

**MINUTES OF THE  
MARKET ACCOUNTABILITY ADVISORY COMMITTEE MEETING**

**Tuesday, March 28, 2017**

The Market Accountability Advisory Committee (MAAC) of Citizens Property Insurance Corporation (Citizens) convened at Sheraton Orlando North hotel in Maitland, FL on Tuesday, March 28, 2017 at 1:00 pm (EDT).

**The following members of the committee were present:**

David Newell, Chair  
Brian Squire  
Gordon Jennings  
Greg Rokeh  
Skip Boylan  
Lisette Perez

**The following members of the committee were present telephonically:**

Dennis Martin  
Phil Zelman  
Steve Roddenberry  
Susanne Murphy

**The following members of the Board of Governors were present:**

Juan Cocuy

**The following Citizens staff members were present:**

Adam Marmelstein	Andrew Woodward
Barry Gilway	Bruce Meeks
Carl Rockman	Carrie Thomas
Christine Ashburn	Dan Sumner
Jay Adams	Jennifer Montero
Joe Martins	Michael Peltier
Kelly Booten	Violet Bloom
Spencer Kraemer	

**The following Citizens staff members were present telephonically:**

Candace Bunker  
Jeremy Pope  
Marsha Watson

## **Call Meeting to Order**

Roll was called and a quorum present.

### **1. Approval of Prior Meeting Minutes**

**A motion was made and seconded to approve the December 6, 2016 minutes. All were in favor. Motion carried.**

### **2. Agency Services Update**

MR. ROCKMAN: Thank you, Mr. Chairman. For the record this is Carl Rockman, the Director of Agency Services with Citizens. I would like to provide the committee an update today on four important topics.

First I am going to go ahead and update the committee on our agent count, distribution count platform.

Second, I want to provide an update on our agent education and outreach efforts around the new policyholder choice program.

Third, I want to introduce two key initiatives that we will be embarking on this year, one around claim reporting cycle time and also improving new business cycle time at the agency level.

And then fourth I will provide an update on our agent education and outreach efforts so far this year.

If you will turn to page 2 of my presentation. This is the traditional slide that you are used to seeing regarding our agent footprint. You will see that we continue to see a downward drift in both agency and agent distribution points. In the agency segmentation category, I just want to continue to remind the committee that 12 percent of the agents, those are the agents in tier 1, 2 and 3, continue to control about 63 percent of our business. On the flip side of that, 64 percent of our agencies have less than 50 policies with Citizens.

Again, we don't consider this to be a bad thing. It means that those agencies are less dependent on Citizens. They have got available markets for those consumers, but we are going to continue to work with that top tier 1, 2 and 3 segment. That is where the action is regarding depopulation, the Clearinghouse and any obviously new business submissions that might be coming in.

Are there any questions at all on the agency footprint or agent counts?

CHAIRMAN NEWELL: Any questions from anyone on the phone? All right, Carl, keep moving.

MR. ROCKMAN: Okay, topic two, I wanted to update the committee on our progress in the policyholder choice education and agent adoption space. As you recall from our last meeting we were just then embarking on the new policyholder choice program. Our agency management

team was really committed to make sure that there was maximum visibility for the program, and that we worked very closely with the agents to increase adoption of the program.

Slide three really lays out our strategy. We had a webinar engagement strategy, an agency manager engagement strategy which included a lot of in person interaction. And then additional resources and on demand resources that we planned on making available.

If you flip to page 4 I would like to update you on our progress.

First of all our webinar strategy, and I want to give a special compliment to Norm Graham, our carrier relation manager. For the first time we were able to bring in our carrier partners into a webinar experience that helped our carrier partners participating in this round of depopulation to introduce themselves to the agents, to talk about their features and benefits as a company, the level of support they provide. And this was incredibly well received by the agent community based on surveys we took post webinar. But we were very excited to have our partner companies, Safe Point, Southern Oak and Avitar join us for an independent webinar for each one of those companies to introduce themselves to the agents that they had chosen, whose customers they had chosen to participate in the policyholder choice program. The topics we covered, just to remind the committee, we did cover a lot of the old and new, what were the differences in the program, but then we really focused in the webinar on what the agencies needed to do.

The agency operations piece, it is great that we have this new program but as an agency how do you make it live? How do you work your customer contact? How to you optimize policy center to help that customer make that choice. All of that was brought out in the webinar along with a call to action, really encouraging the agencies to get involved in the process.

I am pleased to announce that there was a total of 250 agencies attending those webinars; some attended one, some three. We are not displeased with that level of attendance. I will cover something else in that space in just a moment. The second piece though is post webinar. We had our agency management team hit the street. We weren't satisfied with just a few agencies coming to the webinar to introduce the concept. We had the agency managers get out and engage the impacted agencies.

In the center column you will notice we have documented that there were 1,946 agencies that were part of this wave of policyholder choice or depopulation. Not every agency was selected or not every agency had customers that were chosen by those companies. So this was a segment of our agency population.

We were able to make contact with 72 percent of those folks via phone call, e-mail, response, and/or knocking on their door. We were able to engage them at some level to communicate the program changes, to heighten awareness and how the changes would benefit both their agency and consumer.

In those conversations we felt comfortable reporting back to the committee that once the agencies understood the new program, its functionality and improved customer communications that were part of that program, 22 percent conveyed their intent to become engaged. To actively reach out to their consumers and assist them to make a very important choice. Also, 38 percent of the agencies made or helped the customer in policy centers, they facilitated that conversation. The agencies were able to make that choice on policy center on behalf of their customer(s).

Now, these numbers, 22 percent and 38 percent are just a beginning. As we conduct more of these, I expect increased levels of adoption, but from a first attempt with a system significantly changing, not a bad start. Clearly there is more work to do.

Regarding the third part, demand and other resources, our posted webinar recordings surprised us. We did record the three carrier webinars. I am pleased to report that 2,246 people listened, which indicates that live webinars are important, the “on demand” component is essential to the agents and we will continue with that strategy, new policyholder choice brochures and updated agent web pages. I want to again compliment Citizens' staff. This team effort included Christine Ashburn's team (assisted with communication), Violet Bloom's team (assisted with learning, development and production) and again, Norm Graham. This entire effort was a total Citizens effort to increase the level of engagement with our agents and make sure they understood the new program.

And I am thrilled to report the agents that engaged and understood this system were incredibly pleased with how it worked, the customer communications and the level of support.

So are there any questions at all on the strategy around policyholder choice?

CHAIRMAN NEWELL: Any questions for Carl?

MR. ZELMAN: No. Dave, this is Phil Zelman. I just want to let you know that I have joined the meeting.

CHAIRMAN NEWELL: Okay, welcome, Phil.

MR. ZELMAN: Thank you, Dave.

MR. ROCKMAN: So going forward, should other depopulation or policyholder choice programs become available we will be able to execute on this strategy. We look to continue this same level of communication and support as long as the program is with us to ensure our agents are fully engaged.

Next I would like to turn the committee's attention to two significant initiatives that we are embarking on this year. This will be on page 5.

The two significant initiatives have to do with performance in the agency, itself. This is retail level, day-to-day stuff that the agents do/control to some degree and we want to offer the appropriate levels of support and guidance to best assist the agents. First, continually express to agents the importance of quickly reporting a claim and focus on the importance of claim reporting cycle time. It is imperative they understand and focus on quick/timely notification when a consumer has a claim. The sooner the insurance company is involved in that process the better outcome for the consumer and insurance company.

This strategy is all about that. It is just raising the agency's level of awareness around how important it is to report claims if they are reported to the agency, but more importantly, to inform their customer and reinforce the messages that our Call Citizens First campaign calls for to make sure they are calling Citizens if they have a need for any type of claim service.

The exhibit you are looking at here really details how our strategy is going to unfold. We

really have taken a hard look by agency at claim reporting time, and to define that for you, it is simply the day the claim occurred versus the day it was first reported to Citizens. The statistics you see here and I have broken them out by tri-county and remainder of state, 14 days on average in tri-county, 12 days remainder of state. Now, one caveat, these numbers are a bit different from some others that you have seen. I have skinned these numbers down to be effective and meaningful for an agency. We do have a number of claims that are reported later, a number of other statistics you see will imply and they are actually accurate a longer claim reporting time.

What I have done in order to get the agent's attention is carve out any claims that are more than 180 days from report time. It takes some of the noise away from the conversation, helps the agents understand that the claims we are talking to you about today are really claims that have happened in the last six months and we really need your help there.

What you will see is the blue box, when you break down our agencies across Florida, you really boil it down to about 154 agencies that are, let's just say a little out of pattern when it comes to claim reporting. Okay, not themselves necessarily, but just the date of loss versus the date of report. 154 agencies stand out as some people that we might want to go and just talk with and figure out what might be going on or what kind of help they might need. The actions we have documented down below. What we really want to make sure is that the agency owner and everybody in the agencies understands one thing, that they are contractually obligated to report a claim to Citizens if the claim is reported to them. There is no ambiguity, there is no gray area. If the customer informs you they have had a loss or a claim, let's report it, it is very simple.

We want to remind them of that obligation. We want to remind them how important it is to Citizens to get that information as quickly as we can so we can obviously appropriately work and service that claim. We also remind the agents that there are two very important things that they could be doing. If the customer calls them and has a loss, we advise the agent that you can warm transfer that customer right to our call center. So we remind them that a lot of their phone systems have three way calling. You can go ahead and push that customer right over to our claim reps, we will be happy to take it, or another benefit of policy center is the agent can take a very basic claim, very basic loss information right in policy center instantaneously, establish a claim number, give it to the customer and we will be in touch with that customer as quickly as possible.

MR. SQUIRE: Is there data that suggests the agents are holding on to claims that are being reported by the consumer?

MR. ROCKMAN: There is data to suggest that there is -- there are agents that are out of pattern relative to the average and I wouldn't want to leap to that assumption yet until we had more conversations with them and understood, but I will say that we have seen evidence of and suggest that we will see evidence of certain behavior that might be indicative of an agent getting an indication that there is a claim and perhaps doing something different than reporting it to Citizens, and that is what we are really trying to get at.

MR. SQUIRE: I know this is a little separate, but a side question is, out of the number of claims received how many are reported directly versus going through the agency system?

MR. ROCKMAN: It is an interesting question. We have done an internal study that was determined based on claims that did not go into litigation. So, just to be fair on that point, I do happen to have that handy.

But we have very strong evidence to suggest that 54 percent of the time the customer is calling the agent first. That is not in lieu of all of the other campaigns we have been doing, but I think most of you would agree it is common for a consumer to call their agent for advice, for counsel.

Our job right now is to make sure our agent community understands the importance of that moment of truth and getting that claim into Citizens as quickly as possible. But about 54 percent of the time the customer is calling the agent first. We think that is a strong opportunity. We don't have any reason to believe that behavior isn't happening in these 154 agencies and we want to make sure those agencies have the support and guidance they need to appropriately assist and handle that customer.

MR. SQUIRE: Thank you.

MR. ROCKMAN: Thank you.

MR. ZELMAN: Dave, this is Phil, may I ask a question?

CHAIRMAN NEWELL: Okay, go ahead, Phil.

MR. ZELMAN: Carl, with this, taking a look at the number of days to report a claim from date of loss, are the agents holding on to claims or are they waiting for additional information possibly from their insured to see if there is an actual claim?

Maybe something minor happened and they have a \$2,500 deductible and, an agent could say, well, have you gotten a quote on that to see if it is going to be over the 2,500?

MR. ROCKMAN: Yes, Mr. Zelman, that presents an interesting dilemma for us to some degree. We have seen evidence of where a customer will call, but if the agent's behavior is to send them to a third party for advice, that is not necessarily of either the customer or Citizens. So we encourage those agents when the customer calls and reports something that it is in the best interest of all parties to let Citizens know/understand about the situation and take appropriate action.

But, Phil, there are going to be situations as you mentioned when the agent might believe that is right, but we want to convey a very strong message of our belief that if that comes in we want to know about it and be involved in the process.

MR. ZELMAN: Carl, the only reason I mention this is we can have a situation where there is really not a claim there.

MR. ROCKMAN: Yes.

MR. ZELMAN: And we go ahead and report it, nothing is paid on the claim, but now the claim has a claim on their record when really nothing has happened.

MR. ROCKMAN: I do not dispute that.

MR. ZELMAN: That is the only situation I can think of where an agency may hold back on reporting a claim.

MR. ROCKMAN: Yes, I do not dispute those facts, Mr. Zelman. The fact our agent roundtable who we had a very robust discussion on this very topic and the next one to follow, at our last meeting brought those concerns to our attention.

They absolutely said this is something that the agent might be doing for the benefit of the consumer down the road. We don't dispute that, but we think the balancing argument is for an agent to make that judgment call at that moment could be an incredibly difficult call depending on the circumstances that follow that phone call. So our advice to the agents is going to be if the consumer notifies you we are really looking for your support to get that claim into us and also, inside of your agreement it also obligates you to do that.

MR. ZELMAN: Okay.

MR. BOYLAN: This is Skip speaking. Carl, have you looked at the other side of that when we have something that is a delayed claim, maybe it is the agent trying to, as Phil said, help the client not to have a claim on their record that truly is not a claim.

But do we ask the client who has a delayed reporting time and what caused that individual to delay so long in reporting what turns out to be a claim?

MR. ROCKMAN: We don't have that necessarily handy. We do anticipate those conversations coming up as we work with these 154 agencies. Plus we also do a claim survey through Steve's division in Consumer Services where that kind of question can be posed to consumers, because there could be very legitimate reasons why that consumer waited, paused and then reported, but what we are trying to obviously manage is at that point of contact, that first initial contact where there is an indication of trouble, we would like to remind the agents that the best thing we would like you to do is go ahead and report that.

MR. BITAR: This is Steve Bitar for the record. I think it is important to understand the context as well. You know, what Carl has done for the purpose of today's meeting is really skinny down the numbers and look at it from the perspective of when agents are the ones reporting the claims, which is not the overall experience that we are seeing.

So I think you have to understand the context. Sixty-two percent of claims that are reported to Citizens are reported by either an attorney or a public adjuster. So that is the overall number. Then from there, and we also have many that are reported by the customer, themselves.

So the agent piece is small but it is something that we can act on and this is our first attempt to try to do that so we can try to figure out exactly what is happening and try to guide appropriately. I will tell you, when you look at the experience and the delay in some of these numbers and then you correlate that to where we are seeing the major AOB issues, especially geographically, there is concern. And so this is our attempt to try to get into the agencies' offices based on this initial data, start those conversations, see what we learn and then try to work together to hopefully impact some of those trends in a positive direction so hopefully we can drive down some of what we are finding from an AOB perspective quite frankly and the litigation that is coming in.

So we are really trying to tackle it on many prongs, if you will, so that we can really try to see what the experience is. Maybe it is nothing more than an education opportunity, and that is

what we are trying to do here. So we will be committed to definitely bring back our results as we embark on this path so that we can talk to not only agent roundtable, but also to MAAC to see what we do going forward to try to combat some of this.

CHAIRMAN NEWELL: Go ahead, Skip.

MR. BOYLAN: So, Steve, if I understand this correctly, Citizens is still proactively sending out literature brochures with all of their mailings advising clients call Citizens first? MR. BITAR: Absolutely. We have sent out well over 100,000 brochures. We also on Friday sent out an agent communication to our agents in Dade, Broward and Palm Beach counties.

Attached to that communication to agents was a copy of a postcard that we are actually mailing out to all consumers in those three counties this week. So we are actively trying to pursue everything we can from a Call Citizens First perspective to try to get ahead and really get on the ground and drive down these results, not only from the agent reporting perspective and a timeline associated there, but the overall delays that we are experiencing.

Many times we love when the customer will call the agent. These numbers are indicative, it is better than the alternative that we are facing when they do not. So we definitely have work to do and we are trying to attack it on every front. Yes, sir.

MR. BOYLAN: So if I kind of go back to the first part of my question, if in fact, I am a client who has opted not to call Citizens First.

MR. BITAR: Yes.

MR. BOYLAN: And so a friend I talked to spoke to a public adjustor. I saw a road sign as I am driving down the road, I heard a radio, TV commercial, whatever it is. And so the delay perhaps in the actual reporting is I have got to go to this outside source, let them figure out their point of attack before they actually have me submit the claim.

MR. BITAR: Right. And the scariest part is that third party that is being contacted is most likely getting an assignment of benefits assigned right up front, taking full control of the issue. Many times the customer doesn't even know that a claim has been filed on their behalf and then it is embarking on this journey of assignment of benefits and litigation that is all happening quite frankly without the agent's knowledge. So that is exactly what we are trying to guard against.

MR. BOYLAN: Right.

MR. BITAR: Is to try to get the customers to call us first instead of responding to a flyer that they might have on their doorknob or a sign that they might see posted on a stop sign at an intersection. That is where a lot of these vendors and third parties are targeting customers and going down that path. So we definitely have our work cut out for us, and you will see as our assignment of benefits and call Citizens First strategies are well in effect and underway and this is just one more aspect that we are targeting with the agents that are showing us there could be some concerns to try to get on the ground with them there as well.

But overall we are targeting the consumers, we are doing everything we can across the board to get the word out, and ultimately if we can just get in there first as soon as possible we

can, you know, ward off a lot of these AOB issues and the pending litigation that tends to come after that as well.

MR. BOYLAN: Thank you.

MR. BITAR: Thank you.

CHAIRMAN NEWELL: Carl, I just had one question. Of the 154 that we narrowed this down to – have you looked at the demographics of those, size, and area, anything you can point to of maybe a common denominator?

MR. ROCKMAN: Yes, two common denominators will generally see a geographic trend certainly, and then you will also see kind of a tier 2, tier 3 trend when you look at the agency size. It is certainly not the biggest agencies we have.

In fact, we have the opposite measurement, Chairman Newell, of things gone right, great agencies with great reporting time, there are benchmarking agencies where we picked up a lot of Intel on what should be happening. But you have, you contrast that experience pretty much in the same area, it could, it is an opportunity for us to go in and work with those agencies positively, if we will, raising their awareness, helping them.

We are going to be offering a helping hand with these folks, not coming in with any preconceived notions or anything along those lines. We want it to come across that way. We hope to come back a lot better informed about what is happening including what Mr. Zelman mentioned, some of the back end and tail impacts of this type of thing with our partner companies.

CHAIRMAN NEWELL: Okay. Any other questions? All right.

MR. ROCKMAN: One more piece on this topic. We did cover this at the agent roundtable. The committee, you will remember, last year where we embarked on an education initiative around cyber education where we had a mandatory module on cyber.

We did work with the ART and they did give their support to go ahead and do a mandatory education session around claim reporting, around elements potentially of managed repair, along with the general messaging around AOB and call Citizens First. So look for that to be announced in the next few weeks. We are building that content right now, but there will be another mandatory education component that we are likely to put on the agent group this year. Probably a 30-minute exercise or 30-minute experience, but all designed to reinforce these very important messages and also bring them whatever tools and benefits that come from our best practice conversations to make sure that they are well equipped to handle what might come their way.

CHAIRMAN NEWELL: Okay. All right, thanks, Carl.

MR. ROCKMAN: With that I will move into the managing new business cycle time. This particular topic you may wonder about its importance. I want to bring visibility to why we believe it is important.

Right now, in order for your policy to pass through either automated underwriting or be approved by underwriting, we need all documentation in the file for the underwriters to consider and evaluate the risk. We need a payment, okay.

We found over the last year or so that there is a significant contrast between agents' abilities to manage those two processes and get their customers served well and those that don't. So what we have done is we have really taken a segmented approach and looked at the agencies that really are outside the lines when it comes to the five-day requirement that we have. That five-day requirement being from the effective date of the policy, from the date you want, we need the documents and the money in within five days. This is the underwriting rules, it is a best practice of ours and it is really agency management's job to really make sure that that rule is enforced. We have about 129 agencies that really are outside of that five-day period. Given the number of agencies I want to applaud that number. The agencies are incredibly good, but when you have outlier groups like this it causes me to look at an opportunity to assist these particular agencies do something different to improve that time service.

So, again, we are working with these 129 agencies, having an agency manager go in, work on the awareness, do they even know they have an issue. Working on education on new business requirements. A lot of times these are newer agencies or maybe they haven't adopted the education. So it is an opportunity for us to fill in the blanks for them on what a submission looks like. E-payment methods, reinforcing the fact that we do have ways of taking E-payments. That can speed things along. A lot of them didn't understand that or didn't know. And then desktop activity, policy center sends activities that can help push the policy along and get it issued. We want to make sure that is visible to them as well.

We also, just two weeks ago, did some enhancements in the policy center space to speed this along. We have a better communication system now between underwriters and agents that we rolled out. Our agency managers are making sure those agents understand the enhancements.

Along with that we got some additional improvements. Some small cosmetic changes to policy center where we are going to change the button they use to finish the submission from finish to submit. Right now the agents only get a warning that the policy is in their machine at day 15. So an agent could have bound a piece of business, it could be retained in their machine. Day 15 we send them a notice saying, how, you have got something bound here, what is happening and that triggers a late submission violation.

In a few weeks we are going to be sending a warning at six days. If the policy is still in the system at day six they are going to get a warning notice reminding them that we still need documents or we still need money. That is an important piece to the puzzle again to help the policy move through the system more appropriately and help that customer get the documents they need for closing or for other means.

Along with that some additions to product guides we are working on to make our underwriting rules more visible and then a potential look at e-payment. Nothing big there, but just some additional things way down the road that may come our way.

But we, again, believe that new business cycle time is important to the consumer. If an agency doesn't understand our requirements or doesn't understand how policy center operates, the policy could linger there, and that is not a good thing for the consumer, not a good thing for Citizens. The whole strategy is reinforcing with those agencies that we believe need help to make sure they are optimizing the tool to make sure their customers are well served, and we will be reporting on both of these topics as we go. So any questions?

CHAIRMAN NEWELL: Any questions of Carl?

MR. BITAR: The only thing I will do, Chairman, if you don't mind, before we close Carl's section, our President/CEO, Barry Gilway, has been making the rounds with the various editorial boards and has been making some great comments with regards to AOB. I think it would benefit the committee to hear some of what Barry has been sharing. So if I could ask Barry to come up and share with the committee a couple of comments, for the record, especially in light of our AOB discussion.

CHAIRMAN NEWELL: Welcome, President Gilway.

President. GILWAY: Thank you, Mr. Chairman. We are at an absolute critical point relative to AOB reform, and I think it is really important, particularly when we start talking about the role of the agent as respects AOB that we have some metrics, we keep some metrics in mind.

Some of them have been referred to by Steve already and Carl. The first is that 96 percent, 96 percent of the litigation that occurs is from tri-county. So we have Dade, we have Broward, you know, and we have to a lesser extent Palm Beach County, but 96 percent of the litigation.

What you hear from trial lawyers is we are not paying enough for these claims, and the numbers are staggering. In 2010, we paid an average of \$10,300 per claim. Last year we paid an average of \$19,600 per claim. In other words, we have almost doubled the amount we pay per claim in five years, staggering. The next number is, is the frequency numbers. And again I am referring to tri-county. Tri-county was always three times the rest of the state relative to frequency. So even when tri-county was at 6.4 percent five years ago, the rest of the state was at 2.2 percent frequency. By the way, I have been in the business a long time.

I have never seen frequencies higher than three to four percent, you know, in the water damage arena. So where are we today? We have gone from, in tri-county 6.2 percent to 9.4 percent frequency, and almost 1 in 10 insureds are putting in a water damage claim on an annual basis.

Which the rest of the state is also increased by 50 percent from 2.2 up to 3.2. So take a look at those metrics and I can't believe that the agency system cannot have an impact relative to the number of claims and the method of reporting of these claims.

The almost unbelievable number which Steve referred to is that 61.8 percent of all of these claims are coming in either from an attorney or a public adjuster. So you are not talking about -- I agree 100 percent with pushing the Call Citizens First strategy, but we have got to get the insureds reporting these claims coming through the agent or calling Citizens First. Either way we have got to have the policyholder report through that mechanism before they really tie themselves up with an attorney or a public adjuster that is going to bring forth litigation. When you take a look at our litigation numbers, and by the way, our resulting loss adjustment expense percentages, the numbers are absolutely staggering. I mean, in 2010, 12 percent of our claims went into litigation. Last year almost 50 percent of our claims went into litigation.

We had 9,800 litigated claims. Jay Adams, you know, he can't hire attorneys fast enough to process that number of claims. Pending is increasing and no one is doing a thing about it. There are four Bills that are currently before the Legislature. The one that makes the most sense is Hukill/Passidomo SB 1038 which basically goes a long way to fix the problem, both in terms of

the actual assignment of benefits form, itself, and more importantly, the availability of the one way attorney fee statute to third parties such as vendors, contractors, et cetera, it was never designed for that. Representative Grant also has a Bill that attempts to do the same thing, but in a slightly different way. But then we have bills by Senator Farmer and by the way, Chair Flores, that they don't assist the issue, they actually make the situation worse by memorializing some of these past practices.

So the issue I think from a MAAC standpoint is, why I really encourage the work that Carl and Steve have been doing, what can we do to change the reporting practices of claims coming into Citizens.

We are doing everything we can relative to call Citizens First, but the issue to me is why aren't these individuals calling Citizens and why aren't they calling their agent to report the claims and improve the process. Every single claim, think of it this way, every single claim that is converted from going to an attorney or a public adjuster, you know, every, every claim reported to an agent we avoid going into litigation with an attorney and a public adjuster, every single claim.

That is one less claim that is litigated, and trust me, litigation is driving not only this mess but it is driving the issue across Florida and that is why the industry results posted just two days ago show a deterioration in the industry from 85 to 103 if you exclude the national carriers. That is a staggering number.

That is an 18 point deterioration in industry results in one year and what it does, what does it do for our independent agency system? It just simply eliminates market choices for the consumer. So we are at a critical point and anything the agencies can do, you know, Mr. Chairman, and the rest of the committee, to really make sure that the SB 1038 gets a hearing in the Senate I think is critical from my perspective and frankly doesn't just impact Citizens, it impacts the availability of property insurance across the marketplace.

CHAIRMAN NEWELL: Thank you, President. Gilway. Any questions of Barry?

CHAIRMAN NEWELL: So next slide, Carl.

MR. ROCKMAN: Yes, thank you, Mr. Chairman. I will just round out my presentation with page 6, just some general awareness of the agent education strategy that we have embarked on this year and what our attendance rates are so far.

We have two specific webinar strategies, one on the customer experience, and the other on depopulation. We also partner with our agent association partners to deliver informative webinars on key topics and things of value to agents. We also have our live agent certification programs ongoing throughout the state, and we also have various speaking engagements. We will continue to update the committee on our progress in these spaces, but we believe this platform is essential to continue to send these very, very important messages on market conditions, on issues around the things we have discussed today. So look for this strategy to plug those elements in and we will continue this throughout the year, but we are very pleased with the level of adoption and attendance we are having at these sessions. With that, that concludes my report.

CHAIRMAN NEWELL: Okay, any questions of Carl? All right, thanks, Carl. As Adam makes his way up here, I apologize immensely. We want to welcome our newest member of the

MAAC Committee, Lissette Perez, who is representing the Latin American Association of Insurance Agents. Lissette replaces Nester Rivero, and comes to us from Miami. So welcome, and I apologize for not doing that earlier.

MS. PEREZ: Thank you Chairman Newell.

### **3. Depopulation Update**

CHAIRMAN NEWELL: So Adam, you have joined us now, so the dais is all yours.

MR. MARMELSTEIN: Thank you very much, Mr. Chairman, committee members, Adam Marmelstein for the record. I am going to have a difficult time following Carl's informative presentation, and of course, Mr. Gilway's important remarks. So this is going to be brief and perhaps anti climatic, but I am going focus on two areas. One, of course, is depopulation. The second is Clearinghouse, and in each area, two sub topics. One will be a year-end review and the second will be what we have seen so far to date, and I think we will throw in a third one on Clearinghouse and talk a little bit about what is ahead in 2017.

Slide number two is the year-end review for depopulation. It is the entire year. I have presented it in the format that I have done continually for about a year now so we have some continuity among these numbers, from left to right the time period and ending with the assumption rate.

The important figure is at the bottom of the assumed column and that is the actual number. It just happens to total to exactly 88,000 policies assumed in 2016. In December I showed you a number of slides about how the amount of policies that have been depopulated, has risen and fallen over the last few years. One of the reasons, of course, is Citizens was very large, there was a large pool, they were attractive policies. As these policies were rightly taken away from Citizens and returned to the private market, the number of most desirable policies has diminished and commensurate with that the number of policies left to be assumed, and therefore, assumed has fallen as well. So 88,000 is where we finished in 2016.

As Carl spoke to quite a bit and he did a great job talking about the new depopulation process, the depopulation enhancements for policyholder choice was the internal project that changed the way that the depopulations were performed, introduced policyholder choice into the mix and a number of other things that we have spoken about at length in previous meetings.

The very first depopulation occurred in the new process in February. One of the changes is alternating months. So there was what no January personal lines assumption. There was no February commercial lines assumption. So the numbers you see on these pages, page 3, reflects that. But the very first personal lines assumption under the new process was for February, and it went very, very well. Carl spoke to it and his team did a wonderful job working with the agents. We also worked extensively through our various channels to make sure that the carriers were up to date on the new processes. Our internal staff, our customer service center worked very hard to answer questions that came in and to assist policyholders when they called.

We received great response. People returned these forms in large numbers. They came to us via fax, e-mail, regular mail, and of course, the agents also now have the ability to make those selections after conversing with their customers. So that went very well.

So to get to the bottom line, February of 2017 we had 11,000 policies assumed. There were three carriers that participated and all went well. There are a few things that we picked up along the way. The next assumption will be in April. So the April column shows, and that is going to be for one carrier that they have requested just under 2,500 policies and I think the assumption rate on those will be considerably positive. This company tends to be very selective in their risks and I think we will see a nice take rate. Pause there for a second to skip back up to commercial lines. January, about 400 commercial lines policies were assumed. This includes both commercial residential and commercial nonresidential. So that is 2017 year to date for depopulation. Before I go into Clearinghouse, any questions?

CHAIRMAN NEWELL: Adam, I just have one. You mentioned, it came by mail, by e-mail, it came by agent selection. Now that there is not a 30-day post assumption option has there been any feedback where maybe somebody missed that opportunity one way or the other?

MR. MARMELSTEIN: Right, so we have gone to great pains behind the scenes to ensure that anyone who has made a selection, and we were able to receive it within a reasonable period of time, that was registered. The policyholder choice letter is very clear as to not only the duration of the choice, but the date by which Citizens must receive the information. I will tell you that we built in a little time there for ourselves and for our policyholders and for our agents. This is a brand new process. It is the first time we are doing it. People are used to a 30-day post assumption. So we built in a considerable time period to allow some of these late forms to come in and we -- and we processed and we processed them as best we could.

I am sure that as we continue to track this we will see these forms coming in in June. I mean, sometimes there are just these long, long delays and, of course, there is not much you can do about that. Once these policies change hands there are other obligations and of course the carriers are a party to this as well. So we feel good about what we have been able to do to help our customers.

MR. BITAR: Mr. Chairman, if I may, this is Steve Bitar for the record. You know, I have been with Citizens for a while and I have been involved in depopulation for many years and I will tell you, I probably heard less noise with the new process than I did with the old process when we had the post 30-day opt out.

So I definitely think because we are finally delivering a package that is complete and has all of the information inserted inside of it for customers it is a much easier choice to make when they have the coverage comparison worksheets, when they have premiums.

When they have everything they need being mailed to them in one single packet. So for us I will tell you, though the post assumption opt out period is no longer, the noise has been minimal compared to days past when we required the customer to go to several different places to get all of the information they needed.

CHAIRMAN NEWELL: Well, I want to commend you all for a lot of the education surrounding that, because I think that went a long way, not only for the agents, but consumers, the carrier's participation. And kudos to you and your team about doing that, so.

MR. BITAR: Thank you.

MR. MARMELSTEIN: Thank you, Chairman. On page 4 we will do the recap for

Clearinghouse. Clearinghouse, of course, the purpose is to redirect desirable private market risks into the private market, to prevent them from coming on to -- on to Citizens' books and also to work to go through the existing Citizens book and identify policies that have characteristics that are appealing to the private market and help them find their way to private market carriers.

The left hand column is the year-end review for 2016. Almost 21,000 risks were presented to Citizens, and they were deemed ineligible for Citizens coverage because of the existence within Clearinghouse of a private market offer.

That represents almost five and a half billion dollars in Coverage A, not exposure which of course would be a much larger number, but simply Coverage A amount. And looking to the next page, page 5, you can see how the number of policies that have been prevented from entering Citizens and this graph also includes the number of policies at renewal who were rendered ineligible has grown. This was implemented 2014. You can see the numbers and they have grown year over year over year and this is largely due to the fact that we have added more products to the Clearinghouse as was planned as time has gone by.

And it also speaks to the way in which we have been able to work with carriers to help them refine exactly what it is that they are looking for. So that as more risks that are presented the criteria is crystal clear and the private market has responded by being willing to take more of these. So almost 21,000 in 2016.

The last page of the presentation we will talk a little about wind only being added. So anyone who has been around this for a long time, the idea that wind only would someday become a desirable policy type for the private market is astonishing I guess, for lack of a better word. But there is enough interest in the private market that we will be adding wind only policy types to the Clearinghouse in the third quarter of 2017. Initiative will be likely the H-03, homeowners' policy and the HO-6, the condo owners' policy. So those numbers will hopefully cause this graph to continue its upward trend. Of course, we heard Mr. Gilway speak about AOB and we don't know how some of these carriers will react, not to wind only, but to the policy types they are currently taking out or preventing coming in in such large numbers, but hopefully this number will continue to grow year over year.

January to February of 2017, back on slide four, the right hand column. So far just over 3,000 risks deemed ineligible. So we are -- so with a couple of months gone by we are right on the right path here. 400 risks have been removed by the private market from Citizens and 3,541 have been deemed ineligible representing \$812 million in Coverage A this year, this year alone. So off to a good start in 2017 for the Clearinghouse. The last page of the presentation, page 6, I spoke to wind only being added in the third quarter. Weston and Southern Oak will be participating. Southern Oak already participates in the Clearinghouse. Weston is not only a new, not only -- Weston is a new addition to the Clearinghouse and they will be participating in the wind only space. So Clearinghouse, itself, continues to grow both in the number of carriers participating as well as the products being offered.

Additionally, Monarch National is eager to come aboard and they will be joining the condo program in the second quarter. They are already part of the Clearinghouse. They are adding an additional product line. And Safe Harbor who is a current participant will be adding the DP-3 policy type in the third quarter as well.

That is Depopulation and Clearinghouse year-end/year to date review. Thank you.

CHAIRMAN NEWELL: Thank you, Adam. Any questions for Adam about Depopulation or Clearinghouse? Anyone on the phone have questions? All right, do I have a motion to adjourn?

**A motion was made and seconded to adjourn. All were in favor. Motion carried.**

CHAIRMAN NEWELL: All right, meeting adjourned. Thank you, everyone.

(Whereupon, the proceedings were concluded.)

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