

**CITIZENS PROPERTY INSURANCE CORPORATION**

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

**Tuesday, April 10, 2018**

The Market Accountability Advisory Committee (MAAC) of Citizens Property Insurance Corporation (Citizens) convened at Sheraton Orlando North hotel in Maitland, FL on Tuesday, April 10 at 1:00 p.m. (EDT).

**The following members of the committee were present:**

David Newell, Chair  
Brian Squire  
Greg Rokeh  
Lee Gorodetsky  
Lissette Perez  
Phil Zelman  
Ken Norberg

**The following members of the committee were present telephonically:**

Gordon Jennings  
Paula Lutes  
Susanne Murphy

**The following Citizens staff members were present:**

Matt Gerrell	Scott Crozier
Christine Ashburn	Karen Holt
Nancy Staff	Kapil Bhatia
Jennifer Montero	Andrew Woodward
Michael Peltier	Carl Rockman
Adam Marmelstein	Jay Adams
Dan Sumner	Violet Bloom
Paul Kutter	Bruce Meeks
Barry Gilway	Elaine Thomas
Barbara Walker	Robert Sellers
Bonnie Gilliland	Joe Martins

**The following members of the Board of Governors were present:**

John McKay  
James Holton  
John Wortman

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

## **Call Meeting to Order**

Roll was called and a quorum present.

## **Opening Comments**

CHAIRMAN NEWELL: Thank you, Barbara, before we dive into today's business we want to welcome a new member of MAAC, who is a Citizens policyholder. That is part of our charter to be on this committee, is to have one Citizens policyholder. We want to introduce Ken Nordberg from Palm Beach County. So welcome, Ken.

MR. NORBERG: Thank you. And it is pretty easy to be a Citizens policyholder in Palm Beach County.

### **1. Approval of Prior Meeting Minutes**

**A motion was made and seconded to approve the December 12, 2017 minutes. All were in favor. Motion carried.**

### **2. Agency Services Update**

MR. BITAR: Thank you very much, Mr. Chairman. I also want to take a moment just to thank you and FAIA for inviting us to participate in the claims forum that was held in Ft. Lauderdale last week. We took away from that a lot of great ideas that we can use going forward to try to respond during a hurricane. So again, we just want to thank you for that participation and there was a lot of great ideas shared that day.

CHAIRMAN NEWELL: Well, thanks for that comment, Steve, and we really appreciate you all being there. There was 14 carriers represented. You all were one of those, and the dialogue was centered around concern of third party involvement in the claims process, and quite frankly, kind of starving the agent out of that process. So we wanted to get some dialogue going between the carriers and agents about what can be done to further that involvement by the agents. So you all brought a brochure, you were very forthcoming on a lot of this stuff that you guys are doing or looking to do and hopefully we will get some, get some traction back, so thank you very much.

MR. BITAR: Our pleasure. At this point I will turn it over to Carl Rockman, our Director of Agency Services and he will take you through the agency update.

MR. ROCKMAN: Thank you, Steve. Thank you, Mr. Chairman. For the record this is Carl Rockman, Director of Agency Services. I am going to cover four areas with you this afternoon. We are going to talk again about the agency footprint. I am going to

give you an update on our efforts to educate our agents around the assignment of benefits issues and our new policy features and claims handling. We have a @3:50 (inaudible) our agency performance programs, binding violations on late submissions, and then we are will round out my update today with an update on our agent outreach efforts. If you would be so kind to go to page 2 or page 1, numbered page 1 of your presentation. This is our standard presentation to the committee on our agency footprint. You will notice the continuing trend downward of agents appointed with Citizens and agencies appointed with Citizens. I also want to point out this drift in the tier one, two and three agencies. We are down from 64 percent of those -- 64 percent of those agencies controlling our business, to 62 percent. So that is a positive trend. When the larger agencies are less dependent on Citizens that is a good sign. Also I want to remind the committee that still 63 percent of Citizens agencies have less than 50 policies in force. Again, that is a reflection of the health of the marketplace and a trend that we hope continues despite market trends. Are there any questions on the agency footprint?

CHAIRMAN NEWELL: Phil.

MR. ZELMAN: Carl, last meeting there was mention that there was an uptick in agent contracts in southeast Florida. It was showing that you have less agencies, but do we have -- do we have more people registering for contracts with Citizens now in the southeast area?

MR. ROCKMAN: I would have to get specific to that number, but my indication would be that we might be flatter, a bit up in tri-county. Most agencies in southeast Florida are holding on to their appointment due to the changing market conditions. Some of the drift you see here might be in areas of Florida where there are better markets, healthier markets. So I would have to get back to you specifically on that number, but my instincts would tell me that we are not seeing a significant drift in southeast Florida in terms of Citizens appointments.

MR. ZELMAN: Okay. Thank you.

MR. GORODETSKY: Carl, a question. I see tier six has no policies now for quite some time. Is there a reason the agencies just can't be released or --

MR. ROCKMAN: Statutorily if the agent is carrying the underlying appointment that allows them to keep their appointment with Citizens, there is no really way that we could move and change our relationship with them. It is really their choice to go ahead and retain that. Some agencies choose to because you never know when you are going to need a Citizens policy, so they want that safety net, but there is nothing that we can do to move it away from them because of the lack of production or a lack of PIF given the current relationship.

MR. GORODETSKY: Okay.

CHAIRMAN NEWELL: Members, just a reminder, when you speak, please state your name, because when these are transcribed they want to know who is speaking, so just a reminder. Thank you. All right, anymore questions for Carl?

MR. ROCKMAN: Okay. Moving to page 2 of the presentation I want to update the committee on our progress to educate our agents on the assignment of benefit issues and the new features of benefits on our claim platform. Just to remind the committee, we did stage a mandatory education event for all agents with Citizens. That mandatory education included awareness around the AOB issues. It also included reminders of the language in our policy that requires the customer report within 72 hours and to make sure they don't make emergency repairs above \$3,000 or one percent of Coverage A. What you are looking at here, also that education promoted the new emergency services and manage repair features that our claims department is now able to offer. What you are looking at here are the results so far. I would draw the committee's attention to the exhibit at the bottom where we focused on our tri-county agency partnerships. I wish to report that over 95 percent of the agencies in tri-county have completed the mandatory education to this point. Other agencies that have not complied with that We are working with them, obviously, to enforce the terms of the agreement that we have with them where mandatory education is required when we make it mandatory and with your support we have, and we will be working with those agencies to take appropriate progressive steps to make sure they comply. Overall feedback on the education has been incredibly good. The agents that have taken it have thought that it really hit the market. It informed them of what they needed to know about the AOB issues, policy features and benefits, and again also what our claims department is now able to offer in the manage repair and emergency services space. We are going to continue to work with those agencies until all have taken it or have chosen another relationship with Citizens, and we will continue to raise awareness on the issues. We will be staging additional education later this year as new policy features are rolled out. We do think it is a critically important that our agent community understand any policy changes that might impact the customer from a claims settling standpoint or a coverage standpoint. So while this is a good first step, look for us to build out an additional plan that we will share with you in June to better educate the agent on any policy changes that we might, we might be putting in later this year. Are there any questions on our AOB education efforts?

CHAIRMAN NEWELL: Lissette.

MS. PEREZ: This is Lissette. Hi, Carl.

MR. ROCKMAN: Hi.

MS. PEREZ: Question. Is there a timeline on these agents that have not participated in the mandatory training?

MR. ROCKMAN: We are quickly coming to that. We did have a pause in the action due to Irma as you might recall, and we do want to make sure that anything we

do from a mandatory standpoint has a human touch to it. So we probably have given them a little bit more latitude than we need to, but the door is rapidly closing. We want to make sure that by the time the committee meets with us again by June we have this completely buttoned up, that agents have either complied with the mandatory education or they have made another choice to maintain their relationship with Citizens. There is a formal process we have to go through given the agreement. There is formal notice we have to give them. There is a response. So it is a step by step procedure, we just can't turn them off, but we are following that procedure rigorously and working with those agents along with high touch agency management conversations to make sure it doesn't seem like it is an e-mail that they have to respond to.

MS. PEREZ: Thank you.

MR. GORODETSKY: Carl.

MR. ROCKMAN: Yes.

MR. GORODETSKY: Lee Gorodetsky here again. Do you know if the people aren't taking the classes, is it from tier one or tier six or do we have that broken down? Is that possible to figure out?

MR. ROCKMAN: I can get back to you on the specific number, Lee. I suspect that the agents that aren't engaged and particularly agents that aren't engaged in a lot of Citizens business, the agents that have appointments with us and have commission dollars at stake are really going to make sure they responded. So our instincts have said these are probably folks that are, in some ways in and out of the market place. Some we haven't been able to necessarily connect to the education because they have left or done something. So a lot of this is folks that maybe were appointed for a bit and are no longer with us. But we don't think these are agencies that have high degrees of Citizens business. Any other questions?

Okay. Next, on page 3 of your exhibit I want to update the committee on our continuing efforts and what I call the agency performance management space. You know this is our binding violation and late submission program. I wanted to bring the committee up to speed on our latest results. On the left-hand side of your exhibit you will notice an update on our binding violation program. I will draw your attention down to our 2018 February results. We have a total of 143 binding violations issued in the month of February, and I will draw the committee's attention to the reasons. I always like to bring up the reasons. And you will notice the reasons are summarized, not only on the bottom but also on a grand total basis. Our number one largest reason for binding violations continues to be uninsurable risks. These are risks that the agents present to us that our underwriting department has deemed ineligible due to the condition of the property primarily, okay. We are not the insurer of any resort, we need to make sure that these properties can stand up, that these properties are in good quality and our underwriters have the latitude to issue a binding violation when that is presented to us. So not only insurable risks being number one, but you will also notice that number two reason, bear with me, circumventing -- sorry, thank you. Circumventing electronic

policy documents submission process. Essentially this is policies coming in without all of the bound documents. So these present education efforts for us. Know that with this program while an agent may get a binding violation we have education efforts behind that binding violation, and I know these education efforts are effective because what you don't see underneath in the grid below are agents moving from warning notice to suspension to termination. You will notice that agents get warned of these, but because of the efforts of our agency management team and our agency compliance team we reach out, we educate, we look to have it not be repeated. And so we feel that that is a very effective program to get the agent's attention to make sure that we don't have someone repeatedly submitting business that could impact the customer experience or impact Citizens.

So again on a total submission basis the binding violations are fairly small, but they are important because the risk submitted to Citizens is not in good order, it is important to us to correct, and again, our outreach efforts go towards agent education. We are not -- we don't want to have a lot of agents suspended or terminated because of this and the binding violation program allows us to engage agents in a meaningful way. Any questions on binding violations?

MR. GORODETSKY: Carl, Lee Gorodetsky. Just a quick question. It looked like in November and December they were coming down and then January, February now heading back upward.

MR. ROCKMAN: You will have some drift in that and you will see some different contrasts month to month. Some of that could be submissions going down as well, and generally you will see submissions goes up and these binding violations will trend. In the next exhibit what we may do is balance a percentage of these off of the submissions that might be a more relevant exhibit for the committee to take a look at. But you will see some month to month contrast in the number of BV's issued primarily due to submission totals.

MR. GORODETSKY: And do we know how many of these are like real estate closings or people just being moved from one company to Citizens, type of a scenario?

MR. ROCKMAN: That is a very, very good question, Lee. We continue to look at source of new business. It has been a new exploration for us in terms of what is coming to us from what company, and primarily in the real estate area we have a high degree of interest to make sure that our real estate partners are well served should a customer need a Citizens policy. So again, if a binding violation is issued it is typically issued after the policy has been done, the real estate transaction is closed, but obviously a canceled policy is a concern to everybody. So these are all after the action takes place. Again, keeping our real estate partners informed, but we don't want there to be turbulence after the closing that the real estate agent or the insurance agent have to deal with.

CHAIRMAN NEWELL: Carl, this is Dave Newell, just and maybe for a reminder to us on the committee to certainly as Ken is welcome aboard, how do you transition from a warning notice to, you have one suspension? How does that process work?

MR. ROCKMAN: There is a table that we didn't include in your exhibits. There are thresholds that the agent must reach based upon the amount of submissions that they make to Citizens. Thirty or less you are on one platform, 30 or more you are on another platform on a 12-month moving basis. So there is, there is a threshold or I will call it a little bit of slack in the program. It is not one and you are on a warning notice. You have to have a certain amount of these to even get to a warning notice, but even the first one or two is a signal to our team to engage. We don't wait for someone to get to that warning notice level, but when they do it creates this other conversation. After the warning notice the agent is then monitored up until the point that they could be suspended should the binding violation frequency continue, okay, and when they are on suspension they are out of business for 30 days, no new business. After that they are brought back, any further repercussions at a certain standard results in the termination of the agent. As those steps @15:43 (inaudible).

CHAIRMAN NEWELL: Alright. Phil.

MR. ZELMAN: This is Phil Zelman. Carl, when you talk about the warning notices and the suspensions, that is to an agent, not an agency, correct?

MR. ROCKMAN: That is correct. Under our current structure we have an agency and then we will have appointed agents underneath that agency. This program is designed for the agent that wrote the business and submitted the business to us. So there still could be other agents in that agency that are eligible that are performing. This program is primarily pointed at the agent of record who submitted the business.

MR. ZELMAN: Thank you.

MR. GORODETSKY: Carl, Lee Gorodetsky. You said the number was 30. So is that per agent or agency?

MR. ROCKMAN: Per agent.

MR. GORODETSKY: So an agency with three agents could really have 80 or 90 of these issues and still not be suspended?

MR. ROCKMAN: It can aggregate up, but I will tell you outside of the program as defined, these get our attention because obviously if we have three agents on the warning list and an agency that is doing multiples, we have other issues. That is a whole other conversation. We have an agency management team engaged in to make sure that we just don't have this poor quality continuing until such time that it gets out of control. We typically find that there might be one agent in need of additional education. Once we engage that agent things get better. We also let the agency principles know. This is -- they are not blind to this. So the agency principles, as some of you on the committee are, are obviously informed when this occurs with any appointed agent in the agency and we ask for the AP support taking corrective action to making sure education is taken.

CHAIRMAN NEWELL: Lissette.

MS. PEREZ: Hi, this is Lissette Perez again. And so what happens if these violations are against the agency principle, which is also an appointed agent?

MR. ROCKMAN: Uh-huh.

MS. PEREZ: How does that effect the agencies, themselves?

MR. ROCKMAN: Well, essentially what can happen if the agency principle finds themselves in a situation where they are the offender, we can have a situation where the agency, itself, is in jeopardy. Without that AP who owns the book and/or as the relationship at an agency level. The AP can actually be in the suspension or terminated status. Just their record though, if they have another appointed agent, they can still produce, but ultimately if the AP puts their relationship in jeopardy it can jeopardize the entire agency. In which case without an AP we have no agency and we have to move forward with termination of the agency. It hasn't come to that generally, but that would be the consequence.

MR. GORODETSKY: I am sorry, Carl, Lee Gorodetsky again. I am confused. So if an agency has three producers and a principle and they are all writing business, if one agent has or meets a 30 or becomes suspended, that agency is not suspended, they can still write business?

MR. ROCKMAN: Correct. The program as it is defined today it is just the agent that is put under the discipline. There are other appointed agencies, agents in that agency that can still produce business for Citizens. But again we have an analytics team who can tell us a much better story about the performance of the agency, and my team is the agency piece. It is agency focused. The agency is what really matters to us as well, so we don't want to shift the burden to other agents that can now plug up the system. We want to release that. And then we are obviously open to any recommendations or any thoughts that folks have relative to the program, itself, whether it should be ag an agency level, we haven't approached that yet. We haven't had that come forward from our agent roundtable, but certainly this performance program was put in place with the support of our agent roundtable and we certainly would listen to any recommendations that they might have relative to changing it.

CHAIRMAN NEWELL: Okay. Alright.

MR. ROCKMAN: Moving quickly then to late submission program. You will remember, we brought this program back this year. I wanted to update everyone on our progress so far. We are very pleased to report that if you look at the exhibit on the right-hand side, year to date totals, on 15,000 submissions we only had 400 policies trigger a late submission violation. What is a late submission violation? It is a policy that is bound where documents have not been received within 14 days of the effective date. Okay, so that is a long time. Only 400 have met that standard. You will see 1,845 have been



issued a warning and we fire that warning at seven days after the effective date. The warning is really getting people's attention to say I have a pending business of business here, let me get my documents in, let me get this completed and then obviously our agency management team is highly engaged with people at the warning level. This is a reflection of business moving through the system appropriately. It is a reflection of great agent behavior and the ability for the agent to get those documents in so our underwriting department can evaluate the risk, but without this program I am not sure where we would be. I know the agent awareness on this is very high. The agents do not want a late submission violation, and the fact that we have a performance program a round that I think has really helped move the documents through the system quicker and allowed our underwriters to get at the decisions faster.

MR. GORODETSKY: Carl, Lee Gorodetsky. This is good, but do we have any way of knowing if these late submissions and the late submissions is a good low number. Is any of that or can any of that be tracked to lead into the binding violation if it the same people or is it different scenarios?

MR. ROCKMAN: Yes, Lee. We will see at an agency level and at an agent level you will see some of the same folks pop on both lists. It is not common, but you will see some situations where performance can be improved in both areas in selected agencies. And again, just because the agents submitted the documents on time doesn't mean the documents reflect what we want relative to the inspection quality, signatures, and things like that. So that is where the binding violation program comes into help us. So we just don't want stuff to come in quickly to beat the finding violation, we need it on to be accurate and that is where the BV program will come in and help.

CHAIRMAN NEWELL: Go ahead, Brian.

MR. SQUIRE: This is Brian Squire. We just need to keep it in perspective. I believe the binding violations are significantly less today than they were a couple of years ago. So for some of the newer committee members, this was a very large issue that has been addressed year over year and these numbers are significantly down, so just to keep that in mind.

MR. ROCKMAN: Thank you. Again, on the overall results the late submission you can see that we have one warning notice in the whole program. So again, we will monitor this, we appreciate your support in having this performance program out there and we will continue to monitor that, okay.

MR. ROKEH: Chairman, I have a quick question.

CHAIRMAN NEWELL: Go ahead, Greg.

MR. ROKEH: Greg Rokeh. How do your standards compare to the rest of the marketplace? Are you more lenient or --

MR. BITAR: I would say yes, we are absolutely more lenient in regards to our role in the marketplace and the fact that our approach is one to really try to educate and train. Our goal is really is to rehabilitate, educate and train. We are @23:00 (inaudible) program. So for us we work very closely with the agent roundtable on the @23:06 (inaudible) and I do think it is working. @23:12 (inaudible) go back to the advances (inaudible) for us all that (inaudible).

(Whereupon, the audio was not transcribable.)

MR. ROKEH: Well, Brian is absolutely correct, the numbers are significantly better than they were two or three years ago. But there comes a point at which they got to get this right. I mean, how -- how long are you just going to let them keep throwing garbage into your system and how many -- how many tens of thousands of hours of underwriting time is being wasted pursuing stuff that should have been done right the first time? There comes a point at which it is not cost effective for Citizens to keep babysitting people that aren't submitting appropriate materials.

MR. BITAR: Duly noted. We can absolutely take that back to our roundtable. I will say, we are not seeing garbage in, garbage out. We also have strong systems that allow us to really make sure that the agents understand what is required, what the documentation needs to be submitted and I believe the numbers speak for themselves. When you look at the fact that we are getting between seven and 8,000 risks submitted on a monthly basis and the percentage is miniscule, you know, we are pretty pleased with the progress we have made. You know, as Mr. Squire pointed out, who was our Chairman of this committee. We worked very diligently to bring these numbers in line and put in a lot of the safeguards needed to ensure that we didn't have garbage in, garbage out. So we are very proud quite frankly of where these numbers currently sit. Is there room for improvement, always, but we also have a very transient agency workforce where you have new agents that are consistently coming into the business, if you will, and you are going to have educational opportunities, and I believe that our results here really show the partnership that we have built, the safeguards that we have established and the results that we are seeing, quite frankly. So we are very pleased quite frankly with where the results are. And as Carl has noted, we really work closely with the agency principles on what is happening in their agencies and really target where the educational opportunity sits, which is with that individual agent and we are not seeing repeat offenders, and you can see that with the number of warning notices and lack of suspensions and terminations quite frankly. And that was a different story a few years ago when we would look at those same numbers. So I do think we have definitely made progress and it has been with your support and with that of our agent roundtable as well.

MR. ROKEH: Just a quick follow up then. Do you feel like the level that you are at now is what you can expect pretty much to continue based on the -- the nature of the -- of the agents that are writing?

MR. ROCKMAN: I wouldn't expect it deteriorate. But I would always say we could do better. I think there is education opportunities. We certainly can pick up our game taking what is happening in these binding violations and making sure that the larger agent community is informed. We do a lot of education. We do a lot of awareness, and so we really won't be satisfied until all of it absolutely perfect. And it also gave us an opportunity to work with our systems partners to make sure our interface is logical and we are sending as many tips to the agents as possible to make sure the submissions are clean. So I wouldn't want this to deteriorate, but I still think there is room for improvement.

MR. BITAR: And I think for us it is a balancing act quite frankly. This is Steve Bitar for the record. We are constantly changing rules, changing our policy language, continually educating our agency base. So there is some give and take there. I think that it does require a partnership. We can do all that we can to make sure that all the latest and greatest information is out there, but when you have over 7,000 agents that are in this machine, if you will, we have to be realistic. So that is why we have repeat programs laid out the way that they are. They really have more of a focus on education and training and not penalizing our agency workforce. We have reaped benefits quite frankly from that approach and we see that in the results and I would hope that at least the agents that is sitting on the committee can support that approach that we really all work together towards.

MR. ROKEH: Thank you.

CHAIRMAN NEWELL: You (inaudible)28:04 Depopulation, (inaudible) depopulation, it is not in your system as much as they used to be. So when they do have to go into the system it is a little learning curve. There are things that they are not familiar with. As you said, things change, documents are maybe a little different, so on and so forth. So that may be a part of this, but for some that have served on this committee for a while the numbers are far less than they were @28:38 (inaudible). But thanks for the questions. I appreciate everybody's participation on that. So I guess, Carl, last, last bullet points.

MR. ROCKMAN: I will move on to slide four which is an update on our agency outreach efforts. On the left-hand side of your exhibit I again want to say thank you again to our agent roundtable members who give us more of their time than we really deserve. We have already had three meetings with the agency roundtable. One, an all-day meeting that we just concluded a few weeks ago in Tampa. @29:10 (Inaudible) you know, I (inaudible) I over flight (inaudible) documents (inaudible) Today but the (inaudible) come forward with that, opportunities for improvement so we are very pleased to keep working on. The other two points I will mention today is our agent association sponsored webinars with all of the association partners we have here on the committee. We are pleased to partner with you on a regularly scheduled Citizens power hour we will bring your membership in. We talk to them (inaudible) at committee Citizens this is an environment that would give them an edge to serve as customers. We also take live Q and A during this session. So it is a very dynamic and contemporary

process. So we appreciate your partnership on those power hours and we will continue those as the year progresses. And the last but not least live agent certification already been out two times this year, but again, the partnership with the association @30:09 (inaudible) as part of that experience, delivering that live experience that agents really like. They can meet to talk about the certification program but on the issues that might be at hand. So we will continue these outreach efforts and update the committee as we go forward. Again, another important program.

CHAIRMAN NEWELL: Well, thank you, Carl. Phil, do you have a question?

MR. ZELMAN: Not a question, a comment really. The -- the committee, the agents' roundtable keeps getting brought up. I don't know if people really understand what is involved in order to sit on that committee, what the commitment is. With the @30:51 (inaudible) a (inaudible) I (inaudible) conference calls. Those are two, three, four hour calls, besides the all-day meetings. So this is just a tremendous amount of work on the part of the committee which is made up of agents and Citizens personnel. I just wanted to bring that to light because I think it really is in any, in any @31:18 (inaudible) that we go through and the information does not give background to that committee. So I just wanted to make that comment.

MR. ROCKMAN: Well, if we can perhaps at the next meeting bring forward a little bit more on the ART and give you a little bit more perspective on what they are up to, but rest assured that it is, it is an idea machine. They are not shy about bringing forward suggestions to Citizens staff, and I will say thanks to the Citizens staff. Citizens' staff actively participates with the ART regularly. They are on receive. They are on listen, and I think a lot of great things have come from that group and that interaction over the past few years. So we continue any process that voice of the agent inside here is an important element to delivering.

MR. ZELMAN: The @32:05 (inaudible) what has come out of the agent roundtable that is (inaudible) so (inaudible) the (inaudible) there (inaudible) committee has been around. This is not the original committee.

MR. ROCKMAN: So again, thanks for the agent roundtable. You see the meetings that are scheduled this year and great participation. We will update the committee at the next meeting on their progress. And I will close out, Chairman Newell, with just a brief mention of the brochure that Christine Ashburn's team for placing together a brochure that really talks about what we are doing to prepare for the next storm season. This is just some general messaging to our agent community on what we do at Citizens to support the agent when a catastrophe comes through. Beyond the catastrophe response centers there is communication events, there is different outreach efforts we do, and we deploy agency managers where appropriate. We are very, very focused on the agent support during a catastrophe and this brochure just does a brief outline of that. So I won't present it to you in any detail today, but I wanted to let you know it existed and will take any questions. So Mr. Chairman, that concludes my presentation if there is no more questions.

CHAIRMAN NEWELL: Alright, thanks, Carl. So as we are moving along. We will go into tab three, and welcome Jay Adams, Director of Claims and he is going to talk to us a little bit today about the water loss trends that Citizens is experiencing. Welcome, Jay.

### **3. Water Loss Trends**

MR. ADAMS: Thank you, Chairman, and committee members. I would like to start off and talk about the Florida trend as taken through an Office of Insurance Regulation data call that happened back in the fall. This is the second data call that they have made, and they focused on water trends obviously. AOB is a subset of that as well, and they focused on HO-3 policies and Dwelling Fire policies only. It included 25 insurers and Citizens is excluded from this data. So after we go through the Office of Insurance Regulation report then I will transition and go into Citizens specific data so we can kind of compare how we are doing against the market. On slide number four we are looking at the trends in the water losses here and what I want to call your attention to is the lower half of the graph. There is also two columns of data, a prior report period and that was the first data call that the Office did. That period was from January 1, 2010, through September 30th, 2015. So five and a half years, about. The current report period is for January 1st, 2015, through June of 2017, two and a half year period, and it is important to note that, because what I want to talk about is the average annualized change. So when they look at the frequency of water claims and they also looked at the severity, and on the bottom line there it looks at them on a combined basis. So in that prior period for five and a half years the average annualized change was 14.2 percent. In the current period it has increased to 42 percent, a significant increase.

On slide number five, this slide focuses on the frequency of these claims, and as you might guess, south Florida is the overall majority of where the frequency of these claims occurs, but what is interesting to note is that in Central Florida we have some new emerging markets where we are starting to see activity where we haven't traditionally seen it. On slide number six, this looks at a severity perspective and again you see South Florida being the area or geography with the highest severity of those claims. Slide number seven, this is that same information that was on the prior chart, and just reconfirming that in the current reporting period the combined frequency and severity changes are at 42 percent.

On slide number eight they also looked at the assignment of benefit trend. And claims that have an assignment of benefit have a severity up to 85 percent greater than a claim that does not have an AOB. There has also been significant increases in usage of AOBs. It has gone up about five points over that reported period, and the geography that we have chosen for our slides, we are starting to see emerging markets where we haven't seen them in the past. On slide number nine, this is looking at average severity, and again from an AOB perspective. The first three bar charts are claims that have AOBs, and the second set of bar charts are those that do not have an AOB. What is interesting to note on this slide is that in order for the claims that don't have an AOB the average severity of water claims is increasing. But if you have an AOB on the claim, they are increasing at a much higher significance.

Slide number 10, this is just looking at the percentage of water claims that do have an AOB. And again it is just showing that in 2015 we were at 12 percent and today we are up to about 17 percent. And on slide number 11, I would like to conclude with reading a quote from the OIR. This was the conclusion that they drew from their analysis. The significant increase in both the frequency and severity of water losses, the rising use of AOBs and the acceleration of those trends over the last several years has resulted in tangible consumer harm. AOBs have been part of Florida's marketplace for more than 100 years. Loopholes in the way it is being used in the marketplace are driving up costs for homeowners across the state due to unnecessary litigation associated with certain AOB claims. The escalating trends identified in this analysis are showing up in rate filings that are being submitted to the Office and are resulting in significant premium increases for almost all homeowners across the state. These trends in addition to increased premiums are reducing consumer choice as the insurer cease writing or begin non-renewing policies in areas with high water losses. As in any intervening changes in the way AOBs are being used today it is expected that these trends will continue to deteriorate. This may cause available issues as insurers struggle to continue the rising cost and will result in higher homeowner premiums for all Florida homeowners. Now, I would like to move on to slide number 13, and what we are going to now is we are going to look at Citizens specific data in these same areas.

So slide 13 is looking at H0-3 non-weather water severity. And what I would like you to take note of here is, we are looking at litigated claims versus non-litigated claims, and when we have a litigated water claim it costs about four times more to resolve that than a non-litigated claim. And something that is somewhat shocking is that when you look at the expenses associated seven times more to resolve the expense piece associated with these claims. On slide number 14, this is looking at the litigation rates, and these are our projections. Question?

MR. ZELMAN: This is Phil Zelman. I have a question on the non-weather claims we are showing on the losses, how much of this are attorney's fees?

MR. ADAMS: Under non-litigated claims there are no attorney's fees.

MR. ROKEH: No, on the non-weather claims that are litigated.

MR. ADAMS: That are litigated? The -- they would be in the @39:41 (inaudible) piece. I don't have that number handy. They are entitled to fees and costs if they win the suit. So those numbers are included into the loss numbers.

MR. ROKEH: Okay. In many cases they are getting a higher percentage than maybe the homeowner is getting?

MR. ADAMS: Correct, that is what is driving the increased costs. So in order to resolve those claims we are having to include attorney's fees and costs into whether we agree to some type of settlement or whether it goes to court. Okay, on slide number 14, here we are looking at litigation rates and we are projecting what our litigation rates are going to be year over year. What I want to point out to you here is that the majority of

our problem historically has been in southeast. So if you look at that middle column there you can see there has been a steady increase year over year. But the alarming trend here is just like the OIR study, we are starting to see emerging markets in other parts of the state that we haven't traditionally seen. On slide number 15, this looks at claims that has some type of representation when they are submitted during the first notice of loss.

One thing that I want to speak to very quickly is for the year of 2017, these numbers look like they are decreasing. The only reason that they show a decrease is because there are 66,000 Hurricane Irma claims included in these numbers, which is, which -- which have artificially reduced those numbers. We are still seeing continued increases in the representation for the southeast and we are seeing again more representation in other markets within the state that we haven't traditionally seen.

On slide number 16 we are looking at assignment of benefits. The same anomaly occurs in the year 2017, the Irma claims are included, but again, in the southeast we continue to see increase in the usage of assignment of benefits, and again the remainder of the state, there are new emerging markets that are coming up using those same tactics. On slide number 17, this is just a summary of some of the claim metrics year to date. It is worth noting that our policies in force count continues to decline, but the number of our non-weather water losses continue to increase. For 2016 we averaged 905 water claims per month compared to 2016, where we averaged 882 per month with an increase of three percent. For this illustration I did exclude all of the Hurricane Irma claims so that we could look at it from a trend analysis. As a reminder, Hurricane Irma made landfall on 9/10/17. It is interesting to note that if you look in the September numbers the non-weather water losses only represented 22.7 percent of the non-catastrophe claims volume, but in September they increased to 63 percent. So how did the hurricane impact the non-weather water claims? It is interesting to note that the average days to report the non-weather water losses decreased to 22 days for the month of September, and then it returned to 36 days in October and remained higher than the average 23 days for the remainder of the year. And we see similar trends existing in a new suits received.

Another observation is that our new manage repair language was filed and went into effect 7/1/17. The average days to report a claim steadily increased from July through the end of year which circumvents any utilization of our mitigation piece of our repair program. With that, Chairman, that concludes my presentation.

CHAIRMAN NEWELL: Alright, any questions for Jay on that report? Very well done, Jay.

MR. ADAMS: Chairman, if I could have another second I would like to speak to a topic that several members have asked me about today. When it comes to Hurricane Irma claims, many of these claims were resolved early on, very closely behind the hurricane landfall. So September, October, we were resolving a lot of these claims, sending out estimates. We are getting some feedback that people do not understand that when they go out to market today, so, for example, if they need a roof replacement, if they go to market today and the rate, the labor rate or the materials is higher than what Citizens estimated for, they are entitled to be able to call Citizens back and reopen

that claim and move it to a different market we are seeing today and make a supplemental claim. We have a lot of insurers that do not understand that. By the time they get to the market and get an estimate from the vendor or contractor, it appears that we may have under paid them. And again, after landfall of the hurricane market rates changed significantly for labor and materials. Our estimated system works on a lag basis. So it is looking at 30 days behind all the time. It takes time for those market changes to occur and we just want to make sure that everybody understands that if a customer has an estimate that differs from what they have at Citizens, please submit that back to us. Let us review it and then we will be able to let you know what we can do to help resolve that issue.

CHAIRMAN NEWELL: Well, this is Dave Newell. Before I open it up for questions, thanks for bringing that up, because I guess from our perspective up here because we represent associations, is there something that we may be able to do to help get that word out, because certainly that is significant? If people still feel that they are not getting their fair share, so to speak, because now they finally six months later have a contractor out there and he is telling them X and you have already been paid Y, so.

MR. ADAMS: Anything that the agency force can do to help us. What ends up happening is that customer gets frustrated.

CHAIRMAN NEWELL: Right.

MR. ADAMS: And they will return with some type of representation after that and get @45:32 (inaudible). What we want to make sure everybody understands is if you allow us the opportunity to review that, we would be able to resolve that for you.

CHAIRMAN NEWELL: Okay. I think Phil was first.

MR. ZELMAN: Actually, I am going to tag along on what you started to say. Is there anything that Citizens can develop that can be given to the agent associations that are out there weekly or monthly notices, especially now before we are starting to get a new hurricane season?

MR. ADAMS: Uh-huh.

MR. ZELMAN: That can help get some of these repair done and not @46:10 (inaudible) 3<sup>rd</sup> party adjusters, attorneys, etc.

MR. BITAR: Yes, this is Steve Bitar for the record. I think we can easily work with Christine Ashburn's group and with Jay and we can put together an article that we can share with all of the associations that maybe they could publish those through their publication that shares this. I think that we heard, especially most recently, many customers are going, especially when it came to Irma, filed their claims directly or came directly into the company and didn't necessarily go to their agents, especially if they



were in impacted areas where the agencies were closed, et cetera. But when frustration starts to mount, that is when customers really starts to call their agent. So I think it is timely for us to make sure that agents understand all of the ways that we have out there for them to intercede as well as help resolve the situation and giving agents I think this additional information is key. So we will take that as a take away and then work with the association representatives that we have to get to get an article published for all of you that you can share with your agency members if that works.

MR. ZELMAN: Thank you.

CHAIRMAN NEWELL: Okay. Lee, you had a question as well.

MR. GORODETSKY: Yes, I think I have 40 questions, but I -- I know, I, and the numbers are astoundingly bad, not because of anything you are doing, but I do know from all of my years in the industry that the consumer always thinks no matter what, that they are not getting settled properly, and they also think they are always going to get 100 percent of their claim and they are not because of deductibles and non-covered items. And I think that is where a lot of confusion comes from the consumer. They just think they are entitled to more and they are too busy hearing these ads about how they can get more and that is so easy to put out there. That is part of the problem in general for the industry, and I think what really needs to happen is somehow this, I mean, I know in Tallahassee we have had three years of AOB talk and nothing has happened, that is a problem also, if Tallahassee won't settle it, somewhere the consumer has to voice their concern to the -- to the people in Tallahassee and say, lawmakers, you need to change these rules, this is -- at some point something has got to go. I don't know where my question is going, I don't think I know. I am just am so stunned that it has to be this bad and there has to be some way to resolve this issue. I think it starts with the consumer being educated and I don't think the agents do any of that. I think the agents just process the claim and let it go through, but there, when a hurricane comes or storms hit they are just so inundated with work, it is overwhelming and I understand that, and I think even on top of that if I am not mistaken a lot of our adjusters were in Texas from Harvey when Irma hit here. So we were using adjusters from wherever we could find them and that may complicate the issues even more. I don't know if that is a question. It is like a run on sentence. But we have a lot of things to deal with and we have another active hurricane season coming, it could get worse.

CHAIRMAN NEWELL: Okay, Lee, thanks for your comments. Certainly in the interest of time, Citizens staff would be willing to have conversations in and around this, this information. Jay has already met with a few of our members before the meeting. So certainly we want to keep that dialogue going. We certainly aren't going to solve AOB today, we know that. Lee has already brought it up legislatively. So as we lead into that legislative information we want to welcome, thank you, Jay, I appreciate that. Bring up Christine Ashburn that is going to give us a 2018 legislative report. So welcome, Christine.

#### **4. 2018 Legislative Report**

MS. ASHBURN: Thank you, and based on the previous comments, this won't take long. It is not a lot actually. In fact in my lead in in our executive summary, really it was a quiet session, all things considered. The session did go into overtime to finalize the budget, they did sine die on March 11th after a brief extension. There were about 3,200 Bills filed and, you know, 2,700 amendments that we looked at and read all of them. It is quite tedious work. Luckily we have PDFs and searchable features now on -- on the computers which helps us move much more quickly through that review process just to make sure that nothing is getting added on to Bills that may or may not look like they impact Citizens, but because of our unique status with the maunder a wide variety of agency related Bills that go into different chapters of statute where we could be impacted that maybe it is not so clear. It was a quiet session, as I said. There were a total of 199 bills passed which is a really low number. Quite frankly, the smallest the number of Bills passed since I believe the 2001 session. So it has been a long time since we have seen such a small number of Bills make it to the Governor's desk. As you see, six percent of the Bills passed compared with those filed and then 16 in 2001. So this is even a quieter session than the '01 session.

We did have a couple of Bills pass relating to public records exemptions. As many of you are aware, Citizens is under the Sunshine law like many other, like other government entities and agencies in Florida, and unless there is a specific statute exempting a record from public record, it is public. Our claims files and our underwriting files are two examples of records that are protected. Personally identifying information of our customers, stuff like that that we unable to give out if the media request or if you were to request it we would not be allowed to share that. In the changing world that we live in a number of state agencies and the state university system last year passed records exemptions that protected their IT security plan from public record. Common sense, the statutes just need to keep up with the changing world we live in, cyber security is a big deal, and we all know that. So Citizens piggy backed on language that had been passed in the last several years for our specific IT security plans to ensure that those are not able to be gotten by the bad guys so we can not tell everybody how we are protecting our systems and our IT efforts in that area. That Bill did pass and it was approved by the Governor on March 21st, and that Bill was effective upon the coming law. So as of March 21st our records are now protected, and Representative Larry Lee was our champion on that in the Senate and Senator Doug Broxton in the House, both of whom actually happen to be insurance agents here in Florida.

House Bill 7097, also an insurance agent helped us with this one as it turns out. Representative David Santiago and the House staff really worked closely with us. As part of the public records process in Florida anytime a new exemption comes into law, there is an automatically required Sunset review of that exemption after five years to ensure that somebody is taking a look at the exemptions to make sure that they are still necessary. The Clearinghouse passed five years ago. In October of this year the Clearinghouse exemption that protects the data we receive from carriers about what underwriting requirements they have and what information they need for the application of course from a trade secret's perspective they would not want that, their competitors to have that. That exemption was set to expire in October, and if we had not re-up'ed that language and made it permanent in the statute it really would have shut down the

Clearinghouse. These Bills are usually what I call no brainer. Staff makes a recommendation, they run a Committee Bill, and they are very easy, and you don't have to put a lot of effort in it as the entity that is impacted. This year it got a little more complicated because the Speaker of the House is working on a much broader trade secret definition change and we just happened to get pulled into that because we were protecting trade secret documents as part of the exemption. Ultimately that Bill, the larger package did not pass, but thanks to Chairman Danny Burgess and a number of others, and Representative Santiago and House staff we were able to carve our exemption out and run a standalone Bill late in the session and that passed without issue and was approved by the Governor on March 23rd.

One bill that I think got a lot of interest that following quite frankly Hurricane Irma was Representative Janet Cruz and Senator Annette Taddeo carried a flood disclosure Bill that requires carriers to amend the section of the policy, disclosures about law and ordinance coverage and really kind of beef up the acknowledgment and understanding that there is no flood in a homeowner's policy. I think we all have heard stories and continue to hear about confused consumers that don't understand that their homeowner's policy in the wake of Irma did not cover flood. You have areas of the state like the Keys where that is a well-known issue and pockets of the state where you have rate issues, but by and large it still does confuse the consumers. So Citizens like all other carriers will have to amend their policy forms to include this new, this exact language in the statute, it is on the second page of the update and that has to be -- we have to have that implemented by January 1 of 2019. So that was the one area where we all had to work with the sponsors to educate them on, implementing this July 1 just isn't reasonable, you have make a form filing, you have to program your system. So they were, they were understanding and we were able to support that legislation following the date change.

The CS/CS/HB 465 by Representative Santiago was what was commonly referred to as the Insurance Omnibus Bill and a number of provisions ended up coming out of that bill. And I would really only point you to one piece which I think is of note to Citizens, as a lot of it touches other areas of insurance. But there is language now in the statute that provides an insurer is not required to participate in a mediation of a property insurance claim requested by an assignment of policy benefits individual. So there has been, carriers are all over the map on whether or not they want to use mediation or appraisal with AOB vendors. And this basically has clarified that for the mediation program that the DFS administers that the carrier is not required to do a mediation with an AOB vendor. And so it really, it -- it says it is allowable but it is not mandatory. And I think every carrier will see they will be all over the map on how, what strategies they are implementing and will be something, I am sure that Jay and his team will be looking at it as we move forward on the AOB issue.

One other item I wanted to bring up before I will briefly touch on what didn't pass is the tax package by Representative Brenner that did pass and was signed in to law does include a one week disaster preparedness sales tax exemption with about \$5.8 million to allow folks to buy disaster preparedness supplies for going into the next hurricane season. So that was worth noting because of who we are and what we do, that is part of our mission.

Now, on to what didn't pass and we talked, I spoke briefly about that with Jay. We did not see AOB reform again this year. I think I was relatively candid in the December Board meeting that I didn't anticipate a lot of hope that we would see sweeping reform and that was not because I didn't think that it is an important issue and that we don't have friends in the Legislature and in the Governor's Office that understand the issue, but when you look at the leadership makeup of the house and the Senate, nothing had changed from the previous mission. We still had have the same Senate President, the same House Speaker, the same Chairs of the committees, and so barring a crisis of epic proportions that shifted the data significantly, you know, you know, the outcry of the public, I really didn't think we had hit a crisis point that would shift some of the political conversations around this issue, given that we have the same leaders, and that is what happened. The House, again, passed a strong Bill. Is it -- is it a home run? No, but we believe that that Bill would have gone a very long way to change the behavior of some of these bad actors. So we supported the House Bill by Representative Trumble and that Bill passed the House the first week of session. So the House made it clear it was a priority. Senator Greg Steube asked by the Senate President to run the Bill in the Senate, and that Bill by and large had a number of provisions in it that had also been filed by Senator Gary Farmer who is a trial lawyer. So clearly that Bill raised a number of issues for Citizens and the rest of the industry and even our contracting partners that are on, you know, want to see these bad actors out of their businesses, and while we were able to improve many pieces of that Bill and Senator Steube was great to work with and always willing to hear our comments and thoughts, you know, and potential amendments, ultimately we believe from Citizens' perspective that the current law is better than what could have happened had that Bill passed. Most notably the provision that remained in the Bill at the end of the session would have basically eliminated manage repair program. There was language in that Bill that would have prohibited an insurer from ever offering or mentioning the name of a vendor to a consumer unless expressly asked for the name of a contractor. So that would have shut down manage repair programs we believe. So ultimately while it is unfortunate and disappointing that we didn't get across the finish line, it is better to have had, you know, to have not lost anything than to have, you know, gone the wrong direction. With new leadership after the election we will have to see who is in the Governor's Office and all of those unknowns, but I do believe that @1:00:23 (inaudible) and conversation about it going into the 2019 session. I would be happen to answer any questions.

CHAIRMAN NEWELL: Well, thanks, Christine, very informative as usual. So as we round this out because we are going to stay on time because the Chairman likes to run it that way, not this Chairman, but the big Chairman. So any questions for Christine now if you want to have some conversations with her about the upcoming session, but any questions right now for Christine before she leaves us? Alright, thanks, Christine.

## **5. Depopulation and Clearinghouse Update**

CHAIRMAN NEWELL: In your packet is a presentation on the Depopulation and Clearinghouse. I encourage everyone to take a look at that and if there is any questions,

certainly those in the room and those who are on the phone can certainly be reached. Steve, everybody knows how to reach Steve. So any new business before the committee?

MR. ZELMAN: May I speak?

CHAIRMAN NEWELL: Phil.

MR. ZELMAN: Just real quick, it has to do with depop and the issue is the wind-only policies. We have -- we have had a lot of problems with claims with numerous carriers on their wind only where the claimant have come back to us and said, you know, we really would have much preferred staying with Citizens because they did a much better job of handling claims than the admitted carriers, some of the admitted carriers. That would be @1:02:41 (inaudible).

MR. BITAR: Well.

MR. ZELMAN: And that is without mentioning names because they wouldn't let me mention any names.

MR. BITAR: Much appreciated. I will say this, at Citizens here we are very proud of our claims response. We have learned some valuable lesson from '04 and '05, and we have put those in motion for sure. From a depopulation perspective we always hope that the companies that assume the policies will be able to perform in that moment of need when the customer needs them. So I know there was a unique situation this year with Irma, especially smaller companies did struggle with bringing on adjusters, etc. But what Citizens can do in that situation, we have contacts at all the companies. Any customer that has any issues whatsoever regardless of whether or not it's with Citizens, reach out to us from a depopulation perspective and share with us the experiences from those companies. We meet regularly with all the Depop companies and we are more than happy to reach out to our contacts there and see what we can do to try to assist in those situations and try to help the customer, you know, out of the middle, if you will. But in the end it is a dangerous spot for Citizens to be in because the policies are the responsibility of those companies that have assumed them, but we do have relationships with the companies. We will be happy to at least reach out to see what we can do to offer some assistance or guidance, you know, where we possibly can, but in the end it is the responsibility of that company. And I would say this. If their claims response was less than stellar, the next time they go to depopulate a policy I would think that the agent and the customer are going to think twice and they have the option of opting out and remaining with Citizens. As much as we don't want that to happen, that might be a valuable lesson that that company needs to learn to try to rebound and have successful depopulation in the future. So again, all good information, things that we are happy to share with the companies during our regular meetings, and I think we need to know what is happening so we can make it a better place for them.

MR. ZELMAN: Thank you, Steve.

MR. GORODETSKY: Steve, Lee Gorodetsky. Do you think more companies are willing to do depopulation or fewer are looking to do it now?

MR. BITAR: I @1:04:27.  
(Whereupon, the audio could not be transcribed.)

CHAIRMAN NEWELL: I want to thank everybody for those in the room, those on the telephone for attending the MAAC committee today. I want to again welcome Ken Norberg as our Citizens policyholder to the committee. And do I hear a motion to adjourn?

MR. ZELMAN: Motion to adjourn.

MR. GORODETSKY: Second.

CHAIRMAN NEWELL: All those in favor?  
(Chorus of ayes.)

CHAIRMAN NEWELL: Alright, we are adjourned, thanks, everyone.

(Whereupon, the proceedings were concluded.)