-0002. All were in favor. Motion carried.

Greg Rowe stated, thank you, Mr. Chairman. The last item we are presenting today is for our Independent Adjusting Services – Non-Litigated/Catastrophe. This contract includes the independent adjusting resources necessary to handle our current daily volume of non litigated, non catastrophe claims as well as the claim volume we would experience in a significant weather event. On April 28, 2017, Citizens issued RFP 17-0006, for Independent Adjusting Services–Non-Litigated/Catastrophe. On conclusion of this evaluation process an intent to award contracts to multiple vendors was published yesterday, June 14, 2017. So at this time, Mr. Chairman, being that the intent to award was yesterday we are actually still in the intent to protest window. Therefore at this time we are requesting permission to allow Jay to provide the full details of this contract to the Board of Governors on June 20. At that time we will be past the intent to protest window.

Chairman Aubuchon stated, that sounds like a very good plan. Okay. You don't need that in the form of a formal vote, right?

Greg Rowe stated, no.

Jay Adams stated, no, sir.

7. New Business
[Meeting Adjourned]