

CITIZENS PROPERTY INSURANCE CORPORATION

**MINUTES OF THE
BOARD OF GOVERNORS MEETING TELECONFERENCE
Friday, May 17, 2019**

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened via teleconference on May 17, 2019.

The following members of the Board were present telephonically:

Gary Aubuchon, Chair
Bette Brown
Blake Capps
Marc Dunbar
James Holton
William Kastroll
John McKay
Bo Rivard
Freddie Schinz
John Wortman

The following Citizens staff members were present telephonically:

Barry Gilway
Barbara Walker
Jennifer Montero
Kelly Booten
Jay Adams
Joe Martins
Steve Bitar
Christine Ashburn
Dan Sumner
Mark Kagy

Call Meeting to Order

Barbara Walker: Welcome to Citizens' May 17, 2019 Board of Governors teleconference meeting. This board meeting is publicly noticed in the Florida Administrative Register and is recorded with transcribed minutes available on our website. Please do not place this call on hold press star six to mute your line and pound six to unmute your line. Chairman, should I convene this call with roll call for quorum?

Chairman Aubuchon: Yes, please. Barbara.

Barbara Walker: (Roll was called and the full Board was in attendance.)
Chairman, you have a quorum.

1. Chairman's Report / Opening Comments

Chairman Aubuchon: Thank you very much, Barbara, and welcome Governors to our meeting. I'd also like to welcome our newest member Governor Bo Rivard. Welcome, Bo.

Governor Rivard: Thank you, Mr. Chairman. I'm pleased to be with you.

Chairman Aubuchon: We're pleased to have you and we'll do a more formal introduction of you at our June Board Meeting when we're all there in person. I appreciate everyone's attendance. We have our full Board here today. We have two action items on the agenda. First, we're going to talk about our 2019 Risk Transfer Program. And to do that, I'd like to recognize Jennifer Montero.

2. 2019 Risk Transfer Program

Jennifer Montero: Thank you, Chairman. In your board materials if you'll turn behind tab two, you'll find some sub tabs, the 2019 Layer Charts, the 2019 Risk Transfer Executive Summary and then the action item. I'll be going through the Layer Charts and the Executive Summary. After the March 27, 2019 Board Meeting, staff along with its financial advisor Raymond James and our co-brokers Guy Carpenter and Willis Re convened with more than 50 Global traditional reinsurers to market Citizens' Risk Transfer Program. This allowed us to evaluate available options relating to the structure, terms, pricing and other relevant matters in structuring the 2019 program. Citizens plans to transfer exposure in the amount of approximately \$1.4 billion to the Global Reinsurance and Capital Markets in 2019 for the Coastal Account, which includes \$880 million of multi-year risk transfer from 2017 and 2018, that carried over for the 2019 season made up of \$330 million of multi-year traditional reinsurance and \$550 million of capital markets was transferred through Everglades Re. Based on the proposed 2019 Risk Transfer Program, the total amount of surplus exposed for a 1 in 100-year event in the Coastal Account would be approximately 24%. If you'll turn to the Layer Charts on page 2, the proposed 2019 Risk Transfer layers to the Coastal Accounts are as follows. Layer one of the program, the sliver layer, covers \$100 million in excess of \$393 million of Personal Residential and Commercial Residential losses, and would work in tandem with the mandatory coverage provided by the Florida Hurricane Catastrophe Fund or FHCF to include the copayment of the 10% of loss is not covered by the FHCF as the FHCF only reimburses 90% of covered losses. Layer two of the program, the top layer, covers \$350 million of annual aggregate Personal Residential and Commercial Residential losses and will attach after \$493 million of losses. If you'll turn to page three on the layer charts... The third layer of the program would provide approximately \$53 million of coverage for Commercial Non-residential losses, not covered by other layers of the

program and for which citizens has no FHCF coverage. This layer attaches after \$54 million of losses. All three of these layers provide single year coverage. Mr. Chairman, I'll pause and ask if there are any questions regarding the coastal account before moving on to the Personal Lines Account.

Chairman Aubuchon: Governor's any questions regarding the Coastal Account? Hearing no questions, Jennifer, please proceed.

Jennifer Montero: Thank you. On page four of the Layer Charts, you'll see the Personal Lines Account. So after significant losses in the Personal Lines Account due to Hurricanes Irma and Michael along with non-weather water losses and the Assignment of Benefits, the Personal Lines Account surplus has decreased significantly and is now exposing much more of the surplus for a 1 in 100-year event than in previous years; approximately 63%. Citizens' strategic Risk Transfer Plan for the Personal Lines Account (PLA) similar to the Coastal Account considers the transfer of \$200 million of risk alongside and above the FHCF, which will reduce the amount of surplus exposed in a 1 in 100-year event to approximately 52%. The wrap layer in the PLA covered two hundred million of annual aggregate personal residential and commercial residential losses, in excess of \$415 million of losses. This layer would work in tandem with the mandatory coverage provided by the CAT Fund to include the copayment of the 10% loss is not covered. This layer also provides single year coverage. And again, I'll pause Mr. chairman for any questions before I move on to the formal recommendation.

Chairman Aubuchon: Governors, any questions regarding the Personal Lines Account?

Governor Blake Capps: This is Blake Capps. Can you hear me?

Chairman Aubuchon: Yes, we can hear you.

Blake Capps: Oh yeah. Now on the PLA...And when you look at the bottom dark green sliver. \$4.15 billion. I think you associated the percentage there at 63%. Is that what I heard?

Jennifer Montero: No without the layer that's in yellow that says 2019 aggregate reinsurance \$.200 billion, without that, all of the group that would be green, if it was not yellow, and all of that green that showing between the 1 in 100-year event, that would be 63% of our surplus being exposed. If we add in that reinsurance layer, the net will reduce the exposure from 63% to 52%. That makes up to both the top and the bottom green. Of course, if you go above the 1 in 100, we have more surplus, but this is just between the 1 in 100-year event.

Governor Capps: Okay, so in the event of a catastrophic hurricane, about half of the cost of recovery would be from our surplus, and about half of it would be from reinsurance, is that what we're saying?

Jennifer Montero: Yes, and a 1 in 100-year event 52% of our surplus would be exposed, meaning that's what we would use if it was a 1 in 100-year storm, and we would get recoveries for the 48% between Traditional Reinsurance and the Florida Hurricane Catastrophe Fund.

Governor Capps: Okay, thank you.

Chairman Aubuchon: Governors, any further questions regarding the Personal Lines Account? Hearing no questions, Jennifer, please proceed to the recommendation.

Jennifer Montero: Thank you. It is recommended that Citizens Board approves the recommendation to purchase Risk Transfer in the Coastal Accounts and the Personal Lines Account at a cost not to exceed the amount of \$110 million and authorized staff to take any appropriate or necessary action consistent with its action item.

Chairman Aubuchon: Members, having heard the recommendation, do I have a motion?

Freddie Schinz: This is Freddie, I'll make a motion to approve.

Governor Wortman: John Wortman, and I'll second the motion.

Governor Aubuchon: Thank you, John. We have a motion and a second. Do we have any further questions? Do we have any objection to the motion? Hearing no objection, show that motion is approved. And we can now move on to the next action item.

A motion was made and seconded for the Board to approve the recommendation to purchase Risk Transfer in the Coastal Account and PLA at a cost not to exceed the among of \$110 million; and authorize staff to take any appropriate or necessary action consistent with this Action Item.

3. Claims Payment Platform

Jennifer Montero: Thank you. Behind tab three, you'll see an action item for Claims Paying Platform. This action item seeks Board approval for Citizens to enter into a contract with JPMorgan Chase to provide a claims payment platform system for the issuance of electronic claims payments. This contract will require the vendor to deliver a convenient and customer friendly method of paying policyholders electronically initially for claims following disaster. Electronic payment methods will be available to policyholders for the following payment types, additional living expense payments via an ACH payment and additional living expense to policyholders via the Zelle network. A future implementation potential includes electronic payment methods for claims to policyholders and additional interest via ACH payments utilizing a multi-party approval process and direct to policyholder's debit cards via electronic payment. The payment methods will incur transaction-based charges that are included in the estimated contract total. The contract amount is an estimated \$215,000 for five years, which is the base term and an estimated \$215,000 for five optional one-year renewals for a total of \$430,000.

The contract term is anticipated to be five years with five optional one-year renewals to be exercised at Citizens' discretion. The anticipated contract term will run from approximately June 2019 through potentially June 2029. I will pause there for any questions before reading the recommendation.

Chairman Aubuchon: Thank you, Jennifer. Governors, are there any questions?

Governor Dunbar: This is Marc Dunbar. May I ask a couple of questions?

Chairman Aubuchon: Sure, you are recognized.

Governor Dunbar: Thank you. Jennifer, it says estimated \$215,000 in expenses, is this a transaction-based payment? Is that why it's estimated and we don't know definitively how much it's going to cost?

Jennifer Montero: The payment has incurred transaction-based charges, they are included in the estimated contract total. The vendor came back with an estimated monthly service charge of \$3,350. Yes, it is transaction based. That is why it is estimated.

Governor Dunbar: Okay, and so do we have a trend on our transactions? I mean, so we know roughly how many transactions historically we process a year. So is that where the estimates coming from? Or is this estimate coming from the vendor?

Jennifer Montero: No, we gave them our number. So, we gave them field check counts in 2017- we had 500. In 2016 we had none. In 2004 and 2005 we had 1700, claims and indemnity payments in 2017 were 92,000. And claims expense payments in 2017 were 210,500. We had two finalists that moved on to negotiations, JP Morgan gave us an estimate service charge of \$3,350. The second-place vendor's monthly charge was \$29,745. We did look at the vendors were evaluated on price technology and back and reconciliation. The fact that JP Morgan Chase is also our new commercial vendor, it makes it a lot easier so that we don't have to transfer back and forth and open accounts and other with other banks.

Governor Dunbar: But JP was more than the other one?

Jennifer Montero: No, JP Morgan was \$3,350. The other one was \$29,745 per month.

Governor Dunbar: Oh, I thought you said \$2,900. Does the per transaction cost go down or is it just flat so if they do 10 transactions, they do 100,000 transactions, the transaction fee stays flat?

Jennifer Montero: I do not have that in front of me, Governor Dunbar, but I can get that information for you.

Governor Dunbar: And for the for the renewals, do we have in the renewals, do we have the ability to seek more flexible pricing based on experience? Or, are we locked into this rate into the renewals?

Jennifer Montero: No, we have optional one-year renewal. We have five optional one-year renewals, we exercise at our discretion. So, we could choose to not renew or try to renegotiate.

Governor Dunbar: Got it. Okay. Thanks. Appreciate it.

Chairman Aubuchon: Governors, any further questions? Hearing no further questions, please read the recommendation.

Jennifer Montero: Thank you, Chairman. Staff recommends that Citizens Board approve the contract for the five-year base term and five optional one-year renewals for an estimated amount of \$215,000 for the base five year term \$215,000 renewals for Claim Payment Platform ITN-18-0043 to JPMorgan Chase and authorized staff to take any appropriate or necessary action consistent with this action item.

Chairman Aubuchon: Governors, having heard the recommendation, do we have a motion?

Governor Wortman: I would move that we accept staff's recommendation.

Chairman Aubuchon: Thank you. Do we have a second?

Governor Holton: Jim Holton, I'll second.

Chairman Aubuchon: Thank you, Jim. We have a motion and a second. Do we have further questions? Do we have any objections to the motion? Hearing no objections, show that motion is approved. Thank you, Jennifer. Governors, is there any new business to come before the committee today? Hearing no new business. I'll entertain a motion to adjourn.

Chairman Aubuchon: I hear a motion and a second in there. And without further objection, we are adjourned. See you all in June. Thank you very much.

(Meeting adjourned)