CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE
BOARD OF GOVERNORS MEETING
Tuesday, June 20, 2017

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened at the Sheraton Orlando North in Maitland, Florida on June 20, 2017 at 9:00 a.m. (EDT).

The following members of the Board were present:

Chris Gardner, Chairperson
Don Glisson, Vice Chair
Gary Aubuchon
Bette Brown
Juan Cocuy
Jim Henderson
James Holton
Freddie Schinz

The following Citizens staff members were present:

Barry Gilway
Barbara Walker
Joe Martins
Steve Bitar
Kelly Booten
Jennifer Montero
Brian Donovan
Christine Ashburn
Jay Adams
Paul Kutter
Dan Sumner
Violet Bloom
Bruce Meeks
Jennifer Dilmore
David Woodruff
Aditya Gavvala
Michael Peltier
Mona Markell
Adam Marmelstein
Andrew Woodward
Matthew Gerrell
Karen Holt
Carrie Thomas

The following people were present:

Kapil Bhatia
Dave Newell
Sharon James
Lisa Miller
Steve Russ

Call Meeting to Order

Barbara Walker: Good morning and welcome to Citizens June 30, 2017 Board of Governors meeting. This meeting is publically noticed in the *Florida Administrative Register*. Please do not put your phone on hold. Hit *6 to mute your line and #6 to unmute your line. Our meeting will convene with a roll call for quorum. Citizens Board and committee meetings are recorded and transcribed minutes are available on our website. Also, for your knowledge, we will convene Citizen FMAP Board meeting as soon as Citizens Board meeting is adjourned. Thank you.

Roll call: Chairman Chris Gardner, Vice Chair Don Glisson, Gary Aubuchon, Bette Brown, Juan Cocuy, Jim Holton, Jim Henderson, and Freddie Schinz are present.

Barbara Walker: You have a quorum.

1. Approval of Minutes

Chairman Gardner: Good morning, everyone. Thank you for attending today's meeting. The first order of business is the approval of prior meetings' minutes.

A motion was made and seconded to approve the March 29, 2017 and April 27, 2017 minutes. All were in favor. Motion carried.

2. Chairman's Report

Chairman Gardner: You're going to hear a lot today about the Assignment of Benefits (AOB) and the continued stress it puts on our business. I think this organization did a great job pushing and promoting for meaningful reform. We didn't get there but we're going to keep trying. We've got some short term solutions brought to us by our actuarial team. I want to say thank you to that. It remains a challenge. The other thing I want to do today that's a little off script from the Chairman's Report is that I want to say a big thank you to Barry Gilway. Many of you don't know this but this is his five year anniversary with the organization. Barry, you have been a transformational leader, and you have made incredible contributions to the organization. We know what it was like in 2011 and 2012. Barry has come in and done incredible things. We owe you a lot of gratitude. If you don't mind coming up, I'd like to present you with this certificate, please. [Applause]

3. President's Report

Barry Gilway: Thank you, Mr. Chairman and Board members. This is a surprise. In the five years, we've accomplished an exorbitant amount of stuff in a short period of time. The credit goes to the Executive Leadership Team. I've never worked with a better group of people. Congratulations should go to the whole team. My report is going to summarize a lot of what you've already heard in individual committee meetings, but I want to try and pull it all together. This legislative session came and went with no meaningful legislation in AOB. It wasn't due to a lack of trying. 92,000 emails went to tri-county customers educating them on AOB issues.

There have been 157 articles on AOB published since January of this year, and all but two were positive. There were seven editorial board meetings that I went to with Chairman Gardner, and every single one of those received an exceptionally positive response. We've made visits to home owners associations, the largest in Palm Beach County with Governor Cocuy. All of the Board members helped us get this message across. The AOB issue continues and is getting worse. I want to share a number with you from Case Glide, which gives a composite of all of the litigation that's occurred across the state. It looks at the top 25 companies in the state and looks at the litigations that have been filed. For the top 25 companies, in 2014, the average number of litigated cases was 335. In 2016, the average number of litigated cases was 931. If you take a look at the outliers, especially the largest company, they increased from 350 litigated cases to close to 3,000 at the end of 2016. This validates that this isn't just a Citizens problem but rather an industry problem. We have support. Governor Scott, CFO Atwater and the Florida House of Representatives are supporters. Unfortunately, Senate Bill (SB) 1038 by Senators Hukill and Passidomo never got heard in the Senate despite a lot of hard work. A reasonable alternative, House Bill (HB) 1421 – Representative Grant bill – would have made a big difference. It passed in the House but never got any traction in the Senate. Ultimately, I'm going to go over a series of issues that we are undertaking to take corrective actions. I want to start off by saying that by no way, shape, or form will this issue be resolved without legislative support. These are stop-gap measures that will be presented. Companies are beginning to respond. The easiest administration action that they can take is through rates. There are numerous companies already filing rate increases. Surprisingly, for three companies, major rate increases were filed. The Office of Insurance Regulation (OIR) rejected the rate increases and required them to increase rates over and above what they filed. These are three of the largest companies operating in Florida. Even OIR is saying, "Your current rates in combination with your business plan are not going to get you there. It is not going to create a profitable environment for your company in this state. You need higher rates." While the rates, overall, I think the highest one is 16% . . . the tri-county is well into the 20% range. The impact in the tri-county will be significant. The industry results are flat. You have an industry capitalization that was up by 1.6% and the combined ratio was down by 3.6%. That is marginal improvement quarter over quarter. Citizens, as Jennifer Montero reported yesterday, has similar with no real negatives but no real major improvements to show that this is a trend. We're showing some positive numbers relative to litigation trends, but we have to be reminded that in 2015, there 7,500 law suits which went up to 9,000 in 2014 and 7,000 in 2015, to 10,000 in 2016. Our combined ratio increased by 4.3 points to 72.9%. What's happening in our book of business is interesting. To be frank, by this time, I would have expected Steve Bitar's call center operation to be working overtime with the amount of Personal Lines Account (PLA) business. Most companies have gone on record stating that they're not writing business in the tri-county area or that they've restricted business. We're not seeing that, yet. We're seeing a slight increase in PLA. There is a positive and a negative. For the PLA, the earned premium last year – there is a shift in the book of business. In the PLA, the earned premium comprised of about 44%. By the end of 2016, it was 51%. Real change is in the Commercial Lines Account (CLA) and Coastal Account. Both of those accounts, which are historically known as the profitable accounts, decreased by 50% and 23% respectively. CLA dropped off by 50%. You'll find this staggering when Brian Donovan tells you our rate indications for our book this year. We hit a new record last week with a historical low of $117B in exposure down from a high of $512B. That shows progress but the marketplace shows significant resiliency in the way it's reacted to this market. As a management team, we have been looking for alternatives, and some of them might seem more onerous than others, but I do want to remind you of the PLA numbers. If you go back to three years, we lost $21M. In 2016, we lost $35M. 2017 is projected to show a loss of $124M. In 2018, we're forecasted to lose $182M. Keep in mind that the numbers I gave you in CLA, the profitability in that account will not offset that $182M loss. We're making recommendations to you or have made them to you already for three distinct areas. The first is a series of policy language changes that complement the changes introduced last July, along with changes in our underwriting guidelines that are directed at stabilizing the PLA financial results. We would like the OIR to approve these. The second are changes to our claims management process that can have an impact. I'll leave it up to Jay to explain that further. Finally, we have launched a comprehensive analysis to evaluate our loss adjustment and litigation management approach to determine areas where we can strengthen our approach. I think Jay Adams and his team is doing a fantastic job. Sometimes, I don't know how they keep up with it. At the end of the day, you have to step back and look at your process to see if there is anything we can do to change the process. That's what we're going to do with the Loss Adjustment Expense (LAE). While you'll get more details on this, the biggest change in policy language is to implement a $10K non-weather water sublimit on all HO3 policies with the option to eliminate the sublimit by using the Managed Repair Program. This is not a mandatory program. The second key area is something that was included in both major bills and that's the "Duties after loss." It may seem ludicrous that it doesn't exist today, but we're putting in language that says that if any party elects to receive the benefits under the policy, then that third party is subject to the same duties after loss as the insured. It's common sense, but that's not the way it is today. They're excluded from those duties. We're making some slight changes to underwriting eligibility to try to stop the issue of one account with multiple losses. A change to underwriting eligibility allows only one non-weather water loss in three years or two non-weather water losses in five years unless the insured can demonstrate that the underlying issue has been remediated. We are asking for acknowledgement, which might sound simple. Steve Bitar and the underwriting organization are upping the game relative to the use of the industry loss history reports, so we can go back in time and look at their water loss history. For Claims Management, I won't spend a lot of time on this because Jay will go over it in detail. It's implementation of the Managed Repair Program, effective July of this year for HO3 and DP3 policies. Jay, Dan, and I talked with companies directly to share what is working and what is not going to work. We had the advantage of competitive information when we formulated this program. For that reason, it's been under consideration for some time now. It's a voluntary program. There are two aspects to the program. One is the water mitigation component. There is only one other company in the state that has taken this approach. It's a service. We are providing a service to the policyholder for water mitigation and we are not applying the deductible on the policy. It's unique. Why would anyone not want to use the water mitigation service when there is no cost or deductible? There is only one reason why anyone wouldn't want to use it, and that's other stuff they're trying to build into their claims management process. The second component is the contractor managed repair. We have an agreement with Contractor Connection and we work with them on the assignment of contractors. One of the key things we've heard is that you can never lose sight of the claim. The key is managing the claim from day one. Jay has a process in which we call the customer on a weekly basis to make sure s/he is satisfied with the contractor, satisfied with the work that's being done, etc. The next area in claims is an advanced appraisal process. We're utilizing the appraisal language within the contact more aggressively than we've had in the past. Jay has seen some real success. Finally, and I don't want to understate this because it's been pretty amazing with the results so far, we have the LAE analysis. It's led by Kelly Booten, who is doing a phenomenal job garnering all the resources throughout the organization. We also have a component that's being handled by the Office of Internal Audit (OIA). Although this might sound like a logical conclusion, it has been an issue that the trial bar has raised. Litigation costs are driven 100% by the number of litigated cases. It's not an increase in LAE costs per claim. The LAE costs are around $7K to $9K per claim in terms of litigated costs. Every litigated case adds about $5,200 to a claims LAE. We're looking into every aspect of this and John Fox at OIA is doing a parallel study. We're looking at the entire claims management process from the time it comes in through the front door, though all the decisions that are made, to any decision made to triage . . . we're really breaking down the whole process. What's this whole purpose in this entire presentation? The bottom line is that we want this Board to be competent. We're not sitting back to wait for next year. Maybe we can get something done from a legislative point of view. We can't wait. We want the Board that we are leaving no stone unturned as we look at options to mitigate. We also know that we cannot come up with a total solution to this without legislation.

Vice Chair Glisson: We're going to have to go under the assumption that we're not going to get legislative relief. We're coming up with an offensive game plan because I'm not convinced that we are going to get any relief next year.

4. <u>Chief Financial Officer Report</u>

Chairman Gardner: The next report is the CFO's report. As a matter of housekeeping, the Chief Risk Officer function has been bifurcated. Jennifer Montero owns some of that and Steve Bitar owns some of that. Jennifer will give her report, and as I understand, we're going to defer the Actuarial and Underwriting Report to Steve's presentation. We'll hear it altogether.

a. Finance and Investment Committee (FIC) Report

Chairman Gardner: We had a FIC meeting yesterday. I want to thank the Board for its support on the Reinsurance Program. When I look at our balance sheet, we are in the business of protecting our assets. We've accumulated a bit of surplus. I was pleased when Kapil Bhatia told us we could expect an additional $15M to $20M of investment income in our portfolio, which is 25% of the reinsurance tab. Those are big numbers. We look forward to better news in our investment portfolio with the prospect of higher rates.

b. Risk Transfer Program

Jennifer Montero: Behind tab four, you'll find some updated layer charts. As I presented at the last FIC meeting, the PLA/CLA exposes 32% of its surplus in a 1-in-100 year event, with only Florida Hurricane Catastrophe Fund (CAT Fund) coverage and no reinsurance. The Coastal Account exposes 88% of its surplus in a 1-in-100 year event with only CAT Fund coverage. Therefore, the 2017 Risk Transfer Program focused on the Coastal Account only. With the Coastal Account risk transfer placement, 50% of surplus was protected, which is a 25% increase in protected surplus from last year. During the April 27th Board of Governors Teleconference, approval was provided for the recommended Coastal Account reinsurance placement, not to exceed $94M. The final risk transfer program resulted in a combined 2017 traditional reinsurance and capital markets risk transfer placement of approximately $1.3B, which is $1.1B less than the $2.4B of the risk transfer that was purchased last year, at a cost of $93M which is 48% less than the $181M spent in 2016. The 2017 Coastal Account placement is made up of the following layers. The first layer, referred to as the Wrap Layer, works in tandem with the Mandatory Coverage Layer provided by the CAT Fund. The placement provides approximately $350M of traditional coverage in excess of $504M and wraps alongside and above the CAT Fund. This layer is a single shot per occurrence which has a rate online of 9%. The 2016 Wrap Layer had a rate online of 10.25%. The second layer consists of $880M coverage. This annual aggregate loss layer is divided by the traditional reinsurance and capital markets. The traditional placement provides $580M of annual aggregate and an excess of $504M and consists of both single-use year and multi-year ($180M for multi-year and $400M of single-year). The multi-year provides for two limits for three years. Both single-year and multi-year incurred to the benefit of the CAT Fund and the Wrap Layer and both have a rate online of 7%. As you recall in 2016, we reallocated the multi-year annual aggregate to the Wrap Layer, so there was no annual aggregate layer purchased in 2016. However, in 2015, the annual aggregate layer was priced at 7.75% for single-year and 8.25% for multi-year. The capital market placement provides for a $300M CAT Bond in excess of $2.151B in the same layer. The CAT Bond is a three-year annual aggregate bond and does not inure to the benefit of the CAT Fund. The rate online was 5%. Additionally, we placed $100M commercial non-residential (CNR) traditional coverage in excess of $406M. This layer is a single shot per occurrence with a rate online of 5%. The CNR had a rate online of 6% in 2016. The Risk Transfer Program accomplishes all the goals set forth in our reinsurance strategy. It eliminates a potential for an assessment in a 1-in-100 year event, which was accomplished in 2015. It uses aggregate coverage to address multiple storms. It protects the CNR business, which has no CAT Fund coverage. It uses multi-year coverage when available and optimizes the use of both traditional and capital markets.

Jim Henderson: I want to thank Mr. Chairman and staff for the Reinsurance Program. Historically, the price we're paying for reinsurance is such a low mark compared to history. It's also a situation where if we buy reinsurance and we don't have a storm, then we ask, "Why did we do it?" If we don't buy it, then we ask, "Why didn't we buy more?" I think you've done a great job taking all of those factors under consideration, realizing that the market is very attractive. The rates we are paying now are substantially below history, probably in a range of half to a third of what they are for a 20 to 25 year period. I think you exercised very good discipline to buy what all good advice would say is the right amount to protect surplus. It's a lot of money. It's hard to see it go out the door, but we cannot leave the company unprotected. Thanks for all the good work coming up with the program and putting up the time and effort into what is the appropriate amount.

Jennifer Montero: Thank you. To your point, in 2011 the rate online is more than 21% for the total program. Now we're just at 7%.

Chairman Gardner: In today's program, it would run about $270M in 2011 pricing and we're doing it for $90M. Very attractive. Great job. We're going to go into the financial summary.

c. Financial Summary

Jennifer Montero: Behind the next tab is the summary of financial position and operations of the first quarter of 2017 (FQ 2017). As I mentioned at the Audit Committee yesterday, these documents have a different feel than our past reports. We feel that they mark an improvement in providing relevant information on the company's financial position and results of operations. We expect to continue building out our financial reporting process by leveraging our new Enterprise Risk Program (ERP) system and its improved reporting capabilities. In summary, through the FQ 2017, the PLA comprised of 41% consolidated net earned premium in contrast to 44% in FQ 2016. Due to concentration of HO3 policies, particularly those that have a much higher tendency to produce litigated water claims and the absence of wind only policies, underwriting margins in the PLA are much more compressed than in the CLA. Through the FQ 2017, the PLA earned 4-cents of underwriting income per every $1 of net earned premium, sharply lower than the CLA of 71-cents and the Coastal Account of 52-cents. As business in the CLA and Coastal Account continue to decline, we expect our consolidated operating margins to be more heavily influenced by the PLA. Through FQ 2017, premiums written in the PLA increased by 3%, whereas premiums written in the CLA and in the Coastal Account decreased 50% and 20% respectively. Relative to year end 2016 and on a direct basis, loss in LAE activity has shown marginal improvement. On a direct basis, the consolidated loss ratio declined from 35.1% to 30%. Likewise, the consolidated LAE ratio declined from 17% to 14% over the same period. Contributing to the declines in loss in LAE ratio were the absence of hurricane losses during the current period, which added approximately 3.4% the 2016 loss ratio and no adverse development on litigated non-weather water loss claims from prior accident years, which added approximately 5% to the 2016 loss ratio, indicating no improvement or further atrophy with non-weather water claims. It reflects the continuation of reserved strengthening at year-end of 2016. During the FQ of 2017, Citizens experienced immaterial adverse loss development related to sinkhole claims that was offset by immaterial favorable development on LAE, also related to sinkhole claims. Although the non-weather water predate the FQ 2016, the increase in litigated rates and associated costs did not fully materialize in development until the third quarter 2016 (TQ 2016), at which point reserves were adjusted upward to account for expected litigation rate of 50% on all non-sinkhole claims in the PLA. This litigation rate is expected to persist on policies through FQ 2017. The decrease in consolidated net written premium of roughly 8% approximates the decline in administrative expenses of 8%, which, in turn, led to a negligible change in the expense ratio. On March 31, 2017, Citizens' capital position remains strong in advance of the 2017 Hurricane Season with a consolidated surplus of approximately $7.48B.

d. Audited Financials

Jennifer Montero: The next section is the audited financials, which I'm sure Governor Cocuy will go over. The auditors were here yesterday and went over the audit report. The audited financials are in the book and there are also bound copies if anyone wants to take them. There were no changes from the December Audited Financials that were presented in March.

Juan Cocuy: Dixon Hughes and the two partners were here – Brian Smith and Matt Church – presented both reports – the accounting principles one and the statutory. As Jennifer mentioned, they were both qualified, clean opinions, which we expected nothing less. In terms of the report to the Audit Committee, the auditors reported that there were not material weaknesses. There were no significant deficiencies. There were no recorded adjustments that were recommended by the auditors and that there were no disagreements with management. In fact, they complimented staff's preparation and commented that they've never seen anyone as prepared. There were no management items or compliance issues as well.

Jennifer Montero: I'd like to thank Matt Gerald who is the Assistant Controller who oversees the audit and Andrew Woodward who is our Controller.

5. Chief Underwriting and Agency Services Report

a. Market Accountability Advisory Committee (MAAC)

Dave Newell: Good morning, Mr. Chairman and Governors. We had a MAAC meeting yesterday and went over several items. As we continue to see consolidation in the agency plant around Florida, Citizens has seen shrinkage in the number of agents and agencies that they deal with. That number continues to trend down. We talked about some cycle times as it relates to claims because AOB continues to be the hot topic. New business will continue to see an uptick, depending on where you're doing business within the state. We reviewed many of the outreach programs that Citizens continues to work on to get the word out: Call Citizens First, webinars, live classes, etc. I know they've worked with several associations that's on the MAAC to come to their groups to talk about the issues and the benefits of Call Citizens First. Adam Marmelstein talked about depopulation and the slowdown in the appetite for depopulation. We'll see that the Clearinghouse is now accepting carriers that are willing to look at wind-only. Jay Adams gave a lengthy report in reference to the Managed Repair Program and some of the key ingredients with that, including getting buy in from agencies and from policyholders. Some of those highlighted were free emergency services that Citizens is offering, permanent repairs to return policyholders to pre-loss conditions, the three-year warranty which is outside the norm of the construction industry, and the coordinated effort to oversee the claim activity. I will tell you that having your hands on that claim process from start to finish makes a big impact with not only the policyholder but how that process moves along.

b. Actuarial and Underwriting Committee (A&U) Report

Jim Henderson: Staff recommended a host of product line language changes, mostly addressing areas with deteriorating results related to the non-weather water claims. These changes are supported by the A&U and will be reviewed shortly in Steve's presentation. These changes are no magic elixir. Staff is also recommending the 2018 rate changes and there's some public commentary by Steve Russ. Steve is with FIRM, which is Fair Insurance Rates for Monroe County. I want to thank Steve for taking personal time to represent his friends and neighbors in Monroe County. There is some litigation that's involved, so we are limited in what we can and cannot say. We would all be better off if we took a more active part to try to make a difference.

i. Product Change: Hurricane Binding Restrictions

Steve Bitar: I have a series of changes to go through and I'm required to read the action items. Behind the tab are the product changes for hurricane binding restrictions. I'm happy to take any questions as we move forward, but if it's okay with you, I'll go from recommendation to recommendation. Citizens recommends that the Board approve the proposal to update the tropical storm binding rules and to authorize staff to take any appropriate or necessary action with this action item to include filing with the Office of Insurance Regulation (OIR), change in implementations, document changes, and supporting activities. Final changes may vary slightly, depending on the OIR.

Jim Henderson made the motion for the Board to authorize the above proposal to update the Hurricane/Tropical Storm Binding Suspension Rule and authorize staff to take any appropriate or necessary action consistent with this Product Changes - Hurricane Binding Restrictions Action Item to include system change implementations, document changes and supporting activities. The motion was seconded. All were in favor. Motion carried.

ii. Product Change: Personal Lines

A motion was made and seconded to approve the above proposals to update underwriting requirements to refine underwriting eligibility, promote consistency, and align with private market carriers and authorize staff to take any appropriate or necessary action consistent with this Product Changes - Personal Lines Action Item to include system change implementations, document changes and supporting activities. All were in favor. Motion carried.

iii. Product Change: Older Homes Personal Lines

Jim Henderson made the motion to approve the above proposals to update underwriting requirements to refine underwriting eligibility, promote consistency, and align with private

market carriers and authorize staff to take any appropriate or necessary action consistent with this Product Changes - Older Homes - Personal Lines Action Item to include system change implementations, document changes and supporting activities. Bette Brown seconded the motion. All were in favor. Motion carried.

iv. Product Change: Address Water Losses

Steve Bitar: I would like to take a moment and go through these changes briefly and highlight the product changes we're suggesting regarding how we're addressing the water losses. As we stated earlier, there is no silver bullet and it will not solve all the problems. We will continue to evaluate what product changes we can make to address the issue of water abuse, but we do want to note that there will need to be some legislative reforms. There are three main areas we are changing with this filing. The first is an introduction of a $10K sublimit for non-weather water losses for HO-3 and DP-3 policy types. We are looking to expand relevant duties required by the policy to apply to Assignee who will be receiving policy benefits. We're also seeking to update our eligibility rules for policies with water losses. Currently, Citizens' eligibility rules allow policies with fewer than three "non-Act of God" losses within three years. We're proposing to update that rule to allow no more than one water loss within three years or two water losses within five years. Rules will not change for other causes of loss. We do not want to take coverage away from consumers by any means. All customers will have options at time of loss to elect the Managed Repair Program, which would remove the sublimit and restore their full coverage.

A motion was made and seconded to approve the above proposals for product changes to address water losses, implement appropriate communication and authorize staff to take any appropriate or necessary action consistent with these Product Changes – Address Water Losses Action Item to include system change implementations, document changes and supporting activities. All were favor. Motion carried.

v. Product Change: Wood Roof Rule Commercial Lines

Jim Henderson moved to approve authorize filing with the OIR the wood roof rule update requirements for the CNR-M program as described above and authorize staff to take any appropriate or necessary action consistent with this Product Changes - Wood Roof Rule – Commercial Non-Residential Multi-Peril Commercial Lines Action Item to include system change implementations, document changes and supporting activities. The motion was seconded. All were in favor. Motion carried.

vi. Product Change: Commercial Lines

Freddie Schinz made the motion to authorize filing with the OIR the depopulation language rule requirements and application update requirements for the CNR-M and CNR-W programs and Additional Property Not Covered CR-M form revisions as described above and authorize staff to take any appropriate or necessary action consistent with these Product Changes –

Commercial Lines Action Item to include system change implementations, document changes and supporting activities. The motion was seconded. All were in favor. Motion carried.

vii. Product Change: Insurance Rules and Rating Services

Steve Bitar: We conducted a public solicitation as our current contract for insurance and rating services expires at the end of the year. With that public solicitation, we have a 10 year contract.

Vice Chair Glisson: Is 10 years common?

Steve Bitar: We have a five year term initially and then we have the option of a five year renewal. It is pretty common and recommended by our Vendor Management group.

Jim Henderson: I think this filing is one that . . . this is the big data in terms of information sharing with other carriers, including our own. This is part of doing business in the insurance phase.

Steve Bitar: Absolutely. It is necessary for us. Most of our forms are ISO based and this allows us to have access to the appropriate policy forms, rules, and ratings that we need to accommodate for our day-to-day basis.

Jim Henderson made the motion to approve the recommended award and resulting contract, including renewal periods for Coverage Forms, Insurance Rules and Rating Services ITN.16-0011 to Verisk Insurance Solutions; authorize staff to take any appropriate or necessary actions consistent with this Coverage Forms, Insurance Rules and Rating Services Action Item; and approve this Action Item not to exceed $30M. Bette Brown seconded the motion. All were in favor. Motion carried.

viii. Annual Recommended 2018 Rate Filings

Chairman Gardner: Procedurally, we're going to back to Jennifer Montero and Brian Donovan. We're going to hear the presentation and we're going to recognize Mr. Russ for his public comments. Then the Board will deliberate and then vote.

Jennifer Montero: If you refer back to tab four, under rate filings, there is an action item along with an executive summary. I'm going to turn it over to our Chief Actuary, Brian Donovan, to walk you through the executive summary and recommendation.

Brian Donovan: Good morning, Chairman and Board members. Let's go ahead and start with exhibit one. Out of the gate, I do need to apologize. I've been told by more than one person on more than one occasion that this exhibit is more headache-inducing, but I do think it's important. When we file with the OIR, there are literally hundreds of exhibits. All of those exhibits are fairly dense but it is very important. I just want to call out six numbers in this exhibit and we can move on to the more user-friendly exhibits. The first section, if you look at columns 11 and 12, for the PLA, we see the uncapped indication is 24.1% with a proposed rate change of 5.3%. That's for all PLA policies. Columns seven through nine, you see the wind-only policy.

The wind-only indication is 13.4% with a recommended change of 2.5%. That's good news and we'll talk more about that in detail. The third set of numbers is for CLA. Overall, capped indications are 46.2% with a recommended rate change of 8.4%. Let's move to exhibit two. There are two storylines for Citizens 2018 Rate Indications. First is the multi-peril HO3 rate. In this exhibit, the darker the blue, the larger the rate need. Litigated water claims in southeast Florida is the driver of the dark blue that you see in this map. It's the primary driver of our PLA rate need. If not for the increased litigated rates, this tri-county area would be in the green range. I want to point out that the driver for our multi-peril rate increase is the litigated rates. There are three important notes. We have made downward adjustments for the proposed language change due to the sublimit policy language change of the Managed Repair Program option. That resulted in a 25% reduction. There is a lot of uncertainty in these policy language changes. We really don't know what the outcomes will be. We're hopefully optimistic. We just don't know if this is going to solve the problem or not, but it's a reasonable attempt to do so. The second comment I want to talk about is on sinkhole rates. For the fourth year in a row, we are recommending a 0% change in sinkhole rates. It does seem that Senate Bill (SB) 408 has solved the problem, and for the first time, we have a slightly negative sinkhole indication. However, challenges to that policy language in SB408 has still not been fully resolved, so based on that, we recommend 0% change for sinkhole. The last thing I want to point out that not only affects this exhibit but all lines of business is the change in how we apply the model results. Historically, we look at the four models and we consider all four models. Then, when we allocate that to territory, we relied on our in-house model. This year, we came up with a process we're comfortable with to be able to consider all four models at the territory level when allocating that statewide indication. If we move to exhibit three, you see the wind-only exhibit for homeowners. This is really the second storyline of our rate need, and this is actually good news. As you saw in exhibit one, the uncapped rate change for these policies is 13.4%, which is a historic low. This is due to the success of the glide path over the years, bringing these grossly inadequate rates slowly within range of being adequate statewide. There is also the benefit of a lower reinsurance cost as discussed earlier. You saw in exhibit one that there is still a proposed rate of 2.5%. This is due to the areas with pockets of high inadequacies. If you put that all together with the negative pockets, you end up with 2.5%.

Chairman Gardner: Going from St. Lucie County to Nassau County, is that Hurricane Matthew or is that legacy inadequate rates?

Brian Donovan: It's legacy inadequate rates. There aren't a lot of policies there. At this point in time, Matthew has not made it into the hurricane models to be considered in our results. If we move to the next slide, now we're looking at exhibits 14 and 15. This is all what the recommendations roll up to for individual policyholders. This is the bottom line. Exhibit 14 shows the PLA. For homeowners, that's 65% of policyholders who will see a rate increase. This is strictly driven by the rise in litigation for multi-peril homeowners insurance. The same can be said for dwelling. The 59% is impacted by the same impacts that drive homeowners. 95% of condo policyholders are still facing increases. This is wind driven. This is the model saying we're not collecting enough premiums for the wind risk. It's the same thing for mobile homes. The good news is that there are 27% of mobile home owners seeing decreases. Exhibit 15 mirrors exhibit 14, except it's all the policies for multi-peril and wind only in the Coastal Account. It's a similar story for homeowners and dwelling. I'd like to make the recommendation for the Board to approve the 2018 Annual Recommended Rate Filings, and upon approval, the presented rate changes will be filed with the OIR.

Chairman Gardner: I'd like to recognize Steve Russ from FIRM. Because you're representing an organization, you have 12 minutes. Welcome.

Steve Russ: Thank you, Chairman Gardner and governors. Thank you, Governor Henderson, for your kind words. FIRM is a volunteer, non-profit organization with one paid administrative employee. All of the efforts that go into this are efforts by fellow Citizens in Monroe County. I also apologize for not coming in a coat and tie. I came in the spirit of the Keys, so I'm wearing Keys Business Formal. I want to start this by asking a question. Do you know what Marian County in California and Santa Cruz County in California have in common other than being on the coast? The answer to that is that they are the only two counties in the U.S. where housing is more unaffordable than Monroe County in Florida. Out of top 25 unaffordable housing markets in the U.S., there is only one in Florida and that is Monroe County. Based on a study by WallStreet.com released in January that uses HUD data, ownership of homes in Monroe County as a percent of monthly median wages represents 95.3% of that monthly wage. Rent in Monroe County as a percent of the median wage represents 72.2%. That's probably why I'm here and not some other counties presenting in this discussion. Our average windstorm rate is on average in the $3,500 range, so it represents a significant chunk of housing costs. Affordable housing is defined by housing costs that represents 30% of median income. The impact of this is dramatic on the keys. You see people being forced to leave everyday as a result of not being able to afford housing. People who were able to acquire homes are now saying that it's not worth it because they cannot save or position themselves for the future. They sell and move out. Last year we completed the modeling effort on the wind risk study that you helped fund. We submitted those results to your staff. As a result of that modeling and at the time we did it, there were over 18,000 policies in Monroe County. I noticed with the exhibits this year that we're down to about 10,000. There is a reduction of over 8,000 policies, and I'm interested in working with your staff to understand whether those policies reductions were the result of the takeout or a result of the fact that we priced wind insurance out of the market. People can't afford it. As people leave, homes are being bought by people who don't need mortgages; and therefore, forgo insurance as an economic reality. Last year after I had spoken with you, we had discussions with John Rollins and our congressional representatives. We thought we had arrived at an agreement to suspend rate increases for Monroe County. Unfortunately, when we came to the OIR of rates, we found that this was not a fact. We were given another 10% rate increase. That was a big disappointment to us and to our representative and senator who were part of those discussions. As a result of that fact that we did not get that freeze, we got another 10% increase on top of three-quarters of a billion dollars in premiums over claims that had been paid to Citizens by Monroe County over the last 12 years . . . the result of a very low claims rate in Monroe County. In fact, during the hurricanes of 2004 and 2005, our premiums have exceeded our claims. The result, in the end, is another 10% rate increase with a cumulative 221% rate increase in terms of wind rates. All of that forced us to reluctantly seek an administrative view of what we can consider a rate process that was discriminatory to us and yielding unaffordable insurance rates for Monroe County. That request for administrative review was currently before the first appellate court, and hopefully, we'll hear what the results of the appeal are in the next week or two. I do note that in this set of rates that you have revised the method of allocation of rate increases to the territories. Previously, you used the AIR model indications as a basis for deciding how you were going to divvy up a rate change. That model was the one was the most unfavorable to Monroe County in terms of rates. You notice some difference in the divvy of rate increases throughout the state, and I'm certain of the fact that you changed this allocation method. Now you use the average of the models and that produces a fair distribution of rate increases. We have a lower rate increase this year than in the past. Unfortunately, it's still too high from our perspective on top of the high rates we already have which approaches $10 per $1,000 of coverage. We remain committed as I know you are based on your enabling legislation to ensuring that there are affordable windstorm rates available to the Citizens of Monroe County. To that point, we hope to continue to work with you and your staff to look at several issues that will yield lower yet actuarially sound rates for Monroe County, one of those being to review the actual versus model rates to find a better modeling solution from our perspective for rates in the county. The second would be to ensure that Monroe County residents receive all mitigation credits they should under the policies based on the fact that the Monroe County building codes are the strongest codes in the state. Third, we hope to understand the relationship between flood damage, surge damage, and wind damage. It's our observations where 90% of our property values lie in flood zones that flood damage lifts a lot of the risk damage and transfers it to NFIP. We feel that impact is not recognized well in the models and rates. We hope to quantify the impact. There are things we can still do to work together to improve the situation in Monroe County, and yet, put Citizens at rate risk.

Barry Gilway: Steve has a lot of interesting comments that were made. I'm not going to comment on the vast majority of comments, simply because there is a lawsuit underway. There is one metric that is very important to recognize and that is that we do take exception to the comment about rate increases in Monroe County. Let me give you the actual numbers. In 2007, the average in force premium for a $340,000 home in Monroe County was $3,006. In 2016, the average in force premium for a $340,000 in Monroe County was $3,300. That is far short of a 221% rate increase. It's in fact a 10% rate increase over the course of a 10 year period. I think it's important because those percentages would tend to create headlines that I think don't represent the facts associated with the premiums in Monroe County correctly. I appreciate the opportunity to comment.

Chairman Gardner: I'm interested in getting a copy of the report that they did. I chaired the Depopulation Committee when we granted the money to FIRM and the whole Board would be interested in seeing that written report that was submitted to staff.

Jennifer Montero: Can we find out who got the report?

Chairman Gardner: Sure.

A motion was made and seconded for the Board to approve the 2018 Annual Recommended Rate Filings, and upon approval, the presented rate changes will be filed with the OIR. All were in favor. Motion carried.

6. **Chief Systems & Operations Officer Report**

a. Information Systems Advisory Committee (ISAC) Report

Jim Holton: I'd like to highlight the outstanding job Kelly and her staff has done in terms of cyber security. She'll brief the Board on that momentarily. They are ahead of the curve and way beyond many comparable corporations in this country and in the world as we witnessed the Ransomware Attack from a couple months ago that paralyzed several companies in Europe but hear in the States, too. Citizens has maintained its posture in keeping ahead of that curve, and a great deal of thanks needs to go to Kelly and her IT staff.

Kelly Booten: Thank you. The ISAC met via teleconference on June 7, 2017. We had only two agenda items. We had an IT Security Update and an update on the Centerpoint project. Robert Sellers briefed the committee on IT Security and on the status of the multi-faceted risk-based IT Security Program. We covered a number of topics that make the program robust:

- IT Security Governance (through independent audits, updated policy standards, and group management reporting)
- Continuous Risk Management (through monthly, external and internal vulnerability scans)
- Information Security Benchmarking (to compare ourselves to the industry, using Gartner, FFIC, and our audit team)
- Compliance to Security Controls (through security control gap mediation against our top 20 security controls and creating action items as a result of those assessments)
- Employee and third party education and awareness (which are keys to any cybersecurity program; Monday morning security blasts)
- Operational activities such as vulnerability scanning and monitoring (third party penetration scan scheduled for third quarter)

We also had an update on the Centerpoint project. We implemented the first module in April according to the plan. It's up and running for our financial system. We had a couple things that were post go-live that we remediated. We're now into the busiest time of the project where multiple phases are going on at the same time. We launched the Phase IV which is the Human Capital Management and Projects accounting modules. We've kicked off the Advanced Procurement module in June. Budget is scheduled to kick off in third quarter and Advanced Human Capital Management later in third quarter. It's on schedule and on budget.

7. **Chief Claims Officer Report**

a. Claims Committee Report

Gary Aubuchon: Claims is sailing in some shark infested waters in a ship that was created by the legislature. Each year we sail into a port that's just south of Tallahassee, and we ask the legislature for materials to fix our ship. Each year they send us back out with duct tape and they say, “Go fix it.” Until the legislature provides the materials for us to fix our ship, Jay and his team are doing an amazing job with very little. We appreciate all your efforts.

Jay Adams: The Claims Committee met telephonically on June 16. We updated and received approval for our Claims Committee Charter. I went over our strategic update and we discussed the Independent Adjuster (IA) solicitations. We talked about some of the specifics Claims is doing to support the water mitigation initiatives. We are pleased to announce the Managed Repair Program on July 1. No one has mentioned the fact that this program is an endorsement program and those policies need to renew or be written as new business post July 1 to be able to receive these Managed Repair benefits. It'll take us a year to roll through that entire book of business. We also talked about an updated CAT model. Last year when Hurricane Matthew hit, we had a challenge in hitting the right amount of resources. We looked at our CAT Plan and tried to look at our methodology to execute our plan, leveraging less IAs. There have been recent news articles that indicate that the adjuster population in Florida is down 50% over what it's been over the past years. Over the fall, we explored information on CAT services to try to find out what the marketplace is really looking for to do business with Citizens. In that solicitation, we found that CAT adjusters wanted to participate in a CAT only in an appraisal methodology. They really don't want to entertain or engage with the claims management system of an insurance company. They want to engage in their estimating platform to write estimates, take photos, document the losses, send it back into the insurance company, and then have that insurance company settle that claim. They do not want to be engaged with supplements and callbacks. We have adapted our CAT model to align with those market expectations. We also went through and did a litigation update. There are no real changes there. We're still seeing a significant amount of lawsuits being submitted. Our Assignment of Benefits (AOB) numbers are increasing grossly. We've talked about how that program is working. A lot of our book of litigation is shifting from other perils of loss into this AOB. It's kind of skewing our numbers a little bit.

b. Managed Repair Program

Jay Adams:

c. Independent Adjusting Services – Litigated

Jay Adams: Our first action is in under tab seven for IA Services – Litigated RFP No. 17-0002. That solicitation was done on March 20. When we did the Request for Information (RFI) earlier, we determined that it would be best to split the current IA Services into two separate solicitations. Today, this is part one. This is for litigated and appraisal. The reason why we lumped these two together is that both of these require office space in Jacksonville. We did not want to require CAT Partners to obtain office space with MCM because it was not necessary. This is for the litigated services and this contract is for a five-year base term with five optional one-year renewals. The amount of the contract is not to exceed $630,980,650. As we mentioned earlier, too, we changed our CAT model and part of the changes affect this contract. We want to make sure that all of our contracted vendors are able to participate in a CAT response. The change in our CAT model will allow these litigated adjusters to work as closing teams to close those claims appraised by CAT adjusters. The idea behind this is that we want to make sure that we awarded our current vendor partners with work during a CAT. This will hopefully prevent turnover because we'll still need those litigated adjusters. They will work extended hours during the week and extended CAT hours over the weekend to handle those CAT closings.

A motion was made to approve the recommended award and resulting contract including renewal periods for Litigated Independent Adjusting Services – Litigated, RFP 17-0002, to the list of attached Vendors, as set forth in this Action Item; authorize staff to take any appropriate or necessary actions consistent with this Action Item; and approve this Action Item not to exceed $630,980,650. Vice Chair Glisson seconded the motion. All were in favor. Motion carried.

d. Independent Adjusting Services – Non-Litigated/CAT

Jay Adams: The next solicitation is for the IA Services – Non-Litigated/CAT RFP No. 17-0006. This is to procure the resources to handle the non-CAT daily claims operations which we refer to as the Managed Claim Model (MCM) as the full adjustment of claims as well as the CAT piece. This contract term is also for a five-year base with five one-year renewal options. The contract is not to exceed $343,900,000

Vice chair Glisson made the motion to approve the recommended award and resulting contract, including renewal periods, for Independent Adjusting Services – Non-Litigated / Catastrophe, RFP 17-0006, to the list of attached Vendors, as set forth in this Action Item; authorize staff to take any appropriate or necessary actions consistent with this Action Item; and approve this Action Item not to exceed $343,900,000. Freddie Schinz seconded the motion. All were in favor. Motion carried.

Jay Adams: In the spirit of transparency, I would like to report that when we did the second solicitation for non-litigated/CAT resources, we did not retain the full number for CAT resources. Even though we changed our CAT model and sweeten the pot for the solicitation, we believe we may have confused some of the vendors in the market. We are going to do a follow up on solicitation immediately today or tomorrow, looking for CAT resources. We will reach out to the vendors that did not respond to the solicitation to see if we can get a better mix. In the interim, if Citizens were to have a storm and resources were a problem, we still have at our disposal the ability to do an emergency procurement to obtain the resources we need to respond in a CAT.

Freddie Schinz: Can you shed some light around why they didn't respond?

Jay Adams: To be honest with you, the cone of silence during the solicitation ended yesterday at 3:00 p.m. We haven't had an opportunity to do any market research to find out why there was a shortfall. As we open up the solicitation, we will do some of that due diligence to reach out to those folks. Based on the information we received during the RFI, we wrote the solicitation and changed some of our pricing models. I don't believe pricing has been an issue. When we awarded the solicitation for non-litigation/CAT, there were minimum requirements. We did not award any points associated to getting that solicitation award based on resource count. We did that in the prior solicitation and ran into situations where firms overcommitted their resource count. We believe, as we go through the credentialing process and stand up this new contract, that we will receive more resources than what they initially committed. In abundance of caution, we'd like to do a solicitation to make sure that we're out in front of any storm to make sure we have enough resources.

Bette Brown: So, Jay, you're saying you didn't get the responses because the company does not have the resources and they did not want to commit to that?

Jay Adams: I really did not answer that question because we did not have the market resource to make that determination.

Vice Chair Glisson: One of the factors is that the adjuster pool has shrunk over the past 10 years, correct?

Jay Adams: Correct.

Vice Chair Glisson: It's hard to budget a one-in-ten year event. We haven't had any thing with back-to-back storms since 2005. With nothing to adjust, we lose adjusters. So, it's hard for anyone to plan.

Jim Holton: What's the timeline for the supplemental RFI? We're into the storm season now.

Jay Adams: We'll get this released this week and the expected award date is the first week in August.

8. <u>Chief Internal Audit Office (OIA) Report</u>

Juan Cocuy: The Audit Committee met yesterday, June 19. We took the Audit Report from Joe Martins, Chief Internal Audit Officer. We went through the external audit report.

a. Audit Committee Report

Joe Martins: At the meeting, we briefly discussed the progress against the Audit Plan. 67% of the planned engagements were either completed or in progress. We also discussed changes to the Audit Plan and the flexibility of the plan in support of the organization to do detailed water claims assessment. We looked into how that will affect the plan. We completed two audit projects; both of these are follow ups from the previous work we've done. The first one was on Procurement and the second was on the Legal Billing & Litigation Expense Vendor Management. Both of these reports came out very positive. Management has improved substantially around the processes and procedures on these two areas. We are very pleased with the results of the work. There were some minor suggestions and improvement suggestions made. We also discussed open items and indicated that since last year, there has been great action on the open items. The number of open items has been reduced to five: One high impact, three at medium, and one at low. These are being addressed by the business units at the moment. We also discussed the process on the internal framework at the Internal Controls Office. The project is broken up into two specific pieces, focusing on COSO (operations) and COBIT (Systems). The COSO initiative is progressing well with the completion of 41 process and control reviews, and 8 reviews in progress. We plan to be final with this project by the end of this year. The biggest portion remaining is the first self-assessments of the business units, which will support me with this, commencing in September. The second part of the internal framework is the COBIT assessment in the information systems area. We are doing a gap analysis against the COBIT. Currently in the COSO piece, we identified in excess of 80 primary controls and we expect that increase as we work through COBIT. The COBIT project was a little bit delayed because we were not successful in identifying the correct staff. We used IT staff. This delay had an impact on the Audit Plan, but I think there is great value in doing the COBIT. The last piece we discussed was Enterprise Risk Management (ERM). We are pleased to announce we filled the vacancy for the ERM manager with Mike Tush. The methodology we will apply and the framework that we will develop will focus on ERM from the bottom up as well as from top down from a strategic perspective. David Wheat is looking at the operational risk reviews and is progressing really well. We have IT Security as our pilot study this quarter and we're receiving great support from the organization. Mike Tush is the new addition to the team. He'll work closely with the business units as we commence with our new strategic plan assessments for this year.

Juan Cocuy: Thank you, Joe. As I mentioned yesterday, I commended you on the progress of the COSO. We completed 40 out of the 51 engagements and look forward to further progress on the COBIT. We have 171 engagements and we hope to get those done on a timely basis.

9. Vice President Communications, Legislative & External Affairs Report

Freddie Schinz: I would like to thank Christine for spending so much time in Tallahassee while working on other items, keeping them intact, especially with the mobile homes. I want to thank Steve for helping us with that. Thank you for your work on AOB, too.

a. Consumer Services Committee (CSC) Update

Christine Ashburn: The meeting took place via teleconference on June 15. The committee received an update on mobile homes coverage changes which Chairman Schinz just mentioned which are very positive for consumers. Citizens is now offering Coverage A limits up to 115% cost estimator stated value of mobile home policies effective June 1, 2017. As part of our efforts to ensure that our customers are aware of those changes, we have an email blast going out today to all agents. Knowledge based questions and answers will be updated and made available on our website. On June 28, impacted agents will get a direct email who have mobile home policyholders. We will be mailing postcards to each of the eligible policyholders starting 7/1 and into 8/18. We are spacing that out so that agents that have a larger book are not inundated with phone calls from consumers receiving postcards on the same day. We will also do an agent job aid and a webinar on the changes to make sure that all of our customers who want to increase their coverage have an opportunity to do so. We also received a report from Erin Vickory who is the Assistant Director of Consumer Services and who is our CAT Response Center Coordinator about the preparations going into this hurricane season. You'll recall that we operated with the name Emergency Operation Centers. Due to some feedback, that term is synonymous with First Responders. We have rebranded our Emergency Operation Centers to

CAT Response Centers. We believe we are ready for deployment. We've had close to 100 employees volunteer to be deployed if necessary for up to 30 days to serve our customers like we did after Hurricane Matthew. We are looking forward to our September 14 meeting to provide additional information on where we're heading with the self-service for customers.

b. 2017 Legislative Update

Christine Ashburn: The 2017 Legislative Session ended on May 8th after a 3 day extension to finish the 2017-2018 General Appropriations Act and Implementing/Conforming bills. Legislative and Cabinet Affairs reviewed all bills as they were filed and tracked 126 bills with 26 having some level of direct impact on Citizens. SB 1421 (AOB Bill) did not make final passage and I will touch on that. There is one particular bill that does have relevance to Citizens that passed, which is CS/CS/CS/HB 1007 by Representative Raschein (R-Key Largo). This was a priority bill for Chief Financial Officer Jeff Atwater and implements several provisions to combat insurance fraud in the State of Florida. Many of the provisions contained in CS/CS/CS/HB 1007 have already been implemented by Citizens. An overview of CS/CS/CS/HB 1007 is included in the report. The Governor did receive the Bill and he must act on it by June 29. If he does not act, it will be law without signature. Many of the items are reporting more detailed data for the department. Many of the components of the Bill were ready to go, so we're in good shape. While nothing passed on AOB, Representative James Grant was the sponsor for SB 1421 and it did pass the House with a vote of 91 to 26. While the bill was up for consideration by the House, Rep. Evan Jenne did offer an amendment that would have created a rate freeze and rollback for Personal Lines policies in Florida. As we know, we are behind, more so than the industry with rate caps that would have been detrimental to us and the market. That amendment was defeated. The passage of 1421 in the House does reflect moderate success in regard to Citizens working in the industry really trying to move that needle forward. We do have an upward battle. There is an opportunity in the 2018 legislative session that minus the special election to fill the vacated seat by Senator Artiles, the structure of the House and Senate will not change significantly. The session will convene early on January 9 and ends on March 9, which means interim committee meetings leading up to the session will begin in the early part of the fall.

c. Assignment of Benefits (AOB) Outreach and Education Update

Christine Ashburn: Throughout the 2017 Regular Legislative Session, Citizens worked cooperatively with the OIR and residential insurers to address the impact AOB abuses have on household budgets, the availability of insurance coverage, and the Florida economy. Since the start of 2017, these educational and informational efforts have included Editorial Board visits, on camera interviews, press events, targeted speaking engagements and nearly 160 articles written on the growing AOB issue. The coordinated messaging of Call Citizens First and AOB education has been effective in sparking interest of the issue facing the Florida insurance market by encouraging customers and agents to make Citizens their first call when they have a potential claim. As I mentioned earlier, we did not have success in the legislative session but we believe those efforts must continue to keep the momentum going into the next session. We have new materials for training for agents, employees, and potentially to post online for everyone to view. I've included our AOB communications metrics for review. A landing page on the website will be built for the Managed Repair Program for customers, agents and adjusters with links to program-centric information. Once the program page is established, a website banner will be put into the main page carousel to direct visitors to the site to the new page. To ensure eligible customers are made aware of these changes, the monthly postcard which is currently going out to all new and renewal HO3 and DP3 policies will be amended to include information on the program availability. The revised postcards will start mailing with July 2017 effective dates. An electronic version will be made available on the website for reference. Citizens also is working on developing policyholder emails that outline the programs available under their policy form. These emails would be sent upon renewal for existing customers. New customers would receive a welcome email which provides similar information regarding coverages and programs under the policy form. These messages will reinforce specific policy language which has been included to help provide additional guidance for claims reporting and emergency repairs. New brochures delineating the new programs and their inclusion in the claims process are under development. Current brochures will be revised to include program availability information as it applies to the covered topic. These brochures will be available in the learning library on the website and in print format for agents to order for their offices. Agent training is in development with mandatory modules scheduled for release mid-June. These modules will cover both the Managed Repair Program and AOB. Follow up messaging opportunities with agents will include association newsletter articles, Power Hour Q and A sessions, Knowledge Base entries and bulletins.

10. <u>Consent Agenda Items</u>

Barbara Walker:

- **Custodian Banking Services Contract Renewal 2 – One Year Renewal Contract Number 12-11-0003-00. The current vendor is the Bank of New York Mellon. Approve a contract renewal for one-year for Custody Banking Services based on .275 basis points on market value of active portfolios to The Bank of New York Mellon and to authorize staff to take any appropriate or necessary actions consistent with this Consent Item.**
- **Consumer Choice Clearinghouse Solutions Services - Contract No. 13-13-0010-00 - Amendment #4 to the Contract. The current vendor is Bolt Solutions, Inc. a) Approve the contract amendments; approve exercise of 5 year renewal option with amended terms; and authorize staff to take any appropriate or necessary actions consistent with this Consent Item.**
- **Cyber Liability Insurance Policy Renewal (Beazley Group) - Approve the purchase of the 2017/18 Cyber Risk Insurance renewal policy and authorize staff to take any appropriate or necessary action consistent with this consent Item.**
- **Water Mitigation Estimate Review Program. The vendor is Lynx Services, LLC. Request for Additional Spending Authority. Approve the recommended increase of the total contract spend authority by $1,590,935 to a total of $3,420,000 for Water Mitigation Estimate Review Program, RFP 16-0007 for the life of the contract; approve the contract amendment to provide Resolution Support Services as a billable item;**

authorize staff to take any appropriate or necessary actions consistent with this consent Item.

A motion was made and seconded to approve the consent agenda items. All were in favor. Motion carried.

New Business

Chairman Gardner: I want to express my gratitude to my colleagues on the Board for their preparation, professionalism, and leadership at the committee level. We get through a lot of material in the committees. Don will tell you that these committee meetings used to go until 3:00 in the afternoon. I really appreciate all the preparation and leadership. We do have an FMAP meeting after we adjourn.

Meeting adjourned.