CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE
BOARD OF GOVERNORS MEETING
Wednesday, June 20, 2018

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened in Sheraton Orlando North in Maitland, Florida on June 20, 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 (telephonically)
James Holton
John McKay (telephonically)
Freddie Schinz
John Wortman

The following Citizens staff members were present:

Barry Gilway
Jennifer Montero
Jay Adams
Steve Bitar
Dan Sumner
Kelly Booten
Joe Martins
Violet Bloom
Michael Peltier
Bonnie Gilliland
Jennifer Dilmore
David Woodruff
Eric Addison
Tonja Bradley
Karen Holt
Brian Donovan
Mark Kagy
Stephen Guth
Paul Kutter
Christine Ashburn
Kapil Bhatia
Steve Russ
Nancy Staff
Matt Williams

John Generalli
Tamea Patterson
Danny Kriss
Jason Kutz
Sha'ron James
Lisa Miller
Tom Carlson
Jeremy Ginter
M. Sansbury
M. Lezcano
Nathaniel Johnson
Ken Vincent
Eugenio Alarcon
George Smith
Adam Schwebach
Drake Dalton
Dave Newell
Kevin Tromer
Nicole Prester

Call Meeting to Order

Bonnie Gilliland: Good morning and welcome to Citizens June, 2018 Board of Governors meeting. This meeting is publically noticed in the *Florida Administrative Weekly Register*. Please do not put this call on hold. Our meeting will begin at 9:00 with roll call for a quorum. Citizens Board and committee meetings are recorded with transcribed minutes available at our website.

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.

Bonnie Gilliland: You have a quorum.

1. Approval of Minutes

Chairman Gardner: I want to welcome everyone to the June 20, 2018 Citizens Property Insurance Board of Governors meeting. Our first order of business is approval of prior meetings' minutes.

Bette Brown made a motion to approve the April 11, 2018 and May 8, 2018 minutes. Freddie Schinz seconded the motion. All were in favor. Motion carried.

2. Chairman's Report

Chairman Gardner: I want to recognize the passing of Bruce Douglas, who was our first Chairman at Citizens. Bruce served two terms as Chairman and was very instrumental in the formation of the company and laid a great framework for success. We will miss him and appreciate his contributions. We will be thinking of his family.

3. **President's Report**

Barry Gilway: Thank you, Mr. Chairman and Board of Governors. I will be relatively brief this morning. I've asked Jay Adams to join me to provide an additional overview of the Managed Repair Program (MRP), and in particular, in how that program will operate in conjunction with the new policy form filing that will be affective on 8/1. Before we move on to that, I want to say how supportive David Altmaier at the Office of Insurance Regulation (OIR) has been along with his staff in getting our policy form filing approved. We really think that form filing will make a difference. I think David has allowed us to develop a program that is the most consumer-centric program in the market, yet, still can have an impact on water damage cost. David and OIR have a difficult job today, managing the financial strength of the companies while considering consumers. I would be remiss if I do not compliment him on the job he's doing as Commissioner. I want to provide a few brief comments today on industry performance because the healthier the private market is, the healthier the market is for us. A healthy market allows us to take out our business and meet our objective. As you're aware, we represent only 6.5% of the Florida residential market. Five years ago, we represented 26%. While we can impact our 422k customers, there is 93.5% of the population of the market that is looking for solutions outside of Citizens. Even at the low market share, we still have those 422k customers. When we look at the market for the first quarter (FQ), Florida based companies actually increased premiums by 7.8% and National companies doing business in the state increased premiums by 4%. Citizens reduced written premium by 2%. Policyholder surplus for the industry has increased by 2% year over year. For domestics, it has increased 4.3% for nationals. The combined ratio has improved year over year, despite Hurricane Irma, by 2.6% for domestics and 14.1% for national companies. Overall, regardless of Irma, the Florida market place is in better financial shape today than it was at this same time last year. Citizens is in a strong position with $6.5B in surplus. Our expense ratio – and I think this is an important point to make – remains very competitive with the overall industry and significantly lower than larger companies in the state despite responsibilities, I would argue, that are far more extensive in many cases. We are running a very efficient and tight operation. The number one concern is the increasing litigation cost in the industry. It's a Citizens problem for sure, but it's a problem shared by all Florida companies. I want to share some numbers. When I first read these, it's really indicative of this happening across the industry. Frankly, some of the successes that Jay Adams and the litigation team have had by implementing the loss adjustment expense (LAE) program that we've worked on with Governor Aubuchon that we introduced in the middle of last year. During 2017, the number of law suits dropped at Citizens. It dropped from 10,061 to 7,624. That's a 24% reduction year over year. That is showing the positive impact of the extensive LAE analysis that was completed by the whole Citizens team with Jay Adams and his litigation team along with the Office of Internal Audit (OIA). The law suits for all other carriers increased from 31,790 to 41,524. So, there was a 24% decrease for us and a 30% increase for the rest of the companies doing business in the state. During the FQ 2018, those trends continue. Obviously, the lawsuits are driven significantly by the impact of Irma claims. Here are some interesting numbers. During the FQ 2018, for all other carriers, the lawsuits increased 9,955 to 15,968. Lawsuits increased by 60% year over year. That's not Citizens' number. Citizens increased by 35%, from 2,272 to 3,078. Although we've increased, we're doing so at a lower rate than the industry. I think that has a lot to do with many of the other programs that Jay and his litigation team are putting into place. These are Department of Financial Services (DFS) numbers and not Citizens' numbers, and they continue to show that the industry continues to deteriorate in terms of the number of lawsuits at a faster rate than Citizens. Given our high tri-county market share, the numbers clearly show that litigation expense is expanding beyond the tri-county for all businesses in the state. I mentioned in the last meeting that the OIR issued in January 2018 a report relative to Assignment of Benefits (AOB) litigation, which clearly showed that this is no longer just a tri-county issue but now a state issue. When we do discuss rates later today, you'll see the impact of that expansion across the state reflected in our recommendations. As reported in the Claims Committee meeting, and this is another interesting fact, but Elaina Paskalakis, 60% of new suits at Citizens are Irma related. The staggering number to me is that with the 47% of the incoming residential property lawsuits, the insured had not disputed Citizens' position or the adjustment of the claim prior to the suit. All of these suits coming in are coming in at an average of 25 days after the date of loss. I'll let you draw your own conclusions relative to those statistics. We're optimistic about the MRP, particularly as it correlates with the new policy language. Defending litigation will cost Citizens over $70M this year in defense costs. Plaintiff costs will exceed $70M. There is no question that those numbers are consistent with the industry. I talk with Westley Todd and their numbers almost track with the industry. The plaintiff counsels are getting roughly 30% of the indemnity cost from all the major companies across the state. That's a relatively consistent number. The combination of defendant and plaintiff costs is 17% of premium. As indicated in the LAE study, the answer is simply not to increase the payout on water damage claims. That is what the plaintiff counsel would have you believe: If you pay more, you'll reduce your litigation. It works the opposite. Before Jay took the helms, we were paying more and litigations were still increasing. We are now implementing the results of the LAE study, which means every single suit is triaged and a decision is made on a suit by suit basis as to whether we defend all the way to trial or we settle that claim. Every single suit, 1,250 this past month, that came in through the front door, is triaged by Jay's team and a determination is made per suit. We don't simply settle. The answer is to reduce litigation. The industry and Citizens can contribute to that but the major impact has to come from legislation reform. That legislative reform has to limit third party access to the 112.3215 statute. That is the only area that has to be the ultimate solution. We are anxious to work with the OIR, Chief Financial Officer's (CFO) Office, and other parties that can provide any reasonable solution to reduce the rate need without question. We can take action on 6.5% of the market but that's 93.5% of the market that Citizens cannot impact today. I was asked in front of the Cabinet on what we're doing to reduce litigation costs, and as indicated in the LAE study, we have to find better strategies to make more effective use of the appraisal language. We are implementing strategies to triage every suit to assure the most appropriate decision. There are the revised strategies that Jay's team implemented that have a positive impact. But, now we're taking an additional step to implement the MRP, complimented by the new policy language effective as of 8/1. We do believe it will have an impact on a rate need and the number of suits we'll have to handle. I believe we have the most consumer-centric program. I've asked Jay to provide another overview of the MRP with the new language.

Jay Adams: Thank you. I'd like to start off this discussion talking about water. We have a water program that has multiple components. Some of those components are managed repair, some of them are product language, and such. We have a mission statement around the water program that I want to read sums up where we're headed: "With respect to non-weather water claims, make available a turn-key vendor program that will lower AOB and litigation rates, control claim costs, and return the customer to the pre-lost conditions while maintaining the customer experience." The most important factor is that we want to make sure that the repairs are complete so the insured can renew their policies. When we talk specifically about the managed repair system, we wanted to make sure we have a customer-centric program. Dan, Barry, and I had some conversations with the leading carriers in the state that had MRP before we built ours. We got a lot of good feedback, and a lot of people said we needed to have a voluntary program. Mandatory programs will cost more on the litigation side. So, it's customer-centric, voluntary, and, for Citizens, we wanted to make sure it had multiple options. It is not a single offering with a decision because things change throughout the claims process. We wanted to make sure that, when we all heard the mitigation services, they said we need to offer it through every channel that we have. We have customers who call our call center or their agents. We also stood up our model policy for those who have signed up. For non-water claims, all of those different channels will be able to invoke the mitigation services. Our claims adjusters go out on all of these non-weather water claims, and they provide a second level sale of the MRP. They concentrate mainly on the permanent repair piece. We're hoping to get involved in the drying process because this will help us eliminate AOB. We want to make sure we're involved in the permanent repair portion because then we return the insured to the pre-repair loss conditions. We want a network of credential contractors. The number one focus on all of this is to avoid future litigation. Our MRP has two separate components. When I refer to "managed repair," that's the program. Mitigation pieces are the dry out or emergency services. This will be offered on 7/1 for every insured who calls in a non-weather water loss. It is free to the insured and no deductible applies. We do not assess coverage until we allow this service to take place. It is an expense to Citizens. Under permanent repairs, there is a deductible that applies. Before we did the A1 filing, we did a review of the statistics on the results of managed repair. Through May year-to-date, we've had about 2k policies endorsed that were non-weather related. We had 240 people accept the mitigation services. We had 669 decline and that could be because they had their own vendor on site or they did not have any drying needs. The most important statistic is that 1,089 customers were not eligible for our program because they reported their claim late. Under MRP, we had 86 customers come into the program and 37 came over because they used the mitigation services first. 26 people had declined previously but 23 came over from the ineligible group. Our assessment of the MRP is that we really weren't meeting our objectives that I outlined. It does not account for late-reporting claims. This is not stopping mitigating vendors from abusing the claim. Our 7/1/17 product changes weren't really that effective. The $3k approval limit was not a hard limit in the policy but an approval limit. We started to see the AOBs that came in all had a statement that said we needed to exceed the $3k limit. They were providing us the notice when they provided the AOB whether or not the work had even begun. We were not seeing any shortened timeframes for the first notice of loss (FNL). As a result, you can see that two-thirds of our customers were reporting those claims late. We took all those into consideration when we made the filing. We worked closely with the OIR to have a consumer-centric program and wanted to make sure that the OIR knew we wanted to get to that place. Effective 8/1/2018, there will be $10k sublimit for new and renewed business for non-weather water losses. Within the $10k submit, there will be a hard $3k cap for vendor related expenses. That $3k is included within the $10k. We did not haphazardly land on those two numbers. We asked Brian Donovan in our Actuary group about the average claim payment over the previous months to determine the right number. Our average claim payment was less than $10k for non-litigated non-weather water claims. We did the same thing for the mitigation piece. We leveraged our links to an expert vendor that reviews water invoices based on the IRCRC mitigation guidelines. Their data showed that our mitigation expense should not exceed $2,600. We hope these product language changes will address timely reporting of the claims. By setting hard numbers in the contract, we're hoping we'll curb some of the litigation. Today, an AOB vendor could have requested $3k giving us an $8k invoice. When we do a review of the claim, it could say, $2,600 for this loss. Well, there is nothing to stop them from suing for the $8k limit because the $3k limit was for emergency services condition to call for a request. Our new language will give a hard limit. We're hoping for reduced litigation because there is a hard $3k cap. Let's talk about how this process is going to work. When the insured calls for the FNL claim into the call center, the call center will get a prompt of a non-weather water claim. They're going to offer three mitigation services to the insured. They will also be notified that there is a $10k sublimit and a $3k mitigation cap. However, if you join Citizens MRP, we'll return the insured to the full Coverage A limit. We want every insured access to their Coverage A limit. We're not trying to create a program that limits them from that access. If the insured chooses mitigation services, then we make a referral to our administrator for our contractor program – Contractor Connection. When we make that call, Contractor Connection will contact the insured and the vendor by a three way call and will explain what's going to happen in the mitigation services and notify the insured that the vendor will be onsite within four hours. Permanent repairs are sold by our claims adjuster; when they go out on a claim, they will tell the insured about the $10k sublimit and that they can get the full Coverage A by joining the MRP. Occasionally, our MRP may be offline due to hurricanes, strong winds, floods, etc. If that happens, we do have the ability to turn off the program. When that happens and there is no script about the $10k sublimit. When that happens, then that customer has access to their full Coverage A. We do not penalize the insured if we cannot provide the services. So, let's talk about what are some of the customer-centric things in the MRP. When an insured calls, they're going to be offered free mitigation services. An insured can reject or accept it at that given moment. If they do reject, the call center will inform them that if the insured reaches the $3k cap, they are still allowed in the MRP and it will still be free and without the deductible. Under permanent repairs, the insured can accept or reject that offer at that time. We will notify the insured that if they do reject that offer, they can change their mind, come back into the program, until the point of two things that happen. One, they sign a contract with their own vendor or they cash the Citizens check. We also planned out many customer-centric communications. After the FNL is called in, if the insured rejects the mitigation services, a letter is automatically generated that outlines, again, the $10k sublimit and $3k vendor cap. The next thing that happens is that this claim will be assigned to an adjuster. When the adjuster goes out, they're going to verbally explain the MRP, the sublimits, the vendor cap, and their way to the full Coverage A. When the adjuster gets to the full amount of the adjustment of the claim and estimate, they will sit down with the customer and explain the whole process to them. The insured can accept or reject the MRP. If the customer rejects the MRP, we're going to send them a letter with their decision process in that letter and we'll make the payment to the insured up to the sublimit. If the insured does accept, the adjuster will call Contractor Connection and they will assign a contractor to complete those permanent repairs. We will make a payment to the contractor less the labor and overhead. We hold that back until we get the satisfaction agreement from the insured to create leverage against the contractor to make sure it's doing a good job. We then transfer that claim to our managed repair team located in Jacksonville and it's all claims staff. We made that decision because we want to make sure we provide the right level of customer service and the only way to control that was through staff positions. The purpose of this team is that now the insured is in the process for repairs. Our team will contact the insured on a weekly basis. We want to make sure that the repairs are going and meeting the customer's expectations. We will act as a liaison between the contractor and the insured if any issues arise. We will receive the submission of satisfaction by the insured at the end of the claim. We will then send another closing letter explaining the process and the warranty. After that process has ended, we have partnered with Steve Bitar's team. They run the survey department for the Voice of the Customer. We want to make sure we run every one of these claims through the Voice of the Customer process because we want feedback to see if there is anything we can do to enhance the uptick of this program. We have formalized an escalation of complaint process, so if any of the customers have a formal complaint, this guarantees that they'll be responded to in a timely manner. The last thing I want to talk about is that we have developed a list of metrics that we want to use to measure the success of this program. What we're going to do with these metrics is create a dashboard, which will become part of the Executive Leadership Team (ELT) package you receive. We are still working on a few things, so once we get it to where we need it to be, I will bring this to the Claims Committee and to the full Board. We will be fully transparent with the results.

Blake Capps: I'm trying to get a feel on how effective you think this program has been and you've touched on a lot of the data. The program is still young. What percentage of these people are choosing MRP and what percentage are staying within the $10k limit? I think that's the point of the program – to choose the MRP.

Jay Adams: Correct. Today, we're still under the 7/1/2017 filing, which has no sublimit. There is no penalty for the insured to not choose the MRP. The MRP has become a guarantee of service only as of today. I don't have the percentages. In May year-to-date we've had 2k policies have the endorsement as they file claims. 240 had come into the mitigation services and 86 have accepted the permanent repairs. 8/1/2018 is when the new product language comes in with the $10k sublimit and it will take one year to onboard all renewals and new business before that becomes full.

Blake Capp: So, we expect this to grow and to become more an effect in the future?

Jay Adams: Correct. The reality is that we had shut down the program in 9/7/2017 because of Hurricane Irma. We started it back up on 1/2/2018 and the results are really from that five month timeframe.

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

a. Finance and Investment Committee (FIC) Report

Chairman Gardner: In yesterday's meeting, we did review the risk transfer program. Hats off to Jennifer Montero and her team. I do want to take the time to recognize Kapil Bhatia and our partners at AIR, Citi, Bank of America, Merrill Lynch, Guy Carpenter, and Willis. I think we got a tremendous result. I think that speaks to our long term strategy and our commitment to the marketplace. I look forward to an opportunity for a great result. I think we're more robust in our claims organization and it's certainly paying dividends. Congratulations.

Jennifer Montero: At the FIC, yesterday, I did walk through the layer charts with the rates online. Would you like for me to go through that?

Chairman Gardner: Yes, I think that would be helpful.

Jennifer Montero: Following the May 8th teleconference, we priced the 2018 Florida Hurricane Catastrophe (CAT) Bond and closed on the bond on May 15th. We initially went to the market seeking $200M in coverage; however, strong demand led us to being oversubscribed, which allowed us to increase the CAT Bond to $250M at a rate online of 4.75%. This 2018 CAT Bond sits in the same layer as the $300M layer in the 2017 CAT Bond which was set at 4.92% rate online. After evaluating the pricing quotes for the traditional layers, we sent out the firm ordered terms following the May 8th teleconference and signed the final lines on May 23rd. As with the CAT Bond with the strong demand, we were oversubscribed on the traditional layers as well. The first layer provides $183M of traditional coverage alongside the Mandatory Layer of the CAT Bond and has a rate online of 10.75%. The aggregate Multi-year Layer, which sits right above the first layer, is in the same layer as the CAT Bonds in the 2017 traditional aggregate, and provides $150M of traditional coverage at a rate online of 6.6%. The Single-year Layer, which is right above the Multi-Year layer, provides $300M of coverage with a rate of 5.25%. The final layer, which you'll find in the Coastal Account Layer chart, provides $60M of commercial non-residential (CNR) coverage with a rate online of 5%. For the 2018 hurricane season, our private reinsurance program totals $1.423B coverage with an overall rate online of 6.02% compared to the 6.92% rate online for the $1.3B coverage placement for the 2017 hurricane season. In addition, we are protecting 66% of our surplus in a 1-in-100-year event as compared to 50% in 2017.

b. Financial Summary

Jennifer Montero: Also behind tab four, we have the March 31st financial results, which consist of the financial summary. The December audited financials are included. We did go over them in the April Board meeting. There were no changes and no findings. At the April 14th Board meeting, I provided an update on the revision of our estimated loss in LAE from Hurricane Irma. At that time, I advised the Board of the loss from the LAE from $1.2B to $1.8B as a result of an anticipated litigation increase of nearly 30% on all Irma claims. At March 31, 2018, our estimate for Irma losses in LAE remained unchanged relative to our year-end estimates and are reduced by $680M for anticipated reinsurance recoverables. Through the end of the FQ 2018, Citizens' consolidated surplus is $6.5B while cash in invested assets is $10B. Premiums written during FQ 2018 of $206M declined marginally by $4.2M compared to the FQ 2017. Despite an increase of policies in force (PIF) in the Personal Lines Account (PLA), the Commercial Lines Account (CLA) and Coastal Account declined due to the continued removal of the CLA policies. Quarter over quarter, the volume of policies assumed by depopulation was relatively unchanged at $3.3M in ceded premium. On a consolidated basis, the loss ratio in the FQ was relatively unchanged compared to the prior calendar year in FQ 2017 primarily due to insignificant development in prior accident years. LAE increased during the FQ as a result due to increased resources to address continued challenges with non-weather water losses. Recent trends show that the traction of increased non-weather water loss litigation may be stabilizing but remains at historical high level with projected litigation rate of 47%. Administrative expenses are below budget by approximately 8%

through the FQ. Certain changes to accounting policies that went into effect in 2018 could be attributed to administrative expenses compared to 2017; however, it's expected Citizens expense ratio for the fiscal year will be in line with estimates for 24.3%. Investment income for the FQ was $46M, marking a 2% decline relative to the prior year, while invested assets increased 18%. The relative increase in investment returns was driven by overall increases in the interest rates and through changes in our investment policy that allowed us to increase duration in the portfolio. As we enter into the 2018 hurricane season, Citizens' capital position remains incredibly strong, supported by a large level of surplus, high-rated investment assets, and a robust reinsurance program. For 2018 hurricane reinsurance, our private reinsurance program totals $1.423B in coverage consisting of $873M in traditional reinsurance and $550M through Everglades Re.

Chairman Gardner: I have one request for the September Board meeting. I recall a presentation on how we compare expense ratio wise against the residual markets. I think it'll be helpful to see that again. It'll be helpful from an expense ratio perspective and from past experience perspective to get us a gauge on how we're doing compared to other companies.

Jennifer Montero: So, to compare the residual market and then regular market.

c. Actuarial and Underwriting Committee (A&U) Annual Rate Filing Annual Recommendations – 2019

John Wortman: At yesterday's A&U based on a recommendation from Governor Brown, the Consumer Advocate, and staff, we delayed discussion on rates until today. There are probably significant issues to think about. We need to think of the date of the rate change. Historically, the rate change has been annually, and it's been done in February. Last year, as a result of Hurricane Irma, the rate change for the industry was moved back to May. Our last rate change was May 2018. We need to talk to staff about whether we need to go back to the February day, extend it to May, or pick some other date. Today, President Gilway will make a couple comments and then will listen to Brian Donovan go through the rate study he's done. Governor Brown will then talk about her recommendations from a timing standpoint. Then, we'll have an open discussion.

Marc Dunbar: In light of the comments from Governor Brown, which I agreed with, and the information that was provided to us a few days ago, I was hoping to make a motion now before the presentations begin. I was hoping that we could delay this matter to a future meeting. I would like to ask Barry a question. If a delay for a future presentation and if the vote would be prejudicial in any way . . . I think we had discussed that the rate filing needs to be made in January, and I would just like to have more time to one-on-one with staff to understand the road we're going down. I would like to make a motion to delay the rate discussion to a future Board meeting.

Chairman Gardner: We're not going to make a motion right now. We're going to hear from staff first. We'll hear from everyone first and then make a course of action. We also need to hear from a public speaker, which is another reason why we need to delay the motion. We will hear from Steve Russ from FIRM.

Barry Gilway: I think Governor Brown needs considerable recommendation. She worked tirelessly during Irma to represent individuals in the Florida Keys but also southeast Florida. She has worked in close relationship with Christine Ashburn and Jay Adams to ensure that the needs of our customers are considered at the forefront. I'm not going to preempt any of our discussions relative to her recommendation. I would recommend this. As an answer to Governor Dunbar's request, I do still believe that it is important to have Brian Donovan discuss the rate condition of Citizens. It is important that we have our financial situation discussion and our rate need discussed because I think that forms the basis for any further discussion relative to a continuation or delay of the application of rates. Specifically to Governor Dunbar's comment, a delay would not have a significant impact. A delay from 5/1 to 2/1, for example, would not have a significant impact on our timing. It's still an OIR filing and an OIR rate hearing before the end of the year. I do believe it is important that we take a look at Citizens' financial condition, rates, and rate need, comparing that information with the industry. I think that's an important discussion to have and I think it puts the Board in a better position to make a final recommendation.

Brian Donovan: Good morning. For the record, I'm Brian Donovan, Chief Actuary at Citizens. I will discuss the current rate indication. If you would, turn to exhibit one: statewide indications. What I would like to do is outline a few other numbers and talk about the underlying causes and drivers of those numbers. I would like to turn your attention to the lower right hand corner, columns 11 and 12. As you can see, the overall rate indication for all lines of business is 29.6%, and after the application of the glide path, the recommended rate change is 8.0%. As you can see, broken up between PLA and CLA, it's 26.5% for PLA with a recommended change of 7.9% and it's 54.6% for CLA with a recommended change of 8.9%. That's been true for the last few years. Litigated and non-weather water claims in southeast Florida is the main driver for the PLA indication. The litigation rate in this region is about 50%. It's worth noting that while this rate is increasing over recent years, it appears to have flattened out. It's not clear if this flattening is real or an impact by attention given to Irma claims. Another development is the increased loss trends in the rest of the state. That is the area outside of southeast Florida. In the past couple years, these policyholders have been receiving rate decreases; however, due to the increase in litigations, it's recommended to increase rates in that region. In past years, the litigation has been in the single digits. The litigation rate outside of southeast Florida has grown to 15% to 17% at this point. Citizens has been addressing the litigation rate. Effective 8/1/2018, for non-weather water claims, there will be the MRP with the $10k sublimit. The overall goal is to address the litigation rate. The anticipated impact of this program has been factored into these indications. For example, looking at that column 11 in the first row for homeowners, there is a 26.1% indication. That number would have been 33% if not for the implementation of this program. We do think it will be impactful and it does impact the numbers. The other indication is the wind-only policies. Looking at column 8 in the PLA section, we see the wind-only indication is 25.1%. This is almost double than what it was last year. It was around 13% last year. The reason for this is depopulation. The policies that were depopulated were adequately rated, so what's left are the policies that were inadequate. About 18% to 20% of our policies have been depopulated since last year in the PLA wind-only. Similarly, for CLA, there was the 54.6% indication that's also impacted by depopulation. CLA is finding a home in the private market. There is good news with regard to reinsurance and assessments. For the last three years, Citizens has been able to decrease risk that is ceded to the private market. Last year, Citizens ceded $1.3B to the private market. This year it's $1.4B. Last year, 50% of Citizens Coastal Surplus was exposed to a 1-in-100 year storm. This year that number is 34%. Last year, Citizens could withstand a 1-in-100 year storm in the Coastal Account with an additional 1-in-28 year storm before assessments were triggered. This year in addition to the 1-in-100 year storm, Citizens can withstand a 1-in-41 year storm before assessments are triggered. All of this additional coverage comes at the same price policyholders' expense provision – last year it was 5.5%. This year, it's 5.6%. One other item to point out is regarding sinkhole. For 2019, we do have negative indications. Senate Bill (SB) 48 seems to have solved this issue; however, there still remain post-SB48 sinkhole claims in litigation. Until those claims are resolved, we're recommending no change in the sinkhole rates. If you can, turn to exhibit 2. Here are the changes to the rates for the HO3 policies. Blues represent the increase and the greens represent the decrease. Last year, the only blue we saw was in southeast Florida. Due the rise in litigation throughout the state, we're seeing blue across the state. Turn to exhibit 3. This is the wind-only policies. Last year in the southeast, we actually had some green. As I mentioned before, the adequately rated policies have left Citizens and what we're left with are the inadequately rated policies. Let's turn to exhibit 14. For the PLA, this represents increases versus decreases by policyholder. You can see for homeowners, roughly 94% of policyholders will receive an increase. There are similar results for the other lines of business. Turn to exhibit 15. For the Coastal Account, it's the same story. With last year's rate order, the OIR froze Monroe County's rates and asked Citizens to look at certain items for the next rate filing. There were four items we had to look at and consider. Citizens needed to evaluate the appropriateness of the rating territory for Monroe. Currently, for PLA wind only policies, we have one rating territory for Monroe. The OIR wanted us to see if we should segment that into more than one rating territory. We did do that and segmented Monroe into Upper, Lower, and Middle Keys. While the indications did show that the Lower Keys were not as inadequate as the Middle and Upper Keys, the evidence is not strong enough to recommend that we segment the territories. We recognize that there is uncertainty with the model results. If this segmentation lead to a situation where one region had a very large decrease and another region had a very high increase, then sure that would make sense. Even with the segmentation, all regions had double-digit rate increases. This is a zero-sum game. Segmenting Monroe is not going to lower the overall cost. If one region is going to pay less, then another region might have to pay more. It is worth monitoring and once the models are updated from Irma, perhaps there will be additional information to consider in the future. At this point, it's not recommended to segment Monroe. The second recommendation was to review a study by ARA about the effectiveness of plywood shutters and for Citizens to consider providing credit. Some history – from Citizens' inception to 2011, Citizens did provide credit for plywood shutters. Citizens was the only company to provide such a credit. Beginning in 2012, at the OIR's behest, Citizens stopped offering this credit. We did evaluate the 2003 study, and after careful consideration, we do not recommend offering the plywood credit. Plywood shutters are not verifiable. It's different from a Class A or Class B shutters with verifiable installed brackets. The study pointed out practical concerns over plywood shutters. First, plywood shutters need to be new to be effective. Every time they're installed, they cannot use the same nail holes. Finally, these shutters are not expected to be effective in wind speeds over 130 MPH. Monroe is rated at wind speed of 180 MPH. If we did offer the credit to Monroe County, it would need to be offered statewide. Citizens would be the only one offering this credit, which would go against its goal to not compete with the private market. The third item in the order had to do with the study that Monroe and Citizens provided . . . the idea was to collaborate with Citizens in this detailed study to evaluate the effect of Monroe County building standards and the impact of those standards with wind mitigation credits. Citizens has done this by providing policy level data, analyzing FIRM survey results and hurricane models. The study was completed in 2017. We'll be happy to engage if further information becomes available. The fourth and final directive had to do with an evaluation study with the models accepted by the Florida Hurricane Loss Projection Methodology (FHLPM) using the 2017 standards, which include the requirement that the county codes be reflected in the models. These models have not yet been approved and are not available to us at this point in time. Once they are approved and available, we will incorporate them into our process. That concludes my presentation. *Citizens' Actuarial and Underwriting Committee recommends that Citizens' Board of Governors: approve the Annual Recommended 2019 Rate Filings; upon approval, the presented rate changes will be filed with the Office of Insurance Regulation.*

Bette Brown: Yesterday, I asked that we postpone this decision at the A&U so we could talk about it today. I feel that our state is still under duress from this last storm, statewide, specifically, in the south Keys. They're still in recovery mode. Yesterday, we got an email letter from CFO Patronis who agreed that we consider postponing this and have some discussion about this. I would recommend that staff go back and take a look at this and bring it back to us at the next Board meeting.

John Wortman: I think that would be a great idea. There's a lot that staff can look at to help us in September such as the comparison of rates to the industry that we don't bring it back to 1.5M policies because we're half-priced than anyone else on the street.

Freddie Schinz: I also agree with what Bette said. I concur that we need to make a recommendation to table discussions on the rate change until the September meeting and get a complete report from staff at that time.

Jim Holton: I would amplify those comments and say, "Let's give our new OIR policy changes time to see how they work. I would be in favor of postponing the rate change until the September meeting as well. I think the Governor's office and the CFO's office have indicated a strong desire to work with all stakeholders and the AOB controversy. In anticipation for the next legislation season, various parties are going to look at AOB. It makes prudent sense to defer consideration of this rate increase.

Vice Chair Aubuchon: Assuming we're deferring this to the September board meeting, I would be curious to know the financial impact of various dates in which we do change the rates so we understand the fiscal impact of rate delay.

Barry Gilway: I agree with Governor Holton and with rest of the comments made by the Board. We are implementing the MRP as of 8/1/2018, and I would suggest that we table the discussion until the December meeting, which would give us more adequate time to determine what impact we can expect from the MRP.

Marc Dunbar: I would like to echo what Barry said. I would personally like to wait until December and we can get our arms around it.

Chairman Gardner: Thank you. To be clear, there is no motion on the floor. I want to conclude the Board discussion and then we have a public speaker.

Steve Russ: My comments do not address the rate increase. I can postpone my talk at a later time.

Chairman Gardner: It's up to you. Is it more of a claims context?

Steve Russ: Claims context and your performance after Hurricane Irma.

Chairman Gardner: Why don't we go ahead and hear your comments now.

Steve Russ: Great. My name is Steve Russ, and I'm the Vice President of FIRM, which is a grassroots organization dedicated to ensuring that CAT insurance is available and affordable to the residents of the Florida Keys. Normally, when I address you, it's about the uniqueness of Monroe County's situation relative to affordable housing, geography, verifiable models, and other issues as they apply to rates. I want to put that to the side today and thank you for your response to Hurricane Irma. You stood up resources and efforts in the Keys in a dramatic way that I'm sure was a comfort and support to your policyholders. Barry and Jay both did yeoman's work. Jay not only participated in setting up emergency centers but also ran several workshops we held to address concerns of your policyholders. With regard to other issues, you've discussed the impact of litigation on rates. Yesterday, we talked about Xactimate and the fact that it lags behind the market in terms of pricing, which contributes to lower estimates in terms of damage repairs than might be accommodated for in the current market. I think that when a policyholder gets an obviously low repair estimate from you, at times, it is a precipitating factor to litigation because a lot of people – I know this from losing a house myself during Hurricane Wilma – are not ready psychologically for a fight. We look for representation rather than reaching out to you or other accesses. Whatever you can do to limit that under-estimating, I think that would be useful. I know that no insurance company wants to overpay, and that's not what I'm suggesting. You do have a lot of predictive tools that you use in other areas to anticipate changes. You might want to do a cost benefit analysis to see if that will reduce litigation.

Chairman Gardner: Thank you, Mr. Russ. Few people travel as far as you do to say kind things to this Board. We thank you. I do want to point out how invaluable Governor Brown has been and how active she's been in supporting our activities in the Keys. I think you've been a great ambassador for the company. You've put in a lot of work and I think you for that. I think there is consensus to defer this decision and it seems that staff would like additional time.

Bette Brown made the motion to defer the rate decision until the December Board meeting to give staff time to come up with recommendations. Blake Capps seconded the motion. All were in favor. Motion carries.

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

   a. Information Systems Advisory Committee (ISAC) Report

Jim Holton: As usual, Kelly Booten and her staff have done an exemplary job in moving all the initiatives of the ISAC along. There is not too much to report other than a few progress items and some action items.

Kelly Booten: The ISAC met on June 5, 2018. I provided the committee a status of our customer portal and our IT audits. The customer driven FNL goes live tonight. Sarah Harrell reported on the Centerpoint project, which also is progressing. We implemented the Advanced Customer Services (ACS) capability, which includes our performance management, goals management, and talent management module. It went live on Monday; the budget module is scheduled to go live in August as planned. Due to the change in the learning module product through Oracle, we have decided to go live internally and externally in August. A new phase has been added to add a career development module. That is targeted to go live in the October timeframe. The program remains within budget. Robert Sellers reported on the data center migration. After long, hard work, we will move that data center from Tampa to Winter Haven on July 13. We are continuing with our business continuity updates. We have negotiated the contract with the vendor and that service will be available on August 13. We have two action items. Both of which are procedural in nature, with no additional spend being requested.

b. Action Item: Centerpoint Managed Cloud Support Services

Kelly Booten: The first action item is the Centerpoint Managed Cloud Support Services through Oracle Advanced Customer Services with the reseller DLT Solutions, LLC. With four of the six Centerpoint phases completed and the remaining phases to be completed this year, we are running parallel with production support and the implementation of the program, which is consuming the capacity of the team. We felt it prudent to get additional outsourced help to help with production support. We recommended the purchase of Oracle ACS Managed Cloud Support from DLT Solutions, LLC via the DMS approved Alternate Contract Source six months for a spend of $181,806.77. This Action Item requests Citizens Board of Governors approval to authorize staff to enter into a contract with the vendor. This is really to get a different vendor under that same action item.

Jim Holton made the motion to approve the purchase of Oracle ACS Managed Cloud Support from DLT Solutions, LLC via the DMS approved Alternate Contract Source Contract No. 81112000-US-16-ACS for six (6) months, beginning July 1, 2018 in the amount of $181,806.77 and to authorize staff to take any other appropriate or necessary action consistent with this Action Item. John Wortman seconded the motion. All were in favor. Motion carried.

c. Action Item: System Administrator Services

Kelly Booten: The next item is for System Administrator Services through DXC Technology, which was formally known as Computer Services Corporation (CSC). CSC administers processing legacy commercial policy transactions. The vendor agreed to a gradual ramp down of services effective January 2013 and then we converted to the Guidewire system. The ramp down took longer than intended. The original action item expired in December 2017, so we had to issue another sole source to continue those services. It was already budgeted and included in the action item. This extends those services to February 28, 2019.

Jim Holton made the motion to approve the continuation of system administrator services from Computer Sciences Corporation (CSC), now DXC Technology, procured via single source approved by Citizens' Board of Governors in December 2012 for an additional fourteen (14) months for the period of January 1, 2018 through February 28, 2019, such approval being contingent upon the conclusion of the protest period with no protests; approve the use of funds approved by Citizens' Board of Governors in December 2012 for an additional fourteen (14) months for the period of January 1, 2018 through February 28, 2019; and, 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.

6. Chief Legal Officer and General Counsel Report

a. Action Item: Corporate Policy – Lobbyist Registration Required

Dan Sumner: I am here for an action item, which is for the Board to approve a corporate policy with regard to lobbyist registration. On May 2, Barry Gilway received a letter from CFO Patronis urging Citizens to adopt a corporate policy which parallels and mirrors the Executive Office Legislation Policy which is set in law in Section 112.3215. Citizens strongly supports this request and we immediately to draft and set an infrastructure for such a policy. That initiative was led by Nancy Staff (Citizens Compliance Officer) along with Communications, Legislative Affairs, and our IT departments. We rapidly created a policy and an infrastructure that transparently is implemented online with registration and viewing of our registration process. All of that is now done. President Gilway presented the draft of our plan to the Financial Services Commission (FSC) on June 13, explaining how we had responded to that request. It was favorably supported by the FSC. At this point, the remaining item is for the Board to approve this policy, since it will not only apply to Citizens employees and Board.

Nancy Staff: As Dan Sumner stated, this is a corporate policy entitled Lobbyist Registration Required. It will be effective as of September 1, 2018. The online registration portal will be up and running on August 1 to give folks time to register before the policy becomes effective. We have plans in place to contact existing lobbyists so that they know it's happening and give them this time to register. There will not be a fee involved. It should be relatively easy to register. It will have the look and feel of the online registration they're already doing for the Executive Branch. It substantially mirrors the Executive Branch requirements. I'm working on training and communication materials that will be available to internal staff as well as the public to answer any questions. The policy is relatively short. It defines the material terms. There is also a failure to register paragraph, so there are some repercussions if lobbyists do fail to register.

A motion was made and seconded to approve the Lobbyist Registration Required Policy #103 and to authorize staff to take any appropriate or necessary actions consistent with this Action Item. All were in favor. Motion carried.

7. <u>Chief Claims Officer Report</u>

a. Claims Committee Report

Vice Chair Aubuchon: Very briefly, we've got to respond to CAT claims. Much like Steve Russ from FIRM, Jay Adams and his team have done an incredible job leveraging internal resources and Independent Adjusting (IA) services despite the fact that many of those independent resources were in Texas. With regard to the non-CAT response, hopefully, deferring the rates schedule will send a signal to the legislature this fall. Absent legislative change to eliminate the fraud that's taking place in the marketplace today, you and your team have the difficult balance of applying customer service with making effective policy and procedure changes to eliminate the fraud. You've done an amazing job balancing those two.

Jay Adams: The Claims Committee met telephonically on June 13 and we discussed the same type of information I provided earlier on the MRP. Crag Sakraida provided at CAT Update and a readiness aspect on where we are for the 2018 season. Elaina Paskalakis provided a litigation update. Today I have four action items. I want everyone to understand that these items are directly out of the 2017 Hurricane Irma protocols, when the Governor made the emergency order that gave us the ability to "emergency contract." We did approach this Board with multiple emergency contracts and most of them were for resources. We are attempting to work on these solicitations in advance of another storm or event happening. I'd also like to make a clarifying comment. One could read these action items and think we're asking for $1B of expenses. That is not correct. We have three adjusting services action items that we'll go over today. All of those are included in the already Board approved $343.9M. What we're doing is segmenting some of our adjusting resourcing expenses out into these individual contracts because they are focused and targeted on specific things.

b. Action Item: Independent Adjustment Services

Jay Adams: The first one is IA Services under RFP 18-0027. The reality is that we contracted with additional resources and we want to give those folks the ability to Citizens under our long term contract. The expenses for this are budgeted and are included under the base contract for the IA services for the $343.9M.

A motion was made and seconded to approve the recommended award and resulting contract including renewal periods for Independent Adjusting Services – Catastrophe, RFP 18-0027, to the list of attached vendors, as set forth in Attachment "A" of this Action Item; authorize staff to take any appropriate or necessary actions consistent with this Action Item; and approve this Action Item with contract expenditure for the five (5) year contract period with four (4) optional one (1) year renewals not to exceed $343,900,000 for all contracts awarded under RFP 18-0027 in conjunction with RFPs 17-0006 and 17-0020 previously approved.

c. Action Item: Aerial Imagery Services

Jay Adams: The next item is Aerial Imagery Services which is ITN 18-0015. Aerial Imagery provides us with pre-event imagery and post-event imagery drone services. We leverage the pre-event imagery to see what the structure looks like prior to an event and we leverage that information in our litigation and underwriting groups. The post-event imagery is when we take a fixed-wing aircraft, put high definition cameras on them, and fly over the area. Citizens partnered with the National Insurance Crime Bureau in 2017. We flew the Keys and some specific areas in Florida.

We leveraged that information to understand what that damage was. As you recall, the Keys were closed for a period of time. We leveraged that post-event imagery to understand the damage so we would know what kind of response we needed to standup. When the Keys got ready to reopen, we secured contracts to create the Strike Force office and such. We leveraged the drone services specifically to inspect roofs. They provide photographs to go into our estimating software. We only leveraged the drones when the roof might be dangerous to access. This is a new expense item not included in the IA.

A motion as made and seconded to approve the recommended vendors for award and resulting contracts, including the optional renewal, for Aerial Imagery Services, ITN 18-0015, to the vendors identified in Attachment "A"; authorize staff to take any appropriate or necessary action consistent with this Action Item; and approve this Action Item not to exceed $32 million for a contract period of five (5) years with five (5) optional one (1) year renewals.

d. Action Item: Fast Track Adjusting Services

Jay Adams: The next item is Fast Track Adjusting Services – RFP 18-0025. This becomes a subset of our already approved contracts for IA services. What we leverage the Fast Track for is to handle low-severity claims by telephone. We have contracted with vendors who can be located out of Florida to handle these services. For Hurricane Irma, 55% of our claims volume would have been available for Fast Track. The adjusters we did obtain were unable to perform the Fast Track Services. We are doing this to make sure we have a group to handle those types of services. The reason why we're asking this out of state is that many of the storms that come through Florida exit through Jacksonville. We don't want to do anything to delay our response effort. By setting this up out of state, as soon as we start having claims, we can send them to folks as they are not impacted by the storm. Again, this is already in that $343.9M.

A motion was made and seconded to approve the recommended award and resulting contracts including renewal periods for Fast Track Adjusting Services, RFP 18-0025, to the list of Vendors in Attachment "A," as set forth in this Action Item; authorize staff to take any appropriate or necessary actions consistent with this Action Item; and approve this Action Item not to exceed $110,720,479.60 for the five (5) year contract period and five (5) optional one (1) year renewals from funds already approved by the Board under RFP 17-0006. All were in favor. Motion carried.

e. Action Item: Field Inspection Services

Jay Adams: The next item is Field Inspection Services – RFP 18-0023. During Hurricane Irma when we had a shortage of resources, we worked with a contracted vendor to standup an inspection service program. We targeted folks in the homeowner's industry such as insurance agents, real estate agents, and home inspectors. They were displaced from their normal duties because of Irma. We had a three-day intensive training and provided them with an adjuster software that helped them determine the appropriate scope for the risk. That software is put on their smart devices. They take a picture of a roof and it details a list of scoping questions they need to fill out. Once they fill that out and complete that estimate, they send that back to their server, it converts it to a Xactimate estimate, they have a QA review at their firm, and then they submit it to Citizens for them to process. This creates a new venue of inspection services that does not tap into the adjuster resource pool. We'd like to leverage that for 2018 and beyond. Again, this is already in that $343.9M.

A motion was made and seconded to approve the recommended award and resulting contract including renewal periods for Field Inspection Services, RFP 18-0023, to the list of Vendors in the Attachment "A", as set forth in this Action Item; authorize staff to take any appropriate or necessary actions consistent with this Action Item; and approve this Action Item not to exceed $76,000,000 for the five (5) year contract with five (5) optional one (1) year renewals from funds already approved by the Board under RFP 17-0006. All were in favor. Motion carried.

8. Chief Underwriting and Agency Services Report

a. Market Accountability Advisory Committee (MAAC)

Dave Newell: Good morning, Mr. Chairman and Board of Governors. For the record, Dave Newell, Chair of the MAAC. We met yesterday. We got a nice report from Carl Rockman who updated us on the continual decline of agents and agencies. That's always a good sign. We had an update on the late submission and binding violation program that Citizens is currently undertaking. We reviewed who sits on behalf of the associations at the Agent Roundtable, which has become quite a good feedback for Citizens and some of the work they're doing. We had an update on the live presentations and webinars that Citizens continues to do to get the word out to agents about the industry and Citizens. Steve Bitar brought us up-to-date on the 2017 and 2018 depopulation and Clearinghouse activity. With the policy count being as low as it is currently, the activity has tailored off. We'll see what the future holds. Jay Adams talked about hurricane preparedness. Lastly, we've had most of these meetings in person. We're going to get into the 21st century and the MAAC will meet telephonically with an in-person meeting once a year.

b. Action Item: Agent Performance Management Standards

Steve Bitar: We have one action item that came from the Agent Roundtable. If you look behind tab 8, you'll see Attachment A which was approved previously by the Board in 2013. What we would like to do is enhance the program, adding a few performance guidelines. We've gone over this with the Agent Roundtable and we discussed it with the MAAC.

A motion was made and seconded to amend the Agent Performance Management Program to refer to a. "Binding Violations" as "Performance Violations"; and b. Tracking the following as "Performance Violations" and applying applicable agent discipline based on standards:

- **Failure to upload a Premium Finance Contract when applicable;**
- **Incorrect application of credits, discounts, or surcharges;**
- **Failure to acquire necessary policyholder signatures.**

The motion was also to authorize staff to publish and communicate standards as necessary. All were in favor. Motion carried.

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

John Wortman: During yesterday's A&U Meeting, we listened to Karen Holt present several product changes. The committee voted unanimously to support these product changes.

i. Action Item: Product Changes

Steve Bitar: As you can see, we've detailed in the Executive Summary a list of changes. None of these have any significant impact on eligibility or coverage. I'll be happy to go over these that are really just clarifying points of language for our contract or I can just read the recommendation.

John Wortman made the motion to approve the above proposals to update policy contract forms, underwriting rules and supporting forms; and authorize staff to take any appropriate or necessary action consistent with the Product Changes - June 2018 Action Item to include filing with the Office of Insurance Regulation (OIR), system change implementations, document changes and supporting activities. Final changes may vary slightly, depending on guidance from the OIR. Bette Brown seconded the motion. All were in favor. Motion carried.

9. Chief Internal Audit Office (OIA) Report

Bette Brown: As usual, Joe Martins did a concise and thorough job. He hit on some points that he'd like to discuss a little further. His Executive Summary is very organized. We got a clear audit from Dixon Hughes.

a. Audit Committee Report

Joe Martins: In the Audit Committee meeting, we discussed progress of the Audit Plan. 56% of the plan is completed or in progress. To date, we finalized 14 engagements for the year. There is a solid internal control audit volume in place within the organization. There are three open audit observations and none of these are of high impact. With respect to the Internal Controls Office, we continue to assist their organization in documenting their important controls. Six assessments are currently in progress. From the Enterprise Risk Management (ERM) perspective, we continue with risk assessments throughout the organization. We've identified 16 strategic risks and we are currently working with the risk owners to develop those risk mitigation plans. The idea is that we finalize this for the September Audit and Board meetings to present the top risks for the organization.

Bette Brown: As you know Citizens is a huge company with a lot of staff and investment. You take a serious and hard look at all of those aspects of this big company. I just want to acknowledge what a big job that is and what a good job you do making sure that we do it right all the time.

10. Chief Communications, Legislative & External Affairs Report

Freddie Schinz: I wanted to thank you guys for all of the work you're putting into the MRP and we look forward to you providing us with a report.

a. Consumer Services Committee (CSC) Update

Christine Ashburn: Thank you, Mr. Chairman and members of the board. The Consumer Services Committee met via teleconference on June 14th. During the meeting the committee received a comprehensive on communications efforts supporting the implantation of the managed repair program and the new policy language. Jay Adams also provided the committee with an update on Citizens ongoing Hurricane Irma response and 2018 hurricane season preparations. The committee also received an update on the implementation and progress of myPolicy. There were no action items for consideration by the committee. Thank you, Mr. Chairman, this concludes my report.

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

- **Custodian Banking Services – Contract Renewal: It is recommended that Citizens' Board approve the second contract renewal for one-year to The Bank of New York Mellon for Custody Banking Services based on .275 basis points on market value of active portfolios, an estimated amount of $300,000.00 for this renewal and authorize staff to take any appropriate or necessary actions consistent with this Consent Item.**
- **Internet Network Services: The Citizens' Information Systems Advisory Committee recommends that Citizens' Board of Governors: approve additional expenditures for internet network services under the contract in the amount of $146,265.00, through the remaining life of the contract including all renewals and authorize staff to take any appropriate or necessary actions consistent with this Consent Item.**

Marc Dunbar: For the record, I filed Form 8A on item 11A and I'm abstaining from that vote.

A motion was made and seconded to approve the above mentioned consent agenda items. With the exception of Marc Dunbar's recusal, all were in favor. Motion carried.

<u>New Business</u>

Chairman Gardner: After this meeting adjourns, we will immediately convene the FMAP meeting. I've been on this Board since 2011, and I think there never has been a meeting without Barbara Walker, who I understand is ill. We hope she feels better. Bonnie, you've done a great job filling in. Thank you.

Meeting adjourned.