

CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE CLAIMS COMMITTEE MEETING Wednesday, December 5, 2018

The Claims Committee of Citizens Property Insurance Corporation (Citizens) convened telephonically on Wednesday, December 5, 2018 at 1:00 p.m. Eastern.

The following members of the Claims Committee were present telephonically:

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

1. Approval of Prior Meeting's Minutes (September 19, 2018)

A motion was made by Governor Schinz and seconded by Governor Holton to approve the September 19, 2018 minutes. All were in favor. Motion carried.

2. Strategic Update

Jay Adams: For today's strategic update I would like to focus on three areas. The first being our Hurricane Michael response from a customer centric approach, Hurricane Irma's settlement agreements, and our Managed Repair dashboard based on the product language changes that were implemented on August 1, 2018. The first topic I would like to discuss is Citizens' response to Hurricane Michael from a customer centric approach. I will ask Craig Sakraida, our Senior Director of Claims, to provide a more detailed statistical update for Hurricane Michael during his presentation.

Jay Adams: If you could, please, turn to tab two and subsection Hurricane Michael. This will be the presentation that we discuss. I would like to start on slides two and three. Hurricane Michael made landfall in the Mexico Beach area of the Panhandle of Florida on October 10, 2018, as a category four hurricane with 155 mile per hour winds which is the strongest landfall on record for this region. We knew that our responses was needed to engage as quickly as possible as our policyholders would be great need of their insurance proceeds due to the amount of damage caused by Hurricane Michael. As we have discussed in the past Citizens is committed to leveraging all available technology to speed up the adjustment process to reduce the cycle time of the claims adjudication process and to increase our overall productivity.

Jay Adams: Moving on to slide number four. The first phase of technology that we implemented was to partner with our Communications team to begin out bound emails to our policyholders in the forecast path of Hurricane Michael. We leveraged our GIS tool and the National Hurricane Center's forecast track and included all policies that would be impacted by either tropical storm forced winds or hurricane force winds. This pre-event email notification focused on multiple ways to report a claim for damage and provide education on not assigning away the policy benefit. An example of this communication is included in your binder. Our Communications partnered with our Underwriting Agency

Services to create Hurricane Michael preparation materials that were distributed to agents in the impacted areas. This educational material focused on calling Citizens First and providing instructions on how the agents could report claims directly into policy center. An example of this can be seen also included in your binder.

Jay Adams: On slide number five, Claims again partnered with the National Insurance Crime Bureau to provide input of the areas that needed to have aerial imagery recorded. Immediately following land fall the NICB began to conduct aerial imagery reportings of the coastal impacted regions first and then followed by the damaged areas that were located inland. Citizens leveraged this information as it became available to conduct reconnaissance of the damaged area.

Jay Adams: On slide number six, we again leveraged our GIS tool with the actual path of Hurricane Michael as reported by the National Hurricane Center to extract all of the policies under the tropical storm and hurricane wind fields. We focused immediately on the coastal areas by searching each policy against the aerial imagery we obtained from the National Insurance Crime Bureau. We identified all of the residential structures that were complete total losses, started to proactively make contact with the policyholder to help them report those claims. We immediately adjudicated those claims and made payments for total losses on the structure, contents, and additional living expenses. This process was taking place within 24 hours post landfall.

Jay Adams: Slide number seven, the entire infrastructure from Panama City to Port St. Joe was completely off line with our policyholders suffering from power, phone and Internet outages. Citizens deployed all three of our Catastrophe Response Units to the damaged areas to help our policyholders report claims and make advanced payments on additional living expenses where appropriate. Many of our policyholders indicated that it was difficult to travel on the secondary roadways due to the amount of tree and other debris blocking the roadways.

Jay Adams: On slide number eight, Citizens did not feel that we were receiving the claims volume with the level we were expected to due to the amount of damage we were seeing from the ground. Claims partnered with our call center vendors to conduct an outbound calling campaign to see if we could help our policyholders in the claim reporting process. We proactively made an effort to contact every policyholder that had a policy located under the hurricane force wind field that had not already reported a claim. If we were unable to reach a policyholder, we left a voice mail message with instructions on how to contact our 1-800 numbers to report their claim if they still needed to.

Jay Adams: On slide number nine, mobile home claims made up the biggest extent of all the claims reported for Hurricane Michael. From an insurance perspective a mobile home is insured based on the value new at the time of manufacture, much like an automobile would be valued. Typically each successive new model year cost more than the previous year. This causes challenging situations for our policyholders. Many of Citizens' mobile home policies are written with replacement cost coverage, but that coverage is based on the cost of the mobile home when it was new. Since the cost of new mobile homes typically increases year after year, the policyholder is often left in a situation that they do not end up with enough insurance proceeds to replace the mobile home with a new one with same type and quality. If you contrast this situation with a single family residential

home the replacement cost is based on the actual cost to replace the home which does tend to provide the insured with enough insurance proceeds to replace their home after a total loss.

Jay Adams: On slide number ten, so armed with this information Claims partnered with Communications again to produce a mobile home claims after a hurricane brochure. The intent of the brochure was to educate the mobile homeowner of the claim process and to provide an overview of the coverage available. The brochure was sent to every mobile home claim received. An example of this communication is in the binder as well.

Jay Adams: On slide number 11, due to the mobile home evaluation issues that I just discussed Citizens wanted to see if there were additional areas that we could help our policyholders when faced with needing to replace their mobile homes. Citizens made inquiries to mobile home manufacturers and retailers who were making discounts and other incentives available for mobile or manufactured home purchases for those affected by Hurricane Michael. We provided the retailer information to each mobile homeowner that reported a claim that outlined the retailer and the incentives that they were willing to offer, as well as posting this on Citizens' website. The information that we provided was a courtesy to our policyholders and Citizens is not affiliated with nor endorses any of the manufacturers or retailers. An example of this communication is in the binder as well.

Jay Adams: On slide number 12, a lesson learned from Hurricane Irma was that the policyholder is often challenged in finding a reputable contractor that can complete the repairs in a timely manner. As we have discussed in prior Claims Committee meetings, we have contracted with Crawford Contractor Connection for our Managed Repair program which is focused on non-weather water claims. We reached out to Crawford Contractor Connection post landfall of Hurricane Michael to see if they had any programs available that we could educate our policyholders on. We found out that they did in fact have a consumer direct program where the policyholder can call the 1-800 number or go directly to Contractor Connection's website to sign up for the program. The policyholder selects the services they need and then they work directly with Contractor Connection to assign the appropriate contractors needed to complete the repairs. This program is not affiliated with Citizens.

Jay Adams: On slide number 13, the Crawford Contractor Connection consumer direct program offers the following items. Fully credentials every contractor in their network, including ensuring that each has proper licensing, insurance and financial stability. It eliminates the hassle and stress of having to obtain multiple bids. It requires all contractors to back their work with a three-year workmanship warranty. They monitor the project from start to finish, and they provide assistance with resolutions if problems arise, and it allows the policyholder to track the project every step of the way. We provided this information to every policyholder that reported a homeowner claim, as well as posted this information on the Citizens' website. An example of this communication is included in your binder.

Jay Adams: On slide number 14, Citizens invoked and leveraged the entire catastrophe plan to respond to Hurricane Michael. It was our goal to test out all the additional solicitations and contracts that we engaged prior to Hurricane Michael to ensure that all the planning could be executed as intended.

Jay Adams: Our response consisted of sending the severity one claims to our all fast track teams to handle by phone, and that included claims that may have had a tree on a fence, a few shingles off, et cetera, very minor damage. The severity two claims were assigned to our field inspection services team that leveraged technology to assist in obtaining the appropriate scope of damages that was then converted into an Xactimate estimate. Severity three and four claims were assigned to the cat field adjusters to scope and estimate the damages from the field and then submitted their finalized estimate to a desk adjuster that were located in Jacksonville for complete claims adjudication. The severity five claims were assigned to our large loss team where we had dedicated cat field adjusters partnered with dedicated desk adjusters in Jacksonville to complete the claims adjudication process for those.

Jay Adams: On slide number 15, this data is as of October 25, 2018. We had the different type of resources deployed and our locations of deployment as outlined in this slide for our response to Hurricane Michael.

Jay Adams: On slide number 16, another take away from Hurricane Irma was that a field office near ground zero was extremely beneficial as it provided a base of field operations where our Claims leadership could meet with the field adjusters to ensure that they understand what is expected of them and conduct quality assessment checks to make sure they are following our best practices.

Jay Adams: On slide number 17, this represents the Claims statistics as of October 31, and I believe Craig will probably provide a more recent update. And this is information that we were sending out to the Board of Governors on a daily basis early on in the storm. And with that, Chairman, I will pause to see if there are any questions for our Hurricane Michael response.

Chairman Aubuchon: Thank you, Jay. Members, are there any questions of Jay?

Barry Gilway: May I make a statement?

Chairman Aubuchon: Absolutely.

Barry Gilway: Yes. Just for the record, an interesting thing about Michael is that the latest OIR report is that there is a 129,000 claims reported to date. And I think the fact that we have 3,289 claims reported, you know, clearly shows that given that we have about two and a half percent of the claims, we benefited significantly from the very low market share that we had in that arena. The second point that I would make is that Jay and his team just did a phenomenal job in a consumer centric approach, just phenomenal. I think they used every element at their command to get out there rapidly and contact these policyholders both pre-loss and post-loss. So my compliments to Jay and Craig and the entire team for the response.

Chairman Aubuchon: Thank you, Barry, I appreciate those comments. Members, any comments or questions?

Jon Palmquist: I have a couple of questions.

Chairman Aubuchon: Please, Jon.

Jon Palmquist: Okay, thank you. How did the new mobile home demolition vendors work out? Have you had a chance to assess that yet?

Jay Adams: We have not had a chance to assess that yet. In the mobile home process for settlement of a total loss, we have to receive the title from the mortgagee or the policyholder, whoever may be holding that. And I will just say that we are somewhat challenged in getting those to start any of the demolition process.

Jon Palmquist: Okay, thanks. Have you noticed much PA involvement?

Jay Adams: Initially following the storm we typically get the insured reporting the majority of the claims. And as time moves out, then that is when you start to see the PA activity. To date, we only have about 24 of our claims that are represented according to our record. And that representation could be a public adjuster or a plaintiff attorney.

Jon Palmquist: Right. Well, that was my next question. I am assuming you have not seen any lawsuits yet?

Jay Adams: To my knowledge we have not received any Hurricane Michael lawsuits as of yet.

Jon Palmquist: Okay. How did you establish your severity levels?

Jay Adams: We had these severity codes in place for a few years. And what happens is, when the first notice of loss comes into the Call Center there is a list of questions that appears in their script and they make a selection based on that. And those questions drive the claim to the appropriate severity code. If you are interested in that, we could certainly shoot you a copy of what questions constitute each severity code.

Jon Palmquist: That would be great actually, thank you.

Jay Adams: Is that something you would like?

Jon Palmquist: Yes, that would be great. Thanks, Jay.

Jay Adams: Sure, okay, we will make sure we get that to you.

Jon Palmquist: Mr. Chairman that is all the questions I had.

Chairman Aubuchon: Thank you, Jon. Members, any other questions? Jay, appreciate as Barry said, I just echo his thoughts and appreciate the good work you and your team did. The customer centric approach as Barry said was really quite remarkable and certainly appreciated. So thank you very much. Are we ready to move on to Craig or is there any further part of your report?

Jay Adams: I have a couple more topics if I could, please.

Chairman Aubuchon: Okay, do you want to cover each item under tab two, is that correct?

Jay Adams: Yes, sir.

Chairman Aubuchon: Okay. Please proceed.

Jay Adams: So the next topic I would like to discuss is Hurricane Irma's settlement agreements. And just to take everybody back, this was the storm that occurred in 2017. We have received 6,225 new hurricane suits for 2018, and 239 from 2017, for a total of about 6,500 claims at the end of October of 2018. We identified that about 84 percent of the suit volume is made up of claims where we have already made a payment, and that payment may have been below the deductible. Or another way of saying this is we have agreed that these claims are covered Hurricane Irma losses, and where we might be in disagreement is on the amount of the damages. So Citizens acknowledges that the protracted litigation process is a lengthy process and on average takes around 471 days to resolve each suit once received. We are looking to reduce the cycle time to allow a policyholder to receive their disputed funds so that they can start or complete the repairs and circumvent the litigation process. We are offering a settlement agreement for eligible suits as a means to revolve this litigation. The settlement agreement will be offered to the plaintiff attorneys for suits served on Citizens prior to October 12, 2018. The basic principle of the settlement agreement is that we will leverage the appraisal process as outlined in our policy to resolve the dispute. If the two appraisers cannot come to an agreement it will be assigned to an umpire for resolution. For those policyholders that engage in the settlement agreement process, Citizens has agreed to pay for the policyholder's appraiser and any fees associated if an umpire is needed.

Jay Adams: And Chairman, the last topic that I would like to discuss is our Managed Repair Dashboard. Citizens filed product language changes effective August 1, 2018, for the HO-3 and DP-3 contracts that limits the non-weather water damages to a \$10,000 sub limit with up to \$3,000 included for mitigation services, unless the policyholder engages in the Citizens Managed Repair Program. And if they do that, it eliminates the sub limit and returns the limit to the full Coverage A limit in the policy.

Jay Adams: Under tab two, the last section there is an example of our Managed Repair Executive Dashboard for this new product language. We advised the Committee that we would provide a copy of the Manage Repair Dashboard as soon as it was available. I have included a copy in your materials for review. I don't plan on going into any detail for this report at this time, as we have such limited data to review. However, through September of 2018, we had received 83 claims that had the August 1, 2018 endorsement, and that 41 claims accepted our mitigation services and nine accepted permanent repairs. And Chairman, that concludes my presentation.

Chairman Aubuchon: Thank you, Jay. Members, any questions of Jay? Jay, I have just one, and that is in the Hurricane Irma suits where our resolution plan is to pay for our appraiser, pay for their appraiser and potentially pay for the umpire, what is our expectation on the percentage of suits that we think we can resolve through this offer?

Jay Adams: I will tell you that again, when we looked at our book of Irma suits, about 84 percent of them should qualify for this program. However, each plaintiff attorney that

represents that segment of those 6,500 lawsuits, first has to agree that they would like to undertake that for their client. Then they have to go out and sell that agreement to their clients. Once the clients are engaged with the agreement, they need to submit to us an estimate of the damages that they are claiming and then the process can start. Our hopes initially were that we could maybe conclude as many as 50 percent of them, but this is 100 percent dependent on the actions the plaintiff attorneys take.

Chairman Aubuchon: So is that another way of saying your initial expectation of 50 percent might be reconsidered? Might be a little high at this point?

Jay Adams: Based on the activity we have seen thus far, the 50 percent seems a little high.

Chairman Aubuchon: Yes. It is disheartening, isn't it, when you are trying to do the right thing and still not achieving the results you would think.

Jay Adams: We concur with your sentiment.

3. Catastrophe Update

Craig Sakraida: Thank you, Chairman Aubuchon, and committee members. If you turn to tab three in your binder I am going to go over some high level Michael statistics. The first, the first line on page 2 I will have to admit there is an accounting error under the total incurred. It should be 63,646,618 instead of 630,000,000. So the total incurred as of 11/19 was around 71 million. The numbers as of about an hour ago we are currently at a little over 80 million total incurred with the expenses and indemnity. The rest of the numbers haven't changed much. The claims have tapered off as far as the incoming volume.

Craig Sakraida: On page three, 65 percent of the claims were low severity, severity one and two. As Jay mentioned those are the low severity claims with minor damage, trees on the fence, minor roof damage. We did find when some of our adjusters went out there that there probably was a little bit more damage than was initially reported. However, we were able to take care of the policyholders with some of the services that we provided with our inspection services, as well as the internal adjusting. 54 percent of the claims are mobile home policies. 59 percent were from Dade County and 37 mobile home claims settled pending title paperwork. And as of the numbers this morning, that is actually 156.

Craig Sakraida: As Jay mentioned, we don't close out the mobile home claims until we get all the paperwork back from the mortgage company, and sometimes that is a little challenging. So we pay everything we can up front, but we still maintain the file to be opened. We have processed about 630 so far. 156 are still open and it just takes a little bit of time to get that paperwork. As of 11/19, 75 percent of the claims have been closed. Today we are at about 77 percent. So the claims that are remaining open are some of our large loss claims and more complex claims that we are working with contractors and the insureds to get them settled. So we are pretty much at the end of the response for this.

Craig Sakraida: If you turn to page four, our Fast Track deployment. This is one of our new solicitations that went out and was put into place right before the Hurricane Michael.

We activated one of the vendors with an office in Mobile, Alabama. The focus for this is adjusting claims over the phone. We assigned them 635 claims and they reassigned to the field that could not be phone scoped, sometimes they are coded as a low severity claim there is more damage once we talk with them. And the big thing that I want to focus on is our retention rate. That is the key to the program. If we can't retain the claims there and adjust them over the phone it doesn't add the value, and really about 60, 65 percent is a good target. So we were well over that target at 75 percent. So very pleased with the results of that program.

Craig Sakraida: The next new program that we rolled out was our field inspection services. Once again, a new solicitation for 2018. We activated two inspection service firms. We assigned about 512 claims to them. They were able to contact and inspect with the time frames within our guidelines. They both had onsite management to assist in the work flow and the scoping questions. So once again that was a successful program that we rolled out to make up more streamlined process. On page six, drone services and aerial imagery. As Jay mentioned we utilized the NICB aerial imagery to quickly assess damages and pay claims that were obvious total losses. We were able to get our drone vendors up and running. We ran 71 assignments that have all been completed within the prescribed timelines. So, you know, last year with Irma it was more of a kind of one off, you know, informal process. Now that we have a solicitation in place for this, we have everyone in the system and all our processes worked out pretty well.

Craig Sakraida: Jay touched a little bit on the catastrophe response centers. All three of the field service vehicles were deployed to four different locations in Tallahassee, Panama City, Port St. Joe and Apalachicola at different times. There were 266 policyholders that were assisted. There were 102 first notice of loss reports received, and \$344,460 in ALE benefits were disbursed.

Craig Sakraida: On page eight, our FNOL call center, one of our lessons learned from Hurricane Irma was the outgoing call volume, outbound call campaign which they attempted contact on 7,807 policies in the impact area and 134 additional FNOLs were filed as a result of this campaign. We were also able to keep up with our inbound contacts and made sure we met service standards. And just wanted to focus once again, we really focus on communication with the insured through any medium possible. We used the email process as well as all the customer centric programs that we put together post landfall to ensure that we are ready to serve the policyholders. Chairman Aubuchon and committee members that is the end of my presentation. I will gladly entertain any questions or comments.

Chairman Aubuchon: Thank you, thank you, Craig. Members, are there any questions?

Governor Capps: I remember with Hurricane Irma and the Keys there was a problem with getting the titles to the mobile homes from the bank, because the banks were often owed more than the settlement on the mobile home. And we needed to get the title to the mobile homes in order to do the demolition work. Has that been a problem in this hurricane?

Craig Sakraida: We started to see a little bit of that, but it is a little bit different scenario than the Keys. We are in a little bit better position than we are in the Keys because people don't have \$150,000 piece of land that is mortgaged in with the mobile home. But we are

seeing it and it, you know, we do everything we can to satisfy the policyholder to make sure that we get everything out there. But it really more of a statutory problem than it is anything we can combat. But we haven't seen as much as we have in the Keys, but it is starting to percolate.

Jay Adams: I would like to reiterate, Craig said this in his presentation. We did not withhold any payment to any mobile homeowner based on not receiving the title. So we have paid all those claims. These claims are pending just for paperwork.

Governor Capps: Okay. And then other one question. I assume we are not having a big problem finding enough adjusters for our small number of claims in this hurricane, you know, like the case was with Irma. There has probably not been a big problem with that this time, right?

Craig Sakraida: No, sir. No, we have plenty of resources for this event and we were able to act on all levels with all of our programs, had plenty of resources.

Jay Adams: To address Governor Capps' concern, we still believe there is a shortage of independent adjuster resources if we were to have a significant market storm like in South Florida or probably in the Tampa area. The solicitations and the different things that we are layered into the Cat Plan to leverage other than independent adjuster resources, is why we have both the plan that way is because in a major event we do think there will be a shortage of independent adjuster resources.

Governor Capps: Okay, thank you.

Chairman Aubuchon: Thank you, Blake. Freddie, did I hear you had a question as well?

Governor Schinz: Yes, sir, I did, but I think that Jay answered the question. I was concerned once again after our little disruption during Irma with enough adjusters to get out there and satisfy our customers if we had enough this time, but my question was answered. And I thank you very much.

Chairman Aubuchon: Thank you, Freddie. Any other questions, members? Okay, thank you very much, Craig, appreciate your presentation.

4. Litigated Claims Update

Elaina Paskalakis: Thank you, and good afternoon Chairman Aubuchon and Committee members. The written report can be found behind tab four, but I would just like to hit the highlights for you as we go through this. In terms of Hurricane Irma litigation, as of the date of the report which was October 31 2018, we had just over 6,900 Hurricane Irma lawsuits. As of this week we have received 7,285 lawsuits related to Hurricane Irma. Those are divided amongst 97 percent of those lawsuits involve residential properties and three percent involving commercial properties and 15 percent of those lawsuits are brought by an AOB vendor. Our monthly receipt of Hurricane Irma lawsuits has actually started to trend down. From March through August we were receiving approximately between 700-800 lawsuits a month. Now since September we are receiving more between 500-600 Hurricane Irma suits per month.

Elaina Paskalakis: In terms of where these suits are arising out of, for the residential suits, 89 percent are from the tri-county area with Miami-Dade accounting for 65 percent, and we have a six percent out of Monroe County. When we compare that to the commercial properties, we had 63 percent arising out of the tri-county area, 40 percent from Miami and 31 percent from Monroe County. In terms of overall litigation, again, as of the day of the report, we had received 11,143 new suits for 2018. That averages to a little over 1,000 suits per month, which does reflect a 71 percent increase as to the same time last year when our averaging was 650 suits per month. 60 percent of the overall new suits received are related to Hurricane Irma.

Elaina Paskalakis: And I would like to take a moment just to explain what this means in terms of the types of lawsuits and the causes of loss that have been presented to Citizens. And mainly in terms of how does Hurricane Irma compare to other causes of loss. When we look at the division, although we are reporting certainly that the main cause of loss for new suits at this point is Hurricane Irma, it does not necessarily mean that the other causes of loss, namely non-weather water has significantly decreased. It is just that we have seen that the legal community is focused on the Hurricane Irma opportunities at this time, and based on the new incoming claims that we see for particularly for the last quarter, most of the new incoming pre-suit claims are the non-weather water. We are seeing those pick up again. So we fully expect to see the non-weather water percentages for incoming lawsuits pick up in 2019, as the opportunities for the Irma lawsuits decrease.

Elaina Paskalakis: In terms of our current total volume of pending lawsuits, we have approximately 14,500 suits now. And what that means is the active number of lawsuits we have at the time. That is a 37 percent increase in the total active lawsuits we have over the same time last year when we had 10,570. Overall, 90 percent of all new suits do arise out of the tri-county area, with 63 percent coming out of Miami-Dade. When we look at the lawsuits in terms of the numbers of insureds that had representation at the first notice of loss of the claim, the lawsuits reflect 61 percent of the lawsuits involve insureds that had representation when the claim was reported, and that is a 22 percent decrease that we have seen prior. But again I want to explain that this decrease is directly related to, again, the influx of Hurricane Irma claims. And the reason is we have historically seen that catastrophe claims are much more widely reported directly from the policyholder, where non-catastrophe claims are more likely to be reported when the policyholder already has representation.

Elaina Paskalakis: For example, in 2017, we did have 55,000 cat claims that were reported with very few of those having any representation at all. But the cat claims that are being reported in 2018, mainly related to Irma, those are coming in with representation. So what the trend is, is the further we move away from the event, we see more and more claims at first notice of loss where the insured has representation. And then in terms of the overall litigation, in 48 percent of the residential lawsuits we find that the insured never expressed any type of disagreement or dispute prior to filing the suit. And the reason that is significant, is the claims process is designed for the insured to be able to work very closely with Citizens throughout the entire adjustment process and to be able to work through and resolve any conflicts or disagreements without, you know, having to resort to litigation. And what we are experiencing is in almost half of all of the lawsuits that we are receiving, we adjust the claim with the insured, we issue whatever decision or position that we have and then we don't hear back from the insured. And our letters go out explaining

if you don't agree with our adjustment and our position, please communicate with us, provide us whatever other information you have, and 50 percent of the time we are not getting any communication back from the insured at all, and the first notice of any type of dispute is the lawsuit that we receive.

Elaina Paskalakis: The final metric that I would like to share with you in terms of overall litigation is the timing of the loss. We are starting to see an increase in the interval between the first notice of loss and then when they eventually bring the lawsuit. That shortened up when we had the influx of Irma claims, because historically we had seen that lawsuits come much quicker within three to six months from a cat claim than they do from other causes of loss. And now that we are over what we believe are the major influx of the Irma claims, we are starting to see the lawsuits and that time frame expand out. Particularly with non-weather water suits, we see them come in six months, a year, maybe even two years after the first notice of the claim.

Elaina Paskalakis: Finally I just want to touch on the overall impact of the influx of Hurricane Irma suits to litigation. We have seen that both the leading cause of loss for both new incoming suits as well as the pending volume shifts at claims. So a year and a half ago, two years ago when we would provide these updates it would be that the non-weather water would be the leading cause of loss. With the influx of Irma we saw that shift over to the Irma claims. And when I am talking again about the pending volume that simply reflects the active lawsuits at any one time. And what is important about this, that although we have seen that shift to cat claims, it doesn't mean there has been again a sharp decline in other causes of loss, particularly non-weather water. It is just that the sheer volume of the Irma claim has just shifted the balance of the claims as they make up the pending claims, the incoming claims that we have. As has been the trend, the dispute, leading dispute with all lawsuits has been over scope and pricing. And as Jay mentioned earlier it is when we found coverage, but the disagreement is over the amount of damage or the price of the damage. And then finally we continue to see that AOB lawsuits do represent a significant portion of our active lawsuits, and currently approximately 27 percent of all our active lawsuits are brought by AOB vendors. And with that, that finishes my update. I would be happy to entertain any questions you have.

Chairman Aubuchon: Thank you, Elaina. Members, do you have any questions?

Governor Holton: I have a couple for Elaina. Elaina, first, do you see the same basic core law firms handling both the weather and non-weather, especially in the tri-county area?

Elaina Paskalakis: I would say yes. It changes in terms of the AOB suits that are brought. But in terms of insured suits, we do see an overlap, yes.

Governor Holton: Okay, and the second question is, can you give me a distinction maybe in the duration from the time the lawsuit is filed to conclusion for a weather and non-weather? Are you seeing, is there about the same or are they a little bit different?

Elaina Paskalakis: As of this time we don't see much of a difference. I want to give you an educated guess. I don't have the stats in front of me. We don't see that the Irma lawsuits are trending longer than the non weather claims.

Governor Holton: Okay, yes, that was over a long period, you know, generally in speaking. So generally they are about the same, that there is no distinction in duration of the lawsuit for a whether versus non-weather.

Elaina Paskalakis: At this time, no, there is generally no distinction, correct.

Governor Holton: Okay, thanks.

Chairman Aubuchon: Thank you, Jim. Any other questions, members?

Governor Capps: This is kind of a general question as it relates to claims after a hurricane. I know that, I believe we have a three-year limit on filing a claim after a named storm. Is it three years, and will that be strictly adhered to do you think, or will we be flexible on that? Like say somebody files a claim four years after Hurricane Michael or Hurricane Irma, are they out of luck or how does that work?

Elaina Paskalakis: You are correct. There is now there is a three-year limit and our intent is to stick by that, correct.

Jay Adams: We need to make sure that we provide a little bit of clarification. The statute is to report your first notice of loss within three years. If you make that, you can still report a lawsuit up until that statute applies, which would give you a longer time frame to file suit.

Governor Capps: Just one other point of curiosity. That three-year thing, is that pretty much industry wide or is that unique to Citizens? Do other insurance companies handle that the same way?

Elaina Paskalakis: It applies for all insurers across the state of Florida. It is a Florida statute. It's not specific just to Citizens.

Governor Capps: Okay. Thank you.

Chairman Aubuchon: Thank you and any further questions? Okay, Elaina, thank you very much.

Elaina Paskalakis: Thank you.

5. Vendor Update

Greg Rowe: Thank you, Mr. Chairman and committee members. The single Action Item I have today is for Sinkhole Stabilization Services procurement under RFP 18-0033. Just to let you know for your awareness, this program mirrors the existing program that we have in place today which expires on January 31, 2019. To align with our commitment to high quality customer services, for this program policyholders are offered the opportunity to voluntarily participate in the sinkhole stabilization services program once it is determined that they are in need of these services caused by a sinkhole loss. The decision to participate in this program rest solely on the policyholder and once all the repairs are completed, the property is restored to the pre-loss position. So to move forward with this procurement and implementation, on September 14, 2018, Citizens issued a Request for Proposal, as mentioned, 18-0033 for sinkhole stabilization services. Those responses

were received and evaluated by an evaluation committee, and the committee recommended an award to four vendors on November 16, 2018. Those four vendors are attached in your binder under Attachment A. So with that, Mr. Chairman, are there any questions before I move forward with the recommendations for this solicitation?

Chairman Aubuchon: Members, any questions? Hearing no questions, please proceed.

Greg Rowe: Thank you, Mr. Chairman. At this time staff recommends that Citizens' Claims Committee approve and recommend to the Board of Governors approve the contract including the optional renewals for Sinkhole Stabilization Services, RFP 18-0033, to the vendors identified in Attachment A at a cost not to exceed \$15 million for the contract base term, and \$15 million for the three optional one-year renewals, and authorize the staff to take any appropriate or necessary action consistent with this Action Item.

Chairman Aubuchon: We have heard the action item. Do we have a motion?

A motion was made by Governor Schinz and seconded by Governor Capps to approve and recommend Board approval of the Sinkhole Stabilization Services, Action Item, RFP 18-0033. All were in favor. Motion carried.

6. Addendums

[For information only]

7. New Business

Chairman Aubuchon: Members, is there any other business to be brought forth to the committee today? Hearing none, we will entertain a motion to adjourn.

A motion was made by Governor Holton and seconded by Governor Capps to adjourn. All were in favor. Motion carried.

[Meeting Adjourned]