

**CITIZENS PROPERTY INSURANCE CORPORATION**

**MINUTES OF THE CLAIMS COMMITTEE MEETING  
Thursday, December 7, 2017**

The Claims Committee of Citizens Property Insurance Corporation (Citizens) convened telephonically on Thursday, December 7, 2017 at 1:00 p.m. (ET).

**The following members of the Claims Committee were present telephonically:**

Gary Aubuchon, Chairman  
Freddie Schinz  
Blake Capps  
Jon Palmquist  
Jay Adams, Staff

**1. Approval of Prior Meeting's Minutes (September 6, 2017)**

**A motion was made by Governor Schinz and seconded by Mr. Palmquist to approve the September 6, 2017 minutes. All were in favor. Motion carried.**

**2. Strategic Update**

Jay Adams stated, thank you, Chairman, and committee meetings. If you would turn to tab two in your binder. The first discussion I would like to have is a strategic discussion around the Hurricane Irma update, and I titled this strategic as Craig Sakraida our CAT director will be going over really the metrics and the statistics associated with Hurricane Irma and our response.

Jay Adams continued, if you turn to slide number two, this is just an illustration that shows that Hurricane Irma made landfall in the Keys on September 10, 2017.

Jay Adams stated, slide three, the first thing we did was execute our catastrophe plan, and I just want to do a very high level summary of what that meant. So MCM or Managed Claim Model teams are our non catastrophe claims handling teams. They are our first line of defense when a catastrophe hits. Those folks handle claims every day in our system and they also handle the claims from cradle to grave. So what we did was establish what their capacity was. We assigned the first hurricane claims to them and they handled those like they handled any claims, they made contact, they inspected them and they settled them. They handled all of that within their own units.

Jay Adams continued, we deployed Desk Adjusters which were Independent Adjusters under contract to the Everbank Center and the intention was for them to handle our Fast Track claims which are low severity, such as a few shingles off, maybe a tree on a fence or a fence down, those type of things.

Jay Adams continued, and then we also established a Resolution Unit. They would handle supplements and reopens and they really were the call center for claims. So when customers had any questions they were routed to this group. That gave them the ability to speak to an actual claims adjuster where they could resolve whatever issues that they had. We also leveraged our litigation adjusters. This also was the first time we have done

this in the past. They worked extended hours and weekends, and what they did is they contacted the customers when the claims first came in, and as those claims were being returned from the field they were completing those claims, calling the policyholder and making settlement.

Jay Adams stated, the next page four we also deployed CAT field adjusters. These again are Independents Adjusters. They were deployed to the field. They made contact and they inspected the losses, they wrote a scope and an estimate of the damages. We deployed Large Loss Field Adjusters. These folks really focused on those homes that had structural damage. They were Independent Adjusters and they did very much the same thing as CAT Field Adjusters. They just had a more broad skill set for what we were asking them to do.

Jay Adams continued, and the last thing we did was we leveraged a program called Worley Estimators. I am going to spend a little bit of time speaking more directly about that. But what we did is we trained individuals here to inspect, scope and estimate the damages and we had Independent Adjusters review their work before it was submitted to Citizens.

Jay Adams stated, on slide number five, as you might expect we had some resource challenges for Hurricane Irma as well. What happens here is Hurricane Harvey hit Texas just a few weeks prior to Hurricane Irma making the Florida landfall. Texas Wind and the NFIP or flood group deployed large numbers of Independent Adjusters, and they deployed those adjusters that were probably in the most readily available status to be deployed. Citizens' contracted Independent Adjusting vendors struggled to find qualified resources because the people that we had credentialed in our system pretty much deployed to Texas to handle those claims since that hit first.

Jay Adams continued, on slide number six, the Worley Estimator program. So I mentioned earlier we knew we were going to have a shortage going into Hurricane Irma's response. We tried to be creative and out of the box thinking of what we could do to supplement. In a catastrophe one of the main things that we want to do is we want to get the customer contacted and somebody assigned to look at their loss, and this Worley Estimator program gave us the advantage of being able to do both of these things. So what we did is Worley is a contracted vendor for catastrophe. We partnered with them to stand up a program where we would train individuals on how to scope and estimate losses. And the way we did this is they went through an intensive couple of days of training and then they were provided electronic tools that were used on smart devices and that assisted them in estimating the damages that occurred. And the way that software really worked was the estimator took a photograph of, for example, the roof and the estimating software recognizes a roof and then they would prompt the adjuster to answer a series of questions so that it got drilled down to what the actual damages were. An estimator also uploaded photos into this software and when that inspection was completed that software converted the information into an Xactimate estimate. Citizens leverages the Xactimate platform to estimate all of its losses, catastrophe and non catastrophe, and we also leveraged this as an assignment tool. So it was mission critical that we got the information back to Xactimate so that it communicated appropriately through Citizens systems. And prior to the estimate being submitted to Citizens an actual Worley licensed adjuster conducted a quality assurance review of the claim to make sure that it met the standards we were looking for so that we could close that claim when it came back here. That program targeted

emergency licensed adjusters who were not already assigned to either an Independent firm or to any type of insurance company. We also leveraged realtors, home inspectors and agents. And the goal here was we were looking for Florida folks that were displaced in their normal job duties due to the hurricane and people that were already in the industry of working at or looking at or having a basic understanding of homes and construction.

Jay Adams continued, on page seven, this really just shows you a breakdown of what we did for our deployment. Under the peak deployment we had almost 1,500 resources out in the field and in the EverBank Center, and today that current deployment right there equals about 1,400 folks. That number is significantly down from this. We believe that most all of the field adjusters and the field estimators have left Citizens response. We believe that we have received most of the estimates back and all new claims are being assigned back into our MCM workload because the volume is such that they can handle it.

Jay Adams stated, if you go to page eight, I want to be a little bit transparent here about the rate increases. So I mentioned earlier that we knew we were going to have a shortage, we knew that Texas Wind and NFIP had increased their rate basis specific to their storm response. They did that to attract the best adjusters. In order for Citizens to compete in that space we had to at minimum match what they were paying so that we could get adjusters to come to Florida in lieu of going to Texas. We first increased our rates on September 7, and then we had a second increase that went into effect September 12. And the reason we did the second increase is after we increased the rate the first time, Texas puts in a bonus program that they were paying directly to the Independent Adjuster. Citizens cannot pay a bonus to the IA firm or to the adjuster. So we had no choice but to match the rate that that bonus equals. Overall those rate increases were probably close to 30 percent for the storm. As Citizens got our storm response underway we have started to reduce our rate structure back to those contracted rates.

Jay Adams continued, slide nine, I just wanted to point out that I talked about being out of the box a little bit for this storm response. We continued to think outside of the box and leverage every bit of technology that we had to try to offset the resource shortage. So some of our outbound communication efforts to inform policyholders and I mentioned that earlier. Our focus initially was making sure that the insured understood where we were in the response with respect to their claim. So we used the call center to make first contact. I believe that was the first time we had probably done that on a large scale here at Citizens. We also used the call center to make first notice of loss inquiry calls to those insureds in the Keys that had not reported a claim. As you may be aware, there are a lot of folks that do not reside permanently in the Keys and we wanted to make sure that we were reaching out to those folks to see if they wanted to report a claim, because our claim infrastructure was in place. We wanted to adjust all of those that we could. We leveraged e-mail, social media and advertising campaigns. We used the robo-caller for any claim that was reported where contact was not made in 24 hours and then our claims system sends out contact letters until the claim management system shows a contact icon put in the file and then that system shuts down. We leveraged aerial imagery of post loss damages for the Keys. And what I am speaking about here is if any of you go into like Google Earth or Google Maps and you input your home address and you zoom in and you get down to the street level detail you are likely to see an image of your home. Well, we had pre images to the storm exactly like what you would see in one of those tools. We contracted with

National Insurance Crime Bureau and we flew the entire Keys and portions of Miami to do post loss imagery. The reason we did that was the Keys were closed initially after the storm from Marathon down to Key West, and we knew that was the area of the most damage because that was the landfall. We needed to do some damage assessment to try to understand what our response needs would be in that area, and that proved extremely beneficial to us because it gave us the jump on the industry to be able to secure motel rooms where motel rooms were not available once the Keys fully opened. We also did drone inspections for roofs. Many of these homes have significant debris around them and you can't get close enough to the house to do a roof inspection. So we leveraged drones to handle about 500 inspections in the Keys and that drone technology provides digital 4-K imagery that we could upload into our Xactimate estimate. We could make dimension and measurements from that and really helped us to be able to resolve claims in a much faster manner.

Jay Adams stated, on slide number ten we set up a Key West strike force office. As I spoke earlier, the damage assessment led us to believe that we needed a response in the Keys. One of the issues with the Keys is its geography. There is one road in and one road out, and the majority of the damage took place south, well, west of Marathon into Key West area. That is about a two to two and a half hour drive from South Florida. We knew we would not be able to depend on independent adjusters working on a fee schedule to go down and handle one or two claims a day and make a six-hour drive round trip. So we set up a Key West strike force office. We brought IAs into that office group. At the peak of it we had about 100 folks on the ground down there responding to just the Keys claims. We set up our office at the Margaritaville Inn days after the Keys were opened. We leveraged our satellite technology so that we could stand up phone and data connectivity. Early days that was very sketchy. So we leveraged the technology that we procured. And as I said we handled all of the claims in the Keys in that area, and we got lots of benefits out of it that we really didn't anticipate day one. We ultimately had a lot of customers come and visit us at that office to pick up checks, ask questions. When complaints or issues arise we can deal with them real time and we have had many customers come down as I said that were not permanent residents that contacted that office and say, hey, I am leaving in the morning, is there any way you can send somebody to my house today. Well, we had so many people deployed we could divert folks to make those things happen.

Jay Adams stated, I am not going to go into a lot of detail on page 11 about the claims statistics. This data is dated. As of this morning we had 63,285 claims. We closed 77 percent of those claims. And I also wanted to throw out another statistic on our cycle time. How long does it take from the time we get a claim reported until we make that first claim closure, and that is about 38 days. And from an industry perspective I would say that Citizens is doing a very good job in keeping that to a timely matter. And Chairman, I will pause here for questions before I go into my next discussion.

Chairman Aubuchon stated, thank you, Jay, that is an excellent presentation and I couldn't be more proud of you and your team for thinking outside the box, responding to this storm in such a way that is unprecedented and really just an outstanding job. Members, any questions for Jay?

Jon Palmquist stated, I echo the Chairman's comments, a fantastic program, fantastic execution. Just one quick question. Did you or are you doing reinspections of the Irma claims?

Jay Adams stated, yes, Sir. We have a pretty heavy reinspection campaign set up in Key West where the majority of the damages are, and we are also doing that in other parts of the state as well.

Jon Palmquist asked, have you noticed any difference in the results between the Independent Adjusters and the Worley program estimates?

Jay Adams stated, so the Worley estimate program was targeted specifically to handle the lowest severity claims. So we put them out on the homes that had trees down, fences down, a few shingles off and tried to concentrate their effort on things that that adjuster assist software could handle very seamlessly. So it would be hard for me to compare that against an Independent Adjuster that, you know, maybe handled a claim that was 50 or 60 or \$100,000. It was effective for what they did.

Jon Palmquist stated, have you noticed any increase in reopens on those files versus the regular files, the normals?

Jay Adams stated, we anticipate that we will have a significant reopen population for all claims and regardless of how they were handled. And this is a good time for me to speak to this. So I mentioned earlier we leveraged Xactimate as our estimating system, and Xactimate only does pricing updates once every 30 days. So when the storm hit in the beginning of the month, it was almost 20 or 25 days before Xactimate made any pricing update. But keep in mind at the end of that first pricing update, little to no repairs had been done in the marketplace. So material and labor costs probably had not changed. And I say all this to say, we are leveraging the data place pricing that Xactimate has when we go out and inspect and resolve these claims. These claims at that resolution are not fully resolved. When the insured gets a contractor out to write an estimate for repairs, the resolution unit expects that claim to reopen. We will work with that contractor to get an agreed scope and price, and if the price is different based on the then current market condition, we are going to go ahead and adjust our pricing in that estimate to reflect those conditions. Now, Xactimate tells us that they do contact local contractors to determine labor and material prices, and they do that on a monthly basis. So the further we get from the date of loss, the more change we will see in Xactimate estimates. So therefore, we stand up a resolution unit and we anticipate that we will have them here for probably upwards of a year to handle all the reopen activity to make sure that we have fully indemnified everybody for all of their loss.

Chairman Aubuchon stated, okay, John, a follow up or are you good?

Jon Palmquist stated, I am good, thank you.

Chairman Aubuchon stated, you bet. Any further questions?

Governor Schinz stated, first of all, what a great job you did and I echo Gary's comments of thinking out of the box. The idea of using drones was absolutely fantastic. That way

you could reach areas that you physically could not get to. So I applaud you on that. And then second, I would just like to ask you a quick question on the percentage closed you got 77 percent of them closed right now. What does it look like or what is your forecast or your opinions that we will have the balance of them closed in a timely manner?

Craig Sakraida stated, we are working to get to about a 95 percent closure rate by the end of the year with the holidays. And we are managing everything against the 90-day statute. So we are working the oldest claims first and the incoming volume has decreased, but we are working to get to that 90, 95 percent by the end of the year.

Governor Schinz stated, okay, great, that answers my question. Thank you so much.

Jay Adams stated, Mr. Schinz, one other comment to that is. So I know you have had some concern about our overall closure rate over the life of the storm. We have had pretty significant new claims reported day over day, week over week up until probably the last two to three weeks. That has impacted the overall closing ratio. So now that the claims line has slowed I think you are going to see a pretty significant ramp up. We have come up about 20 points in the last 10 days on the closing and that is really the catalyst that is driving that.

Governor Schinz stated, all I can say you guys have done a fantastic job, the speed that you received these claims, estimated and got them closed, has just been well past anybody's expectation. So bravo again on that.

Chairman Aubuchon stated, well said, Freddie. Blake, did you have a question as well?

Governor Capps stated, yes, Chairman Aubuchon, thank you. Jay, I was curious about the use of the drones. And do you see an expanded use of those in the future in catastrophic events to go beyond just the use when you are having access problems? Like could that be a cost saving device for inspecting roofs in the future in a more wide spread way?

Jay Adams stated, yes, Sir. So at the end of Irma we have started to hold debrief meetings related to our catastrophe response and we look at all of the things that worked really well and all of the things that we need to work on and improve. We are going to go forward with the solicitation in 2018, for drone technology and a more broad-based aerial imagery solution. Both of those hand in hand will help us to speed really closure of estimates in the future. So that is technology we will be looking to procure.

Governor Capps stated, very interesting. I had one other question on page 3 and 4. The differences between MCM non catastrophe teams and CAT field adjusters. It appears that the MCM non catastrophe team folks have the power to actually settle the claim?

Jay Adams stated, that is correct.

Governor Capps stated, and the CAT field adjusters do not settle the claims. They take it back to the desk adjusters or to the other folks to actually settle the matter?

Jay Adams stated, that is 100 percent correct.

Governor Capps stated, Right. I had one other question about the Worley Estimator folks. Is that a temporary job? Are they like now off to new employment somewhere else, or do they still have a job or is that kind of over?

Jay Adams stated, so Citizens is no longer assigning any claims to the Worley adjuster program. I believe Worley was leveraging that program as a means to bring brand new adjusters into the marketplace. I do believe they had some intention of leveraging them as Independent Adjusters for the future.

Governor Capps stated, I got you, okay. So that is a matter for Worley to figure out so those folks to work with them. So okay, that is great. Thank you.

Chairman Aubuchon stated, Members, any further questions for Jay? So I think at this time we are ready to move to our CAT update, and Craig.

Jay Adams stated, Sir, I have another piece I need to go over under the emergency order contracting.

Chairman Aubuchon stated, Okay.

Jay Adams stated, I am sorry, I may have misled you. Before I get started, Chairman and committee members, thank you for the positive comments that you provided for our catastrophe response. I can't walk away without saying that this has been an Enterprise response. Claims certainly has probably been on the forefront of communication and in the spotlight, but we certainly couldn't have done it without the entire Enterprise documents. There are many people that have spent tireless hours doing different functions to support the claims effort. So I'd publicly like to thank my team of peers that helped us.

Jay Adams continued, if you would turn still in tab two, I believe there was a divider and there is a Hurricane Irma Emergency Order Contracting Analysis I would like to go through. What this was, was when we held the September 6 Emergency Board of Governor's teleconference meeting where we asked for approval to follow on the Governor's Emergency Order, and this gave Citizens the ability to do some emergency contracting. At that time of approval Citizens indicated that they we would bring back to this Claims Committee and to the full Board a full disclosure of what we did during that emergency contracting. And a few things I want to point out here is we followed a timely, but prudent emergency contracting process. The Board approved us to spend upwards of \$50 million. We were prudent and we only spent just over \$14 million, and we are trying to be as transparent as possible about the contract spend and we have a few items that need to go to the Board for additional approval. I will speak to those and those will individually be brought to the full Board. And I also want to point out that under Kelly Booten's team, her Vendor Management Office, her team worked 16 plus hours a day on generator power while the storm was still blowing. They were deployed out of state to help make all of this happen on our behalf.

Jay Adams continued, so I would like to start on slide two of this presentation, please. So when we got approval from the Board for this emergency contracting, we said that it would

have to be related to and anticipated by Citizens Hurricane Irma response and recovery. It was valid from September 6, 2017 to October 4, 2017. It gave us the ability to pursue new contracts, amend existing contracts and exceed originally approved contractual spend authority. Slide three, as I mentioned earlier, we spent \$14.2 million against an approved budget of \$50 million. That consisted of 140 procurements and we need to come back to the Board with a \$2.99 million of spend. If you look at the graphic on the bottom left, this shows that the sum of contracted spend by business units, and as you can see here Claims had the overwhelming majority of the spend, which is what we should expect. This was a claims response. If you look at the graphic on the right and you look at it by category, most of that was adjusting and estimating. While I spent the whole other presentation talking about how we were using all of these folks to adjust these claims.

Jay Adams continued, slide number four, when we look at the procurements by business unit, once again, claims has the lion's share at 119 of those procurements. Slide five, when you look at all of the procurements and then you break those down by category, once again, adjusting and estimating calls out that that is the majority of what we did. And again, this was all in the spirit of those emergency contracts.

Jay Adams continued, slide number six, this is a slide that is trying to explain existing contracts versus new contracts. And 60 percent of all the activity occurred to existing contracts. And as I showed in the earlier slide, what we were doing with amending the independent adjusting contracts to allow more of the contracted vendors to do more work than they had originally contracted for, for the period of this response. If you look at page seven, 59 of the total contracts were new and 15 were existing contracts.

Jay Adams continued, slide number eight, we ended up with a few procurements here that will extend beyond Irma's use and it shows the contracted value of spend. And I am just going to point out a handful of them. Xactware-Geomni which is about three-quarters of the way down, that was in our approved budget and spend and that gave us something to get an image of the house from the aerial imagery embedded in the estimate. It also provided us some ability to create roof dimensioning from that imagery. That is something we will leverage going forward in claims for the rest of our contract. Those other three below that, Charlie Brown Hauling, Tropical Demolition, Inc., and WHM Foundation Stabilization LLC. They were contracts that were inflight that were for mobile home demolition. Those contracts were approved already by the Board and we will continue to leverage those as we go forward.

Jay Adams continued, on slide number nine, I spoke earlier, we had three procurements that we will be bringing back to the Board. The first one is Guidewire Digital Portal This will be a consent item for the technology infrastructure, software, professional services and staff augmentation. And what this digital portal does is give us the ability to address high volumes of claims, FNOL vendor capacity and expected number of claims status inquiries by allowing the customer to self serve by the web portal to really self identify what is going on and divert those calls going to the call center. This has been approved by the Information System Advisory Committee. So Kelly Booten will be bringing that forward at the Board meeting. ClaimXperience is mine. This is in our Property Loss Estimated Software, and what ClaimXperience does is the ability for us to leverage the insured or an adjuster's smart phone where we really can have something similar to a Skype session where we can communicate through live video, see each other and help work our way

through the adjustment of the claim. For the low severity claims we want to leverage this technology in the future so we don't have to send an adjuster on site. We will be seeking approval today through the Claims Committee and then if accepted take that to the Board next week. The last item is the DSM Disaster recovery service. This is for the co-location data center and services. These services were required through to projected hurricane landfall in Tampa, which is the location of Citizens business and continuity site. We are leveraging this to build out the data center co-location facility, and again, this has been approved by the Information System Advisory Committee. Page 10 begins an index or an appendix. I am not going to go through the appendix unless you have individual questions. But this contains a detail of contract spend by category. So the categories in the first charts that we talked about, it breaks out specifically, like for adjusting and estimating. If you want to know what all was included in that, the appendix shows that. And then it also lists every emergency contract or amendment that we entered into over the emergency contract period. And Chairman, that concludes my presentation if there are no questions.

Chairman Aubuchon stated, Members, any questions for Jay? Okay, thank you very much, Jay. Now we will move on to Craig for the CAT update.

### **3. CAT Update**

Craig Sakraida stated, good afternoon, Chairman Aubuchon and committee members. Some of this information has been touched on. So I will skim over a few things. My update really kind of focuses on only on claims but some of the other critical components involved in the response. As we know, Hurricane Irma made landfall in the early morning hours in the Cudjoe Key as a category four hurricane, and then again near Marco Island later in the afternoon as a category three. In 2016, we had to close our facilities and once again we had to do it in Jacksonville here. And if you watch the news there was significant flooding in downtown Jacksonville, but I think we proved that we could once again manage a CAT response from a remote location.

Craig Sakraida continued, there were also significant challenges in play with the Independent Adjuster resources with Hurricane Harvey response in Texas just 16 days prior to Irma as Jay mentioned earlier. This significantly drained the pool of qualified resources to respond to the hurricane. Shortly after landfall it was apparent there was significant winds and surge rising water damage in the Middle and Lower Keys. There are logistical obstacles for adjusting claims in the Middle and Lower Keys from the mainland. The availability of contractors in the Keys places additional strains on costs and the pricing and the estimating software that we talked about earlier. It doesn't reflect all of the market conditions at the time of settlement.

Craig Sakraida continued, one key that thing that happened as Jay mentioned we had a strike force office that was set up in Keys West. Our Vendor Management Office worked diligently to secure rooms and meeting sales for this, to service the Middle and Lower Keys. One other component that is on the front end of the CAT response is our catastrophe response centers which used to be known as the Emergency Operations Centers. We deployed those to South Miami-Dade, Collier County, Monroe County, and they are there to service the first notice of loss, additional living expense assistance and answer policyholder questions. From September 15 through October 6 they were at 10 different locations. They assisted 1,788 policyholders and issued 416 ALE checks for over \$1.1 million.

Craig Sakraida continued, another key aspect of our claims response is our FNOL call center vendors. They expanded to 11 different sites with five vendors to have the capacity for incoming call volume. Our call center management provided on site directions to ensure all service standards were achieved. Through October 29, they have answered over 134,000 phone calls with a peak day of over 9,000 calls. The call center was also utilized for outbound calling campaigns to contact policyholders in the areas of the most severe damage as well as Jay mentioned to contact the Keys residents to see if they needed to file a claim. We expanded our managed claims model and our non weather water teams which followed the same structure to handle the first five or 6,000 claims as we ramped up the inside desk adjuster teams and task field adjusters. We also leveraged our existing Independent Adjusters working on our litigation and appraisal teams to assist in making outgoing phone calls on the onset of the response. This was critical to allowing us to keep our contact ratios where they needed to be.

Craig Sakraida continued, on the next page, the key function of our inside team is the resolution unit. They handled escalated calls and general questions from policyholders. The team is unique because they are assigned to the phone system and have a desktop of claims to work also. Through November 15, the resolution unit received over 60,000 phone calls. We have expanded our capabilities as a desk adjuster by utilizing new functionality on our estimating software to allow for collaboration through a smart phone or tablet between the desk adjuster and an insured or field adjuster that Jay just talked about with ClaimXperience.

Craig Sakraida continued, through November 15, we have had only 215 formal complaints which equates to 0.37 percent of the total claims for Hurricane Irma. Our large loss team worked to establish a protocol for surge/wind through the system and the investigation of the settlement of losses in the areas that were impacted by rising water and surge. The majority of these claims had significant wind damage along with the surge rising water damage that predicates us involving an engineer to establish causation on components of loss. Our commercial claims staffed up and our resources were identified over the past two years that have a capability to work large complex claims from a desk. As of November 15, there have been 2,045 commercial claims received mainly concentrated in Monroe, South Miami-Dade and Collier Counties. The majority of these claims have wind damage to the roofs and exterior face of the buildings but no other significant damage. Almost 72 percent of these claims are less than deductible or closed without payment.

Craig Sakraida stated, in the immediate aftermath of Irma our Special investigations Unit leadership worked with Claims Governance and issued communications to adjusters asking them to notify SIU of any suspected fraud including violation of fee caps, deceptive solicitation and other violations of state law. Referrals were handled by SIU's desk and outsourcing investigator whose workload shifted in anticipation of Irma's landfall. SIU's desk's outsource team also supported the adjusters in the field. The team remained in extended hours to assist with research where storage surge was indicated. This research included analysis of underwriting claims information as well as researching both pre, post Irma aerial photos of risks. This team completed research in over 2,000 claims in this project which started within 72 hours of Irma making landfall. These reports have proven to be very valuable to the adjusters handling these dual cause losses. Within 24 hours

after landfall the SIU team began responding to tips coming in from Citizens in the National Insurance Crime Bureau hotlines by going into the field to inspect suspicious damage and interviewing witnesses. Citizens SIU established a presence in a satellite office in Key West. It was set up. SIU analytics group enhanced reporting numbers and developed a mechanism to notify the company if any Irma claims were reported on an insured property that already involved a fraud investigation. At the conclusion of October, the unit had received dozens of hotline tips, investigated more than 165 claims and already referred nine cases to the Florida Division of Investigative and Forensic Services for further investigation and possible criminal charges.

Craig Sakraida continued, for the Hurricane Irma response we also called on available resources to respond to the event. Jay kind of went through some of these with MCM, CAT and Field Adjuster, the CAT trainee which is the Worley Estimators and our Litigation and Appraisal Adjusters.

Craig Sakraida continued, I will just briefly go through the statistics. As Jay mentioned as of this morning we are at 77 percent closed. These numbers were as of November 29, we were at 70 percent closed. So about one percent a day and that is where I can support my comments earlier that we should be at 90 to 95 percent. As we see, 38 percent of our claims or over 24,000 of them are from Miami-Dade County, then followed up by Broward, Monroe and Pinellas. Our Commercial as I mentioned, you know, we are about 71 percent without payment. Total indemnity for residential claims as of the 29th of November, was \$330 million and for Commercial claims was \$24 million. That is the end of the Irma information.

Craig Sakraida continued, we also did have two other storms. We did have Hurricane Nate and Tropical Storm Philippe, which as you see posed no significant impact to the claims organization, and at this point the great majority of those claims are closed.

Craig Sakraida continued, I just want to say in conclusion, the Hurricane Irma response is moving forward to the closing stages and following up work has already started in the field. As we move to evaluate and pay the remaining open claims we have already staffed our mediation and appraisal teams to handle increased volume. This was the first time since Hurricane Wilma in 2005, that we have initiated all aspects of our catastrophe plan at an enterprise wide level. The entire organization worked together to service the needs of the policyholders and make this a successful response. Planning and preparation for the 2018 hurricane season has already started and is going to incorporate the lessons learned and enhancements in future responses. That is the conclusion of my presentation. I will gladly solicit any comments or questions.

Chairman Aubuchon stated, thank you, Craig, well done. Members, any questions of Craig?

Jon Palmquist stated, Mr. Chairman, I have a question.

Chairman Aubuchon stated, Sure.

Jon Palmquist stated, again, nice job. As you go forward you touched upon this a little bit earlier, but how are you supervising the desk adjusters to ensure that payments are made within the 90-day time frame or we preserved the rights?

Craig Sakraida stated, we have a couple of different ways of doing that. We have the desk adjusters are all a captive audience here in EverBank's fifth floor. So we have staff, we have staff oversight at a supervisor and manager level that report up through me for the great majority of them, and then also through our Large Loss team. We review the files based on the photographs and the estimate, and we also are sending out aging reports to make sure that the oldest claims are getting taken care of first and we are in compliance with the 90-day statute.

Jay Adams stated, we may have some claims that exceed the 90-day time frame. And the statute does allow for that. So if we need engineer support or something along those lines that takes it out beyond our control of 90 days, some of that may occur. What Craig is focused on is those claims that we have control and closure for the 90 days that is what he is working by lists and the supervisor staff.

Jon Palmquist stated, correct, understood. Mr. Chairman, can I ask a follow up?

Chairman Aubuchon stated, absolutely.

Jon Palmquist stated, Jay and Craig, without going into a lot of detail, there was some disappointment in the meeting of the expectations by the field adjusters last year with the dual storms. Can you comment generally about how the vendors performed relative to their contracted expectations this year?

Jay Adams stated, as I said in my strategic presentation, we believe that there is a shortage of Independent Adjuster catastrophe resources across the United States. I don't think that is unique to Florida. I think having a significant storm like Harvey make landfall in Texas 16 days prior puts significant resource strain on the Independent Adjuster marketplace. All of our contracted vendors had met their credentialing requirements which means if they said they were going to give me 100 resources, they had 100 resources in the system. The problem with the Independent Adjusters are they are on multiple contracted vendor lists. So there is no guarantee that our vendor is going to have access to that independent adjuster when a storm hits. And they typically also go wherever they feel that they can make the most money. Well, being that Harvey hit first, the best adjusters went to Harvey to be responding to that storm. NFIP or the flood market had significant numbers of claims and they knew that they would be there for an extended period of time. So did the vendors that we are contracted with struggle to get resources, they absolutely did. Did their marketplace struggle? Absolutely. I think the reason that we tried to become so creative of this storm was a supplement for the shortage of market resources.

Chairman Aubuchon stated, John, do you need a follow up?

Jon Palmquist stated, no, I will leave it at that. Thank you, Mr. Chairman, thank you, Jay.

Chairman Aubuchon stated, any further questions? Okay. Thank you for your presentation.

#### **4. Litigated Claims Update**

Elaina Paskalakis stated, thank you, and good afternoon, Chairman and committee members. I would first like to direct attention to tab four that has the litigated claims update for January 1 through the end of October of this year and I will hit the highlights of this overall update and then get into some of the details that we have with Hurricane Irma litigation to date.

Elaina Paskalakis continued, so for 2017, thus far for the end of October we have received 6,516 new lawsuits. That is an average of 652 lawsuits per month which does reflect a decrease of about 12 percent of incoming lawsuits as compared to this time last year. With that our current pending total of lawsuits is a bit over 10,500 lawsuits at this time which is a seven percent increase as compared to this time last year, and that increase is due to our early evaluation of the lawsuits as they come and as we apply our defense strategies and take more cases to trial standing on the reasonable adjustment of the claim.

Elaina Paskalakis continued, 93 percent of all incoming lawsuits continue to come out of the tri-county area with Miami-Dade accounting for 63 percent. We find that an 83 percent of the incoming residential lawsuits that the insured is represented at the time that the first notice of loss came in. We also, when we examine these cases we find that in 60 percent of the incoming residential lawsuits, the insured did not dispute Citizens' position prior to filing that lawsuit. Additionally, 44 percent of the lawsuits are being served on Citizens within six months of the first notice of loss. Overall when we look at our overall pending lawsuits we continue to find that water losses are the leading cause of loss and represents 48 percent of the new incoming lawsuits, and we continue to experience an increase in the frequency of the AOB lawsuits that now represent approximately 39 percent of all incoming lawsuits and that is an increase of five percent as compared to last year, and a significant increase as compared to 2015, when they only represented 21 percent of our incoming suits.

Elaina Paskalakis continued, in regard to Hurricane Irma, we received our first Hurricane Irma suit on October 20, which was 41 days after the date of loss. And to date as of close of business yesterday we have received a total of 82 Hurricane Irma related lawsuits with one of those being a commercial suit. 98 percent of those lawsuits are arising out of the tri-county area, 62 percent coming out of Miami. And also the only other county we have received lawsuits so far is from Lee County, where two percent of the lawsuits have come out of Lee County. Twelve percent of the Hurricane Irma lawsuits thus far are AOB lawsuits. So the lawsuits being served by the AOB companies, not by the insured. When we look at the dispute reasons for these lawsuits and analyze those, we find that in 64 percent of these lawsuits we did make payment to the insured. So it is a scope and pricing dispute that is occurring, which is consistent with what we see in overall. Twenty percent of those were adjustments that were below the deductible. Two percent of the incoming lawsuits involve a policy not in force. So there is a dispute over whether the policy was even active at the time. Thus far we do not have any suits involving a storm surge, and as you know, storm surge is always a concern. It is not a covered cause of loss under our policy of insurance, but we have yet to receive any lawsuits that have that dispute. And then when we look at the timing of the lawsuits. Seventy percent of these claims were

reported to Citizens within one week of the date of loss. Twenty-two percent of these lawsuits came or were served on Citizens within 60 days of the date of loss, and as we sit here today, 100 percent of these 82 were served within 90 days of the date of loss. So with that, that concludes my report and I would be happy to entertain any questions.

Chairman Aubuchon stated, Thank you, Elaina. Members, any questions from Elaina?

Jon Palmquist stated, the last meeting we heard a really good description of the number of programs that have been implemented, water loss changes, manage repair, litigation services, so forth. Are you able to attribute any of the lower numbers on lawsuits to some of those programs that you have implemented?

Elaina Paskalakis stated, I don't, we are tracking that but because of the lag time between when a lawsuit actually comes in as opposed to when the program went into effect, we are not really seeing that translate into lawsuits yet.

Jon Palmquist stated, okay, okay, thank you.

Elaina Paskalakis stated, we don't have challenges, I am sorry, we don't have challenges over the MRP and things like that as of this time.

Jon Palmquist stated, okay, thank you.

Chairman Aubuchon stated, further questions? Hearing none, we will recognize Greg Rowe to present a vendor update.

##### **5. Vendor Update**

Greg Rowe stated, thank you, Mr. Chairman and committee members. The one action item I had for today is for our Property Loss Estimating Software. And as a brief history, on September 27 the Board of Governors approved a recommended increase of the total contract authority to \$15,175,000. This action item seeks to approve the increased total to \$15,235,000, and this increase spend really is to leverage the ClaimXperience software that Jay spoke to earlier where our Citizens adjusters could interface real time with our policyholders, much like a Skype session. So this not only expedites the claim handling process, but absolutely provides us with functionality that many other insurance carriers are already utilizing. This product has not been fully utilized by Citizens to this point. So this increase spend was not accounted for in the initial authorized spend approval from the Board of Governors. So Mr. Chairman, if there are no other questions, I will move towards the recommendation.

Chairman Aubuchon stated, please read the recommendation.

Greg Rowe stated, all right. Staff recommends that the committee approve the recommended increase of the total contract authority by \$60,000 from \$15,175,000 to \$15,235,000 for Property Loss Estimating software under ITN 14-0006. We recommend that staff take any appropriate or necessary actions consistent with this action item and then finally approve this action item not to exceed \$15,235,000.

Chairman Aubuchon stated, Members, you have heard the recommendation. Do I have a motion?

**A motion was made by Governor Schinz and seconded by Jon Palmquist to approve and recommend Board approval of the Property Loss Estimating Software Action Item, INT 14-0006. All were in favor. Motion carried.**

**6. Addendums**

Chairman Aubuchon stated, behind tab six there are Addendums: Recovery Cases of Interest, Special Investigation Unit Cases of Interest. Any questions about the items behind tab six? Hearing no questions.

**7. New Business**

Chairman Aubuchon stated, is there any new business to come before the committee today? Being no new business, I want to wish everyone safe travels to Maitland next week. Happy Holidays and we will see you on Tuesday.

[Meeting Adjourned]