

CITIZENS PROPERTY INSURANCE CORPORATION

**MINUTES OF THE
MARKET ACCOUNTABILITY ADVISORY COMMITTEE MEETING**

Tuesday, June 19, 2018

The Market Accountability Advisory Committee (MAAC) of Citizens Property Insurance Corporation (Citizens) convened at Sheraton Orlando North hotel in Maitland, FL on Tuesday, June 19, 2018 at 11:00 a.m. (EDT).

The following members of the committee were present:

David Newell, Chair
Brian Squire

The following members of the committee were present telephonically:

Gordon Jennings	Lissette Perez
Greg Rokeh	Paula Lutes
Ken Norberg	Phil Zelman
Lee Gorodetsky	Susanne Murphy

The following Citizens staff members were present:

Andrew Woodward	Joe Martins
Barry Gilway	Mark Kagy
Bonnie Gilliland	Nancy Staff
Carl Rockman	Stephen Guth
David Woodruff	Steve Bitar
Eric Addison	Violet Bloom
Tonja Bradley	
Jay Adams	
Jennifer Dilmore	

The following member of the Board of Governors was present:

John Wortman

The following individuals were present:

Fred Strauss, Holborn
Steve Russ, FIRM

Call Meeting to Order

Roll was called and a quorum present.

Opening Comments

CHAIRMAN NEWELL: Thank you, Bonnie. Before we get started and approve the Minutes, just since there are several people on the phone we are probably going to change how we do these committee meetings in the future. So look for more information from Steve in the next few weeks or so. But maybe we turn to a telephonic base of meetings and then certainly a live one here or there here in Orlando. So I know it is tough for everybody to travel and get to certain places. Expenses are always a key point to all of this. So just look for more of that in the future, but hopefully you all have had a chance to look at the Minutes.

1. Approval of Prior Meeting Minutes

CHAIRMAN NEWELL: I will seek approval at this point. Do I have approval for the -- today's -- excuse me, the minutes from April 10th, meeting?

MR. ZELMAN: I make a motion, this is Phil Zelman, to approve the Minutes.

CHAIRMAN NEWELL: Do I hear a second?

MR. GORODETSKY: Second, Lee Gorodetsky.

CHAIRMAN NEWELL: Okay, now we have a second on the floor and we are going to call for any corrections. I noticed one in here where it is on page 9 and it says Governor Squire there as the heading. So just, that is the only one I noticed. I don't know if others have noticed anything. If you have, please speak up, otherwise we are going to call the question to approve the Minutes as amended. All those in favor say aye? (Chorus of ayes.)

A motion was made and seconded to approve the April 10, 2018 minutes. All were in favor. Motion carried.

CHAIRMAN NEWELL: Okay, the motion carries. Tab two, we are going to bring Carl Rockman forward. He actually is already sitting here for those on the phone, but Agency Services update. Welcome, Carl.

2. Agency Services Update

MR. ROCKMAN: Great, thank you, Chairman Newell. For the record, this is Carl Rockman, Director of Agency Services at Citizens. I will be providing an update today on our agency footprint, an update on our agency performance program.

I want to profile the great work that we are doing with our agent roundtable and our agent outreach area, and then I will talk briefly about the road ahead and what Agency Services will be looking forward to do doing over the next three to six months.

Page 2 of my presentation today is the traditional presentation we provide to this committee outlining our agency footprint by size of policies in force. Also based on the last meeting we had there was some requested visibility on the number of agents in tri-county and the number of agents in tri-county that have come forward this year to be signed up. You will see the exhibit now includes the count of 2,847 agents in tri-county which is essentially 40 percent of our footprint, and so far, this year we have had 67 agencies come on board which is about 30 percent of the requested agency counts. Again, this reflects how important Citizens is to the tri-county agency force, reflects market conditions and we will continue to monitor that. Are there any questions on the agency footprint agent?

CHAIRMAN NEWELL: Any questions?

A VOICE: No.

CHAIRMAN NEWELL: Okay, thanks.

MR. ROCKMAN: Okay, moving to page 3, this is a new presentation format that we are going to be providing to the committee, more dynamically outlining our performance programs, both in the performance violation category and also in the late submission category. We think this exhibit will bring a lot more clarity to the program as it advances and what is actually happening. What we are profiling here today is the actual results of the performance violation program based on the total amount of submissions and the monthly total violations that have occurred through the agents. You will see that we have broken it out by the different categories, circumventing documents, ineligible risk and uninsurable risk, et cetera.

I will notate that we did remark to the committee at the last meeting a new category that was brought forward and that is in the category of missing signatures or misapplied credits. I am reporting today initially that in the first week of the program standing up we issued 88 violations in that category. This exhibit is a bit aged because of the production time necessary for committee. We have had about 232 so far in that space primarily for missing signatures, okay, which we believe is an administrative issue that is easily corrected, easily rectified in an agency. A signature is the foundation for any challenges that we have to the policy in terms of the customer's understanding. So, we will continue to work with our agency community in that space. But again, the early returns on this looks like it is going to be pretty manageable and it is a category that doesn't require a lot of education, just a lot of awareness on behalf of the agents.

The second biggest category you will see there also is circumventing document submission which is again our policy center system does a marvelous job of telling the agents what documents are required for each risk. We just need to work with the agents to make sure they are remitting the required documents. And just an update on the agents that have gotten into the program, you will see in the bottom right-hand corner we have had a total of 39 warning notices issued for agents that have fallen into the performance

violation program. That has advanced to one suspension. So again, we fully believe that these early warnings are an ability for us, gives us the ability to engage the agent, offer appropriate education and support and make sure they are providing the right support to the consumer. Any questions on the performance violations?

CHAIRMAN NEWELL: Yes, Carl, this is Dave Newell. You say signatures. Signatures on applications, signatures on supplemental apps? I mean, what kind of signatures are missing?

MR. ROCKMAN: Depending on the type of policies submitted there could be a number of different signatures primarily on the application, but a big missing signature piece we see often is on the wind mitigation form and on the four point. Oftentimes those are done by third parties and they may be bypassing the customer. We really need the customer to acknowledge their understanding of the wind mitigation discounts, the four-point inspection and also the application has a number of different places where the customer signs or acknowledges their understanding of the coverages that are being provided. It is critical that we have that on the application. They must be in good order.

CHAIRMAN NEWELL: Okay, Brian.

MR. SQUIRE: The only concerning component to this report in my opinion is the uninsurable risk factor and the effect it has on the consumers because after it is written I am assuming you are either off that risk. And so maybe, you know, we will pay more attention to that number and how those -- those consumers are handled.

MR. ROCKMAN: Absolutely. We are taking that back. It is a category we take very seriously, because there is administrative things that are easily correctable, but as you point out, Mr. Squire, that one has a customer experience impact and the agents really shouldn't be making promises to customers that we can't keep. That is a huge engagement issue for us to get after. So when we see that, we take it very seriously and work with those agents on making sure they understand the rules.

CHAIRMAN NEWELL: Okay. Go ahead, Greg. Yes, I will get those on the phone here in just a second. We have a small intimate group here at the table. So, I will get those first.

MR. ROKEH: This is Greg Rokeh. Carl, you have got a two percent number for -- for performance violations. How does that compare to the percentage of violations, say a year back?

MR. ROCKMAN: We believe it is significantly reduced. We have made tremendous progress in this space through agent education. And again, two percent, I would like to see us reduce that. I think we have slack in that number and still can work towards getting it down to one percent or less. That should be our goal. There should be really no misunderstanding about what is required, and it is our job to make sure the agents are

educated. But again, this is reflective of progress we have made in forming and working with our agent education, our agent partners, our field management team, our education department. We are very, very focused on this. But again, two percent is a tolerable level for us and we want to continue to work to improve that.

MR. ROKEH: Okay, thank you.

CHAIRMAN NEWELL: All right, on the phone, anybody have a question for Carl in reference to the agency information here?

MR. GORODETSKY: Yes, Carl, this is Lee Gorodetsky, how are you?

MR. ROCKMAN: Good, how are you?

MR. GORODETSKY: I am good. On the column of uninsurable risks, I know last time we were there we talked about one if these were primarily coming in from real estate closings or other scenarios, and I guess you guys were going to try and look into it. It may not have had happened yet. And second to that, do we know if these are coming from the same agencies or from, is it spread out amongst here and there agencies?

MR. ROCKMAN: Lee, I wouldn't want to say that there is a trend with one particular agency population driving these. It can be rather scattered. Oftentimes a real estate closing will provide additional pressure for the agent to maybe work around a rule, but generally these are situations where the inspection, itself, the four-point inspection that is provided is indicating a clear deficiency, clearly indicating a deficiency.

We see that as our opportunity to educate the agent to say, look, you are our field underwriter, you need to prevent this from being bound and we are counting on you to make sure the customer remediates that deficiency. It is a fine line, because agents will say, I need help interpreting the four point. We will continue to dialogue, but when our underwriting department informs us that an uninsurable risk has been bound, it is a conversation we are having with that producer to make sure they understand and that we are offering appropriate support. And then if an agent continues that behavior that is exactly why we have a performance program to work with that agent through a warning, a suspension or potential termination.

CHAIRMAN NEWELL: Any follow up, Lee?

MR. GORODETSKY: Well, yes and no, but I mean --

CHAIRMAN NEWELL: Okay.

MR. GORODETSKY: It just seems a little unfair that agents who do a good job and don't do those things are losing clients to people who are doing it, and hopefully not doing it intentionally, but you never know out there because Florida is such a fraudulent state.

CHAIRMAN NEWELL: Yes. Any other questions on this topic? Okay. Just one last point. You talk about signatures, electronic signatures are certainly acceptable, correct?

MR. ROCKMAN: Yes, we have approved electronic signatures. We did this over a year and-a-half ago.

CHAIRMAN NEWELL: So, agents that have that platform and it is acceptable and could eliminate a lot of this if they use that.

MR. ROCKMAN: And when we consult with agents on this issue, we do remind them that Citizens will accept appropriate signature platforms, and that has been a boom to a lot of agents that are obviously working with customers in that space.

CHAIRMAN NEWELL: Okay, all right. Okay.

MR. ROCKMAN: Moving to page 4, this is another component piece to our agency performance program, and that is the late submissions. Just a reminder, this is a measurement of getting the required documents in within 15 days of the effective date. You will see that we had a trend of about four percent there. We had a slight uptick in May. We are not sure what to attribute that to yet, but we are going to get after it. But again, we are looking at well over 9,000 submissions coming in in May, and only 411 where the documents weren't remitted within 16 days. Some of these need to be withdrawn. Some of these were real estate deals that collapsed but the agent didn't withdraw the application. So, there may not be consumer harm, but it is still something we want to make the agents administratively know how to correct and do.

CHAIRMAN NEWELL: Okay.

MR. ROCKMAN: And again, limited amount of agent impact you will see down below.

CHAIRMAN NEWELL: Right.

MR. ROCKMAN: Awareness and then it gets quickly corrected when we engage. Any questions?

CHAIRMAN NEWELL: I am just curious, the warning notices, is that just in an electronic form or is there a phone call as well?

MR. ROCKMAN: It is an electronic form that is formally sent to the agents. So, we formally have given them notice but it is always followed up with a phone call from someone on our team to make sure that the agent understands the importance of it, that it is not lost in the shuffle and that there is a next step if this doesn't get corrected.

CHAIRMAN NEWELL: Okay, thanks.

MR. ROCKMAN: Thank you. All right, moving to page 5 I would like to provide the committee with just a brief update on the activities of our agent roundtable. Page 5 will profile the members of our agent roundtable, where their agencies are located and what organizations they represent. Obviously, these folks represent the six largest the agent associations, our three largest captive partners and we have some at large members as well. I cannot say publicly enough how much time these folks give us in terms of feedback, in terms of guidance, in terms of support and we wanted to acknowledge their efforts here publicly, but these are the members that provide the time.

Page 6 I think it is important for the committee to understand that these meetings have a structure to them, and when we do call the agent roundtable together, there are really four component pieces that we are always talking about. And page 6 will highlight that. We are always talking to the agent roundtable about what can Citizens do to optimize customer access to the private market. Essentially what that means is we are constantly seeking feedback on the Clearinghouse. We are constantly seeking feedback on our policyholder choice efforts. Open lines of communication I think you would agree we have made tremendous progress on those spaces in no small part due to the feedback provided by the agent roundtable. We are obviously asking about improving customer satisfaction and our performance. So very open conversations around service issues, underwriting issues, anything that the agency roundtable sees as impacting the customer experience we are very much into.

And by the way, what can the agent do? It is not a one-way street. We are always talking to them about are there things that they can do to make sure that they are delivering the proper customer experience to the Citizens customer. Product evaluations and improvements, are there gaps in the marketplace, are there things that the Citizens customer could use? Very informative feedback on the water changes that we have been talking about. So those are obviously open conversations we have.

And then fourth but certainly not least, they have been tremendous in informing us on what we can do to respond appropriately to catastrophes, primarily in the agent support space. We do a great job with the consumer, but our agencies are important constituents whenever a catastrophe comes up and they have been essential to helping us there. Obviously, the next meetings you can see that we are conducting. We have two live meetings planned this year. Those live meetings give us an opportunity to really open I and talk about process and improvement. But again, very pleased to have these folks on board helping us get better for both them and for the consumer.

Are there any questions at all on any of those topics or anything you would like to know more about?

CHAIRMAN NEWELL: Okay.

MR. ROCKMAN: Page 7 just talks about the agent outreach efforts. Again, I have already focused on the agent roundtable, but I want to walk the committee through the additional three verticals that we provide here in agent outreach. One is our agent association webinars. We partner with all of the agent associations to provide what we call power hours. We love this way to relate directly to the members of those associations to send a contemporary Citizens message. You can see that we have had a number of these already this year and more scheduled. We also have been able to provide live agent

certification, just wrapped up at the FAIA convention last week where we had 67 folks attend that session. We will be Latin agents coming up, we will be with NAFA coming up. We really welcome the partnership to be able to not only work at the convention piece but also to be able to provide our live agent certification at those conventions.

And then last but not least, water language. I know the committee has heard a lot about the changes in the water space, the water language space and changes that we are making with our Manage Repair program. Watch for us from an agency communication and education standpoint to provide a number of vehicles for the agent awareness to be connected. We certainly are going to be looking at our traditional webinars that we do with agents. We are also going to have an online learning module, but we have also committed particularly in tri-county to go down and provide anywhere from three to five live experiences in tri-county where we bring agents in and really work with them to help them understand our new water language, our Manage Repair program, and how it can impact the customer in a positive way.

So, we are very, very pleased to push forward on that initiative in the water language change space, in MRP space and we will be providing committee with updates as that progresses. Any questions?

CHAIRMAN NEWELL: Any questions about that part of the presentation from Carl?

MR. ZELMAN: Yes, I -- Dave, this is Phil.

CHAIRMAN NEWELL: On okay, go ahead, Phil.

MR. ZELMAN: Carl, good morning. Have you heard any push back from the third parties dealing with this new water language change?

MR. ROCKMAN: I have not. I might defer to Steve if he has heard anything.

MR. BITAR: Good morning, Phil, this is Steve Bitar for the record. We really have not. It has been pretty quiet with regards to the new language that is going to be effective August 1st, and the programs that we will be launching to accompany those.

So, no, other than the product language being approved we really have not been bombarded by any means with regards to resistance of concerns whatsoever. I think for us when you look at the language and you look at our Manage Repair program, we want to make sure that every consumer has access to their full coverage limits. And so that is why we feel the approach we have taken is very pro-consumer and we haven't heard anything with regards to resistance.

MR. ZELMAN: I am just waiting to hear the feedback from the third parties when -- when August 1st rolls around and this verbiage goes into effect. I happen to agree with it as long as, as long as our Manage Repair people do the right job.

MR. BITAR: Well, we will definitely keep you posted. Thank you.

CHAIRMAN NEWELL: All right, Carl, you can continue.

MR. ROCKMAN: So, moving on to page 8, just a brief update on our connections to, again, our largest agent associations and what we do them both at conventions and also holding our agent certification classes. These are the four associations that we attend their convention. I think it is important to note that we are not attending the convention with looking to grow in any meaningful way, but the conventions do give us an opportunity to build relationship with our agency partners and candidly with carriers, making sure the carrier understands that Citizens is here willing to work with them in the policyholder choice space.

But we value the relationship we have with our association partners and the conventions go a long way with helping with that. Also, we are able to gather appropriate feedback in both class and on our booth and obviously we take that opportunity to bring agents in to do certification, training, education, around our requirements, their agreement and what they can do to provide an optimum customer experience.

So, looking forward to continuing that conversation relationship and I just wanted to let the committee know we are committed to that bit of outreach because we believe it is very, very valuable and effective.

And then the last page I got is page 9, just the road ahead, just to let the committee know what we are facing and what agency services we will be working on in the next three to six months. We are going to continue to build relationships. We are going to continue to get out and work with agencies that either have an identified issue in the performance violation space, late submission space, but more importantly, there is other issues that we may need to reach out to those agents, too, positive issues where the agents might be able to teach us something. We are going to work exclusively in the emergency services Manage Repair and water language awareness. We are all over this initiative. It is critical that our agencies understand the changes that are coming, the impact it can have on the consumer, the positive experience that can be created if the agency is educating a consumer at the moment of truth and we are going to be all about that.

Obviously, we want to make sure we are doing what we can to reduce fraud and litigation and what the agents can do there, continued focus on performance violation management, and then always prepared for the catastrophe. Hopefully we won't need it but we are very, very focused on responding to our agent community should a catastrophe occur. So those are the five big initiatives we will be focused on. Any questions?

CHAIRMAN NEWELL: Any questions of Carl?

MR. GORODETSKY: Carl, I have a question just kind of generically.

CHAIRMAN NEWELL: Yes, who is on the phone?

MR. GORODETSKY: This is Lee Gorodetsky, sorry, and I am not sure where this fits in, but as I have been talking and meeting with people over the last several months with the new four-point inspection coming out September 1st.

MR. ROCKMAN: Uh-huh.

MR. GORODETSKY: There is a lot of conversation in regard to back when Citizens' insurance was inspecting homes back when the wind mitigation changed after 2009. Is this something that people should expect that inspections to occur with the new four-point inspection to the existing policyholders to make sure the home is up to par?

MR. BITAR: Lee, this is Steve Bitar. We have no plans at this time to go out and pursue reinspection like we did back in 2009, based on those changes. I will tell you that our underwriting department absolutely has access to order inspections when we feel there is appropriate reason to do so. As you know right now, where we are ordering inspections is really focused more on prior claims related to non-weather water because that has been where we have been experiencing such potential. Let's just leave that there. But there is no plan at this time to systematically go and order inspections on the wind mit side, but we always reserve the right.

MR. GORODETSKY: Of course.

3. Depopulation and Clearinghouse Update

CHAIRMAN NEWELL: Okay, anything else for Carl? All right, thank you so much, Carl. Appreciate it. Turning to tab three, Steve, depopulation and Clearinghouse update.

MR. BITAR: Good morning, Mr. Chairman. In the interest of time I will go through the standard update which we always provide you in writing, so we can allow a little bit of time for Jay Adam to provide the CAT prep update. But looking at our numbers, slide three basically shares our 2017 results from a depopulation perspective on the personal lines. You will see that we depopulated roughly 32,000 policies. I will tell you that is the lowest year that we have had in the past 10 years. So, as you know, our current policy in force count sits at roughly 443,000 policies, historically one of the lowest points we have ever had. So, you are pretty much looking at our policies and struggling, if you will, to find a good business to remove, if you will, and you will see that there is just some diminished interest from the private industry with regards to that.

If you look at 2018, the trends continue downward through June of this year, I just actually got the updated June depopulation numbers. We are just breaking 4,000 policies depopulated for the year thus far. So very, very low activity on the depopulation front, and the June final number just came in this morning because we ran the depop this morning at 460 policies actually assumed in the month of June on the personal lines, which is a record low to say the least.

On the commercial lines, again, you look there, we depopulated in 2017, roughly 2,100 policies. Slide six shows you our 2018 activity, and we have depopulated roughly 586 policies so far this year on the commercial lines side and the bulk of those are commercial nonresidential wind only policies. So that is the activity there. I will pause for any questions anyone might have on depopulation.

CHAIRMAN NEWELL: Yes, any questions for Steve on depop?

MR. GORODETSKY: Yes, Steve, Lee Gorodetsky. It does seem that the commercial assumption is more of an appetite for it, but the assumption rate is large. Is there any reason why? Of course, I guess the personal lines is really low and getting lower, it looks like.

MR. BITAR: Yes, there is a real simple answer to that, Lee. There is no opt out option on the commercial non-residential. Opt-out only applies to residential policies. So, on the non-residential side if a company picks it, chances are it is going to be assumed. Any policies that fall out, and while we don't have a 100 percent, could be the policy canceled in the period of time that it was going to be assumed and there could have been some administrative issues between the policy was selected and then it actually going. But for the most part whenever you have commercial non-residential depopulations, there is no opt out provision there.

MR. GORODETSKY: Okay, perfect.

CHAIRMAN NEWELL: All right, Steve, Clearinghouse.

MR. BITAR: Very quickly on slide eight you will see our new business update. All of these numbers are through the month of May. Through 2018 we have had 5,891 policies actually averted or have not come into Citizens, and that translates to \$1.4 billion in Coverage A averted. On the renewal side we have shown some success here specifically with regards to policies that are coming up for renewal and being removed from Citizens, actually being non-renewed at time of renewal.

In 2018, we have had roughly \$357 million in exposure removed from Citizens through non-renewal through the Clearinghouse and that translates to roughly 11,000 policies. The bulk of that success is with the introduction of Weston on the renewal side for wind only in the Clearinghouse. That has been the bulk of the activity there. As you know, in order to non-renew a policy through the Clearinghouse you must present a premium that is equal to or less than the Citizens' premium, and with Weston following the Citizens rate structure on the wind only they are being very successful in regards to being able to non-renew policies at Citizens and remove them from Citizens.

And the last page basically just shows you a recap of what I have shared on the prior slides with regards to Clearinghouse activity. And I will be more than happy to take any questions anyone may have.

CHAIRMAN NEWELL: Any questions for Steve on the Clearinghouse? All right, thank you, sir.

4. 2018 Catastrophe Preparation

CHAIRMAN NEWELL: As we bring it in for a landing, I want to welcome Jay Adams up to talk about the 2018 catastrophe preparation. We are well underway in hurricane

season. We had a sub-tropical event here a few weeks ago. But other than that, Jay, if you would just bring us up to date on what Citizens is doing to prepare for 2018.

MR. ADAMS: Okay, thank you, Chairman and committee members. For the record, Jay Adams, Chief Claims Officer. I would like to start on slide number two. And in slide number two here all we are really trying to do is point out that Citizens as an Enterprise does catastrophe planning and testing basically year-round. Slide number three, when it comes to responses, we have multiple ways that we choose to respond based on the event. We use a stage one response for small storms, like a tornado or maybe a tropical storm like Alberto was. Stage two typically are low grade hurricanes and stage three would be for our major hurricanes.

On slide number four we also have multiple work flows that we can engage. The first work flow we have there is the manage claim model, and that is our normal work flow. And what we do with those claims is we assign low severity claims to teams of independent adjusters that are provided oversight by Citizens staff, and they handle the claim from cradle to grave and they also are in our claim management system. So that claim is completely handled. We have Fast Track and I will talk a little bit more about that as a model in a few slides. We have an inspector program that I will talk about as well. We have the traditional model where you bring in a desk adjuster and then they send it out to the field to a CAT field adjuster and they do the appraisal piece and send it back in. And then we have work flows specific to large loss and commercial.

On slide number five, in order for us to be successful we have to have a very scalable model. Citizens policies in force changes pretty significantly over time frames. The most critical pieces for us to determine is the projected severity and size of the storm, where it is likely to make landfall, and then how many policies in force are under the hurricane force winds for that particular event. And we take that information and we leverage a resource calculator that we developed, and when we plug in the components of the storm, the policies in force, what it does is it helps project how many resources we need. And what is so important about that is those carriers that go to market first to make request for resources typically get those first, and those that go first also typically get the, I will call them the grade A, the grade B type of adjusters. When you go in late you don't get quite as good of adjuster mix typically.

On page 6 we made some changes for 2018 based on what we learned from Hurricane Irma. One of the changes are we are going to leverage Xact Analysis, which is an industry standard product.

Last year we used our claims management system to make all of the assignments to all claim handlers. What we will do in the future is we will leverage Xact Analysis, and that takes significant pressure off of the system because it has to go through quite a bit of algorithms to figure out how to make that claim assignment. So we will push that assignment process into Xact Analysis. We have created significant numbers of additional solicitations that we will bring to the Board of Governor's meeting tomorrow and all of those solicitations were based on what we did in 2017. When the Governor issued an emergency order we were able to emergency contract with vendors to get additional resources, and what we attempted to do for this year is put these contracts in place prior to catastrophe season so that we do not have to do as much emergency contracting.

We also updated our resource calculator based on new information that we got from the storms. We always look at our past history to kind of predict what to expect in the future from storms and their sizes and will continue with our agency outreach programs.

Slide number seven, this is really an informational slide. You will hear us talk about Xactware and there are many products, many different ways and many different presentations. And what I wanted to really line out is Xactimate is our estimating platform. That is what the adjuster goes out, writes down all of the scope information and it produces a line item estimate. Again, this is an industry standard product. We also will be using Xact Analysis. That tool acts as an assignment's engine for estimates and it also is a management tool where we can get real time reporting so that we can keep track more closely of what the independent adjusters are doing with those particular estimates.

On slide number eight, this again, just alludes to we are going to start leveraging Xact Analysis more as a work flow tool than what we have in the past.

Slide number nine, I want to spend a few minutes here talking about the solicitations. The first one that we did was for aerial imagery. And what we get from that is archived images, post storm images and then during an activity. And the reason that is so important to Citizens is, it is always important to understand what the structure looked like prior to the storm and then after the storm. Underwriting also leverages some of that information when they do the underwriting of the file. The post event imagery is fixed wing air craft with high definition cameras hanging off the wing structure, flying over areas immediately following a hurricane. We were able to partner with the National Insurance Crime Bureau last year and they flew the Keys for us, and as you might recall, the Keys were closed for quite a number of days post Hurricane Irma's landfall. We had no idea what we had down there as far as damage. We knew we were the largest exposure company that was in the area. So we leveraged that information to help make decisions about how to respond. We will have that technology in place again for 2018. And in the drone services, what we leverage those for is to do a fly over to capture images of roofs that are not accessible, they might be dangerous, might be debris in the way and such. Those will then be loaded into our estimating platform so that we can write estimates from that.

Last year we did an Inspector program and the genesis of this was we went to folks that are in the homeowner type industry that were impacted by Irma and were probably on some type of furlough until maybe three or four months past the landfall. What we have done is we have targeted insurance agents, real estate agents and home inspectors to go out and get emergency license when a storm hits. We have had our vendors procure software that helps assist the adjuster in writing the scope. Really all they are catching is dimensions.

So they will take a smart device, take a picture of the roof and it will walk them through exactly what they need to dimension. When they are complete with that estimate, they upload that from their smart device and it creates and Xactimate estimate for us. Fast Track is another team of adjusters that we have procured for this year. The idea here is these folks handle claims by telephone, and they are handling the lowest severity claims.

For Hurricane Irma, 55 percent of our claims were eligible to go through our Fast Track team. So those can be adjusted very quickly, and the types of losses that go

through there might be a shingle of off, could be a tree on a fence, your consequential loss, those types of things. And then the field inspection services, again, they handle those claims that are again, low severity but probably need to go to the field and could not have been handled over the phone.

On slide number ten, this is our resource calculator that I have spoken about, and I am not going to go into too much detail about it, but the beauty behind this is, what it does is it forecasts the number of independent adjuster resources we need and not only in total, but what it does is it breaks them down by team and category so that we can get an understanding of what our response will look like.

Slide number 11, our agency outreach. We partnered closely with Carl last year and his team and we had claims folks engaged directly in some of those calls with agents so that we could carry the claims message forward to the agency group. Carl also had his agent management assist in town hall meetings and he also had them in some of the larger agent offices.

On slide number 12, our resolution unit is still up and running in Jacksonville, and this is the desk adjuster team that I talked about before. Those folks have handled about 100,000 calls since the event occurred. What they do is concentrate initially on severity two through four claims which is our middle of the line severities. Today they are handling any kind of inquiry that the customer may have. If they have a supplement or a difference in estimate amount. They handle all of those escalations today, and when our customers call into that resolution unit they are licensed adjusters so they can get their claims questions handled and addressed immediately.

On slide number 13, this talks about our office and contingency space. The Everbank building has had a name change and now we refer to as the TIA, TIAA Bank Center. We have --

CHAIRMAN NEWELL: Say that three times fast.

MR. ADAMS: Yes. We have office space available to house independent adjusters on our third, fifth and 18th floors. The Fast Track vendors that we spoke about earlier, we contracted for those folks to be offsite and out of the State of Florida. And what we found is it seems like here lately most all of the events that come into Florida somehow exit through Jacksonville and what we want to do is make sure that we don't do anything to delay our response. So having this located out of the state gives us immediate access to these folks as soon as the event occurs. Then, of course, we can also stand up office space in hotels, conference centers and such.

On slide number 14, this is some of our mobile equipment that we have. We have a monthly satellite solution. As you may recall, when we went to Key West to stand up the Keys response, they did not have an Internet when we got there. We rolled out our satellite service and we were able to stand up an entire Internet for the entire motel. We also have two, 800-kilowatt generators that we can roll up to any building. They can power somewhere between a 45 and a -- between a 45,000 and a 65,000 square foot building each, which gives us, again, a lot of flexibility.

On slide number 15, each year we do catastrophe testing. We have already reached out and worked with some of Steve's new contracts for the First Notice of Loss. And the reason we always test these folks is, they have to bring on newly or fresh people

that really haven't been doing this type of work for the insurance company, and they have to train those folks to get them up and running in a very short period of time. We had a very successful test in that space. We also test the catastrophe response center and we will go into a little more detail about that, and then we also are going to be doing some additional testing once we get Board approval for the solicitations that I spoke about earlier.

On slide number 16, the catastrophe response center, this is one of Steve Bitar's groups. They assist in the CAT in this area. They identify each year volunteers that will go out to and man these particular centers. Each center has between 12 and 15 volunteers, and typically when we send them out they deploy for up to 21 days concurrently. During Hurricane Irma we deployed all three that we had, had significant success from those.

On slide number 17, this really is just an example of what they look like when they are set up. Slide number 18, so we have partnered very closely with Christine's communication group and team and we have put out a Citizens is Ready Public Education campaign and she is leveraging all types of channels, e-mail, press release, social media, direct mail, et cetera. That has been very successful for us.

And the next few slides are some examples. So on slide number 19, this is the Call Citizens First and you can see some of the media and such that her team has prepared and sends out. On slide number 20, this is the hurricane prepared kits. These also are sent out and on the websites. Slide number 21 is our Twitter feed. On slide number 22, Christine's team also has 12 people that monitor the National Hurricane Center around the clock during the hurricane season. They are responsible for turning off binding in all systems, sending binding restriction e-mails to agents and then they add an alert to a website when any type of event occurs, such as Alberto. On slide number 23, these are some examples of some of the media that they post up. On slide number 24, another big help that Christine's team does is they participate in the Governor's Emergency Operations Center, and what they get out of that is a significant weather forecast that has much more detail than a lot of times that Citizens can get and they pass that information along to us, and then we also, they partner with the Florida broadcasting stations.

And slide 25 is really is the conclusion. Citizens is ready. We had a successful response to Irma, we learned from it, we have built up from that and we are prepared and ready for whatever 2018 brings. Chairman, that concludes my presentation.

CHAIRMAN NEWELL: Thanks, Jay. Brian, do you have a question?

MR. SQUIRE: Just a quick question. 2017, you had Irma, which, you know, Florida ended up pulling resources to Texas and then there was lack of adjusters, and then we trained a bunch of people outside of the industry to come in. Are any of those individuals still available if needed or have you -- I am wondering what is the status with those individuals?

MR. ADAMS: I really don't have any idea. I can tell you that there was a lot of interest in that inspector program that we spoke about. So last year we partnered with a vendor who made these contacts and stood this up. We just concluded a solicitation. So

once we get approval for that solicitation, one of the first things that those vendors will do is start that reach out campaign and start building a list of who is available for those events. One of the main reasons we continue to travel down this inspector program is we are trying to get into a different pool of resources than just trying to rely on independent adjusters. Harvey was a great example of drawing a lot of adjusters into Texas, and once they typically get to a storm site they should stay and they should help out Texas and get that storm completed before they move on to the next storm.

For us in Florida if we get hit first, I think that puts us in a much better perspective from a resource base. But I believe some of the things that we have done this year are going to give us a much stronger resource base than we have had in the past.

MR. SQUIRE: Thank you.

MR. ADAMS: Sure.

CHAIRMAN NEWELL: Greg?

MR. ROKEH: On the inspector program, how long did you use it for last fall? Did it -- when did you shut down the use?

MR. ADAMS: So last year, as I mentioned earlier, we had 55 percent of the claims volume was eligible for what we call Fast Track or phone adjusting. We took that claim volume and we had it set aside to do Fast Track adjusting in Jacksonville. The independent adjusting resources that we got from our contracted vendors were unable to do the Fast Track adjusting. So about two weeks into the storm event we stood up the inspector program and we rolled that 55 percent of that claim volume out to the field. It took them probably about 90 days to complete that, and after we did that initial roll out of claims we pretty much cut them off and let them work down that claim volume. Our independent adjusters, we still have folks in the Keys and we still have people in South Florida that are continuing to handle new claims as they come in and reopens or supplements when there is a difference between our estimate and the policyholders.

MR. ROKEH: So that program that you stood up pretty much wound itself down through the course of working through the -- through the claims that you had.

MR. ADAMS: Correct.

MR. ROKEH: It currently isn't active at all other than your new submission now to prepare for this season and have it available?

MR. ADAMS: Correct. We only leveraged that field inspection program when we are in an event response. So those folks are not claims adjusters. They are leveraging that smart device with the adjuster assist software to produce a scope of damages. All of that goes back to an adjuster at Citizens to review and make sure that everything is in line, and the Citizens, it may not be a staff adjuster, it might be an independent adjuster

sitting in the Jacksonville office. They reach out and make contact to the customer and they are the front line for the customer.

MR. ROKEH: I guess, I guess my question specifically then is you don't anticipate it being a part of your regular day-to-day operations, only something available in the event of a CAT, is that correct?

MR. ADAMS: Correct, we only engage that when a catastrophe event occurs.

MR. ROKEH: Now, last year, did – during your response, I know you have referenced Xactimate and Xact Analysis. Was that the products that you used last year for the response?

MR. ADAMS: In '17?

MR. ROKEH: Correct.

MR. ADAMS: We used Xactimate as the estimating platform, and we have been under contract with them for quite a few number of years. We did not leverage the Xact Analysis tool for being the assignment engine for those claims, which is what we are going to do for 2018.

MR. ROKEH: That was -- you were using your in-house?

MR. ADAMS: Correct.

MR. ROKEH: Platform, I guess.

MR. ADAMS: Correct.

MR. ROKEH: I am assuming this probably integrates better, is that kind of the thing, or --

MR. ADAMS: So for Claims Center, which is our claims management system, we have significant algorithms and it has to go through multiple levels to figure out who is available, who has capacity and in what geography. And what was happening during the event was we weren't having issues with our claim management system. We didn't have enough folks deployed to handle the volume, and what was happening was it was backing claims up into these cues, and that created a little bit of a problem for us because we had to manually push that stuff out.

What we will do going forward with Xact Analysis is, all of those claims will cue into that tool and we will park them with vendor one, vendor two, vendor three. As adjusters come on board they will be able to take those claims up and move them out, and it won't put additional stress on our system.

MR. ROKEH: Okay.

CHAIRMAN NEWELL: Any questions from those on the phone?

MS. PEREZ: I have a question.

CHAIRMAN NEWELL: Okay, go ahead.

MS. PEREZ: Hi, Jay, this is Lissette Perez. Referring back to the claims that were reopened, do we have updated numbers as to what that looks like now?

MR. ADAMS: Sure, we do. We have received almost 69,000 claims to date. We have paid out, bear with me here, I am looking at it. We have paid out about \$700 million and when you add the reserves that are pending to that, we are a little over \$1 billion in total for Hurricane Irma.

MS. PEREZ: And going back to that, how have we adjusted the 2018 to avoid the issues with the supplemental claims being needed?

MR. ADAMS: Supplemental claims are part of the normal claims process. So when we get a claim assigned during a catastrophe we assign it to one of these adjuster types. They go out and they write the damages that they see that particular day. We will contact the insured, we will complete that claim with them, we will issue a check if needed, and we always tell the insured, when you get an estimate from your contractor, please contact us because we may owe additional monies. And some of the things that caused the supplements are the Xactimate tool is 30 days behind in its pricing all the time. So the event happens, they 30 days later go to the market place. They go in to individual zip codes, talk to contractors, builders, supply manufacturers and such to make sure that their pricing is accurate. Immediately following a storm prices do change. So we are working for the first 30 to 45 days on a price list that does not contemplate a hurricane.

Second, the longer homes stay non repaired they are accruing more damages, right. So what we originally estimated may not be enough to fix the house by the time the insured gets a contractor on site.

And then third, we don't typically don't destructive drying or removal of pieces and parts during the initial adjustment process. When the contract gets in and starts the drying and removal they a lot of times will find damages that we were unable to see. So all of those types of things typically roll up and create a supplemental claim. I think what is most important here is, unless their claim has been litigated or you have some type of settlement agreement, your claim is really never closed. When we say we have closed this many claims, that is really an internal number for us. You are always eligible to contact your claims adjuster and submit additional information for review.

MS. PEREZ: Thank you, Jay.

MR. ADAMS: You are welcome.

CHAIRMAN NEWELL: Any other questions for Jay? Jay, I had a couple. This is Dave Newell. How many staff are in the resolution unit there currently?

MR. ADAMS: So we use independent adjusters.

CHAIRMAN NEWELL: Okay.

MR. ADAMS: To respond to all catastrophes. And we leverage our staff to provide oversight to teams. So we break them up into teams. Today we have about 75 folks still sitting in the resolution unit.

CHAIRMAN NEWELL: Okay. And of the claims that are getting either supplements or being reopened so to speak, are you getting any sense of third-party involvement in that? Are you keeping track of that number, percentage at all?

MR. ADAMS: So the long answer is yes, we are. Initially when we started getting the Irma claims, for the first three weeks we had a fraction of a percentage of people that had representation. Most people that had significant damage immediately turned in their claim and the insured did it or their agent helped them. As we got further out from that, about three weeks out, we started seeing claims that had representation, and the representation percentage has significantly increased. We are at about 36 percent of all claims today. Now, that is the 69,000 claims now have some type of representation. So to answer your question, a lot of the supplemental activity is driven by some type of representation getting involved producing an estimate significantly different than what their claims adjuster did.

CHAIRMAN NEWELL: Okay. Okay. Any other questions? All right, last one for Greg.

MR. ROKEH: Okay. It seems to me, just listening to that number where you now have representation on a huge percentage of these claims, probably because they were low, the initial checks were low and trying to get the communication out to the consumers that they can pick up the phone and call and say hey, we need more because the prices are higher. Is there not a way that when you are -- when these CATs first hit that your adjusters can go in and make a change to the Xactimate estimate, because you all know that those numbers are not going to be accurate, that they are 30 days out of date? You have got a CAT event, that prices are going to increase by 15 percent or whatever. I mean, you have got analytics that tell you what it is going to go up.

Why can't your field adjusters or the supervising adjusters just, just make that adjustment factor when they are calculating those initial claims and maybe short circuit some of these things from coming back four months later looking for more money with representation?

MR. ADAMS: We have to be able to validate what we are doing and how we are spending and reserving the money. And we have made the decision that we will leverage this Xactimate tool to do that. We do not want the adjusters to guess what the price impact may or may not be, because it is not the same across the state. In one area it might be

two or three percentage point difference, another might be 50 or 60 point difference. So we do not encourage that. What we do though, is as soon as we have any evidence that the pricing is incorrect for an area, we do contact Xactimate. They immediately get on the phone with contractors, vendors, as I stated earlier, and they will make mid term adjustments for CAT, but they need some evidence that there has been a change.

Everything that we send to the policyholder indicates that if you come up with a different number than your estimate, please contact us, and that is why we still have this resolution team up and running is we don't want to roll that back into our normal work flow because the normal work flow there would be significant delays because we don't have the people power to handle it. We continue to run this in a CAT operation until we get it wound down to, you know, a few thousand claims.

CHAIRMAN NEWELL: Well, Jay, great report, and President Gilway is making his way up. So go ahead, Barry, any comments?

MR. GILWAY: Yes, Barry Gilway for the record. Greg, I do want to add one issue here. We are getting 750 new suits per month that are Irma related. So 750, and last month we received a total of 1,250 new suits in total. So the old water damage losses which are actually slightly going down because the attorneys now have turned to try and mine claims in the Irma arena. So part of the adjustment is the consumer does not like the fact, appropriately, that they have a hurricane deductible and to a large extent it was unknown by the consumer because of the lack of education in this area, so they don't understand that. And I don't know the exact percentage, I am sure Jay has that on the tip of his tongue, but a significant number of these Irma suits relate to the fact that they did not get a payment under the coverage that was provided on their policy. They are disappointed that the payment was not made. They go, they move to an attorney to try and make a case for that claim under their hurricane deductible. So I think what you have to consider also, and by the way, a number that I will be using tomorrow in my report, during the first quarter of this year the industry, the litigated claims for the industry increased by 60 percent in the first quarter. Citizens increased by 35 percent year over year. So it is happening across the industry, litigation is taking place, litigation is driving up the claim amount.

The only point, the only reason I wanted to jump in, Greg, is that this is not a situation where we are underpaying claims initially. This is being far more responsive than frankly virtually any company in the industry is stepping up and basically saying if we owe for any reason additional repair costs, we are here, come talk to us and we will pay those costs. We will pay exactly what we need to for a fair settlement on the claim.

CHAIRMAN NEWELL: Thank you, Barry. Do I hear a motion to adjourn the meeting?

A VOICE: Motion to adjourn.

CHAIRMAN NEWELL: All right, meeting adjourned. Thanks, everyone.

(Whereupon, the proceedings were concluded.)