☒ **ACTION ITEM** ☐ **New Contract** ☐ **Contract Amendment** ☒ **Other – Board Meeting Minutes**	☐ **CONSENT ITEM** ☐ **Contract Amendment** ☐ **Existing Contract Extension** ☐ **Existing Contract Additional Spend** ☐ **Previous Board Approval**______________ ☐ **Other**________________________________

Action Items: Items requiring detailed explanation to the Board. When a requested action item is a day to day operational item and/or unanimously passed through committee it may be moved forward to the board on the Consent Index.

☐ **Move forward as Consent**: This Action item is a day-to-day operational item, unanimously passed through committee and qualifies to be moved forward on the Consent Index.

Consent Items: Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

Item Description	**Board of Governors Meeting Minutes, July 14, 2021**
Purpose/Scope	Review of the July 14, 2021 Board of Governors Meeting Minutes to provide opportunity for corrections and historical accuracy.
Contract ID	**N/A**
Budgeted Item	☐Yes ☐No N/A
Procurement Method	N/A
Contract Amount	N/A
Contract Terms	N/A
Board Recommendation	Staff recommends the Board of Governors review and approve the July 14, 2021 Board of Governors Meeting minutes.
CONTACTS	Barry Gilway, President/CEO and Executive Director Barbara Walker, Senior Executive Assistant and Board Secretary

CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE
BOARD OF GOVERNORS MEETING
Wednesday, July 14, 2021

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened at Lake Mary, Florida on Wednesday, July 14, 2021, at 9:00 a.m. (EST).

The following members of the Board were present:

Carlos Beruff, Chair
Carlos Lopez-Cantera, Vice Chair
Marc Dunbar
Lazaro Fields
Jill Hasner
Reynolds Henderson
Erin Knight
Nelson Telemaco
Scott Thomas

The following Citizens staff members were present:

Barry Gilway
Tim Cerio
Jennifer Montero
Andrew Woodward
Brian Donovan
Joe Martins
Deena Harrison
Barbara Walker
Bonnie Gilliland
Christine Ashburn
Kelly Booten
Violet Bloom
Jeremy Pope
Michael Peltier
Carl Rockman
Mark Kagy
Jay Adams

The following people were present:

Dave Newell	FAIA
Matthew Sansbury	RBC
Nathanial Johnson	Bank of America
Adam Schwebach	Willis Re

Call Meeting to Order

Barbara Walker: Welcome to the Citizens Board of Governors meeting. It is a publicly noticed meeting in the Florida Administrative Register to convene at 9:00 a.m. Those in attendance through the public link are automatically in listen only mode. At your request, I'll begin with roll call.

Roll call: Chair Beruff, Vice Chair Lopez-Cantera, Governor Dunbar, Governor Fields, Governor Hasner, Governor Henderson, Governor Knight, Governor Telemaco, and Governor Thomas are present.

Barbara Walker: Chairman, you have a quorum.

Chair Beruff: I'd like to say thank you for everybody attending in person after what seems like forever. We're fortunate to be here. Ms. Walker, would you like to go ahead with the Consent Agenda?

Consent Agenda

Barbara Walker: Yes, sir. I'd be happy to. All action items are eligible to be considered as consent items, except items C) Investment Analytics Software Services and D) Catastrophe Modeling Software Services that were deferred during yesterday's Finance and Investment Committee to our September 2021 Board of Governors meeting. Also, item E) Reinsurance True-Up Rate Filing – that as a rate filing action, it does require a Board vote or Chair, if any of the Board wishes to retain any additional action items for further discussion. That would mean, sir, that A, B, and F through L all qualify for the consent index.

Chair Beruff: As the policy of the Board – if any Board member wants to remove anything – we're happy to do that and discuss and take it out. Governor Lopez-Cantera?

Vice Chair Lopez-Cantera: J and K, please?

Chair Beruff: If we remove J and K from the Consent Agenda, the Chair will entertain a motion to adopt the rest. Yes, Governor Dunbar?

Marc Dunbar: I need to remove Tab 8A. I don't need a separate discussion on it. I have to file a form. I have a business conflict on that. So, I can't vote on it.

Chair Beruff: Oh, so you're recusing yourself from that.

Marc Dunbar: Yes.

Chair Beruff: So, it's on the Consent Agenda, but you won't be voting on that issue. Is that clear enough for everyone? You're going to vote on the Consent Agenda but recuse yourself for the Radey Law Firm vote.

Marc Dunbar: I'm sorry. I'm looking at the meeting documents Tab 8A. (Footnote for Form 8A to formalize recusal from board vote regarding Legal Services, Radey Law Firm was added at time of vote later in transcription.)

Chair Beruff: Mr. Cerio, are we doing that right?

Marc Dunbar: I was looking at it differently.

[inaudible 2:58]

Chair Beruff: Okay.

[inaudible 3:03]

Chair Beruff: Okay, so the Consent Agenda moves forward with the modifications recommended by Governor Lopez-Cantera. So, the Chair will entertain a motion to approve the Consent Agenda as modified.

A motion was made and seconded to approve the following Consent Agenda items. All were in favor. Motion carries.

- **A. Board of Governors Meeting Minutes, March 3, 2021**
- **B. Board of Governors Meeting Minutes, May 11, 2021**
- **F. Managed Workplace IT Services**
- **G. Property Inspection Services for Underwriting**
- **H. Product Updates**
- **I. Integrated Vendor Invoice Submission**
- **L. Business Insurance Agent of Record**

Chair Beruff: The motion moves forward. Thank you. Mr. Gilway, do you want to move forward with your report and then we'll go back to the items that were taken off the Consent Agenda?

1. President's Report

Barry Gilway: Yes, Mr. Chairman. Thank you. Good morning, Chairman and Board Members. Before I do launch into my report, I'd like to join the Chairman and welcome our new Board members and just make a comment. Each of the three new Board members have just spent an incredible amount of time already with staff over the course of the last 30 days, you know, getting ready for this meeting. So, I commend all of them for time that they really have spent with myself and individually with members of staff in just spending an extraordinary amount of time getting up to speed. So, thank you so much. I'd be remiss also if I didn't thank Tim Cerio, our new General Counsel. If you haven't met Tim . . . Tim, would you like to stand?

Chair Beruff: Mr. Cerio, I apologize. I should have welcomed you, but you're sort of known to me. You've become family, kind of thing. Welcome.

[inaudible 4:44]

[laughter]

Chair Beruff: Yes. All family members are like that: "…taken for granted."

Barry Gilway: And, likewise, Tim . . . Tim has been with us for a few weeks and on a vacation that was pre-planned. And, on that vacation, I don't know how his wife responded, but on that vacation, he joined us by virtual visits at least once a day. So, I don't know if that was a positive thing for his wife or if that was a negative thing for his wife.

[laughter]

Barry Gilway: But I want to thank all of them for all the work that they have done to really get up to speed in a short period of time. So, in the report, and I'd like to report, frankly, that market conditions are improving, and everything is rosy. But the bottom line is, as we all know, they are not. Previously, I reported that the Florida domestic market, excluding the national companies (and we focused on the Florida domestics because they really are where we look for potential, you know, depopulation opportunities) . . . we previously reported that they have produced unprofitable results the past five years with each year worse than the prior. 2020 results showed an underwriting loss of $1.64B. Keep in mind the underlying surplus for the Florida domestic companies is $4.2B. Their loss in one year of $1.64B and a negative net income of $928M for these companies. That was twice as bad as the year before. Unfortunately, the trends continue in the first quarter of 2021 on the same trend – negative underwriting results of $320M in the first quarter and a negative net income of $244M for this same group of companies. I have included in your materials as an exhibit (I don't have it on the screen) but it's worthwhile pulling it out and taking a look because while I say . . . I can talk until I'm blue in the face about how unprofitable the business is, but there are three sheets that are an attachment in your book. They simply list the profitability – or the lack thereof, of the Florida domestic companies over the last three years. I think when we look at these three sheets, I'm not going to dwell on them because…

Chair Beruff: Is that tab 2?

Barry Gilway: That would be part of the materials . . .

Chair Beruff: President's Report? I think it's tab 2 President's Report if you're looking for it.

Barry Gilway: The only point I'm trying to make, governors, is that to really get a sense for the profitability in the market, you really have to take a look at these results because you go through three pages and it's all red ink – significant red ink. It's incredible unprofitability across the board for virtually every single company in the Florida market. So, any indication that one or two companies simply aren't paying claims etc. is just ludicrous. The bottom line is the industry is in trouble financially on an overall basis. They are losing money and that is why they are not writing business and they're withdrawing capacity, you know, from the overall market. So, within this material, I'm not, again, I'm not going be referring to them in detail. They are just for your review. One issue does stand out, and that is only one very small company posted an underwriting gain in 2020 and a gain against small companies posted a positive net income. I have gone over these in some detail with the Chairman, you know, when we reviewed, you know, the companies that are making profit in the first quarter of this year. I have chosen not to include some of that material simply because of the very relationship between the companies that simply made profit in one quarter (eight of them, I think) and then all those lost money significantly in the prior, you know, four years. So, profitability has plagued the companies resulting in the market restrictions that we talked about back in March. Some of the more relevant events that are really driving this one, and I'll just go through a few of them . . .

- The Office of Insurance Regulation (OIR) approved the midterm cancellation of 500 Weston Policies. I think for the Board members that have been here, Weston has been a wind-only company that writes Commercial Wind-Only business. 391 policies were approved by OIR to be cancelled with 45 days' notice. 391 one of those were Commercial. Citizens wrote 58 of those. The market picked up the balance, but Citizens did write 58 of the Commercial Wind policies. As we'll talk about and we talked about it in the committee meetings, any time you talk about Commercial, you're talking about significant exposures. It's a very, very different animal than the residential business.
- The second issue that created quite a stir, frankly, was American Capital Liquidation. American Capital (purely Commercial Lines company) and they were liquidated. They announced the liquidation of American Capital that resulted in the cancellation of 1,700 Commercial policies and Citizens ended up writing only 20 of these. The point is – we didn't get into it in the committee meetings significantly – but the point is Commercial Residential Lines are highly competitive (lots of premium; lots of exposure, but a lot of premium). Prior to the Champlain Tower's collapse, that marketplace was dirt cheap and highly competitive, you know, Commercial Lines marketplace. As we'll talk about later on, you know, we don't see that as continuing, you know, in the market. That's the initial indication.
- The third one I want to note is that OIR issued a consent order approving the midterm cancellation of 32,000 policies from Gulfstream, Universal N.A., and Southern Fidelity and an additional 20,000 policies from Southern Fidelity that would be cancelled over 12 months period.

You already have the market restrictions that are in place because of the lack of profitability and then, you add to that, you know, major blocks of business that are hitting you know, the marketplace in a very, very short period of time. Then, they have to be placed by the independent agency system. Now, fortunately, on the first consent order with Gulfstream, we're writing 18.6 of the business and about 87% of the business is still written by the private marketplace still being placed. So, to some extent, there's a little more flexibility in the market sometimes than we give it credit for because in all of these cases we pick up . . . For example, we only picked up 20 out of the 1,700 Commercial risk. So, I see that as very, very good news because the marketplace is taking care of a lot of the overall exposure despite the overall profitability issues, you know, in the marketplace. Now, after the initial Gulfstream consent order (and this is the issue that is being faced by the independent agency system today), we've now been advised that Gulfstream is now under supervision, and that supervision, of course, could . . . That will impact 35,000 policies. And the way it works in the statute is from the day the court approves liquidation, then all those policies would be cancelled within 30 days. So, the significant issue faced by the . . . and we're working with FAIA, and the CFO's Office and Tim is helping me also . . . We're looking at all the different options . . . Kelly Booten . . . We're all looking at different options as how and when we need to get involved, you know, in this arena. But 35,000 policies will be likely be subject to a liquidation order within the next week or so. That's our estimation. We do have some good news there. I do think it's a reflection of what I was talking about yesterday – the kind of change in the market – and that is we do have companies that are interested in picking up that book. So, I don't know all the details or where the negotiation stands with the OIR currently or with the receiver, but the bottom line is we do believe that maybe opportunities for one and maybe two companies to pick up the 35,000 policies. If they do, bottom line is it's a very limited impact, you know, on Citizens. My March report indicated that due to profitability issues (the marketplace restrictions) we were growing at the rate of 3,000 new customers per week. Now that was only four months ago, but at the same time, I said, "Hey, this is steadily increasing." Well, sure enough today, we're growing at the rate of 6,000 per week as we commented. The year-end forecast has been increased, and it seems like every time we do a re-forecast, we increase the forecast. So, the most recent forecast – we increased that forecast from 650,000 polices up to 766,000 policies. And so, we're on that trend as you noted yesterday, Mr. Chairman. 6,000 a week, even if you straight-line that through the end of the year, you're right around that 750,000 to 760,000 mark. And, of course, we're responding to this increase to the addition of increase staffing in several different areas – Customer Service, Underwriting, Claims, of course, and Litigation – because, as the population increases, all of those are impacted. First Notice of Loss (FNOL) for claims is increasing, and I have some litigation numbers I'll share with you in a minute. And we do use, for those new Board members in particular, we do have a model that basically adjusts. We know that we go up and we know we come down, so the model is not simply to hire staff to fulfill all of these roles. The model basically –it's to utilize our vendor agreements, and we utilize our vendor agreements on a 50/50 basis for staff. So, we increase staff appropriately and then we also increase the utilization of our vendor agreements, and obviously, when we do turn that corner and head in the other direction . . . If you go back to the Executive Leadership Team (ELT) report, you'll see that we kind of are . . . I don't know if you'd call it a "roller coaster ride," you know, for Citizens or whether you call it "whack-a-mole," but the bottom line is we're up/we're down depending upon, you know, overall market conditions. Of course, I'd really be remiss if I didn't inform you of the ongoing litigation challenges. I have included it, again, in the package that we handed out this morning . . . Included an updated litigation report. I had Jonathan (Owen) run that report for me with the full two months of Legal Service of Process (LSOP) those process numbers directly from, you know from the Department of Financial Services (DFS). Now, the reports included as an overall attachment, you know, and the first page, basically, it's primarily just a repeat of the information provided almost in every quarterly meeting. It historically shows that lawsuits have increased from 27,416 in 2013 all the way up to 85,000 in 2020. The real issue that I want to talk about today, though, is that comparing year-to-date litigation for the last six months . . . So, what is happening today? Where is litigation heading today? In the report, in the bottom left-hand corner of the report, we did a secondary run of just January to June 2020 and January to June 2021 to say what does our current environment look like. Well, not good. The bottom line is that from January to June 2020 to 2021 – very disturbing trend. It shows that all other carriers' litigation increased year-over-year for that period by 51%.

Chair Beruff: Mr. Gilway, can I interject for a second? Can we get a comparison for 2019 for the same two quarter period? Because of COVID, obviously, people were more concerned about life or death issues the first two quarters of 2020 than they were litigating claims. So, I think a better comparison (and it may be the same numbers), but I think it would be a better comparison to have the first two quarters of 2019 to compare and 2021.

Barry Gilway: I agree on that and there's some support . . . So, we will provide that. I don't have it readily available but, there is some support for what you are saying, Mr. Chairman. If you take a look at the growth in the litigation, for example, while litigation was dramatically increasing, you know, up until 2017, it really did stabilize in 2018 and 2019, you know. If you take a look at the total lawsuit column in the general graph I presented, it's really 82,000; 84,000; and 85,000. Whereas this is indicative of a final number in the 100,000 level, so it does, to your point (exactly, to your point), indicate a slowdown during the COVID period, and then an overall increase. I will say this, you know, the first question when I showed these to the Chairman Beruff is, well, what is this? What's happening? What's driving that ligation? We don't have all the answers, yet, but one of the staggering issues is really that number one (and there's a second sheet that I added) . . . We took a look at and broke down the litigation six months over six months by county and we took a look at the primary areas of the state. We basically looked at Tri-County and we looked at . . . And this is a report that says, "Number of cases filed by key counties." The first observation is this: every county – this is not just a Southeast Florida issue anymore. As I reported in my March report, this litigation just literally increased. It has flowed from the southeast to the balance, you know, of the state. So, for example, Dade didn't slow down. Dade went from 7,800 to 10,900; Broward 6,000 to 11,000, which is a staggering increase. But you go into the SOLO Counties, Seminole, Osceola, Lake, and Orange Counties, and you can see the same relative percentage of increases in the central counties go to Hillsborough. You take a look at those counties – same fundamental increase: 1,970 to over 3,000 cases. Then, even up in Duval, which was left relatively untouched for the first five or six years of this litigation trend, you know, you saw the six-month change of 1,031 versus 1,637. So, that's one. The second major observation that Jay Adams makes is that a full 50% of our litigation is catastrophe (CAT) litigation, meaning it's not current litigation. It is litigation relative to primarily [Hurricane] Irma claims. So, we're still getting massive numbers. I believe the numbers are within, you know, two hands worth, are 900 brand new litigated cases last month, and 450 of those are Irma or [Hurricane] Michael related litigation cases. They are CAT cases being brought against . . .

Chair Beruff: . . . These are all cases that were notified before the September 2020 cutoff date, right?

Barry Gilway: Absolutely. You have the cutoff date of September 10th for the reporting of the claim, but that doesn't stop the litigation process.

Chair Beruff: Mr. Dunbar.

Marc Dunbar: As you're revising the numbers, you know, for the Chair . . . One of the things I'm curious about is to be able to take out overall policy growth noise in the data so that we can have sort of an apples-to-apples. Does OIR – is there a way to pull all of the policies that are in Florida to see the growth because from 2013 with 19.5M people, now we have 21.6M people. So, there's been two million more people that have moved to Florida. Obviously, there's more insurance written by the population growth, but it's not just that. You also overlay all the business increases and everything else like that. Is there a way (and I don't know if you have access to it) to take out the growth noise in that so we can get the apples-to-apples and look at percentage increases without population growth factored in? Does that make sense?

Barry Gilway: It makes absolute sense. In fact, just before this meeting, I was sitting down with Brian Donovan. Brian not only raised the possibility of that kind of breakdown, but I think there are other breakdowns that we could do to look more intensely. For example, giving you a report on CAT claims versus non-CAT claims, you know. I am really revising the overall report, so it's clearly more informative to you and it takes out some of the, you know, the some of the major disturbances in the force. But, yes, we can do that, governor. Going forward, however, I believe there are positive signs in the industry. Hard to imagine them with the numbers we're looking at here. I'm not going to repeat all of the advantages of Senate Bill (SB) 76. I was extremely disappointed – not surprised – but disappointed with Judge Walker's ruling relative to his order on the solicitation components of SB 76. I understand the logic behind the order, but the bottom line, in my opinion, the solicitation rate is being driven substantially by the aggressive solicitation of claims. And, whether you call it "social inflation" or give it some other name, but I think that will have an imprint because there's been interim hold on the application of that component of SB 76. But, later on, we'll hear from Brian Donovan, and clearly SB 76 also allowed us on a rate standpoint to get back to what the Board originally proposed in the last rate meeting. In fact, a slightly higher number – tenths of a point, but it's a higher number. You'll hear from Brian, you know, on that later. Of course, other components that will take a longer time to show and that would be the attorney fee changes in the provisions within the attorney fee changes. I believe Christine [Ashburn] will give us a better overview of that later in the presentations. Another sign that is starting to show is that there has been significant investor interest in the marketplace and is picking up. It has picked up over the last several months, and we have some major investors that have shown some interest in bringing money into the state or alternatively selecting some of the more financially stable carriers in the state and working with them to add capital to give them the propensity to increase their overall growth. And, we're in discussions, and part of the material we went over with Governor Telemaco the other day is we have a whole series of issues that we're working on in order to provide additional services to anyone with any interest in coming into the state so we can intensify our level of (and you always have to be careful not to call it consulting) but it is an opportunity to really assist a carrier or either an investor to come in and divide down the book and show them you know where the opportunities might match up with their overall operating strategy. We're doing a lot of work in March Fisher's area and Jennifer Montero's area.

Chair Beruff: Governor Dunbar.

Marc Dunbar: I don't know if this is some of the stuff that you talked about with Governor Telemaco, but do these potential investors – do they get to come in and look with granularity inside data like the warehouse and the Clearinghouse and things like that to try and pull out, you know, information on what went into us taking over? What went to us possibly not taking things like that?

Barry Gilway: Yes, Governor Dunbar. Basically, the way it works is the . . . Not the investor alone but the investor either has to have a broker . . . So, if they have a broker – an independent agent, you know – would serve. So, as long as they have a broker or an independent agent, you know, statute would allow us to provide them with what we would call an "IDF" file, which is a complete file of the entire book of business. Then, of course, they would utilize that book of business to really identify those policies with the risk characteristics that they want and the geographical area that they'd like to write in, and then they can create a portfolio profile of the business that they can send to the OIR and request a depopulation.

Marc Dunbar: One of the things I was wondering . . . So, we're starting to get people coming back to us, and I'm assuming that's in our data, right? So, they can come in and say, "Oh, a company came in and took these polices out before that they, for some reason, liked Marc Dunbar's house. Now, Marc Dunbar's house is back at Citizens." So, they're able to pull that data out from the history . . .?

Barry Gilway: Yes, sir, we have. I think the last time we did that study was about two years ago, and what we did find is – and this goes all the way back to the days when we did provide financial incentives – and we found at 67% of the business that was depopulated was back in Citizens. So, you're paying companies to take the business out, but then the assumption agreement in place at the time basically required them to maintain the Citizens rate for three years and maintain the business for three years. So, the OIR attempted to, you know, build in some provisions into the assumption agreement on these companies that would have them maintain the business. But the reality is with the financial conditions that you're seeing, these companies really only have two choices. In order to survive financially, they either need to add capital . . . When you lose $980M of capital and Florida is the worst state in the union in terms of surplus to written premium (already, it's about a 35% rate, which is incredibly low) . . . So, what that means is when these companies lose that much money, they only have two choices. Their choice one is to replenish the capital, build up the capital, just to allow them to write the same level of business. They've got to replace that capital, or alternatively, get rid of business. As I reported in March, that is what's happening. The bottom line is they're withdrawing from, you know, the southeast counties initially. That's now expanding up to the SOLO counties now that litigation is skyrocketing, you know, in that area. They are restricting. On the Agency Roundtable meeting the other day, it's hard to find an agent in the southeast right now with a company that will write a home with a roof more than five years old.

Chair Beruff: Mr. Gilway, in spite of all that, you mentioned investors are coming back into the market and capital is coming back. So, is that being driven by a combination of OIR's increased rates that they've allowed insurance companies in conjunction with SB 76? They're seeing the future: "Maybe we can make money in the future." Is that what's attracting the capital?

Barry Gilway: I think there are three components, Mr. Chairman. I think the first component, as you say, is today you can get rate. By the way, that, as you know, is across the state. You can't pick up a news article without someone complaining about a 30%, 40%, or 50% rate increase, but the reality is the OIR . . . And it's an appropriate move to maintain financial credibility. These companies are increasing the overall rate. So, someone coming in, is really going to get an actuarial sound rate. That's number one. Number two is going back to my comment on development, if 45% of your losses are development from Irma and Michael, then fundamentally anyone coming in for depopulation is basically leaving the development with Citizens, and they're taking a clean sheet of paper forward. They don't have those development factors in their numbers. The third, as you suggest, basically is that we've had two wins, you know. The insurance industry has had two wins. We had the Assignment of Benefits (AOB) House Bill (HB) 7065. That was huge. I've been reporting now that some of the numbers in the first quarter are not showing good trends. But that was a huge win; for most companies that resulted in a 50% of AOB claims in the first year after HB 7065 was passed. So, now we have SB 76 and I think, frankly, it was reflected for the first time in the reinsurance community this year. There's not only this excess capital available in the reinsurance marketplace. I think Jennifer Montero and her team did a phenomenal job. Kapil Bhatia and the whole crew did a great job placing our business, but that success did not play out across the state. You know, the expectation initially was maybe an increase of 15% in the reinsurance market. Nobody has the actual percentage number but the numbers I'm hearing are 6% and 7%. So, the reinsurance increases . . . And I think that's reflective of the multiple calls Jennifer and I had with investors both on the traditional side and on the ILS Side. I think it's reflective basically of the fact that people are starting to say, "Florida is taking notice. Florida is identifying the fact that there is a problem with the overall profitability. We've got to do something about it." By the way, in the last two sessions, we've had major reforms, maybe not as far as we'd like, but they are huge steps in the right direction. Discussions with reinsurers directly in the last few weeks are saying, "Hey, there may be some real opportunities here because, as you know, Florida is very much becoming a market where the vertical integration of reinsurance and traditional across the market." The market is changing dramatically. But I would say those are probably the three reasons.

Lazaro Fields: Barry, SB 76 went into effect on July 1, right? When do you think we're going to start to see that affect the litigation rate, if at all?

Barry Gilway: Governor Fields, I'm probably more positive. I will take a more positive view, and I do think . . . It's got to be realistic to assume that with the 20% provision on attorney fees statute, that's going to limit some of the litigation that occurs. It's not the risk we'd like. It's not the AOB risk, where under AOB, there's really risk in the HB 7065 because if it's below the 25% threshold, they pay the fees. That's not incorporated within the SB 76. But what is incorporated in SB 76 is if it's within 20% of the company's final offer, there are no fees. So, there are no fees paid. Between 20% and 50%, basically, there's a quotient established, you know, comparing the final demand with the final offer. We have to see how that plays out in court, and the Chairman already has us looking at this: what are the issues with HB 76 and how can we strengthen them in the next session? One of them, in my opinion, is the notice. There was a notice provision that I had high hopes for in HB 76, and frankly, I think the notice provision, which would require before litigation, the company not only had to notice you about the litigation and give you 10 days-notice, but they had to specifically identify all the provisions of the loss. In other words, what were they suing you for? It seems like common sense, but there are some things, I think, we can strengthen. In my opinion, it should, and I think will ultimately reduce the number of litigated cases, and in between that 20% and 50% provisions, it could reduce the average plaintiff costs paid because of the percent of allocation within the bill. So, frankly, I do think there's going to be an impact, Governor Fields, and I don't believe it's going to show its face in the next six to eight months. I think it's going to take a year or so to really determine. We're really not going to have the data, even though there are data requirements within the bill. We're not going to have the data for 12 months, following the implementation of the bill to really understand what the implications are. But we should have the data in time to identify some subsequent actions to strengthen SB 76 slightly. With no more questions, finally, I want to focus on the major challenge for the balance of 2021. I'm going to refer to it as a "balancing act." As the Chairman started out, Citizens' mission is to provide property insurance protection in Florida to those who are in good faith entitled to obtain coverage through the private market who are unable to do so. Why do I call it a "balancing act?" Because every day we're faced with a more restrictive market where the customer's expectations that we are there as a last resort. However, there are accounts that we should not be assuming on behalf of citizens for the state. We've had over a hundred legislative complaints because we refuse to write a Fort Myers property that frankly, in our opinion, was completely unwritable. So, the bottom line is that there is a line you do not cross relative to that this is not an insurable risk. The risk should be written in the not-admitted market when premiums can be charged that are really commiserate with the exposure. But these premiums can be truly exorbitant in that aspect of the marketplace. Everyday decisions are made in which the accounts are made in good faith and entitled to obtain coverage. But, with the impact, and I can't stress enough, with the impact of this absolutely heartbreaking collapse of the Champlain towers in Miami and the declaration that there are possibly 24 more buildings that were declared "unsafe" by the county, we can expect companies to be far more stringent in their underwriting requirements. This will send more business our way; it's essential to make sure that our standards are consistent with the market while following our statutory standards. We're going to get more guidance from the Florida Bar Taskforce. There's the recent announcement of the grand jury involvement as respects . . . The overall approach and requirements relative to Dade and Broward and the condo market in Dade and Broward. That's going to take some time. And, in addition, as the marketplace gets tighter, hopefully, in the short term, we're going to be expected to respond appropriately to the market conditions and provide a market for more insurers, while we're working on, you know, finalizing a course that we will take. We're not there, yet. We're still really evaluating the overall situation. We don't want to jump at it. In the meantime, you can be sure that if it's an unsafe building, we won't write it. I mean, if it's been identified as "unsafe," we can't write it. That's only common sense, and the question basically is going to be working with the Board in terms of how aggressive we are with our overall requirements that we would demand from condominium owners and associations relative to underwriting these risks. But there's no question. I think that over the next several months, it's going to be, in my opinion, the most important issue and that is given the market – at least in the short term, continues to contract . . . And, you know, how aggressive are we making sure we are complying with our mission that we are truly there for those writable risks, and at the same time, be aware that we cannot open up the floodgates and put ourselves in a financial position where we have a really negative response on Floridians in the event of a major storm and we don't have the financial wherewithal to respond. With that, Mr. Chairman, I believe your intent is to either open it up for questions or have a discussion.

Chair Beruff: I think we're going to leave our discussion for September. We'll have more time in Miami when we decide where we're going to stay.

2. Chief Financial Officer's Report

Chair Beruff: Ms. Montero, you're next.

Jennifer Montero: Good morning. I believe it goes to Governor Fields first, Mr. Chairman.

Finance and Investment Committee (FIC) Report

Lazaro Fields: Mr. Chairman, the FIC met yesterday, and Ms. Montero gave an excellent presentation, which I think she's going to give to the full Board today.

Risk Transfer Program Update

Jennifer Montero: I'm going to provide an overview of the Risk Transfer Program and the layer charts. As approved by the Board of Governors on May 11, Citizens sought authorization for $2.63B of reinsurance coverage for a cost not to exceed $240M. Due to the current market conditions, Citizens was able to place a cost-efficient Risk Transfer Program of $2.709B, which included $2.6B of a new placement and a $110M of a multi-year coverage from 2020 at a cost of approximately $235.9M. Citizens was able to capitalize on improved risk transfer of market conditions in 2021 with increased capacity and pricing that was either flat or marginally higher versus 2020 on a risk adjusted basis. Staff worked extensively with our traditional reinsurance broker Willis Re, and our capital markets co-underwriting team AON securities and GC securities as well as the financial advisor Raymond James. To market the traditional and market capital risk transfer program, we had virtual roadshows as well as one-on-one virtual meetings with reinsurers and investors. Demand was very strong for Citizens' risk. Traditional reinsurance and capital market teams were able to achieve an optimal Risk Transfer Program concerning current risk transfer market conditions. Citizens transferred exposure in the amount of approximately $1.708B to the global traditional reinsurance market and capital markets in 2021 for the Coastal Account, with the weighted average gross rate online of 8.37% and a net premium of $138.8M. The Coastal Account layers are as follows:

- The Sliver Layer sits alongside the Florida Hurricane CAT Fund (FHCF). It provides $133M, in excess of $601M, of annual, per occurrence coverage which covers personal residential and commercial residential losses and works in tandem with the mandatory coverage provided by the FHCF to include the co-payment of the 10% of losses not covered by the FHCF. This layer was placed in the traditional market with a rate online (ROL) of 15.0%.
- Layer 1 sits above the Sliver Layer and the FHCF. This annual, per occurrence layer provides $100M of coverage of personal residential and commercial residential losses and attaches after $734M of losses. This layer was placed in the traditional market at a gross ROL of 10.5%.
- Layer 2 of this program sits above Layer 1. This single-year, aggregate layer provides $250M of personal residential and commercial residential losses and attaches after $834M of losses. This layer was placed in the traditional market at a gross ROL of 10.75%.
- Layer 3 sits above Layer 2. This single-year, aggregate layer provides $275M of personal residential and commercial residential losses and attaches after $601M of losses. This layer was placed in the traditional market at a gross ROL of 10.0%.

- Layer 4 of this program sits above Layer 3. This single-year, aggregate layer provides $325M of personal residential and commercial residential losses and attaches after $834M of losses. This layer was placed in the traditional market at a gross ROL of 6.0%.
- The two Capital Market Layers sit above Layer 1 and alongside Layers 2, 3, and 4. The combined layer was upsized from $600M to $625M. The capital markets risk transfer placement was split into two tranches, Class A and Class B, covering multi-year, annual aggregate personal residential and commercial residential losses.
    - The Class A layer, which sits above Class B, provides $350M of coverage through Everglades Re II and attaches after $2.906B of losses at a gross ROL of 5.75%.
    - The Class B layer provides $275M of coverage through Everglades Re II and attaches after $2.035B of losses at a gross ROL of 6.75%

Citizens transferred exposure in amount of $1.001B to the global traditional reinsurance and capital markets in 2021 for the Personal Lines Account (PLA) with a weighted average gross ROL at 10.1% and a net premium of $97.1M. The 2021 risk transfer layers for the PLA are as follows:

- The Sliver Layer of this program sits alongside the FHCF. It provides $166M, in excess of $749M, of annual, per occurrence coverage which covers personal residential losses and works in tandem with the mandatory coverage provided by the FHCF to include the co-payment of the 10% of losses not covered by the FHCF. This layer was placed in the traditional market at a gross ROL of 19.5%.
- Layer 2 sits above the Sliver Layer and the FHCF. This layer provides $835M of coverage from the capital markets and traditional markets, as follows:
    - A Capital Markets renewal risk transfer placement of $110M of coverage placed in 2020 through Everglades Re II. This multi-year, aggregate layer provides coverage for personal residential losses and attaches after $2.000B in losses at a gross ROL of 6.45%.
    - A Capital Markets risk transfer placement of $325M of coverage placed in 2021 through Everglades Re II. This multi-year, aggregate layer multi-year, provides coverage for personal residential losses and attaches after $2.412B of losses at a gross ROL of 5.75%. This layer was upsized from $250M.
    - A traditional single layer per occurrence placement that provides $250M of coverage for personal residential losses and attaches after $749M of losses. This layer was placed in the traditional market at a gross ROL of 9.0%.
    - A single-year aggregate placement that provides $150M of coverage for personal residential losses and attaches after $749M of losses. This layer was placed in the traditional market at a gross ROL of 13.5%.

On a risk-adjusted basis, the 2021 Risk Transfer Program cost is approximately 5% higher than the 2020 program based on the gross ROL. The 2021 gross ROL is 9.0% compared to a risk- adjusted gross ROL of 8.6% for 2020. Citizens has experienced moderate growth within the Coastal Account during 2021, which led to a price increase of approximately 4% on a risk-adjusted basis. The total amount of surplus exposed in a 1-100-year event for 2021 is approximately 40%, compared to 48% in 2020. Citizens has experienced significant growth in the PLA during 2021, which led to a price increase of approximately 6% on a risk-adjusted basis. The total amount of surplus exposed in a 1-100-year event for 2021 is approximately 65%, compared to 61% in 2020. This increase in surplus exposure is due to the overall growth within the PLA. In summary, the total 2021 Risk Transfer Program, including coverage provided by the FHCF, totals $5.453B of coverage with a ROL of 7.9%, which is a 5% increase versus the 2020 risk-adjusted pricing. I'll pause there for any questions.

Chair Beruff: Any questions from the Board? [silence]. Keep going.

Jennifer Montero: Great. Thank you.

March 2021 Financial Statements

Jennifer Montero: Next on my agenda is the March 31, 2021 Financial Statements. They are behind tab four. At March 31, 2021, Citizens health consolidated cash and invested assets of $9B, which is an increase of $300M from December 31, 2020. The majority of the increase in cash and invested assets was due to an increase in written premium and the associated positive cash flow. Consolidated surplus at March 31, 2021 was $6.5B, relatively unchanged from surplus at December 31, 2020. Consolidated direct written premium through March 31, 2021 was $340M, which is an increase of $114M from the same period a year prior and $45M greater than budgeted. An increase in new business and renewal rates largely within Dade, Broward, and Palm Beach Counties account for the majority of the increase in the premium. As of March 31, consolidated ultimate direct losses in loss adjusted expenses (LAE) related to Hurricane Irma were $2.27B, reflecting no change from December 31, 2020. Of the $2.27B of Hurricane Irma ultimate loss related to LAE across all accounts, $936M is recoverable under Citizens' reinsurance contract with both the FHCF and the private reinsurers. Consolidated ultimate direct losses in LAE related to Hurricane Michael are $150M as of March 31, reflecting no change from December 31, 2020. There are no reinsurance recoverables related to Hurricane Michael, as the attachment levels with reinsurance arrangements were not met. During the first quarter of 2021, consolidated ultimate direct losses in LAE related to smaller storms that impacted Florida in the later part of 2020 increased $57M to $148.2M as of March 31. Of this increase, $47.7M is attributable to Tropical Storm Eta. It was driven by significant increase in the number of late reported claims. There were no reinsurance recoverables [sic] related to these storms as attachment levels were not met. Current accident year loss in LAE unrelated to hurricanes and sinkholes did not experience meaningful variance from the prior quarter as development of prior accident year losses and LAE were expected. Although litigated non-weather water claims continue to be a dominate driver of loss in LAE activity within the PLA, the litigation rate for accident years 2018, 2019, and 2020 continue to show improvement in comparison to accident years 2014 through 2017, with accident year 2021 showing the lowest percentage of litigation rates in recent history. Within the Commercial Lines Account (CLA), losses in LAE related to sinkhole claims are relatively unchanged; however, volatility and older non-sinkhole claims have the potential to contribute to material quarterly variances in the reported losses in LAE ratios in future periods. Administrative expenses incurred during the first quarter of 2021 were $36.1M, or $0.7M more than the same period in 2020 and $4.8M less than budgeted. For the quarter ending March 31, 2021, Citizens' expense ratio was 19.5% reflecting a 6.1% decrease from the same period in 2020 and a 4.4% decrease compared to budget. Total investment income during the first quarter of 2021 was $57M, or $11M less than the same period in 2020 despite a marginal increase in the total invested assets. The decrease in investment income was primarily driven by decreases in the overall interest rates and a decline in the net realized gains as well as reductions in tax exempt holdings, resulting from the schedule maturities of certain outstanding bond obligations. With 2021 reinsurance program in place together with Citizens current level of highly liquid financial resources, Citizens enters the 2021 Hurricane Season with ample resources to meet the needs of its policyholders. I will stop there. If there are no questions, that concludes my report.

Marc Dunbar: Thanks, Jennifer. I just have one quick question on the administrative expenses. So, the deviation from insurance in the back, it says that it's due to timing differences. But then (this is just a question) it looks like if it's payment for the quarter . . . If the quarter was $281,000 and you multiply times four or whatever that number was, it's going to go above the budget. I just didn't know – did we make two payments in the month or are we still going to be . . . We spent $281,000. The budget is $193,000 for the quarter. The overall budget is $890,000. If it's a timing issue, do we make two payments this quarter or are we going to multiply $281,000 by four and go over the $890,000 that we budgeted for insurance?

Jennifer Montero: I apologize. Which part of the administrative expenses are you referring to?

Marc Dunbar: The insurance.

Jennifer Montero: Insurance expenses. I need to look into that.

Marc Dunbar: Okay. Do you see what I'm saying? If the $281,000 gets multiplied times four to go over the $890,000 and I just didn't know if, in the paragraph, it says it's timing. But did we make two payments and are we going to be significantly under budget for insurance? It's just something that jumped out at me. Thanks.

Jennifer Montero: No problem. I'll get that for you. [1]

Chair Beruff: Anyone else? [silence]. Keep going.

Jennifer Montero: Great. Next on the agenda is I'm going to call Brian Donovan, our Chief Actuary.

Qualification Documentation for Appointed Actuary

Brian Donovan: Good morning, Chair and committee members. Welcome, new Board members. My name is Brian Donovan, Chief Actuary at Citizens. I'll be addressing, I believe it's item 3-D in your board book related to qualification letters for the appointed actuary. I think this is more of a housecleaning item and not an action item. The purpose of this is to keep myself and Citizens in compliance with the change implemented by the National Association of Insurance Commissioners (NAIC) in conjunction with the American Academy of Actuaries, the Casualty Actuarial Society, and the Society of Actuaries. I was appointed by Citizens Board in 2010 as the Qualified Actuary. That means I was appointed to sign off on the year-end loss reserves that are recorded in Citizens financial statements. Prior to 2019, there was no need to ever discuss that again at the Board level unless there is a change in the appointed actuary. But, at the end of 2019, the aforementioned organizations made changes to the rules that now requires the appointed actuary to provide the committee and board documentation that demonstrates s/he is qualified to be the appointed actuary. Included in the documentation provided is a formal letter from me addressed to Citizens Board outlining my qualifications. Also included is a brief history of my work experience and details how I completed the required continuing education credits. Basically, the letter says I'm a follower of the Casualty Actuarial Society and in good standing. In particular, I have a credit for one of the exams related to regulation and financial statements and I'm up to date with continuing education credits is all that letter says. So, the bottom line is nothing is really changing regards to my qualifications to render loss reserve opinions. The only that that changed now is every year we need to provide the Board – or it could be done at the committee or Board level – just the documentation that says I'm qualified. Any questions on that?

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[1] CFO Montero responded (via the attached email) to Governor Dunbar 7/15

Chair Beruff: Thank you, Brian.

Brian Donovan: Thank you.

Actuarial and Underwriting Committee (A&U) Update

Jennifer Montero: In the A&U, we postponed the Catastrophe Modeling Software Services Action Item D, until September, but Brian will present the rates for that.

Action Item: Reinsurance True-up Rate Filing

Brian Donovan: I think we have a slide for that. We're just going to update where we are at with our rates. We do not have further recommendation. At the January Board meeting, the Board approved Citizens to file a rate change – your recommended rate change of 7.3%. And, as we talked about yesterday in the A&U meeting, that rate change included a risk factor that considers the cost to Citizens' surplus. We limited all decreases to 0% instead of -10%. We based the hurricane indication on the two highest model results. In April, we did receive an order from the OIR, and they approved a 5.2% increase. The difference between the 7.3% and 5.2% has to do with the first two Items I mentioned where they disallowed the risk factor, and they require us to give decreases up to -10% when indicated. But they did accept the higher hurricane indication based on the higher models. So, those rates will go into effect 8/1/2021 to 5.2% increase. What we are proposing today is to adjust those rates to incorporate 1) the new updated reinsurance cost, which are not considered in the current rates and 2) also the impact of SB 76. In particular, SB 76 directs Citizens to include our actuarial reinsurance cost, but even higher than that to reflect what it would cost if we bought reinsurance purchase of 1-100 year level. Additionally, SB 76 directs Citizens to raise glide path cap from 10% to 11%. All that rolls up to this: we file 7.3%. What was approved was 5.2% effective 8/1/2021. We are recommending an additional 2.3% due to the items I just mentioned which would result in rates being 7.6%. So, any policy that renewed between 8/1/2021 through 1/31/2022 would have an average rate change to 5.2%, and then any policy that renewed between 2/1/2022 through 7/31/2022, we have an average rate increase of 7.6%. Any questions on that?

Chair Beruff: Governor Telemaco.

Nelson Telemaco: Just a quick question. When does the Reinsurance Transfer Program renew? What's the effective date on that?

Brian Donovan: 6/1.

Nelson Telemaco: 6/1. Thank you.

Chair Beruff: So, this is an action item? Do you want to read the recommendation?

Brian Donovan: The A&U Committee recommends that the Board of Governors:

a) Approve the above proposals to incorporate the final reinsurance costs and the impact of SB76 into Citizens' rates; and

b) Authorize staff to take any appropriate or necessary action consistent with the Reinsurance True-Up - July 2021 Action Item which includes filing with the Office of Insurance Regulation (OIR), system change implementations, and other relevant activities.

A motion was made and seconded for the Board to approve the above proposals to incorporate the final reinsurance costs and the impact of SB76 into Citizens' rates and to authorize staff to take any appropriate or necessary action consistent with the Reinsurance True-Up - July 2021 Action Item which includes filing with the Office of Insurance Regulation (OIR), system change implementations, and other relevant activities. All were in favor. Motion carries.

Audited 2020 Financial Statements

Jennifer Montero: The last item I have is just for information is the Audited Financial Statements for 2020 which are in your books. There is no variance from what was presented to you at the last Board meeting for the December financials.

Chair Beruff: Great. Thank you.

Jennifer Montero: That completes my report.

3. Chief Operating Officer's Report

Chair Beruff: Ms. Booten, you're up.

Kelly Booten: Good morning. Today, it'll be brief because most of my stuff was approved via the consent item. Dave Newell is here to present the MAAC Update.

Market Accountability Advisory Committee (MAAC) Update

Dave Newell: Thank you, Chairman and Board members. For the record, my name is Dave Newell, the Chair of the MAAC. With so many new faces, I thought I'd provide some background on this committee. The committee was created by the Board of Governors to assist the corporation in developing awareness of its rates, its customer experience, and agent service levels to the voluntary market writing similar coverage. Members of the MAAC consist of the following: four of our group is appointed by the state agent associations here in Florida; three members represent the top three carriers currently writing residential property insurance in Florida; one representative of the committee is from the OIR; one is a consumer appointee; and then rounding out the committee is the representative from the Board of Realtors and Bankers Association. That's a total of 11 of us on this committee. We serve three-year terms and each Board meeting we provide a report from the MAAC. We held our virtual meeting on June 23 and heard an update from Jay Adams on the Managed Repair Program (MRP) and some of the successes and some of what they're doing on the backend to make sure that customer experience is well done. Scott Crozier provided the committee an update on some of the underwriting changes and some of the rate filing issues in the forms that they're following. Christine Ashburn – I know you'll hear from Christine later – provided the MAAC an update on SB 76 and some of the implementation items that they're doing to get everything up and running since the bill is now law. Carl Rockman provided an Agent and Agency services update, which is always interesting to the MAAC because most of us that sit on there are agents.

So, we always like to hear of, you know, how many new agents have been appointed, what that looks like, and certainly where these policies are coming from as they enter Citizens, not only from the marketplace but certainly the region of Florida is always interesting for us to hear about. Then, you've already heard from Barry and Barry has always been kind to the MAAC to give us update on the Florida marketplace and some of the challenges that we're experiencing. So, with that, Mr. Chairman, that concludes my report, and I'll entertain any questions.

Chair Beruff: Any questions? Mr. Dunbar.

Marc Dunbar: Thanks, David. Good seeing you. So, this is more of a practical question. Because of the MAAC, you may have all the players that might help me with this practically. So, with the real estate market in Florida being so hot, people are out-bidding each other for homes often well above appraised value, right. You're a successful winning bidder, you know, for a house that you're paying $300,000 for a house that's really only $220,000. Your bank understands what's going on. Let's assume you have a mortgage and they're requiring you to put whatever extras up because it may be beyond what they think the house is worth. They go get that homeowner's insurance and our insurance is not for what they paid for the house. It's for what it is to replace the house, so a lot of people are going to be immediately in the negative equity situation. They're renting the house from the bank; they probably are never going to see the $300,000 when they sell the house at some point, particularly if there's an economic downturn. But let's say a CAT event occurs and that house is gone, right. So, they owe money on the house, and they have an insurance policy to replace that house. But it is not going to help them with their negative equity situation. So, from an agent standpoint, are you guys involved in saying, "Hey, I just want to give you the heads up. You have a beautiful house and congratulations on winning the bid to pay $300,000. But you do understand you're going to only be insured for a replacement value, which is probably going to be 'x.' You may want to consider that." How does that sort of work and what if, anything, you know, should the market be looking at in those kinds of situations?

Dave Newell: Governor Dunbar, great question because this certainly has been something that has been part of our shop and, certainly the other stakeholders and certainly Citizens has been engaged in this conversation is the replacement cost estimator and really having that discussion with a policyholder or a prospective policyholder of what insurance will be there in case of a claim. We had discussions a few weeks ago at our annual conference of how insurance companies, including Citizens, are looking at that and adjusting for that. So, yes, it's a global discussion. Agents are having sometimes a hard discussion with their clients or prospective clients. But, yes, they are engaged in that conversation of what really the insurance policy will pay in the time of loss.

Marc Dunbar: Is there some sort of supplemental product to cover that negative equity portion that is available that they can purchase in addition to an HO3 or something like that? I mean, is there some other alternative that's basically "we're insuring your negative equity"?

Dave Newell: I know there is a lot of talk about investment and capital, but we're not aware of anything at this point that would be a supplemental entity that would fill in any of that gap.

Marc Dunbar: Just one of the worries that I have - projecting out year two, three, four is, as creative as the trial bar is, we're going to be faced with those lawsuits. Was there some breach of duty to the insured by the agent, by the insurance company, by the bank, by whoever they can sue because they're going to sue them all. Are there defenses – are there things – that we should incorporate in the policy forms? Are there disclosures we should be considering because we know those lawsuits are going to come at some point because the person's going to say, "Well, it wasn't my fault. I thought my house was worth $300,000. I didn't know it was going to be $220,000." Is there anything that is being considered that we should look at when we buy those policies?

Dave Newell: Yes. You know, governor, there currently are a lot of disclosures that people are signing – documentation and certainly the replacement cost estimator, is certainly the backstop of a lot of this. If you're talking to your agent and you're having those conversations, they're going to really use that as the tool for that conversation.

Chair Beruff: Governor Lopez-Cantera.

Dave Newell: Wow, Mr. Chairman! I don't think I've ever had this many questions after my report.

Chair Beruff: It's an exciting time we're living in.

Dave Newell: Exactly.

[laughter]

Chair Beruff: At the end of the day, it's a market-driven economy. If a person is willing to pay "x" dollars for a house, that's what it's worth.

Dave Newell: That's it.

Chair Beruff. Regardless of the appraisers and the insurers can keep up with it. As an aside, I'd like to have Governor Lopez-Cantera who has comments or some questions . . .

Vice Chair Lopez-Cantera: I'll go ahead and let Governor Knight go first.

Erin Knight: Thank you. Mine is more of a comment. The lender is in receipt of that and so a lender has some veto power to say, "If this replacement cost is not enough . . ." they may not make the mortgage. And then, there is also some value in the land, in the worst case. I think that the lender and the banks have some equal part in that equation.

Dave Newell: If I can follow up, so we've had many conversations with the bankers about this and certainly with the realtors because those are the stakeholders. They are in the trenches too on these issues. Trying to get more on them on board of explaining it, you know, to their staff as well has been a challenge.

Chair Beruff: Thanks for those comments.

Vice Chair Lopez-Cantera: Thank you. I was going to build on what Governor Knight said. I'm going back to my property appraiser days. In the higher value areas, many times the land has more value than the actual structure. So, if they're paying the $300,000 for the home, it could be that the replacement cost is $100,000, but they're paying the additional $200,000 for the location.

Chair Beruff: Governor Reynolds Henderson.

Reynolds Henderson: I would agree. Just to add, you know. . . The one thing that's different this time is we had a spike in lumber and other commodities, which is different. The land, yeah – exuberance. People pay more for land when things are hot and high, whatever. But, you know, when somebody bought a house and the lumber prices are down, then all of a sudden, the lumber prices went up . . . Well, the appraisers are going to appraise it from when the lumber prices went up. They have to from a cost standpoint. So, when it goes back down, assuming it does, which economist are thinking it will (it's starting to trickle back down) . . . That's the thing that gets me more concerned – not the exuberance of somebody buying in this frenzy (which that's their fault) – but something that they can help which is material cost.

Dave Newell: That's part of the discussion about . . . You know, a lot of policies/insurers have inflation guards. They have tools in place to kind of adjust for that fluctuation, but let's face it. You know, right now $85 for a sheet of plywood is a little out of the ordinary, but as those adjustments are made, certainly the policies will be adjusted as well. Now, how often that occurs is certainly a question from insurers of how often they want to continue to look at that adjustment.

Chair Beruff: Great. Thank you so much.

Chair Beruff: Thank you.

Information Systems Advisory Committee (ISAC) Update

Kelly Booten: Governor Telemaco, is there something you want to say about the ISAC meeting?

Nelson Telemaco: You can go ahead.

Kelly Booten: The ISAC met via teleconference on June 22. I provided an update on IT CAT readiness, recent disaster recovery tests, audit findings, and IT impact of 2021 legislation. We reviewed the ISAC Charter, and it was recommended to continue as it exists today with no changes. We did an overview (Chris Jobczynski) of the IT Strategic Plan and how it is married with the Citizens Strategic Plan, of course, and the components of that. Then the ISAC approved the Managed Workplace IT Services action item, which was included in the consent. Any questions on the ISAC before I move into the A&U?

Chair Beruff: No. We're good.

Actuarial and Underwriting Committee Update – Continued (See Reinsurance Rates True-Up discussion)

Kelly Booten: In the A&U, the Property Inspection Services for Underwriting action item was approved. The product updates for July 2021 were also approved and included in the consent. Then I provided an update on the commercial process, including commercial statistics, process bill underwriting team, and recertification inspections. I do want to correct one thing I said. The documentation is all correct, but I commented that the 20% eligibility rule applied to commercial. In the legislation, it does not apply to commercial. It only applies to personal lines, but the documentations are correct in all of the form product updates and the material that we presented. I just assumed it applied to both, but my staff is all over it and let me know I said it incorrectly. I want to correct it for the record. So, that's the A&U. Any questions? [silence] Thank you.

Chair Beruff: Ms. Ashburn, your turn.

4. Chief Communications, Legislative and External Affairs Report

Consumer Services Committee Update

Christine Ashburn: Good morning, Mr. Chairman. The first item on my agenda is the Consumer Services Committee Update with Chair Hasner. The committee met via teleconference recently. There were no action items during that meeting, but we did receive reports from Jay Adams and Jeremy Pope regarding our CAT operations preparedness. I provided an update that we have launched (I believe all of you have now received it) a quarterly policyholder newsletter that's electronically distributed to our policyholders who have an email address on file so that we can educate them and make them aware of upcoming changes. We're excited about that. The committee will meet again in September and that concludes the Consumer Services Committee report.

Legislative Update

Christine Ashburn: So, as Barry and others mentioned this morning, the legislative session, as all of you are aware, did conclude on April 30. SB 76 really is the main item that I think we talked about yesterday and today. As many of you are aware, that bill does a number of things related to tort reform in some of the first part of litigation issues, but notably there are some specific changes to Citizen's statute. One, it does change our rate cap from 10% to 15% over the next five years, and as you know with Brian Donovan's report under Jennifer Montero, you all did just approve rates that relate to some of the changes in that bill. Another significant change, again, related to rates is the ability to rate for reinsurance whether or not we re-purchase it. I think another significant Citizens specific change to mention is for the personal lines residential risk (I know Kelly Booten mentioned this as well) that we are moving our eligibility threshold – or we did – on July 1, the eligibility threshold from 15% for new business to 20%. So, we're excited about the prospects of that bill's impact on the market, Chairman, as you spoke to maybe some investors coming in and I know we'll have data hopefully in the next year or so to really understand the impact of that on the incoming barrage of litigation that we see. There is another bill that relates to procurement and some of the requirements for vendor management that I know Kelly's team is working to implement. That is really just related to contract oversight and things like that, but that's really more kind of operational – not a significant impact on the business as it relates to what's going on in the market. It's really just a Citizens thing since we follow state procurement laws. I'm happy to answer any questions.

Chair Beruff: Ms. Ashburn, for the September meeting, if you would put together a list of some of the things you think we can accomplish in this next legislative season that we discussed – low hanging fruit things that we think we can get across plus fixing some of the language in SB 76 that could be more advantageous for us, including taking a look at if there is any way to fix the injunction that was given as it relates to solicitation on roofers.

Christine Ashburn: Sure. I'm not a lawyer . . .

Chair Beruff: We'll put Mr. Cerio to work with you on that.

Christine Ashburn: I was going to say, as a non-lawyer, I do know that the commercial right to free speech is pretty strong, and I know that is an issue that probably isn't going to fare too well based on the way the injunction went. But, yes, we can.

Chair Beruff: And, I have another comment that's been settling in my mind for months with some of the staff, including ourselves and others to speak before this Board come up and call it the "social inflation." I think what we'd like to do, with the consent of this Board, "social inflation" is the politically correct way of saying "fraud and stealing." That's what it is, so I really would like to make it a directive to staff that when we're talking about social inflation that we call it what it is – it's fraud and theft – so that the public understands what's happening because somebody listening to one of these meetings go, "Social inflation. What the heck does that mean?" Well, we know what it means, so let's just say it and call it what it is, okay, in the future so we continue to beat the drum and people will understand that it's affecting the cost. Social inflation – which is fraud – is driving up the cost of insurance in the state.

Christine Ashburn: Understood. This is a reminder related to the session. It is an early session in 2022, so the session begins in January. So, we will see committee meetings beginning in September. Two key items that will be addressed obviously relating to the Surfside collapse and what will go on there will be a significant, I think, conversation during the session. And, legislature is required to tackle re-districting following the census results, and so those are going to be two major issues in addition to their normal budget issues.

Chair Beruff: As is government practice to take an event and turn it into a horse race on who can do better and who can do more to protect the citizens. Fact-of-the-matter, I think the market will protect the citizens because when you go buy a condo now, unless you've had your head in the sand, you're going to find out whether or not it's got structurally significant reports before you buy the condo. And, if your realtor isn't telling me that, then I'll probably need another realtor. So, thank you. Governor Dunbar.

Marc Dunbar: As you're looking at the legislative agenda, and one of the things we've talked about, particularly on the fraud and theft . . . I would be interested if part of our proposal if we could look at trying to supplement the statewide prosecutor and the State Attorney's Office (and we've talked about this) with supplemental funding to have dedicated prosecutors for insurance fraud. And, for the new Board members, our Special Investigations Unit (SIU) team is fabulous. Barry has touched on it in past meetings. We do incredible work to bring cases that are turnkey ready to go like "this person really needs to go to jail like yesterday" only to find out that the State Attorney has more important things to do. I think we need to start sending . . . helping the state attorney send a strong message that your neighbor could go to jail for the insurance fraud that they're engaged in. The lawyer that wants to help you could go to jail for the fraud that they're engaged in. It is very frustrating how our team works so hard with DFS's team and with local law enforcement a lot of times and then we find out nothing of significance happens but maybe a slap on the wrist. So, as part of our agenda (because I know there is not going to be any significant insurance legislation this session) we could work on the fiscal side because there is going to be money in the budget to come up with some solutions and really see if we can get the legislature to dedicate individuals that will just prosecute only insurance fraud and that will ultimately help stem the tide of the social inflation that is out there.

Christine Ashburn: Absolutely. I think it's important to realize, too, that while we look at the fraud and property insurance, it really is unfortunately just a sliver of insurance fraud. It's just a small piece. You talk about auto insurance and health insurance and workman's comp. The property piece, unfortunately, is a small piece and it's often very complex. And I think that's why we see that. But 100%, Governor Dunbar, anything is on the table as it relates to trying to get more focus on getting these cases seen all the way through.

Chair Beruff: Thank you. Governor Reynolds.

Reynolds Henderson: Mr. Chair, I like your words and I hope we can get our communications team to get some of this into the newspapers. That's the best way we can do some free advertising.

Christine Ashburn: Certainly. We partner with the CFO's office whenever possible, but, as you can imagine, many times, while we will share things with you all, they have bigger fish to fry. Sometimes it's not public. But we work with them in concert whenever they make an arrest. We always want them to recognize (the public) that Citizens was involved, so we take this very seriously. But absolutely. Any opportunity . . . I work with Joe Theobald and his team on that whenever possible. We absolutely want to publicize what we're doing to stop fraud, and to make it, to your point, that your neighbors realize that you can go to jail for this.

Reynolds Henderson: Thanks.

Chair Beruff: Anyone else? [silence] Thank you. Mr. Adams.

5. Chief Claims Officer's Report

<u>Claims Committee Update</u>

Jay Adams: Good morning, Chairman and Governors. I'd like to give a brief update on what we did at our Claims Committee. We met through Zoom on June 30 at 1:00 p.m., and during that meeting, we discussed multiple topics. One of the topics was we had an update on Citizen's litigation compared to the Florida marketplace. Craig Sakraida went over our 2021 CAT Plan and testing and then our readiness. Elaina Paskalakis went over and provided a litigation claims update. Michael Carver went over and discussed our non-weather water and managed repair program and AOB and how the legislation has impacted those. We had a vendor update which was a consent item today. And, then we did have a SIU report from Joe Theobald who discussed a recent case that we did partner with DFS on and provided some updates. That concluded what we did in our Claims Committee.

<u>Tropical Storm Elsa Update</u>

Jay Adams: I want to provide the Board a very quick update on Tropical Storm Elsa. We received 265 new claims. Two of those are commercial. The rest are residential. We have contacted 95% of those. Chairman, that would conclude my report for today.

Chair Beruff: Great. Thank you, Mr. Adams. Mr. Martins, nice to see you again.

6. Chief of Internal Audit Report
<u>Audit Committee Report</u>

Joe Martins: Governor Knight, would you like to say something about the Audit Committee meeting?

Erin Knight: We had a committee meeting. We met yesterday. There were no action items. Mr. Martins will provide the summary report.

Joe Martins: For the record, I'm Joe Martins, Chief of Internal Audit. During the Audit Committee Meeting, we noted satisfactory progress towards completing the Audit Plan. At the moment, we have 35 significant projects for this period completed. Internal Audit finalized 18 engagements during the period and highlight the claims appraisal process audit, the audit of the implementation of claims consulting observations, the CenterPoint ERP system configurations, commercial underwriting compliance, and management of the escheatment funds, and the number of advisories were completed as well. Next slide please. We currently have 14 engagements in progress, spanning across most areas of the organization. Within these we have five audits complete as well and we have another five audits to complete during quarter three, which we've listed. Next slide please. Open items refer to open issues identified by Internal Audit, the Office of Insurance Regulation, Auditor General, and the external auditors. There are currently five open audits that I'd like to highlight. Management focuses well on issues that have been identified within these operations fairly quickly. There are five observations remaining, of one which is a high impact and refers to the Office of Foreign Assets Control (OFAC) audit which was completed last year. That is being worked on. Next slide please. The internal controls team is responsible for maintaining and monitoring Citizens Internal Controls Framework (ICF). Control self-assessments are performed annually to ensure ongoing evaluation of a controlled design operated effectiveness of Citizens primary controls. As of June, 119 primary controls have been identified of which 107 of those were self-assessments. Of the 12 remaining ones, they are scheduled for a refresh during the latter part of this year. Enterprise Risk Team facilitates, enables, and partners with business areas to deliver forward thinking and insightful risk perspectives that support decision making. Enterprise Risk facilitated the completion of the 2021 strategic risk assessment together with the ELT. Details of the 19 risks identified are attached to Appendix X of this document. Enterprise Risk is currently working with respective ELT and the staff in identifying and documenting appropriate risk mitigation practices and action. At the meeting, also, CFO Jennifer Montero presented the Q12021 results, Chief Actuary Brian Donovan's qualifying documentation, and Dixons Hughes presented the 2020 Financial Audit Reports. That completes my report if there are no questions.

Chair Beruff: Thank you, Mr. Martins. Mr. Dunbar.

Marc Dunbar: Thank you. Can you sort of remind us? When you go through and you look at the strategic risk and they show as "high," can you remind us of the process – for the new Board members – the process that we go through on dealing with the issues that you rate as "high" and sort of how to plan to deal with them so that they kind of disappear from this report? And, for whatever it's worth, it's on page ten – the itemized list is on page ten of the report.

Erin Knight: Also, if you can give some high-level overview for some of the Board that's new on how your department works differently from other traditional audit functions as you then go into this detail. Just a couple of minutes – high level.

Joe Martins: Certainly. The Office of Internal Audit (OIA) has three specific areas within it. The first area is the internal audit function that focuses on providing assurance for the Board and the organization that internal control functions within Citizens are operating as well as it should be. Secondly, associated with that, we are responsible – or I am responsible – for managing the Internal Control Framework (IFC) and execution of the framework throughout the organization. We also have the Enterprise Risk Office, reporting into myself. Between the OIA, Enterprise Risk, and internal controls, there's a wall. The OIA operates independently from the other two functions. The OIA provides audits and assurance consulting engagements. Roughly around half of our work is focused on audits and half of our work is advisory services that we provide. That actually works really closely with organization. The audit is really where we identify the risk within the organization-something that needs to be audited. Advisories are when they come to us and ask us to support and identify better processes, highlighting pros and cons, providing advice in terms of managing the area and controls better. When you look at the internal controls function, it doesn't manage controls within the organization. They facilitate, enable, and monitor a process that has been developed and trained throughout the organization where the organization identifies through risk assessment which are the main primary controls throughout the organization instead of having thousands of controls that we need to concern ourselves about. There are 19 primary controls that we focus on annually, and we ensure that those controls operate well, and we are of the opinion if those controls fail, the organization may have a potential failure or a reputational [sic] damage. We ensure that these are managed. We have risk control champions throughout the organization that assist the business units to ensure those controls are managed. Similarly, we have the Enterprise Risk function. We have the Director of Enterprise Risk, Deena Harrison, and the Enterprise Risk function really has three tasks. The first one is strategic risk and that is what was presented today. What they do there is, we have a risk assessment session with the ELT, and we look at the strategies of the organization and what are the risks that may impact from achieving those strategies. That is the risk the ELT identifies. They say, "In achieving the strategy, this is the major item that we need to focus on to ensure that the strategy would be successful." Then, we both create a mitigating action around those strategies. That is what we've listed here – 19 strategic risks within the organization. These risks have been identified and then Deena and the team will work closely with management to identify the appropriate mitigation action. We document that and we monitor the implementation and the management of those implementation action they've identified. We have a great draft document of that available at the moment, and we are working on finishing that relatively quickly with the ELT so that there is appropriate oversight and management of the mitigating action to ensure this risk doesn't apply. We also have an operational risk process throughout the organization. We have over 600 I think at the moment, that the business units have identified. We have risk facilitation sessions with every business unit and every business unit in management. They identify the risks they believe are extremely important in their area. We assess those risks. We identify mitigating action, and they manage that. We have risk champions throughout the organization that manages those risks with them. We monitor, facilitate, and enable them. We have a tool through which they document these risks. We monitor the actions that are taken appropriately at the time that they said they would. We ensure that we have a line methodology throughout the organization. Everybody's applying the same process that we have – not only us but also, we have a risk management function within IT and they are aligning really well with the process that we follow and methodology that we have applied. Audit uses the risks that have been identified to help them identify what are the areas we need to focus on from an audit perspective and see if there is anything we can do either through a consulting engagement or through an audit to help management to ensure that those areas are being appropriately addressed. Does that answer the question?

[inaudible]

Joe Martins: Thank you.

Marc Dunbar: I just have a follow up question for you, Chair. Don't we usually have the Inspector General (IG) as an item after Joe does?

Joe Martins: Not usually for the Board except if the Chairman would like.

Marc Dunbar: I thought we got the report on investigations. There is usually a tab that's related to that in our packet.

Mark Kagy: There was at one point. At one point, there was a quarterly report on closed investigations. I have not continued to do that since the Chair was selected and I was selected . . .moved from an acting role to the final role. But I didn't think that was a most helpful report to provide, so I stopped providing the report. But I'd be happy to address that and any questions.

Marc Dunbar: If it's okay, congratulations on being hired by the Financial Services Commission (FSC) finally. I know we were all pushing hard for that. Yes, I find that very helpful. For new members, so you understand, the IG looks at things like complaints in the system, so we'd get a quarterly report that says, "Here are the number of complaints that were filed." We didn't get into granularity because Mark will give that to the Chair, typically, and Barry. At the same time, it allows us to get a look into the organization and ask follow-up questions, particularly for the Audit Chair. When you're the Audit Chair, you have the document from Mark in advance to get a little more granularity as to the issue. Then, you can bring it to us as well. I'd love for that quarterly report to come back and be part of the materials.

7. Chief Legal Officer and General Counsel

Chair Beruff: Mr. Cerio, you're next.

Tim Cerio: Good morning, Chair Beruff and members of the Board of Governors. Chair, just to start off, I want to address . . . You had raised a question about – with Ms. Ashburn – on SB 76 and the injunction on the solicitation piece. I want you to know that our office has been in touch with DBPR all the way to Secretary Brown. They've been very kind to keep us apprised of their deliberations on how to move forward. We haven't been informed, yet, on what they intend to do as far as appeals or otherwise. They've been very communicative, and I know that this piece is very important to CEO Gilway and Governor Dunbar and others. So, we're going to continue to monitor that. Also, Secretary Brown has committed to being a partner to Citizens in combating fraud and unlicensed activities. I want to report that to this Board.

Chair Beruff: Thank you.

Action Item: Legal Services Agreement with Radey Law Firm

Tim Cerio: So, we have two action items to present for your consideration. The first involves the Radey Firm out of Tallahassee. What we're asking for (and I want to address it sort of out of order . . . I want to talk about the monetary component and then the substance, if that's okay) is to go over this $100,000 threshold in the legal services agreement. If something goes over $100,000, we bring it before the Board for approval. The good news is, in this case, the case is over. It was one of the first things I got pulled into when I came on board, and we have a settlement. I think it's a good result on the merits and as far as foreclosing additional cost of litigation. The news I'm not happy to report is that we did go over that $100,000 threshold before bringing it before this Board. My shop is really committed to digging in and making sure that doesn't happen. We're doing a deep dive now in our cases to sort of identify those that are coming up on that threshold or maybe gone over and we will report back on that. But we are committed to that, and I wanted this Board to know that.

Chair Beruff: You'll have a complete report at the September meeting?

Tim Cerio: Yes.

Chair Beruff: You'll have the data pulled together by then?

Tim Cerio: I believe so, yes.

Chair Beruff: Great. Thank you.

Tim Cerio: Another sort of housekeeping matter that I want to address, and it's a really good question that Governor Lopez-Cantera raised with me and something I wanted to point out, is that Citizens is involved from time-to-time in non-claims litigation – what we call corporate litigation. Corporate litigation, especially for the new members, is handled separately. It's not part of claims; it's not part of the claims budget. I think – not to speak for Governor Lopez-Cantera – he was concerned that we had just increased the budget in claims so why am I bringing these issues before the Board now? So, it's important to point out that this is within my shop. It's part of a separate budget. It's not part of the claims budget. Also, we're not looking to increase the budget of corporate legal. We're just seeking approval to go above the $100,000 threshold within the budget for two matters. Again, I just want to make sure that was clear. On this issue involving the Radey Law Firm, they were hired to handle some litigation against Safepoint Insurance. Ultimately there were two cases involving risks that Safepoint assumed in the past under an assumption agreement with Citizens to assume Citizens' policies in November 2014. In one case, Safepoint alleged Citizens was responsible for reimbursing Safepoint about $274,000 for a sinkhole loss in addition to additional costs – an adjustment as well as attorney's fees. The insured made the claim after the assumption, so we litigated who was ultimately responsible for that. The other case involved a policy assumed by Safepoint – the amount of that claim issued was $59,000. The dispute was over who was responsible. That case was voluntarily dismissed by Safepoint, so we think that's a win. This case at issue over $274,000 has been settled. Again, I think it's a very good result. We signed a settlement agreement. Initially in the packet, we were asking for a blanket increase of authorization of up to $250,000. The fees. Are currently at $115,000. I think the final bill we're waiting for will be for a couple thousand more dollars. That is why we're here to get your authorization over $100,000.

Chair Beruff: So, how much over did you go?

Tim Cerio: $15,000 that we know of right now. Hopefully, the final bill will only be a couple thousand more.

Chair Beruff: What about the one that was voluntarily dismissed?

Tim Cerio: That was all lumped together.

Chair Beruff: The totality of the overage is $15,000, right?

Tim Cerio: Currently, yes.

Vice Chair Lopez-Cantera: These are the two items I asked to be pulled from the consent agenda. Mr. Chair, he addressed everything I was going to talk about. So, you don't need to come back to them.

Scott Thomas: I have a question about the underlying litigation, Mr. Chair. We spent $115,000 on this. I understand that the case has been settled but this says the case was in discovery phase. What did we spend $115,000 on in just the discovery phase with no depositions taken?

Tim Cerio: Governor Thomas, I'll have to pull up the bills and get back to you.

Scott Thomas: The point of my question is really (and I didn't expect an answer today) that it seems to me that it's worth taking . . . I'm a little surprised that with a three-year old case that's in the early discovery phase with no depositions taken that we spent this much kind of money on it . . . Not that our outside counsel did. I think part of what you do making sure going forward is that we don't cross these thresholds. We need to take a tight look on these on non-claims matters. Maybe we got great value for it, but we have a $274,000 claim and we spent a lot of money on it not getting to the discovery phase. I want to express my surprise at those numbers. I'm glad it's over but I'm taken aback by that.

Tim Cerio: I understand, Governor Thomas. We will take a look. I will tell you that – and you and I discussed another case where I was a little surprised of the fees that we spent and we're taking a dive on that, too, on the progress to date on that case – in this case, I can get you more information. There were two cases. It's possible there was a lot more work done on the other. I'm just not positive right now.

Chair Beruff: I was going to ask about that. There were two cases and maybe it got further down the ramp and the totality of the $115,000 is for both cases.

Tim Cerio: Yes, that's correct.

Chair Beruff: So, only one, so far, which is Governor Thomas' comment (which is true) – if you haven't even taken deposition, how can you spend so much money? Maybe the other one went further.

Scott Thomas: Do you have any idea – the other case that was voluntarily dismissed – do you know if that was voluntarily dismissed as part of a settlement agreement in that case?

Tim Cerio: I don't believe it was part of a settlement agreement, but again, I'd have to get you the details on the merits.

Scott Thomas: It says the case that was recently settled included a payment for fees. I assume that was part of the contract (the takeout by Safepoint). So, if Safepoint voluntarily dismissed the other case, then there would be an adjudication on the merits. The firm filed a motion for fees in that case to get our money back. I don't know.

Chair Beruff: The Board would like to see if can get a motion to approve the items that were requested by Mr. Cerio with updated details provided to the Board before the next meeting or as soon as possible. It doesn't have to wait until September, so we can drill down into the numbers. If the numbers make sense to the people who are lawyers and understand it better than I do, we won't bring it up in September. If not, we'll bring it up again in September.

A motion was made and seconded for the Board to ratify the Legal Services Agreement with the Radey Law Firm for the duration of the matter assigned and for an amount to exceed $150,000 as set by this action item and to authorize staff to take any approximate or necessary action consistent with this action item. Marc Dunbar recused himself from the vote. The remaining Board members were in favor. Motion carries.[2]

Chair Beruff: That concludes all the items, except we have new business.

Lazaro Fields: Can I ask a question?

Chair Beruff: Please.

Lazaro Fields: Governor Dunbar, we talked about venue. I assumed that because these two cases were transferred to Second Judicial Circuit, there was a breach of contract. There is probably a venue provision in the contract when they do a takeout like that. Is that how that works?

Marc Dunbar: We can pretty much make the decision whenever we want to say, "You're suing the state; therefore, we want to bring you." It's a decision made case by case. Some we'll start outside the circuit and, at some point, we'll decide to make a change to bring the venue back. I think in one of these matters, it was with one of our panel defense counsel on the claims side that then got reassigned, I think, when the venue transferred. Was that the Radey matter?

Tim Cerio: Governor Dunbar, it was the Radey matter, and I believe it was in Pinellas.

Marc Dunbar: Right. That's what I thought. It was down in Pinellas and then it came back up here, so, Governor Fields, it's not . . .

Lazaro Fields: Do we have the ability in any claim filed by a policyholder to remove the case to the Second Judicial Circuit?

Marc Dunbar: Yes.

Lazaro Fields: And, if the tools are in our toolbox, then we can exercise them if we want to.

Marc Dunbar: Exactly. Typically, in previous conversations I've had with Dan Sumner about this (and Barry), on the corporate side, as a matter of practice, we'd prefer the venue to be in Tallahassee, but not always. You would see on the corporate side, and if you go through the litigation reports that come out monthly, you'll see the corporate stuff is not on there. Tim, for whatever it's worth, I wanted to bring this up to you under your report. I haven't seen the corporate litigation report in a while, so if you would add me back on that and for whoever else who wants to be on that. What you'll see on what's prepared on the corporate side is that most of those cases are being litigated in Leon County. Not all of them but most of them and that was a decision that Dan and his team would work through. I personally would like to see . . . I don't want to have us discuss that in the Sunshine frankly because that could prejudice our strategy and things like that. I'm comfortable with that happening on that side of the table not here. But,

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[2] Marc Dunbar submitted a Form 8A recusing himself from the vote regarding Radey Law Firm.

knowing that we can take advantage of that, I think we should consider it more broadly like we discussed yesterday and hopefully come at the December meeting, we'll have some more strategy that we can avail ourselves on the commercial side because that's where the very expensive and complicated litigation is occurring.

Chair Beruff: Thank you. Mr. Cerio.

Tim Cerio: We will do that, Governor Dunbar. We'll start getting that report back out and circulated.

Action Item: Legal Services Agreement with Meenan P.A.

Tim Cerio: Mr. Chairman, the next item on the agenda is the approval of both a new contract because the current one is about to expire as well as authorization to possibly go over the $100,000 threshold for the Meenan Law Firm out of Tallahassee. This case involves representation of Citizens at the OIR regarding Citizens application . . .

Chair Beruff: Mr. Cerio, is this the one that was also taken off the consent agenda?

Tim Cerio: Yes.

Chair Beruff: Governor Lopez-Cantera?

Vice Chair Lopez-Cantera: Yes.

Chair Beruff: Would you like to hear the explanation?

Vice Chair Lopez-Cantera: If he gets into the same issues that I had the conversations about in his presentation, then, yes, I'll be fine.

Chair Beruff: Governor Dunbar, otherwise, I'll entertain a motion to approve. We don't need a presentation.

Marc Dunbar: I'm happy to make the motion. I just have one question. Why are we hiring outside counsel? As a matter of . . . with all the relationships we have with OIR and as much as we work with them, why do we need outside counsel to help us there?

Tim Cerio: Because in this case . . . What I understand, and in my gut, the law firm in this case has threatened to bring 130 similar cases. It's a volume question. The Meenan Firm has, as you know, have some good expertise out at OIR as do a lot of firms. They've done a nice job so far. This is a case where we are still well under the $100,000 . . . Not well-under. We're about $78,000 in fees. There is a potential for 130 cases down the pipe, which is why we're looking to enter into a new contract.

Marc Dunbar: As a follow-up and for a couple Board members, the issue of having internal counsel handle things that we are outsourcing, this is an example of one of the things – as you look at your team, and I know we have at least one vacancy – it seems to me this would be a skill set that we can handle in house and it would be cheaper than paying Tim and company, even over the long term, even if it was volume. I really think we could save some money by having some specialists in-house that are trained to handle these kinds of things as you look to refine your team and things like that because, you know, what we're going to spend on this potentially could pay for a position for a lawyer on your team.

Marc Dunbar made the motion for the Board to approve the currently Legal Services Agreement with the Meenan P.A. For the amount not to exceed $250,000 as set forth by this action item; authorize staff to enter into a new legal services agreement with Meenan P.A. for continued representation in the litigation matters for which Meenan P.A. Was engaged, if needed after expiration of the current contract on October 3, 2021, for the amount not to exceed $250,000 across the current expiring contract and this proposed new contract; and authorize staff to take any appropriate or necessary action consistent with this action item. The motion was seconded. All were in favor. Motion carries.

New Business

Chair Beruff: That concludes our agenda, I believe.

Marc Dunbar: May I please, for the good of the order. This is really for the new members. Just a couple philosophical things now that I guess I'm the Dean of the Board. We have an incredibly dedicated staff that serves the Board and serves the Board very well. I think the Chairman, the way he laid the committees out with new members chairing committees, is a fabulous idea. It's somewhat of a "baptism by fire" for all of you, but, at the same time, it will ramp up your learning curve significantly if you roll your sleeves up. I ask of you, please do so. We're at that point – and you've heard from Barry's presentations – we are not in a depopulation cycle. The next couple years historically over the last 26 years I've been lobbying for insurance companies and working on issues and things like that. There is a lot that is going to challenge us and is going to challenge us to look after the surplus we have and to look after our insureds. To each of you that are chairs, congratulations and sorry for the work that's about to get loaded on you. The other thing I'll tell you about this is that Barry and I have a good relationship. We will fight from time-to-time, but it's never personal between us. If you've read the minutes, you've seen some of the back-and-forth. He is incredibly dedicated to the organization as is his team. I view the Board as fiduciaries to the funds. It isn't our job to "rubber stamp" management. Our job is also not to fight with management arbitrarily. I carry a pocketknife around and it's sort of a life philosophy of mine that quotes Proverbs 27:17, which is "Iron sharpens iron as another person helps or sharpens another person". I view that, you know, as I go about things. We're on a quest for perfection for the organization, which we're never going to attain, but in order for us to find it, we do have to sharpen each side. The Board's job is to help management get better. I'm going to provide constructive criticism where I can. So, as you chair these committees and serve on these committees and as you get curious and learn more about this entity in the industry, ask questions. If you don't get the answer, ask again, and ask again. If you want something to be on the agenda, ask for it to be on the agenda. If you want to provide comment on a committee, the Chair's been incredible in saying, "Yeah, go ahead." He has been very collegial in his approach so far, and so I hope each of you will take that to heart and know that we're all trying to work to the same goal. None of us are wilting violets, so for whatever that's worth, I wanted to pass those thoughts on.

Chair Beruff: Thank you, Governor Dunbar, for the comments. I think we all probably share that opinion on what our job is here, so we're going to continue to do it. I think "trial by fire" is the best way to learn something. Maybe not a good thing for some but it seems to work for me anyway. That concludes the meeting.

[adjourn]

From: Jennifer Montero
To: Barbara Walker
Subject: FW: Follow Up to Governor Dunbar"s Question Regarding Admin Expenses
Date: Wednesday, August 11, 2021 1:24:05 PM

FYI

From: Jennifer Montero
Sent: Thursday, July 15, 2021 10:57 AM
To: Marc Dunbar (Mdunbar@deanmead.com) <mdunbar@deanmead.com>
Cc: Barry Gilway <barry.gilway@citizensfla.com>; Andrew Woodward <Andrew.Woodward@citizensfla.com>
Subject: Follow Up to Governor Dunbar's Question Regarding Admin Expenses

Good morning, Governor Dunbar,

In response to the question you raised during the boarding meeting yesterday regarding insurance expenses, the short answer is no, we do not anticipate a budget overage. The timing difference that was noted is the result of a common variance whereby the projected expense did not match the timing of the actual expenditures. Variances of this nature are common during the first and second quarters. Hopefully, this answers your question, but please let me know if you need additional information.

Regards,
Jennifer

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FORM 8A MEMORANDUM OF VOTING CONFLICT FOR STATE OFFICERS

LAST NAME—FIRST NAME—MIDDLE NAME Dunbar Marc	NAME OF BOARD, COUNCIL, COMMISSION, AUTHORITY, OR COMMITTEE Citizens Property Insurance Corp.
MAILING ADDRESS 7335 Ox Bow Circle	NAME OF STATE AGENCY
CITY: Tallahassee. COUNTY: Leon	MY POSITION IS: ❑ ELECTIVE X APPOINTIVE
DATE ON WHICH VOTE OCCURRED July 14, 2021	

WHO MUST FILE FORM 8A

This form is for use by any person serving at the State level of government on an appointed or elected board, council, commission, authority, committee, or as a member of the Legislature. It applies to members of advisory and non-advisory bodies who are presented with a voting conflict of interest under Section 112.3143, Florida Statutes.

Your responsibilities under the law when faced with voting on a measure in which you have a conflict of interest will vary greatly depending on whether you hold an elective or appointive position. For this reason, please pay close attention to the instructions on this form before completing and filing the form.

INSTRUCTIONS FOR COMPLIANCE WITH SECTION 112.3143, FLORIDA STATUTES

ELECTED OFFICERS:

As a person holding elective state office, you may not vote on a matter that you know would inure to your special private gain or loss. However, you may vote on other matters, including measures that would inure to the special private gain or loss of a principal by whom you are retained (including the parent or subsidiary or sibling organization of a principal by which you are retained); to the special private gain or loss of a relative; or to the special private gain or loss of a business associate. If you vote on such a measure or if you abstain from voting on a measure that would affect you, you must make every reasonable effort to disclose the nature of your interest as a public record in a memorandum filed with the person responsible for recording the minutes of the meeting, who shall incorporate the memorandum in the minutes. If it is not possible for you to file a memorandum before the vote, the memorandum must be filed with the person responsible for recording the minutes of the meeting no later than 15 days after the vote.

For purposes of this law, a "relative" includes only your father, mother, son, daughter, husband, wife, brother, sister, father-in-law, mother-in-law, son-in-law, and daughter-in-law. A "business associate" means any person or entity engaged in or carrying on a business enterprise with you as a partner, joint venturer, coowner of property, or corporate shareholder (where the shares of the corporation are not listed on any national or regional stock exchange).

A member of the Legislature may satisfy the disclosure requirements of this section by filing a disclosure form created pursuant to the rules of the member's respective house if the member discloses the information required by this subsection, or by use of Form 8A.

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APPOINTED OFFICERS:

As a person holding appointive state office, you are subject to the abstention and disclosure requirements stated above for Elected Officers. You also must disclose the nature of the conflict before voting or before making any attempt to influence the decision by oral or written communication, whether made by you or at your direction.

For purposes of this law, a "relative" includes only your father, mother, son, daughter, husband, wife, brother, sister, father-in-law, mother-in-law, son-in-law, and daughter-in-law. A "business associate" means any person or entity engaged in or carrying on a business enterprise with you as a partner, joint venturer, coowner of property, or corporate shareholder (where the shares of the corporation are not listed on any national or regional stock exchange).

IF YOU INTEND TO MAKE ANY ATTEMPT TO INFLUENCE THE DECISION PRIOR TO THE MEETING AT WHICH THE VOTE WILL BE TAKEN:

- You must complete and file this form (before making any attempt to influence the decision) with the person responsible for recording the minutes of the meeting, who will incorporate the form in the minutes.
- A copy of the form must be provided immediately to the other members of the agency.
- The form must be read publicly at the next meeting after the form is filed.

IF YOU MAKE NO ATTEMPT TO INFLUENCE THE DECISION EXCEPT BY DISCUSSION OR VOTE AT THE MEETING:

- You must disclose orally the nature of your conflict in the measure before participating.
- You must complete the form and file it within 15 days after the vote occurs with the person responsible for recording the minutes of the meeting, who must incorporate the form in the minutes. A copy of the form must be provided immediately to the other members of the agency, and the form must be read publicly at the next meeting after the form is filed.

DISCLOSURE OF STATE OFFICER'S INTEREST

I, Marc Dunbar, hereby disclose that on July 14, 20 21 :

(a) A measure came or will come before my agency which (check one or more)

___ inured to my special private gain or loss;

X inured to the special gain or loss of my business associate, Travis Miller ;

___ inured to the special gain or loss of my relative, ___ ;

___ inured to the special gain or loss of ___ , by whom I am retained; or

___ inured to the special gain or loss of ___ , which is the parent, subsidiary, or sibling organization of a principal which has retained me.

(b) The measure before my agency and the nature of my conflicting interest in the measure is as follows:

Travis Miller is the managing partner of the Radey Law firm. We are partners in an investment club together. A matter involving his law firm is before the Board of Citizens for approval to increase payment to his law firm for legal services. I believe the matter could result in a special gain for Travis, and given our business relationship in the investment club I am abstaining from the vote on this matter.

If disclosure of specific information would violate confidentiality or privilege pursuant to law or rules governing attorneys, a public officer, who is also an attorney, may comply with the disclosure requirements of this section by disclosing the nature of the interest in such a way as to provide the public with notice of the conflict.

7-14-2021

Date Filed

Signature

NOTICE: UNDER PROVISIONS OF FLORIDA STATUTES §112.317, A FAILURE TO MAKE ANY REQUIRED DISCLOSURE CONSTITUTES GROUNDS FOR AND MAY BE PUNISHED BY ONE OR MORE OF THE FOLLOWING: IMPEACHMENT, REMOVAL OR SUSPENSION FROM OFFICE OR EMPLOYMENT, DEMOTION, REDUCTION IN SALARY, REPRIMAND, OR A CIVIL PENALTY NOT TO EXCEED $10,000.