

CITIZENS PROPERTY INSURANCE CORPORATION

**MINUTES OF THE
ACTUARIAL AND UNDERWRITING COMMITTEE MEETING
December 12, 2017**

The Actuarial and Underwriting Committee (A&U) of Citizens Property Insurance Corporation (Citizens) convened at the Sheraton Orlando North on Tuesday, December 12, 2017 at 4:00 p.m. (EDT).

The following members of the A&U were present.

John Wortman
Chris Gardner
Gary Aubuchon
Fred Strauss

The following Citizens staff members were present:

Adam Marmelstein	Jay Adams	Steve Bitar
Andrew Woodward	Joe Martins	Violet Bloom
Barbara Walker	Karen Holt	
Barry Gilway	Kelly Booten	
Bonnie Gilliland	Mark Kagy	
Brian Donovan	Matt Gerrell	
Bruce Meeks	Michael Peltier	
Christine Ashburn	Nancy Staff	
Dan Sumner	Paul Kutter	
David Woodruff	Robert Sellers	
Elaine Thomas	Scott Crozier	

The following members of the Board were present:

Bette Brown
Blake Capps
Freddie Schinz

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 June 19, 2017 minutes. All were in favor. Motion carried.

2. Emergency Order Update

MR. BITAR: Thank you very much, Chairman Wortman. Welcome back, we are happy to have you back. First off I would like to if I may just take a moment to introduce our new vice-president of Underwriting and Product Development who joined us in April of this year. Scott Crozier brings with him over 20 years of insurance experience in the P&C industry, both at the national carrier level as well as with the Florida master market – domestic marketplace. So we are very excited to have Scott here. He has also been an officer in the Army National Guard for over 20 years. So his professionalism and his experience is going to be very welcomed, is already paying dividends at Citizens. So I want to welcome Scott to the team and turn it over to him so he can provide you the update for the emergency order.

MR. CROZIER: Thank you, Steve. Chairman Wortman, Governors, my name for the record is Scott Crozier, Citizens vice-president of Underwriting and Product Development. Soon after Irma struck in early September the Office of Insurance Regulation issued an emergency order that provided certain protections for policyholders. Citizens looked, we had over 5,000 policies that were directly impacted by that. We immediately took action to ensure that all cancellations, non-renewals and all other matters of compliance were followed in accordance with the order.

There are two specific customer centric efforts that we have done subsequent to that. One is we extended premium payments statewide through December 1st. And then the second one is we are not going to follow up for proof of repairs for any hurricane related damage until October of 2018, which will impact policies that will go into force or renew in March of 2019. Having any questions, that is the emergency order.

CHAIRMAN WORTMAN: Thank you. Any questions? None. All right, we will move to the next item on the agenda. We will talk about the product and rate changes and I will again turn it over to Steve.

3. Product and Rate Changes Update

MR. BITAR: Thank you very much, Chairman. Karen Holt who is our senior director of Product Development is here to provide you an update subsequent to the last update we provided when we met. So Karen, if you would, in light of Irma, we had some changes.

MS. HOLT: For the record, this is Karen Holt. Good afternoon. Just very quickly, at the June 2017, Board meeting Citizens' staff proposed several product changes. Some of those changes have been delayed as a result of Hurricane Irma and I want to call those out for your attention. The first section is the personal lines changes, probably the most important. The coverage limit for water losses, the \$10,000 policy coverage limit for non-weather water loss that was being introduced has been postponed to be effective May '18 for policies renewing starting May 2018, and for new business as well.

Additionally, that change, if you recall, does provide policyholders the option of using our Manage Repair program to restore their full Coverage A limits. We also delayed the changes to the duties after loss that were designed to address some of the assignment of benefits issues. These changes extend some of the relevant duties to apply to claimants seeking benefits under the policy. At the bottom of the page you will find some information on the communication of these coverage changes. I would just like to point out that all of those are still being implemented, but they will be delayed appropriately as well.

Turning to the next page, we also delayed the wood roof rule for commercial lines. This is of less impact, but it was delayed, and then several small additional changes. At the bottom of the page we list for your convenience the changes that are still being implemented as scheduled for February 1st, 2018. Most of those are very minor changes. The only one that is a little bit more impactful is the first change where we are changing the personal lines eligibility rules to tighten them up a bit for policies with water losses. That is being implemented as scheduled for February 1st.

CHAIRMAN WORTMAN: Any questions on the proposed changes or changes? Hearing none we will move to the next item on the agenda and that is an action item. And again, Steve.

4. Action Item - Business Process Outsourcing – Inbound and Outbound Call Center Services

MR. BITAR: Thank you very much, Chairman. As you know, we are heavily reliant at Citizens from a call center perspective to our outsource vendors. We outsourced strategically a percentage of our calls to a variety of vendors. We conducted the business process outsourcing solicitation earlier this year. It was issued on August 15th, and our awards were made on December 5th, to a total of nine vendors across five service categories. So what I would like to do at this point, if I may, is just read the recommendation. The item, itself, is quite detailed. I think I will spare you going through it and all of the vendors and go straight to the recommendation if that is alright with you, Mr. Chairman.

CHAIRMAN WORTMAN: That is fine.

MR. BITAR: Wonderful. The recommendation reads as follows. Citizens' staff request that the Actuarial and Underwriting Committee approve and recommend that Citizens Board of Governors, A, approve the recommended awards and resulting

contracts to the recommended vendors as set forth in this action item. B, authorize staff to take any appropriate or necessary actions consistent with this action item. And C, approve contracts for VPO inbound and outbound call center services not to exceed \$47,850,803. Please keep in mind that is for the length of the five-year contract plus two additional renewal terms, taking us to a total life of 10 years across the nine vendors with no minimum guarantee of spend.

CHAIRMAN WORTMAN: Okay, it sounds reasonable to me. Committee, any questions or thoughts?

GOVERNOR AUBUCHON: Move to approve.

GOVERNOR GARDNER: Second.

CHAIRMAN WORTMAN: We have a motion and a second to approve the action item. Any discussion? Hearing none, the action item is approved and we will recommend to the Board approval.

MR. BITAR: Thank you, sir.

A motion was made and seconded to approve the Staff's Recommendation for Action Item Inbound and Outbound Call Center Services on Monday, June 19, 2017.

5. 2018 Rates Update

CHAIRMAN WORTMAN: The next item on the agenda is the rate change update, and Jennifer.

MS. MONTERO: Actually, it is Brian, he is going to do it. Brian, I think everyone knows Brian Donovan, is our chief actuary.

MR. DONOVAN: Good afternoon, Chairman and committee members. Welcome back, Governor Wortman.

CHAIRMAN WORTMAN: Thank you, Brian.

MR. DONOVAN: I am Brian Donovan, Chief Actuary at Citizens. I will be giving an update on the rate orders that pertain to the personal lines and commercial lines rates to be effective in 2018. As a reminder, typically we receive the order in September for rates to be effective 02/01 in the following year. Due to Irma this whole process was moved back three months. We received the order last week in December, and the rates will be effective 05/01/2018. Generally speaking, the rates were approved as filed. There is one notable exception to this and this has to do with Monroe County. The order directed Citizens to keep Monroe County's 2018 rates at the same level as 2017. In

addition to that, the rate freeze or the base rate freeze, there were four directives given to Citizens to consider before, you know, we make another rate filing in regards to Monroe. The first is to evaluate the current rating territories that we use in Monroe County. For example, for HW-2 policies we have one territory for all of Monroe. The Office is just asking us to cut them up to see if it makes sense to have more than one territory, maybe more refined territories.

The second directive is to review a study by Applied Research Associates which addresses the effectiveness of plywood shutters. Just to remind you, Applied Research Associates or ARA is the engineering firm that was commissioned by the Office years ago to determine the wind mitigation credits that Citizens and most other Florida property insurance use today. This directive is telling us to go look, there is another study that they did in 2003, where it looks specifically at plywood shutters, you know, basically, you know how, putting the plywood up over the windows, and if there was a credit that should be given for that.

Thirdly, the third directive is collaborate with Monroe on the completion of the detailed study regarding Monroe County's building code and the impact of that study on wind mitigation credits. This is directly related to the study, if you recall back in 2013, Citizens provided a firm with a grant of \$485,000. They went and completed a study and provided results August of 2017. We will go and revisit that and see if there is anything, you know, useful, useful information thereto, that we could use in future filings.

And then fourthly, the last directive is just an evaluation of the study of the models accepted by the Florida Commission on hurricane loss projection methodology using the 2017 standards which includes the requirement that county codes be reflected in the model results. I think this goes without saying. Yes, for the next rate filing of course we will use all updated and available hurricane models that have been approved. So basically for those objectives over the next few months Citizens, the next step is for us to sit down at the Office, get clear direction and clarity and make sure we understand what we are being directed to do. So concerning the personal lines, any questions regarding commercial lines? Commercial lines, everything I just spoke about in Monroe, you know, relates to personal lines only. Commercial lines, there was no such adjustment for Monroe or anywhere else. For commercial lines we filed for an 8.5 percent rate change and that is exactly, that is what was approved. So across all lines of business combined the recommended rate changes were, was 5.8 percent and what was approved was 5.6 percent. Any questions?

CHAIRMAN WORTMAN: I just have a couple of questions, and I think I understood this right, that basically they are implementing a one year rate freeze?

MR. DONOVAN: Yes, basically, yes, that we are not -- we had filed for a four percent for HW-2 for example. They came back and said it should be zero percent in the aggregate, territory overall rate change of zero percent rather than four percent.

CHAIRMAN WORTMAN: What was the logic for that?

MR. DONOVAN: I am not sure. It wasn't clear. It didn't give actually a reason for that in the order. I guess we could read into what those four directives were or impact of Irma. I would be purely speculating to give a specific, you know, to answer that.

CHAIRMAN WORTMAN: The reason I ask is that we heard earlier today that there is anticipation that reinsurance costs are going to go up, and that as a result of some of these issues that rates generally will be increasing in the marketplace, and that could -- we certainly don't want to get in the position we were put in with the last rate freeze when we grew to 1,500,000 policies, and that is, I think we ought to be sensitive to that as we talk to the OIR.

MR. DONOVAN: Absolutely. I think that makes a lot of sense and certainly we will address these forward directives with them shortly.

CHAIRMAN WORTMAN: The second question is, do we do any comparisons with the market place? I am sure we do.

MR. DONOVAN: Yes, rate comparisons from time to time we do. It doesn't -- given who we are and how we operate it doesn't necessarily effect what we recommend. Well, it doesn't recommend what we recommend. It is good information to know and compare, but we do from time to time evaluate our rates relative to other -- other people's rates.

CHAIRMAN WORTMAN: Right. Any other questions from the committee? All right. Okay. With that, any new business to come before the committee?

VOICE: I just want to say it is good to have you back as Chairman of the AU committee, John.

CHAIRMAN WORTMAN: Thank you. I told a bunch of people earlier, you know, with the -- with the pay off I just couldn't resist and somebody said we gave you a four times rate increase. Jennifer, four times zero is zero, you know. Anyway, with that, no new business to come before the committee I would entertain a motion to adjourn.

GOVERNOR AUBUCHON: So moved.

GOVERNOR GARDNER: Second.

CHAIRMAN WORTMAN: We have a motion and a second. Any discussion? Motion carries. Thank you.

(Whereupon, the meeting was adjourned.)