

CITIZENS PROPERTY INSURANCE CORPORATION

**MINUTES OF THE
BOARD OF GOVERNORS MEETING
Wednesday, April 11, 2018**

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened in Sheraton Orlando North in Maitland, Florida on April 11, 2018 at 9:00 a.m. (EDT).

The following members of the Board were present:

Chris Gardner, Chairperson
Gary Aubuchon, Vice Chair
Bette Brown
Blake Capps
Marc Dunbar
James Holton
John McKay (telephonically)
Freddie Schinz
John Wortman

The following Citizens staff members were present:

Barry Gilway
Barbara Walker
Jennifer Montero
Steve Bitar
Violet Bloom
Andrew Woodward
Dan Sumner
David Woodruff
Jay Adams
Kelly Booten
Stephen Guth
Bonnie Gilliland
Dean Savage
Carl Rockman
Christine Ashburn
Michael Peltier

The following people were present:

CFO Patronis	State of Florida
Ryan West	Department of Financial Services
Kapil Bhatia	Raymond James
Dave Newell	FAIA

Appana Louis-Charles	Morgan Stanley
John Generali	Wells Fargo
George Smith	BMO
Mark Wenberg	Citi
Coleman Cordell	Bank of America Merrill Lynch
Danny Kass	Guy Carpenter
Doug Draper	Bank of America Merrill Lynch
Tamoa Patterson	Jefferies
Matt Williams	Bank of America Merrill Lynch
Nathaniel Johnson	JP Morgan
Ken Vincent	Guy Carpenter
Matthew Sansbury	Stifel Nicholas
Ian Hanson	Willis Re
Henry Reyes	JP Morgan

Due to technical difficulties at the site, there are audio issues throughout the recording which resulted in portions of the transcription to be noted as inaudible. We apologize for any inconvenience.

Call Meeting to Order

Barbara Walker: Good morning and welcome to Citizens April 11, 2018 Board of Governors meeting. Our meeting will begin with roll call.

Roll call: Chairman Chris Gardner, Vice Chair Gary Aubuchon, Bette Brown, Blake Capps, Marc Dunbar, Jim Holton, John McKay, Freddie Schinz, and John Wortman are present.

Barbara Walker: You have a quorum.

1. Approval of Minutes

Chairman Gardner: Good morning, everyone. Welcome to the April 11, 2018 Citizens Board of Governors Meeting.

A motion was made and seconded to approve the December 13, 2017 minutes. All were in favor. Motion carried.

2. Chairman's Report

Chairman Gardner: We have new microphone technology and we had a lot of feedback yesterday. Don't be alarmed. We're doing the best we can. We do have a new full board today, and we are very pleased to have Marc Dunbar.

Marc Dunbar: Thank you, Chairman and my fellow Board of Governors. I look forward to serving with you. I appreciate the opportunity to advance the agenda as espoused by the legislature. I also have some pretty clear instructions from the Governor and CFO and look

forward to pressing that agenda into good work. You have had tremendous success, and I look forward to contributing to that success. A little background on me – some of you I've represented and some of you I have not. I know Mr. McKay on the phone very well. For the past 25 years, I've practiced law in Tallahassee, primarily in a regulated industry and governmental affairs space. During the 25 years, I probably represented every facet of the insurance industry, except maybe reinsurance. Currently, my practice does not include any insurance companies or any insurance interest. I'm looking forward to rolling up my sleeves in this area. The interesting thing about Citizens being a quasi-government insurance company is that we walk a fine line between how we interact with the legislature and our policyholders. My experience will hopefully be an asset to Citizens. I look forward to working with you. To the staff, I know many of you. You have done a tremendous job, and I appreciate you getting me up to speed. Looking at the past five years and the success you've had, I look forward to working with all of you to continue that success. Thank you for the opportunity to serve.

Chairman Gardner: The next board meeting is in June 19 at this same location. Before I conclude my report, I want to recognize CFO Patronis who is with us today.

CFO Patronis: Thank you and great to see everyone. It's great to see so many great caliber people who get to make a difference for the liability that our citizens have every day. Part of what I get to do is introduce myself and tell them the job that I get to do and what Citizens is. All of the constituents in our state don't realize they own an insurance company. I enjoy educating them and I enjoy praising the leadership about the successes they've had. As we look at what you have accomplished, especially over the last several years in lessening the liability for the citizens of Florida, I think the extraordinary is not easy as we run that delicate balance between the carriers that are coming out of the private sector – which are growing jobs and having depopulation taking place. You have delicately guided that in a manner that I think is in the best interest of the citizens of Florida and their fiscal liability. I know there are billions of dollars that the state is dealing with from Hurricane Irma (Irma), but I think the systems we put in place did exactly what they needed to do. It's been humbling for me to see the role that we have in the governance of the state when it comes at times of its worst. We were literally with Barry [Gilway] within 24 to 48 hours of the storm, looking at the resources we can muster together to ensure that the policyholders in our state get a swift and resound conclusion to move forward with their lives. I'm honored to be with you today. I also brought with me Ryan West. Some of you may know Ryan. Ryan is the Chief of Staff for the Department of Financial Services (DFS). We've worked together over the last six years and he is an asset to the state. We were in the Public Services Commission. I realized that insurance is a utility of the state, and we want to make sure that the citizens of the state have a good value for their dollar. Thank you for your service. [inaudible 6:55]

Chairman Gardner: Thank you. One other housekeeping item. [inaudible 7:12]

3. President's Report

Barry Gilway: Thank you, Mr. Chairman and Board members. I am going to talk about some issues that have been at the forefront of the news and make sure there is clarity around some key issues. Both issues were topics of conversation I've had with CFO Patronis on Friday. Irma is

still fresh on our minds. Many consumers are still in the recovery stage, particularly in Monroe County. I'm not going to spend a lot of time rehashing Irma and our response. But, I would be remiss, if I did not take a minute to thank the entire staff for the job they did relative to the Irma response. The evaluation of our response to Irma came from different areas. FAIA held a meeting last week with companies and agents last week to discuss best practices. I do want to quote Jeff Grady, FAIA President:

"During the panel discussion it was noted on several occasions that Citizens continues to be an industry leader in adjusting and resolving claims in a timely and effective manner that includes status reporting. Additionally, other industry participants learned of upgrades Citizens will soon introduce that will only improve the claims resolution process. We are grateful for Citizens' unique role in our panel discussions that effectively showed your company as a model for others to follow."

However, as we continue our response to Hurricane Irma, we have found the need for increased educational efforts targeting policyholders with Irma claims to remind them how the claims-payment process works. I consider that a great compliment from Jeff, given that he represents many of our 7,600 agents. The shortage of contractors has led to a delay in repairs, especially in the Keys. Some of our policyholders with claims are feeling abandoned. We want to reiterate that we are continuously communicating how we're handling claims. Back in October of last year, Jay Adams had four meetings in the Keys. Governor Brown, you attended those meetings. He got rave reviews because he made it very clear that we are present to address claims for our policyholders. I want to close this with a letter that was provided last October to the media in the Keys. This is just in part.

"This check represents a partial payment for Irma-related damages based on our initial adjustment. As repairs begin, policyholders can rest assured Citizens will make additional payments – up to the policy limits – if further Irma-related damage is discovered or market conditions render the initial settlement inadequate to make reasonable repairs on covered losses."

It encourages individuals to submit their claims for subsequent damage, should there be a need. The bottom line here is that I think we're the only insurance company that is doing that. Why do I think that's so important? If you cannot satisfy your customer relative to the management of the claim, it's just going to be challenging to restore the home. We do follow standard practice. When the deductible is exceeded, then we end up paying a replacement cost as appropriate when other costs are developed for repairs to be given. Anticipating that there will be a time gap between payment and actual contract repairs, it can take up to six months to a year to complete contract repair work. Trust me, in a year, labor costs go up, resources are scarce, etc. So, there will be additional payments. I think it's important that consumers know that those additional payments will be made if warranted. We are encouraging policyholders to look at their claims and before they approach a public adjuster we encourage them to call Citizens first. We plan to reach out to policyholders with emails and letters. We've announced office hours in the Keys. Representative Holly Raschein is helping us organize additional office hours. Irma is not behind us. We already have a lessons learned list. It focuses on what went right and what went wrong, so that when another storm hits, we're even more prepared.

Meanwhile, we do have a second crisis which is abuse in water damage. It's just starting to take its toll on Florida's property insurance market. That market is now dominated by substantial rate increases, specifically in South Florida, and various policy changes in response to our failure to get Assignment of Benefits (AOB) reform through the legislature. In committee meetings and today's meeting, we will, again, ask for support in language changes and product changes and send it to the litigation. Here's the important part, at the same time we continue our commitment to policyholders providing an opportunity for the insured with legitimate claims to access full coverage with no gaps in coverage and no limitations. We do not have the same option available that a private carrier has. They can attempt to outrun the negative impact of the cost of litigation by drastically increasing rates for consumers. We have recently seen indications of 25% to 35% rate increases for Dade and Broward County residents. Many companies are trying to outrun this through significant rate increases and the consumer is paying the cost. They can reduce their exposure from loss. That's the second button they can push, by reducing the exposure in the most risk areas. Several carriers have already stopped writing/renewing business. The third option is to revise policy language in an attempt to limit losses and limit litigation. This is the area where, I think, companies must be the most cautious. The concern has to be maintaining consumer's rights while still having an impact on litigation. Again, many carriers have introduced or received approval on stricter policy terms. Some of those terms are absolute caps. Citizens only has the third option in order to calm the crisis. As all of you are aware of on the board, our projections for 2018 is for a \$56M net operating loss in the Personal Lines Account (PLA) directly related to water damage litigation. That's a \$56M hit to PLA surplus that that is directed to litigation that's occurring. As we try to positively affect legislation, the major offensive move that we have available is policy language changes intended to reduce the litigation while at the same time protecting the customer. Meanwhile, our focus on fighting fraud continues. Special Investigations Unit (SIU) has made 826 fraud referrals to DFS over the course of the last 27 months alone, resulting in 55 arrests. Joseph Theobald and his team in SIU are continuing the battle on that front. A major component of our response is our Managed Repair Program (MRP) in our efforts to control costs and reduce the need for premium increases.

Marc Dunbar: Are we typical in terms of a number of people we're turning over for fraud investigations across all the insurers? Are we ahead? Behind? Who is doing the best job in going after fraud?

Barry Gilway: We get enormous compliments in two areas. When Jay and I met with the State Attorney's Office in Miami and in Tampa, and they say the same thing. It's not just the number of referrals. Yes, we do lead in referrals. The reality is the overall quality of the referral and the ability to take the referral to an arrest. It's also the ability of the prosecutor to take that referral and prosecute a case. We have received compliments over the years as "leaders" by DFS in terms of the quality of the referral. Last year, you gave us the green light to establish Citizens MRP and set clear parameters, emergency services, and repairs. That program is in place. You will hear from Steve Bitar, Chief Underwriting Officer, who will walk you through some proposed product changes that will allow policyholders to take advantage of MRP, while ensuring consumers who choose not to participate have the funds available to complete permanent repairs. This is a real issue today. If you're paying an attorney \$6K for litigation, and you have a \$10K cap in your policy, it doesn't leave a lot of money for permanent repairs. So, why are we

doing this? The cost driver is abuse by disreputable vendors that are inflating costs well beyond the industry average, which leaves consumers with less money to complete permanent repairs. Frankly, this poses a pretty grave risk to the policyholders. Remember, there is no sublimit on non-weather water coverage up to policy limits for customers who take them to the MRP. The program also relieves the customers the need to find a contract repair service. All of our managed repair work carries with it a three-year workmanship warranty guarantee. We believe the product changes will help contain runaway cost on water claims from vendors while providing the safety net for policyholders who choose not to participate in the MRP. We also believe these changes will encourage customers to use the program. I do have one more topic, and it is good news. Ten years ago, domestic companies only represented 22% of the market. Today, they represent 71% of the market, which was fueled by the transfer of over 1.5M policies from Citizens, with over \$2.4B in premium from Citizens, and over \$400B in exposure from Citizens to the private market. This has not only generated interest in the private market, it has strengthened the reinsurance component of the market also. A lot of compliments to all of the members of this board for the support we have received over the last five years, particularly to you, Mr. Chairman, for your work in the reinsurance arena and the financial arena. The question, however, to depopulation that has been asked numerous times is that with these smaller companies becoming a far more dominant force in the marketplace and having taken over the Florida marketplace, can they thrive? Can they survive? The 2017 results are a clear indication that they can and did without a lot of financial downsize overall. Surplus in the Florida domestic companies decreased by only 1.2%, and surplus in the national carriers decreased by 8%. Confidence in the overall market among investors was strong and remains strong. Net increases in the 2017 surplus have included \$63M in surplus notes and \$193M in other capital. It's encouraging to note that on March 29 Demotech reconfirmed ratings of 52 of the 53 companies, with only one remaining under review. That one company, by the way, really focuses on the manufactured home marketplace. The caution added by Demotech – the continued negative impact of AOB legal court decisions, in fact, caused them to keep a close eye on small carriers. I believe there were six carriers identified where they indicated they would retain their rating but there would be a close watch on these carriers. However, although Florida companies are prepared for the next catastrophe, water damage losses, specifically AOB, continue to influence the marketplace and trust in writing business. Jay had one component, and I'm closing with this, in his Claims Committee discussion that I think is worth repeating. It is not Citizens data but industry data. He summarized the results of the latest Office of Insurance Regulation (OIR) data call. These numbers, in my mind, are mind-boggling, and I don't think they've received the level of media attention that they need to receive. The data call shows extremely negative trends. Over the last 2.5 years, the frequency and severity of water loss damages and losses combined have increased 42.1% annually. That followed by five straight years where the average annualized trends was already at 14.2% per year. The only way to keep up with that is rates. Imagine attempting to keep up with a 42.1% annually impact from severity and frequency of loss. In more concerning in the data call is the confirmation that the deteriorating trends is spreading from South Florida to the rest of the state. Incidentally, this did not include systems data because that data is reported independently in the media. They chose to eliminate Citizens data. It was 25 companies representing the market that was contained in this report. It is not a good sign for market development overall. Now that now Governor Scot's emergency ordered has expired, we're now seeing the first signs that the

private market reducing writings and/or leaving the Florida market altogether. With those opening comments, I'm open for questions.

4. Chief Financial Officer Report

a. Finance and Investment Committee (FIC) Report

Chairman Gardner: We had a FIC meeting yesterday. We have a very accommodating and cooperative reinsurance market, right now. We are expecting good results, and we'll talk more about that. We also learned that rising yields are providing better returns on our investment portfolio. Finally, for the benefit of the newer board members, [inaudible 29.40], I've asked Jennifer to give a high level presentation on that. I think the issues are not as simple as they appear.

b. Citizens Account History

Jennifer Montero: There is a timeline, starting with 1970. The Florida Windstorm Underwriting Association (FWUA) was formed. It was a wind-only product. In 1993, we had the Florida Residential Property and Casualty Joint Underwriting Association (FRPCJUA) which included personal residential. The FPCUA was the commercial residential until 1994. They were combined with the FRPCJUA in 1995. In 2002, both entities were combined to create Citizens. The wind-only accounts became the High Risk Account. The FPCUA and FRPCJUA became the Commercial Lines Account (CLA) and PLA. In 2006, the PCJUA was the wind-only commercial non-residential product [inaudible 31.10] and in 2007, we took our win only policies and added multi-peril to that wind only product. In 2011, we renamed the High Risk Account to the Coastal Account. We did this because we were having issues when issuing bonds because they thought the bonds were high risk. That's the history of how the three accounts came to being. The second slides show the entity comparison on an account-by-account basis. The annual statements, the NAIC statements, quarterly statements, rate indications, assessments, the audited financials, the budgets, and Probable Maximum Loss (PML), and exposure modeling are all done in a consolidated basis. We also have PLA/CLA combined for Florida Hurricane Catastrophe (CAT) Fund (CAT Fund), financing, claims paying capacity, PML, exposure models, and invested assets. We split the budget into three accounts. They are legally three separate accounts. The next slide talks about the statutory history, the risk transfer, the debt, and policy forms. There are advantages and disadvantages having these accounts separated and consolidated. One of the advantages is sharing the surplus among the three accounts. That's also a disadvantage because you could erode a surplus advantage for an individual account. The other advantage would be the single assessment [inaudible 33.18] increasing financing costs with a negative impact on Citizens credit ratings. We could streamline the financial reporting on one account.

Kapil Bhatia: As Jennifer said, there are some pros and some cons. There are no tangible economic benefits and could have potential negative readings, which would impact the potential assessment. The negative ratings come from even though will not levy the assessments because we have a strong assessment base, the optics and perception of rating

agencies that we will have lower assessments by a third, credit will be available by a third, and that will have some impact on the negative ratings. There are other state of the other entities with a similar structure that has a lower rating. That's one of the reasons why we have a relatively higher credit rating. Lower credit ratings will increase and be costly if we ever have to go to the market. The other issue is that we have the underlying outstanding debt in the PLA/CLA and in the Coastal Account, which serves as a pre-event liquidity during an event. Those bonds don't mature until June 2025. They have restrictive covenant, so we can't take one credit away and put it together and combine that. Even if we wanted to go forward, we have underlying documents that restrict us until June 2025, unless we redeem or defease those bonds. That would cost a significant amount of money. The other issue is Information Technology in that system is merged together from a reporting perspective. I already talked about the reduced assessment capability. There could be a potential short-term benefit because we could use surplus for one account to pay for a hurricane claim. We did do an analysis if we combined all the accounts. Year one shows the benefit of a one-time infusion. After the 2005 event, the assessment would have increased.

Chairman Gardner: Any questions?

Jennifer Montero: More like 1,100.

Chairman Gardner: The private market has been very accommodating in assuming those policies.

Jennifer Montero: The budgeted amount is less than a thousand in the second year.

c. Layer Charts 2017-2018

Jennifer Montero: Citizens' reinsurance plan considers and incorporates the transfer of hurricane risks in the Coastal Account into the global reinsurance market. In 2017, Citizens transferred more than \$1.3B Coastal Account hurricane risk to the global market with \$350M coverage in the traditional wrap-layer, which sits alongside and above the CAT Fund. There is \$580M traditional aggregate coverage, which \$180M is multi-year with two limits over three years, and \$400M of single-year coverage. And \$100M of single year traditional coverage was purchased for the commercial residential book. Citizens also transferred \$300M into the global capital market in the form of a three-year aggregate CAT bond. The proposed 2018 transfer program incorporates strategic elements from the continuation of the existing risk transfer program, which includes the carryover of the 2017 multi-year traditional aggregate coverage of \$180M and the \$300M CAT Bond. In addition, we are proposing a \$183M of traditional coverage alongside the Mandatory Layer CAT Bond an aggregate multi-layer of \$400M to be split between the capital markets and the traditional market, and \$250M traditional aggregate, single year layer above the aggregate layer.

Unknown: [inaudible: 39:34]

Jennifer Montero: Sure. Absolutely. So, this is the proposed 2018. The first layer is alongside the Mandatory CAT Fund, which is \$183M. It's a single-year traditional coverage. Above that,

we have the carryover from the 2017 aggregate of \$180M multi-year. The light blue is the Everglades CAT Bond from 2017. The yellow in between is the \$400M of aggregate coverage from the traditional market and the CAT Bond market. Above that, we want to put a full-year aggregate coverage of \$250M. The underlying layer of \$100M transfer in excess of \$235M sits right below the attachment of the Mandatory CAT Fund. We've never purchased reinsurance below the CAT Fund, and the cost will be relatively higher than the other risk transfer placements due to the lower placement within the capital structure. The attachment probability 13.43%. The amount of reinsurance demand in the layer is also affected by the industry losses in 2017; therefore, the pricing will be at a higher level on a risk adjustment bases. In addition, we're exploring two different tranches for commercial nonresidential. Both tranches are single-year traditional coverage. The lower tranche attaches at \$78M at approximately \$56.7M of coverage. The second tranche attaches at \$267M at approximately \$36M of coverage. We are going to evaluate these layers and we will determine the most cost effective risk transfer program that meets the objective risk transfer to cover up to the 1-in-100 year event while minimizing the surplus exposed. We will have a separate Board meeting, which will be a teleconference in early May to present the proposed 2018 Reinsurance Program for the board's consideration and approval.

Marc Dunbar: Jennifer, given the very strong capital markets out there [inaudible 42:11]

Jennifer Montero: That is why, for the first time, we are looking at that underlying layer that sits below the CAT Bond.

Marc Dunbar: Can you amplify that a little? It might be an opportunity to take advantage of the lower attachment points.

Jennifer Montero: What we did here is that at the top layer, we have it as a single event because in the past, we've had CAT Bonds up there, and then we shrunk so fast, we needed to have coverage above the 1-in-100 year event. That's why we're doing this single-year. We cannot control our growth, so the single-year allows us to reevaluate that every year.

d. Reinsurance Update

Jennifer Montero: Last month, we went on the roadshow for the traditional reinsurance program. We went to New York, Bermuda, and London. We've had a good response; the market does look great. We are working on our CAT Bond right now. We start the road show next week. We will go to New York, Bermuda, London, and Zurich for that road show. We have been working with our co-brokers, Willis Re and Guy Carpenter. On the traditional side we hope to have the submission out this week. We are working with our sole structuring agent which is Citibank and our joint book runner is Bank of America. We hope to close around May 9th.

e. Financial Summary

Jennifer Montero: You'll find the unaudited 2017 financials consisting of the financial summary, statement of operations, the quarterly financial update, and 2017 management discussion and

analysis. At the 2017 board meeting, the models for gross losses from Irma showed at \$1.2B following the year-end actuarial year-end review, including independent analysis from an external actuarial firm. Gross losses in LAE (Loss Adjustment Expense) increased to \$1.8B, reflecting the increases in both the loss and LAE driven by location rates. In the actuarial review is an estimate that shows close to 30% of PLA Irma claims will enter litigation or close to 40% in the southeast were almost 50% of the claims were reported. In the coming quarters when more information becomes known on the underlying claims, the gross losses in LAE will develop which will show further adjustments in loss in LAE reserves. Despite Citizens incurring almost \$1.2B in net losses in LAE from Irma, Citizens financial position remains sound and well capitalized. In 2017, Citizens consolidated surplus was \$6.4B which cash and invested assets was \$10.1B. We continue to see declines in the Policies in Force (PIF), mostly within the commercial books in the CLA (31%) and Coastal Account (14%). The PIF in the PLA increased 2.5%. Reductions in reinsurance exposure contribute to the declines in the reinsurance premiums, which decreased from \$181 million in 2016 to \$92.7M in 2017, while maintaining our goals of surplus and eliminating the risk of an assessment in a 1-in-100 year event. The non-CAT loss in LAE ratio the PLA declined 7.6% to 70%. There was a noticeable decline in the number of litigated water claims during the fourth quarter, which led to a modest level of reserves for favorable development in prior accident years. However, there is uncertainty whether or not the decline in result of the temporary suspension of litigated claims due to Irma. Despite the favorable reserves development, adverse development was recognized on prior accident years for sinkhole. Sinkhole claims that predate Senate Bill (SB) 408 that are in settlement continue to close. However, claims that are not in settlement experienced adverse development. The estimated Irma gross losses in LAE of \$1.8B are offset by estimated recovery from the CAT Fund of \$534.7M of which \$193.8M are in the PLA, \$6.2M are in the CLA, and \$334.7M are in the Coastal. Additionally, \$126.4M estimated from private reinsurers from the wrap layer was in the Coastal Account. Administrative expenses incurred during 2017 are \$6.1M or 4% below the administrative expenses incurred in 2016 and 11% below budget. Total employee costs increased by less than 1%. While favorable to budget to actual variance was 2% reported for 2017. Year-over-year increases in salary have been offset by decreases of \$3M in employee benefits, largely driven by savings realized through the adoption of the self-funded group health care plan. The favorable budget variance is the result of the 2017 headcount being below budgeted estimates. The liquidation of approximately \$1B of invested assets in advance of Irma gained \$17M in capital gains. Changes made to our investment policy, particularly those that allowed increase in duration, contributed to year-over-year increases in portfolio terms. Notwithstanding the reductions of surplus of \$1B during 2017, Citizens capital position is strong. We anticipate another highly successful risk placement in the market which will further augment our claims paying resources and maintain the elimination of assessments in a 1-in-100 year PML. During 2018, we expect to maintain our competitive market advantage over operational expenses while continuing to make prudent investments in infrastructure and improving the cost efficiency of our operations. We continue to evaluate our investment policy to identify opportunities to increase overall yields with the emphasis on liquidity and preservation of capital. If there are no questions, that concludes my report.

Chairman Gardner: I have a suggestion for Governor Wortman. I don't know if you want to spend some time talking about accident year and calendar year for the benefit of the Board.

John Wortman: The financials project losses [inaudible 50:54] incurred but not reported, which are losses that have taken place because they have not been reported, yet. You have to take into consideration that in your financials, too. You're looking at known losses and paid losses. You're also looking at reserves on known losses and how you certify those over time. Then you have to look at the numbers that are reported. The actuaries spend a lot of time in Citizens and throughout the industry. The financial organizations look at it very closely. It is a variable.

Chairman Gardner: Maybe that's something you can work on with the next Actuarial and Underwriting Committee (A&U) Meeting.

f. Action Item: Remittance Processing System

Jennifer Montero: Our remittance processing system is our action item and it's a budgeted item. On September 18, 2017, Citizens released Invitation to Negotiate No.: 17-0008 for a Remittance Processing System. Five responses were received, four of the responses met Citizens' mandatory requirements. The four respondents meeting the mandatory requirements were advanced to demonstrations and negotiations. On March 27, 2018, the negotiation team recommended the following vendors: RT Lawrence Corporation and OPEX Corporation. The estimated cost of the awarded contract for the Remittance Processing System, including renewals, implementation, one (1) year hardware support, shall not exceed \$280,000 for the 10-year contract period. The estimated cost of the awarded contract for hardware maintenance shall not exceed \$130,000, including renewals, for the 9-year contract period beginning September 2019. This is a continuation of service.

Freddie Schinz made the motion to approve the Remittance Processing System ITN 17-0008 Contracts for RT Lawrence not to exceed \$280,000 for the 10-year contract term and OPEX Corporation not to exceed \$130,000 for the 9-year contract term beginning September 2019 and to authorize staff to take any appropriate or necessary actions consistent with this Action Item. Jim Holton seconded the motion. All were in favor. Motion carried.

5. Chief Systems & Operations Officer Report

a. Information Systems Advisory Committee (ISAC) Report

Jim Holton: [inaudible] everything is moving along as anticipated. Centerpoint, digital recovery...

Kelly Booten: The ISAC met via teleconference on March 27, 2018. I provided an update on the results of the Network Assessment and provided an overview of open audits that have IT involvement. We also reviewed the ISAC Charter and the committee approved it with no change. Aditya Gavvala, VP IT Services & Delivery, briefed the committee on the status of the Guidewire Customer Portal. The portal was deployed in February with various launches in March. It replaces the former ManageMyPolicy policyholder self-service capabilities. In June we will be releasing another capability for First Notice of Loss (FNOL). Additional features will be rolled out over time. As of April 6, 14,128 policyholders have registered through the new portal. Sarah Harrell, Enterprise Program Director, briefed the committee on the status of the

Centerpoint Enterprise Resource Planning implementation. Since the last meeting, we went live with the human capital management, recruiting and advanced procurement modules. Modules to be implemented in 2018 include budget (August) and advanced human capital management (July). Sarah also reviewed the program budget, which remains to be within board spend. Robert Sellers, VP and Chief Technology Officer, briefed the committee on the status of the disaster recovery strategy implementation. This moves our disaster recovery from Tampa leased space to the Winter Haven datacenter facility and is scheduled to go live at the end of June.

b. Action Item: Business Continuity Services – Workspace and Technology

Kelly Booten: The larger item that was discussed was the Business Continuity Management – Workspace and Resource Strategy. Our Enterprise Resiliency Team conducted an impact analysis of various businesses and resources in the event that extensive damage was done to our facilities. For example, if we lost our ability to work out of the Everbank Center, and we had implemented our real estate strategy, which decreases our footprint in Tampa and is our current backup to our business continuity strategy. The results of the analysis led to a competitive solicitation to contract with a business recovery services vendor, which provides alternate workspace and technical capability. It's required to provide us with a worst-case scenario which would be the loss of the Everbank Center during a catastrophe. The solution will need to be scalable to support various options. The options include brick and mortar options, mobile office space, generators, satellites, and all the equipment you'd expect. The recommended vendor is Agility Recovery Solutions. It's a ten year contract. The request is \$6,024,540. The contract amount is based on a fixed, annual retainer fee over the 10-year term plus estimated contingency costs on an as incurred basis only and is only incurred in response to a declared event. The retainer fee is \$202,454 annually or \$2,024,540 over the course of 10 years. The action item includes a \$4M contingency cost for two different business continuity scenarios. The estimated contingency costs include ancillary and pass through charges such as transportation fees.

Marc Dunbar: Just making sure that with this vendor, we have some hooks in them. We want to make sure that they're registered to do business in Florida. When I went online, it shows that they are not registered to do business in Florida. We want to make sure that's taken care of. The bigger question is from a contract standpoint. What happens if they breach?

Kelly Booten: We have Stephen Guth and Dan Sumner who can speak to this item. For all of our solicitations, the vendors provide wording and we negotiate terms back and forth ahead of the contract. We don't get into the final contract until after the Board approves it.

Stephen Guth: We don't have a remedy for specific liquidated damages but we would have the ability to seek direct damages if there was some sort of breach if they didn't perform.

Marc Dunbar: We would have to proof up the consequences of us not having our backup space available.

Stephen Guth: Their success rate is in terms of recovering customers. Agility Recovery Systems has been in business for 30 years and they have 100% customer success rate.

Marc Dunbar: Is there any bonding associated with it? Because if the company disappears, then we're out of luck. Has this been thought of? I don't want to get into contract drafting. I just know typically the vendors that are bidding see the general terms of the contract, and I'm curious to see if there is a safety net bond.

Stephen Guth: We do have the opportunity to prepay this company and get an early payment discount. In that case, I agree, that we should seek some sort of bond.

Marc Dunbar: Great. Thank you.

Jim Holton made the motion to approve the contract for the Business Continuity Services – Workspace and Technology (ITN No.: 17-0025 Action Item to the recommended vendor Agility Recovery Solutions, Inc. not to exceed \$6,024,540 and to authorize staff to take any appropriate or necessary actions consistent with this Action Item. John Wortman seconded the motion. All were in favor. Motion carried.

c. Action Item: Audio Visual Systems Repair, Maintenance, and Repair Systems

Kelly Booten: The next item is for Audio Visual Systems Repair, Maintenance, and Repair Systems. This is the continuation of service through a different contracting award. Citizens previously procured audio visual systems repair, maintenance, and support services through a State of Florida Department of Management Services State Term Contract (STC). That STC has since expired and replaced with a new STC that does not encompass all of Citizens' requirements for maintaining its audio visual systems located in Jacksonville, Tallahassee, and Tampa. As further described under the Procurement Method section, Citizens conducted a solicitation to procure the necessary goods and services under a contract directly with the indicated vendors. The estimated contract amount is for \$400K over four years. The recommended vendors are Audio Visual Innovations and Miller Electric Company.

Jim Holton made the motion to approve the recommended contracts, including the optional renewal, for RFP No. 17-0024, Audio Visual Systems Repair, Maintenance, and Support Services to Audio Visual Innovations, Inc. and Miller Electric Company for a contract period of three (3) years plus one optional one (1) year renewal for an amount not to exceed \$400,000 and to authorize staff to take any appropriate or necessary actions consistent with this Action Item. Bette Brown seconded the motion. All were in favor. Motion carried.

6. Chief Claims Officer Report

a. Claims Committee Report

Vice Chair Aubuchon: Once again, I want to point out how well done [inaudible 1:03:25]

Jay Adams: The Claims Committee met telephonically on March 26. We had a very brief meeting, and a lot of our focus was on the water issue. We focused on the OIR data call and what they found. We compared that data with where Citizens is at with our own water situation. We provided a MRP update with the number of people who entered in our remediation repair program and those who entered the permanent repair program. We also provided an Irma update and focused this update on strengths and weaknesses drawn from how we handled the storm and some action items to build a better CAT Plan for this year. We also had Craig Sakraida who is our Senior Director of CAT go into our results from Irma and how we were doing in that space. We had the VP of Litigation Claims Elaina Paskalakis go through a specific discussion on Irma and what those suits are doing.

b. Action Item: Special Investigative Services

Jay Adams: We also have an action item for Special Investigative Services. After some further review of this, we'd like to withdraw this from the consent agenda to do more research. I recommend that we bring it back to the next board meeting that we'll have in May.

7. Chief Underwriting and Agency Services Report

a. Market Accountability Advisory Committee (MAAC)

Dave Newell: Good morning, Mr. Chairman and Governors. The MAAC met yesterday. We got an update from Carl Rockman about the number of agents and agencies that are now representing Citizens. That number continues to decline. We've seen a slight uptick in South Florida, but overall the numbers are declining. We talked about the AOB training and those initiatives. About 95% of the agents have gone through that training. I went through a program a few years ago and was reinstated over the last year. It was about late submissions and binding violations but overall, this program has been helpful to Citizens agents submitting the right type of business and the right documentation to support the underwriting of that risk. We talked about the outreach that Citizens has done. One of the first calls I received after Irma was from Steve [Bitar] and Carl about what we can do to help them get into the Keys. We had some agents come forward who had their buildings still in-tact and offered those offices to them so they can help support customers in the Keys. Had a nice report from Jay Adams about the non-weather water losses continuation saga that happens from the OIR, company, and citizens. Those numbers speak for themselves. Christine brought us up to date on the legislative front. We know there wasn't much activity for insurance, but we had a good session. We look forward to 2019. I want to say a few things to what Barry said. We convened a claims panel last week in South Florida. Part of the reason we did so is that hearing from agents talking about the lack of communication and how that started this third-party intervention. How do we get the agents back into that conversation to starve off some of that? We convened the panel, invited Citizens, and talked about some best practices to create that dialogue. I moderated that panel. A lot of the comments were about how far we've come from 2004/2005 and how communication that kept agents up to date on Citizens behalf was far and above the norm. That has been a helpful hand. We hope that creates more dialogue with others to create best practices. We will publish something about this and hopefully some carriers will take note on what Citizens is doing and on

what other carriers are doing about engaging the agents. Most claims are reported to carriers. The agent is not that conduit anymore. Most of the time, they don't know that the claim was filed.

Unknown speaker 1:10:50: Any ideas from the agents in the Tri-County area about what can be done to get the customer to approach Citizens first?

Dave Newell: Providing them with what Citizens is already doing with their agents is providing that documentation. Provide them with a brochure. Provide them with information. There is a nice brochure about pre-planning, pre-event planning, and what to do upon a claim.

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

John Wortman: The A&U meeting on March 27. We will have three items to review with the Board today for action which Steve Bitar will go over. The committee reviewed these in detail.

c. Action Item: Updates to Building Type II/III Mitigation Inspection Form

Steve Bitar: Mitigation is given by using the OIR B1-1802 form for most buildings. Here at Citizens, we also insure buildings that are four to six stories (Type II) and seven to 12 stories (type III). We created a Citizens Type II/III Mitigation Inspection Form for these commercial buildings.

John Wortman made the motion to approve the above proposals to Product Change – Updates to Building Type II/III Mitigation Inspection Form and to authorize staff to take any appropriate or necessary action consistent with this Product Change - Building Type II/III Mitigation Inspection Form Action Item to include system change implementations, document changes, filings with the Office of Insurance Regulation and other supporting activities. Blake Capps seconded the motion. All were in favor. Motion carried.

d. Action Item: Product Changes Regarding Water Losses

Steve Bitar: The next item will take a little bit of time if you can indulge me. It's really important that with all the talk about the fraud we're trying to prevent to take a look at the changes. Citizens is very focused on protecting our customers. In 2015 and 2016, we piloted the Voice of the Customer program to ensure we had a measure of customer satisfaction. The results led an approval by the Executive Leadership Team. We have 2 VoC programs and for 2017, our scores were 93% and 87% respectively. We're proud of those results, especially since we dealt with Irma last year. I share all of this to emphasize that we do need not enter into product changes lightly and we try to balance the needs and expectations with marketplace challenges. Our goal today is to address the fraud and abuse related to non-weather water claims while ensuring every single Citizens policyholder has access to full coverage. Once again, I repeat that our goal today is to ensure that every customer has access to full coverage. During the last three years, Citizens has implemented product changes to address increasing non-weather water losses. The changes have been targeted at reducing fraudulent and abusive claims and litigation, for both water mitigation services and permanent repairs. Addressing these issues is critical to avoid

additional premium increases for our customers. These changes included various contract amendments and the launch of Citizens Managed Repair Program, which provides policyholders the option of using the emergency water repair services as well as the managed repair contractor. The program is designed to provide policyholders access to full coverage. Subsequent launch of this program and continued issues with water claims, Citizens has concluded there needs to be additional changes. In 2017, Citizens' board approved staff's recommendation to implement a \$10,000 sublimit for non-weather water losses. This limit will not apply to policyholders who choose to participate in the Citizens MRP. As staff continues to evaluate the implementation of the \$10K supplement and the optional MRP, it became clear that there are additional opportunities to the repair program to protect the policyholder. This proposal includes a proposal to implement the previously approved \$10K sublimit on coverage, with \$3K of this amount available for water mitigation services. These limits, though, do not apply to policyholders who use the MRP. The introduction of the \$10K limit coverage, policyholders who choose not to use the emergency water removal services are faced with the possibility that accepted water mitigation services could take up a large portion of the \$10K, leaving limited coverage available for permanent repair. In order to eliminate this risk, staff proposes limiting coverage for emergency water mitigation services to \$3K, removing options that request Citizens approval to exceed \$3K, and eliminate the options for 1% of Coverage A or requesting Citizens' approval for additional coverage. Because issues have been related to water, we also propose contract changes that separate reasonable emergency measures or other problems of loss and the \$3K limit would not apply there. The change to the \$3K limit ensures that at least \$7K remains available for permanent repair. It also prevents the available coverage to be tied up in litigation over the water mitigation service invoice, delaying permanent repairs. In order to protect the policyholder and the insured property, Citizens will offer the free Emergency Water Removal Services program to provide necessary water mitigation services that exceed \$3K. The policyholder will always be given the option to use the Citizens MRP for water mitigation services for permanent repairs. To ensure that the policyholder can make the best choice, the claims process is designed to provide an estimate of damages to the policyholder so that they have this information when deciding whether to participate in the MRP for permanent repairs. We believe this is the most customer-centric approach to address the abuse and fraud of the bad actors.

Blake Capps: These temporary water repairs, say you have an enormous development and the temporary work needs to be done. What happens in that case?

Steve Bitar: Basically, a customer would contact us hopefully immediately. We would have a repair services provider dispatched. They typically show up within the hour, but they're contracted to be there within four hours. The customer is well aware that s/he has a \$3K limit and can have the provider of his/her choice. Let's say you have a large home, and the caller does not call us but calls the vendor of his/her choosing. They would have a \$3K limit which is known to the customer in the policy language. They can at least get the services started. At that point, there will be enough mitigation hopefully done and we've had an opportunity to step in and pick up where that provider has left off and we can complete any additional emergency services that might need to be provided. For Coverage A limit, it's \$700K on the dwelling. We also have \$1M in Broward and Miami Dade Counties. That is the maximum home we will insure. We do feel pretty confident in looking at the average claims coming in for emergency services.

They are roughly around \$2,200, so we feel that the \$3K should cover most cases. That should be enough to thwart any emergency situation

John Wortman made the motion to approve the above proposals contained in this Update: Product Changes Regarding Water Losses and to authorize staff to take any appropriate or necessary action consistent with this Update: Product Changes Regarding Water Losses Action Item to include system change implementations, document changes, filings with the Office of Insurance Regulation and other supporting activities. Gary Aubuchon seconded the motion. All were in favor. Motion carried.

e. Action Item: Agency Management System

Steve Bitar: The last item we have here is a solicitation for our Agency Management System. This action item is about introducing a software service that can be used as an agency management system to help us manage our 7K plus at 5K locations. The functionality will have the following:

- Web-based user interface for Citizens staff and Agents;
- Online Appointment and confirming licensure of Agents;
- Online Management of Agent and Agency appointment statuses;
- System of record for all Agency and Agency Staff information; and
- Systematic tracking and/or managing of:
 - Commissions
 - Performance
 - Investigation of Agent and Agency compliance and complaints
 - Reporting and analyzing data and Key Performance Indicators (KPIs)
 - High levels of data security, reliability, and business continuity

Bette Brown: Does this replace existing software?

Steve Bitar: We actually have end-of-life software in five systems that we're looking to retire because they are not meeting our needs. We hope to retire these systems and then go into this platform.

Marc Dunbar: Are we designing a system from scratch that's proprietary for ourselves?

Steve Bitar: No we are not. We're looking to license known software that's used by other property and casualty services.

Marc Dunbar: The follow up question to that is that in the recommendation there is an authorization to offer price resellers. If it is not our system, but then we're going to be using resellers

Steve Bitar: They are basically selling the licenses to us. We're using it in the implementation part. The software we're using is Salesforce. They are authorized sellers of the Salesforce platform for the implementation.

John Wortman made the motion to approve the contract for the following recommended vendors for up to a one (1) year implementation period followed by a contract term of ten (10) years, for an amount not to exceed \$11,428,421, as forth in the Agency Management System (ITN No.: 17-0023) Action Item; authorize staff to use authorized resellers as determined to be in the best interest of Citizens; and to authorize staff to take any appropriate or necessary actions consistent with this Action Item. Bette Brown seconded the motion. All were in favor. Motion carried.

8. Chief Internal Audit Office (OIA) Report

Bette Brown: Just a couple quick comments. During our committee meeting yesterday, Joe [Martins] did give us a thorough Audit Plan status update. They're doing a great job. They talked about the dashboard and Enterprise Risk Management (ERM). We also talked the OIR Charter and there are no changes.

a. Audit Committee Report

Joe Martins: Yesterday, we talked about the audits against the Audit Plan. Yesterday, we talked about the audits against the Audit Plan and commented on the results of the Network Assessment audit, the Third Party Access audit and the strength of the IT security controls we have. We talked about the internal control framework and the rollout of the framework throughout the organization. This will be the first time the company will go through self-assessments. We will report the results of that later in the year. The last piece we talked about was the ERM. Last year, we reintroduced a new framework. We purchased a new system and we're slowly rolling that out. The Executive Leadership Team identified strategic risks which will be later communicated to the board when that is finalized.

b. Audit Committee Charter 2018

Joe Martins: The Audit Committee Charter was discussed. No changes were made from last year.

9. Chief Human Resources Officer Report

a. Action Item: Legacy Retirement System Support Systems

Violet Bloom: I do have one action item. This has to do with Legacy Retirement System Support Systems. The recommended vendor is Immix Technology; they are the broker for Kronos. Kronos is Citizens prior HR payroll and timekeeping application. The funding is included in the 2018 budget. The contract amount is up to \$30K for a 24 month period. Citizens Property Insurance Corporation launched Kronos as its core HR, Payroll and Time Keeping application in 2007, through the GSA contract with Immix. In recent years the annual contract spend with licensing, maintenance, cloud support, Benefits vendor integrations and professional services has been in the \$250K to \$300K range. With the launch of the Oracle Fusion Cloud ERP (Centerpoint) HCM at the end of 2017, Kronos is being retired as the HR systems of record. However, it is necessary to maintain access to historical data in Kronos in order to appropriately

archive employee HR records, including Assignment, Payroll and Timekeeping records contained in Kronos that did not convert to Centerpoint. This Action Item will enable Citizens to archive historical data and employee records on Citizens servers. The additional period with minimal licenses and services is for 24 months, beginning May 24, 2018 and ending May 23, 2020. This Action Item seeks Board approval for up to two years of basic minimal support and licensing in order to maintain a copy of the existing Kronos application database on a Citizens server. This will enable Citizens staff to archive essential records in a secure proprietary data base which can be used for ongoing historical reporting and records requests, as well as to preserve historical forms such as W2s, for an indefinite period after the Kronos application data base copy is no longer available. This contract is established in accordance with Citizens' Purchasing Policy using the Florida Department of Management Services approved contract source GSA/GS 35F0265X.

Freddie Schinz made the motion to approve use of the GSA contract with Immix Technology, Inc., (GS 35F-0265X) for the 24 month period described herein for a cost not to exceed \$30,000 for the 24 month period and spend authorization as set forth in this Legacy Retirement System Support Services Action item and to authorize staff to take appropriate or necessary action consistent with this Action Item. John Wortman seconded the motion. All were in favor. Motion carried.

10. Vice President Communications, Legislative & External Affairs Report

Freddie Schinz: I would like to thank Christine and her staff for everything that they do. She will talk to you about these brochures. She will also talk about our plan for 2018. Thank you everyone for keeping everyone up-to-date during the hurricane.

a. Consumer Services Committee (CSC) Update

Christine Ashburn: The CSC met via teleconference on April 5. The committee received updates about the results from the Voice of the Customer campaign to look at areas of interest. The committee received an update on the implementation of the customer portal and the roadmap for the implementation of that program. There were no action items for the committee. Finally, as Governor Schinz referenced, each of you have a blue folder in front of you with information on our outreach and education, which is specific to our use of brochures to educate policyholders and stakeholders on key issues. It's been a great tool. The AOB has been put into the policy packets. We educate on the claims process in the policy packet. We're fortunate to leverage in plain English materials so that our customers understand initiatives and what to do. We just developed a Life of the Claim brochure in response to the confusion over what happens after the initial payment is made. We're very pleased to have those assets.

Chairman Gardner: I want to give you kudos. We've come a long way since I've been here in the efforts in the marketing collateral.

Christine Ashburn: Thank you. We have a great team. It's been fun. We get to look for interesting materials for insurance policies.

b. Action Item: Florida Statewide Tile Sponsor 2018

Christine Ashburn: I normally don't bring a lot of action items before the board. This is a renewal of services and an expansion of services. We have a unique partnership with the Florida Broadcasting Services and the Florida Radio Network. It's a sole source sponsorship where we have drive-time spots where they do tropical updates. While we cannot push calls to action based on their non-profit status, it does allow us to remind folks to call Citizens first. We were able to leverage this statewide network quickly to update our messaging before, during, and after Irma.

Bette Brown: I do hear the PSAs because I do listen to some public radio. I think it's a good source to get the message out. I don't know if you can track feedback, but if you do hear it, I'd love to hear what your feedback is.

Christine Ashburn: We have not got a lot of feedback. After Irma, we had to go "old school." Internet was down. Power was down. Radio was it. We were on it with where our locations were. We didn't miss a beat. We were able to tell people where we were through this contract. We were reminded that radio was the only form of communication.

Bette Brown made the motion to approve the recommended Florida Statewide Title Sponsor 2018 (SS18-2001) award and resulting sponsorship agreement to Florida Public Broadcasting Service; authorize staff to take any appropriate or necessary actions consistent with this Action Item; and approve the Florida statewide title sponsorship not to exceed \$173,124. Freddie Schinz seconded the motion. All were in favor. Motion carried.

c. 2018 BOG Legislative Executive Summary

Christine Ashburn: It was a very quiet session in the insurance world. As you can imagine, Irma took up a lot of the bandwidth with Key issues and with their recovery, only to be eclipsed by the shootings. There were only 199 bills passed, which is a very small number of bills, one of the lowest I've ever seen, dating back to 2001. We did have success in the political records realm. We are subject to the Florida Sunshine Laws, unless we have a specific exception to keep data private. Subject to the times, we had a key bill specific to us: "This bill creates a narrowly crafted public records exemption and meeting requirements for certain data and information held by Citizens Property Insurance Corporation relating to information technology security programs; authorizes certain entities or agencies to access such records; provides retroactive application; provides for future legislative review and repeal; and provides statements of public necessity. This mirrors what state agencies and universities already have in place." We don't need to let the bad guys breach our system. The second item is under the Florida law for public records. As you create a new one, there are immediate five year reviews to look at whether that exemption is still necessary. The time had come up for the Clearinghouse exemption that protects the data we receive from the Clearinghouse. We were able to extend that exemption. There was legislation passed that we will have to implement. HB1011 created new and updated policy disclosure statements regarding whether there is no flood coverage. Because of our role at Citizens, I think we're all very well aware that our policy does not cover flood. Yet again, there is still confusion after Irma what is covered in the policy. There was an insurance omnibus bill that was full of non-controversial items. I want to point out two of the items that we will

have to implement a new requirement of a notice of policy change, summarize the changes made . . . we do that now, but it changes how it's implemented. It does provide that an insurer does not require mediation of a property insurance claim requested by a client policy of benefits. I think different carriers are looking at that differently, so it makes clear that they don't have to do it. The last item I want to share is that the tax package did include a \$5.8M one-week disaster preparedness sales tax exemption. What didn't pass is AOB legislation. We did not see any leadership changes so to expect a different outcome with the same legislature on a very controversial issue . . . the House did pass a very good bill but the Senate was very different about how to solve the issue. Ultimately, there were items contained in the Senate Bill that we believe would have [unintelligible] back form current law and not help us. We believe that we're better off with status quo until we can get comprehensive change. The bill would have prohibited carriers from ever mentioning or referring to any vendor unless specifically asked by a consumer which would have shut down all MRP in the state.

[inaudible 1:39:42]

Christine Ashburn: That's a great question. We have an election coming this year with the full cabinet up, other than the CFO. Who ends up in the Governor's office will matter. I do have positive beliefs that we're going to see a differing position and leadership in the Senate on this issue. Will it be everything we want? Of course not. This is a very tough issue that involves attorney's fees. I do have renewed hope that we will see action on this in 2019.

Marc Dunbar: I'm sure you're aware of this but Christine is a rock star. We are really privileged to have her and I'm thrilled to be able to work with you again.

11. Consent Agenda Items

Barbara Walker:

- **Commercial Banking Services – Contract Renewal (Vendor: Wells Fargo Bank N.A.). It is a budgeted item. The purpose of the Consent Item is to inform the Board that Citizens intends to activate the second, two-year renewal option for Commercial Banking Services, contract 11-10-0005-00. It is recommended that Citizens' Board: a) Approve the contract renewal for the second, two (2) year renewal for Commercial Banking Services and; b) Authorize Citizens' staff to take any appropriate or necessary actions consistent with this Consent Item.**
- **Independent CPA Auditing Services – Contract Renewal (Vendor: Dixon Hughes Goodman, LLP): The purpose of this Consent Item is to obtain authorization for a one-year renewal of contract number 15-14-0026-00 for Independent CPA Auditing Services. It is recommended that Citizens' Board: a) Approve a contract renewal for one (1) year for Independent CPA Auditing Services based on the year one renewal cost and allowed Additional Professional Services fees and; b) Authorize Citizens' staff to take any appropriate or necessary actions consistent with this Consent Item.**

- **Independent Adjusting Services – Catastrophe (RFP 17-0020 – Contract Amendment).** This Consent Item seeks Board approval to amend the current contract to remove liquidated damages from Section 5.5.1, Unrealized Staffing. In lieu of liquidated damages, if the vendor fails to timely provide the Minimum CAT response as agreed in the RFP response, the Vendor’s existing solicitation ranking will no longer apply to the vendor with respect to the failed category of service, CAT Field Task Adjusting Services. This means that for the purposes of future deployment requests, the vendor will rank below all other firms providing those services. Staff recommends the Citizens’ Board: a) Approve amendment of Section 5.5.1 of the contract for Independent Adjusting Services – Catastrophe, RFP 17-0020, to remove liquidated damages and provide a revised vendor ranking as an alternative to the liquidated damages section of the contract; and b) Authorize staff to take any appropriate or necessary actions consistent with this Consent Item.
- **Independent Adjusting Services – Non-Litigated/Catastrophe (RFP 17-0006 – Contract Amendment).** This Consent Item seeks Board approval to amend the current contract to remove liquidated damages from Section 5.5.1, Unrealized Staffing. In lieu of liquidated damages, if the vendor fails to timely provide the Minimum CAT response as agreed in the RFP response, the Vendor’s existing solicitation ranking will no longer apply to the vendor with respect to the failed category of service, MCM Adjusting Services and/or CAT Field Task Adjusting Services. This means that for the purposes of future deployment requests, the vendor will rank below all other firms providing those services. Staff recommends the Citizens’ Board: a) Approve amendment of Section 5.5.1 of the contract for Independent Adjusting Services – Non-Litigated/Catastrophe, RFP 17-0006, to remove liquidated damages and provide a revised vendor ranking as an alternative to the liquidated damages section of the contract; and b) 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

Meeting adjourned.