☒ **ACTION ITEM**	☐ **CONSENT ITEM**
☐ **New Contract**	☐ **Contract Amendment**
☐ **Contract Amendment**	☐ **Existing Contract Extension**
☒ **Other – Board Meeting Minutes**	☐ **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, May 18, 2022**
Purpose/Scope	Review of the May 18, 2022, 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 May 18, 2022 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, May 18, 2022

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened telephonically on Wednesday, May 18, 2022, at 9:00 a.m. (EST).

The following members of the Board were present:

Carlos Beruff, Chair
Scott Thomas, Vice Chair
Marc Dunbar
Jason Butts
Lazaro Fields
Jillian Hasner
Reynolds Henderson
Erin Knight
Nelson Telemaco

The following Citizens staff members were present:

Barry Gilway	Paul Kutter
Jennifer Montero	Violet Bloom
Brian Donovan	Tim Cerio
Barbara Walker	Jay Adams
Bonnie Gilliland	Andrew Woodward
Christine Ashburn	Jeremy Pope
Kelly Booten	Joe Martins
Mark Kagy	

The following people were present Telephonically with open speaking line:

Dave Newell	Florida Association of Insurance Agents
Kapil Bhatia	Raymond James

Call Meeting to Order

Barbara Walker: Good morning and welcome to Citizens Special Board of Governors meeting that is publicly noticed in the *Florida Administrative Register* – to convene at 9:00 AM. Those in attendance through the public link are automatically in listen-only mode. Citizens' board and committee meetings are recorded with transcribed minutes available on our website. I'll proceed with roll call to confirm quorum.

Roll call: Chair Carlos Beruff, Vice Chair Scott Thomas, Marc Dunbar, Lazaro Fields, Jillian Hasner (joined), Reynolds Henderson, Erin Knight and Nelson Telemaco were present.

Barbara Walker: Chairman, do you want to begin? And Governor Hasner will join as soon as possible.

Chair Beruff: Who's starting the meeting?

Barbara Walker: The meeting is starting with an update from you, sir.

Chair Beruff: I don't have any updates.

Barbara Walker: We can begin with CFO, Montero.

Chair Beruff: Yes, let Jennifer Montero make the appropriate recitation.

Barbara Walker: Thank you, sir.

Jennifer Montero: Good morning, Governors. If you'll turn to tab 2 in your board book, I will go over the Risk Transfer Program. Let's start with a quick overview of the global risk transfer markets. As we shared with the board during our individual meeting earlier this week the markets are in complete disarray. Since the March 23rd board meeting, the global risk transfer markets have experienced additional pressures from global macro factors that are not directly related to the risk transfer markets such as inflation, Russia's invasion of Ukraine, the energy crisis, interest rate increases and equity market volatility.

The world is in a semi-permanent volatile state and looking for further direction with multiple unknown variables from elections to Fed Funds rate increases, continuation of the COVID crisis in China and its impact on supply chains. As a result, all financial markets are dislocated and under stress, and there is strained capacity in capital markets and hardening pricing conditions in the risk transfer marketplace that have significantly reduced available global capacity.

At this time, it is very difficult to place full risk transfer programs up to 1 in 100-year even with price increases in the range of 10% to 30%. For catastrophe bond investors, the risk-free rate of the 3-year Treasury rate which currently stands at 2.88%, which is 1.88% higher than January 1, 2022, and 0.75% higher than its 2.13% level at the March 23rd Board meeting. In addition, the credit spread for "A" rated corporate debt has increased by approximately 0.5% and the market demand for securities has significantly decreased.

The Florida insurance market is in crisis and therefore the Florida risk transfer market is experiencing even significantly more dislocation due to litigation, continued adverse loss development, and credit quality concerns of primary insurers. In addition, the Florida special legislative session is leading to further uncertainty in the global reinsurance markets.

The strain on the Florida property insurance market has caused multiple insurers to go into receivership – St. Johns, Avatar, and Lighthouse. Additionally, FedNat is reducing its business, shifting to a Florida-only focus, while cancelling more than 68,000 Florida policies with a 45-day notice effective at the end of June. Additionally, capital will need to be raised to purchase sufficient reinsurance to carry the minimum ratings for mortgaged properties by July 1st.

There are concerns that some Florida-domiciled insurers will not be able to place the appropriate size reinsurance programs required for the rating level required for mortgaged properties without significant reforms in the special legislative session at the end of the month which may lead to further insolvencies. The significant concerns from rating agencies, reinsurers, and cat bond investors regarding the Florida property insurance market will remain until the results of the special legislative session are known.

The catastrophe bond market is experiencing even more pressure than the traditional reinsurance market as a result of the mismatch between supply and demand, increases in cost of capital, and view of risk profiles. Numerous catastrophe bonds have been pulled from the market and Florida-specific deals have been reduced in size and/or increased their pricing guidance significantly above initial guidance to achieve placement.

Specific to Citizens' experience, with regard to capital market, we watched the market plummet over the last two months. And as a result, we made the decision to place only the Personal Lines Account CAT bond, and pulled the Coastal bonds before announcing them, due to the strained capacity and hardening pricing conditions. However, this did allow us to focus on the PLA, and protecting its surplus, as 100% of the PLA's surplus is being exposed in a 1 in 100-year event. However, the final size will most likely be smaller than expected with pricing outside of the initial guidance.

Uncertainty is swirling around the Florida traditional market and reinsurers have been very slow, and slim, regarding quoting. We received quotes from about half of our quoting market. As mentioned earlier, the market is experiencing significant dislocation, primarily due to Florida's litigious state, continued AOB and adverse loss development, and credit quality concerns with many of the primary insurers.

Citizens does not have credit quality issues, as it has more surplus than the domestic carriers and strong risk management. However, it is experiencing the same overall Florida issues, including excessive litigation and fraud, and continued AOB and adverse development issues. Citizens' statute requires that the board make its best effort to procure catastrophe reinsurance to cover a 1 in-100-year storm at reasonable rates. The analysis to purchase reinsurance is evaluated by staff each year and the recommendation is made to the board.

Citizens' long-term reinsurance strategy has been to eliminate the potential of an assessment in a 1-in-100-year storm, which was first accomplished in 2015, to preserve surplus, use aggregate coverage to address the impact of multiple storms, and to optimize the use of both the traditional and the capital markets.

The risk transfer program that we are proposing today not only complies with the statute, but accomplishes the goals set forth in this long-term strategy. Although the likelihood of placing 100% of our proposed program is very unlikely in the current market, we are requesting the total budgeted spend of $400 million, which is the cost to cover approximately 90% of the proposed placement, which will also be a challenge to accomplish with the significant reduction in capacity in the current market.

Citizens' staff worked with its traditional and capital markets teams, as well as its financial advisor, to evaluate available options relating to the structure, terms, pricing, and other relevant matters in structuring the 2022 Risk Transfer Program. We conducted global roadshows and had numerous one-on-one meetings with investors. Citizens has experienced significant growth, particularly in the Personal Lines Account, which has increased reinsurance pricing, on a risk-adjusted basis, by approximately 5%. The overall program pricing is relatively flat to +3% on a risk-adjusted basis and 8% in nominal terms, primarily again due to current market conditions and capacity constraints.

Citizens plans to transfer exposure in the amount of approximately $1.869 billion to the global traditional reinsurance markets and capital markets in 2022 for the Coastal Account. Based on the proposed 2022 Risk Transfer Program, the total amount of surplus exposed for a 1-in-100-year event in the Coastal Account would be approximately 80% or approximately $2.484 billion.

The proposed 2022 Risk Transfer layers for the Coastal Account are as follows:

The Sliver Layer will sit alongside the FHCF...

Chair Beruff: Jennifer, can I just interject a couple of comments? I'd just like to get some clarity for myself and maybe it will benefit some of the other board members.

Jennifer Montero: Absolutely.

Chair Beruff: So, in 2021, how much reinsurance did we buy in dollars?

Jennifer Montero: $243 million was the cost in the coverage of $2.7 billion in coverage.

Chair Beruff: So, we spent $243 million last year for which we bought 2.7 billion dollars in coverage.

Jennifer Montero: That's correct.

Chair Beruff: So, with the $400 million that we have budgeted, what are we going to buy coverage?

Jennifer Montero: The full coverage of the chart is $4.7 billion.

Chair Beruff: $4.7 billion?

Jennifer Montero: Yes, $4.7 billion. And of that $1.06 billion is multi-year cat bond.

Chair Beruff: And how does that compare to what you did last year on the multi-cat bonds?

Jennifer Montero: How does the $1 billion from last year compare to this year?

Chair Beruff: Let me just go back and do the simple 5th grade math that I understand. We spent $243 million last year, and we got $2.7 billion in reinsurance. Okay? Now, I heard you say… or I asked a question for $400 million we are buying $4.7 billion worth of reinsurance? Is that what we're trying to do?

Jennifer Montero: No, to buy the full $4.7 billion we need $433 million. We do not think that we're going to be able to get all of its capacity because we're not asking to go over the budget because we do not think that that…is likely that we would be able to get the full….

Chair Beruff: I understand that, but our intent…What will $400 million that we have budgeted buy us today? That you think…I know there's no guarantees…I know you must get our authorization to make deals, but I want to know the differential between what we paid last year and what we got as it relates to a ratio and what would we spend this year and what we get.

Jennifer Montero: It's about 90% of the $4.7 billion.

Chair Beruff: Okay, so, 90% or roughly $2.5 billion…give or take…So, how much more on a percentage basis last year did it cost us what, 9% to buy $2.7 billion?

Jennifer Montero: Yes, it was 9 and some change. Correct.

Chair Beruff: Alright. And this year you project that it will cost us what percentage to buy $4.25 billion?

Jennifer Montero: Less than 10%...9 and some change.

Chair Beruff: So, what we're talking about this morning, unless I am missing something, is that we're going to buy the reinsurance essentially at the same percentage rate, give or take half a point, a half a percent, but we're just buying more of it because we just need it because our premium coverage…we're covering more policies.

Jennifer Montero: That is correct, but I would say it might be less than 10%, but it might be more than half a percent difference.

Chair Beruff: Understood. So, we paid 9.25% maybe and this year we're going to pay somewhere between 9.7 and 9.95%. Or something like that?

Jennifer Montero: Correct.

Chair Beruff: So, that's the decision this board needs to contemplate. That's the long and short of it?

Jennifer Montero: Yes. And the one other thing that I would point out is that with the most recent forecast from March 31st, this $400 million spend will leave our underwriting…we will have an underwriting gain on a consolidated basis of $16 million in this scenario and $176 million in that income on a consolidated basis.

Chair Beruff: So, we will be able to… if everything goes right, and there's no event, because none of these calculations take into consideration an event. The loss that you've calculated, the actuarial loss based on premium collected is going to allow us to put just under $200 million into reserves for next year.

Jennifer Montero: That is correct. Barring any unknown thing that might arise that we're not aware of.

Chair Beruff: I understand that we don't know what tomorrow is going to bring. So, if the board wants to have a discussion about what we're contemplating to authorize staff to move forward, I'm happy to let everyone speak and ask questions as they need to.

Governor Knight: We're covering 90% of the program, where is the 10%? What are we leaving out in that 10%?

Jennifer Montero: Simply because we don't know what the appetite of the reinsurers is, the difference is the top layer in the PLA. When we did the budget originally, we did not cover that very top layer of the PLA, which as you saw in the March meeting, without that coverage, it showed that we would have a policyholder surcharge and a small emergency assessment in that layer. So, at the direction of the board we put some coverage up there to see how much it would cost to cover that. At the time of the March board meeting, that layer was $702 or $703 million layer and since that time, it's grown because we have grown to an $888 million layer. So, that's where the extra dollars come in; however, we didn't take that out necessarily because we are still in the market, and we want to leave everything available for the reinsurers to evaluate and see where they would like to participate. Rather than taking out a layer that someone might have an interest in and then not participate at all, we figured we'd… the idea is to fill the lower layers up, because those are the most important, those are the ones that get triggers first. They are also the ones that the reinsurers like the best because they have the higher rate online because they are riskier. And then, as you go up the layer chart, that's where we would find capacity harder to fill and we probably will not get a lot of that higher level capacity in the PLA filled, but we put it in there as part of our due diligence so that we could at least try to get rid of the investment in the 1-in-100-year event.

Governor Knight: Thank you. And how does exposing the amount of surplus exposed compare to last year?

Jennifer Montero: In the Personal Lines Account, we are exposing 100% of the surplus and last year we exposed…we're pulling that number up really quick, I just don't have it at my fingertips, but I'll get that for you. And I think you want the same for the Coast Account as well. The Coastal Account is 80%and the PLA is exposing 100% and we're pulling the numbers from last year right now.

Governor Knight: Thank you.

Chair Beruff: So, we're going to do a comparison for Governor Knight as to what we exposed last year in those categories and what we're in the best cases scenario going to expose this year. While we're waiting on that answer, Governor Telemaco, do you have a question or comment?

Governor Telemaco: Yes, in terms of the layer chart. I know it's a moving target and it will come together as you negotiate those terms and the appetites with the carriers, but there's obviously no cat bonds listed; can you just talk a little bit about the cat bond market and what's happening there?

Jennifer Montero: Sure. We have existing cat bonds in both PLA and Coastal. In the Coastal Account, we do have a 2022 CAT bond in the layer one. You'll see the PLA layer chart about half-way up, it says 2022 Occ/Agg L1 and it's got a dotted line across part traditional, part capital market. So, we originally had cat bonds in the Coastal Account as well as the PLA and in the beginning stages of structuring it, we reached out to some of the investors, and they gave us some pricing feedback and it was not an efficient way for us to place reinsurance at that level. We could get a much better program on the traditional side. And then, we could also focus on the Personal Lines Account which has more need for protection, because it doesn't have any extra surplus to cover it. If we have any holes in the Personal Lines Account, there will be an assessment. When I say assessment, first it's the policyholder surcharge then the emergency assessment. We did make a strategic decision as well as an economic decision to not issue the cat bond in the Coastal Account and only issue it in the PLA where the pricing was more reasonable and where we needed additional coverage. The cat bond market plummeted in the last six to eight weeks. When we first came to the board about going to the market, it was lots of capital, the pricing was great, lots of capacities and as we got into it, we noticed bond deals are sitting out there longer and longer. I think there are currently 14 bonds out there all at once that are not getting a lot of traction. Most are getting placed at smaller than originally thought…with pricing outside the original guidelines. They are smaller and they are costing more and there's just not the demand. There's just not enough capital to go around. What has caused a lot of people to go to cat bond is its function in the traditional market.

Chair Beruff: I think everybody on the phone call, on the meeting can recognize the challenges. Some of them will change depending on what if anything the legislature special session gets done at the end of the month. Governor Telemaco, do you have another comment before I call on another governor?

Governor Telemaco: No, thank you Chairman.

Chair Beruff: Governor Dunbar… (Jennifer Montero speaks up) Oh, you have the answers for Governor Knight? Go ahead and give us that.

Jennifer Montero: So, last year the Coastal Account was 45% of surplus and this year it's 80% and for the Personal Lines Account it was 80% and now it's 100%.

Chair Beruff: So, that's even after we placed this reinsurance?

Jennifer Montero: Yes, it is. The Personal Lines Account is because we've grown so much, the exposure has gone through the roof and what happens is, when a new policy comes on, that premium has to be earned out of the 12 months, so it's not like premium comes with exposure. It takes 12 months for that premium to turn into surplus. Most of these policies are coming to us this year not brand new. All that premium has to be earned before it's actually considered revenue.

Chair Beruff: Okay, well…

Jennifer Montero: If you don't have a storm over time, the premiums will earn out and then they'll become part of your surplus and you'll see the surplus grow. But that takes…when you have a big hit though, a bunch of policies at once, you're going to see a lot of exposure hitting way faster than any of the surplus.

Chair Beruff: Got it. So, we've gone from 45% to 80%, and from 80% to 100%.

Jennifer Montero: Right.

Chair Beruff: Does that address your question, Governor Knight?

Govern Knight: It does. As a follow up, I would like to know, Jennifer is this… Is this a typical cycle. What I heard you said was when you grow in policy count, but do you feel that this is typical or an additional strain in this year?

Jennifer Montero: I think that it's an additional strain this year because of everything that's going on. What our goal usually is, is to try to be that amount of surplus that's being exposed is either equal to or less than the prior year. There is no way we could do that here…one, because of the growth in the PLA and the capping issues, not being able to buy enough.

Chair Beruff: Unless Governor Knight has another follow up question…

Governor Knight: I think I specifically wanted to understand how much of that is typical when you have a very rapid growth in policy holders versus what's unique to this timeframe.

Jennifer Montero: It could be one of two things. It could be because of the rapid growth in policy holders or if we were reducing our reinsurance program. However, we are not reducing it; we're increasing it. So, then I'd have to say it's all because of growth.

Governor Knight: Okay.

Barry Gilway: Mr. Chairman, can I make a comment?

Chair Beruff: I'd like to take Governor Dunbar's comment first since his hand has been up for a while and then we'll be happy to take Mr. Gilway's comment. Governor Dunbar, please.

Governor Dunbar: I just had a quick question, and it really dove tails with the question that Governor Telemaco asked. As it relates to the cat bond market, have we ever tried to place a cat bond in the sliver layer next to the cat fund? I'm curious of pricing because I know that's our most expensive sliver and I'm curious if there is a comparison; putting a cat bond in that layer, a multi or cat bond layer as opposed to going to the market every year for it.

Jennifer Montero: Governor Dunbar, one of the advantages of putting traditional in that layer is that the cat fund has a cap on LAE; they use a factor of .1 and the cat bonds are done the same way. The traditional is actual from LAE. So, if you have the traditional sliver next to the cat bond, it can pick up any additional LAE that might flow over from the cat fund. So, if it's extra protection there…if you were to put a cat bond at that same layer, you would basically cap yourself at the .1 faster on all losses that come up through there. That's one thing I would say there. And second would be the cat bonds are on a multi-year basis and we reset each year the attachment point, and depending on where that attachment point is, it could get very expensive if it drops below where it is initially placed.

Governor Dunbar: Let me follow up really quick just to make sure you understand my question. Have we ever tried to go to the cat bond market for that sliver layer? I understand the LAE limitations to the cat bond, but I also know that we have the ability to ask the cat bond market for LAE coverage there and I just didn't know if we've ever done it, but more importantly, while[1] (unintelligible) …to seek that out.

Jennifer Montero: The phone is giving a lot of feedback…

[1] Governor Dunbar clarifies his comment in the middle section of page 9.

(Feedback issues trying to be resolved)

Kapil Bhatia: Mr. Chairman, this is Kapil Bhatia from Raymond James, can you hear me?

Chair Beruff: Yes.

Kapil Bhatia: I'm just going to address one point of Governor Dunbar while Jennifer is fixing her line. Governor Dunbar, the sweet spot for the…. the reason we have never tried along the sliver line in addition to everything that Jennifer said from the market perspective, the cat bonds are the ILS market's sweet spot is not at the lower attachment point, because there are very few investors at that space and that is the sweet spot for the traditional market. And, and ILS investor usually, if you look at all the transactions done, there are 5.2 billion over the projections done, so far this year and over 40 billion outstanding and 90% of those transaction sweet spots placements are 1 in 50 years or higher, because of the capital collector and the type of investors there are, which are primarily patient fund, solvent funds, and some of those long-term investors. So, that's one of the reasons we have never tried it. The only place we have done it is right above there which is, as you can see, above the sliver layer and above the cat fund. That's where the pricing comes from a collector. Simply because of the placement, so that is one of the reasons we have never tried it. Just to address that point. And you will not see many transactions being done at that level. There are a few done, but they are in a high 20s to 30s with all the inefficiencies paired with the cat fund, so it depends on the market segmentation. Our objective has always been to place the program efficiently, knowing the market is really what helps us with a starting point.

Governor Dunbar: The reason why I asked…and this is just to follow up and then I'll be done. But I asked for options in that sliver layer at the last board meeting and in this presentation, there have been no options in that sliver layer. And I'm a little disappointed that we didn't try to explore things because that's our most expensive layer and we have surplus exposed on top at a comparable amount almost…in the PLA and if we're required and it's our desire to cover a 1-in-100 and we have currently, it looks like .233 billion in surplus exposure in the 52-75 layer. I'm just curious if there's any aspect of the most expensive layer which is the one that runs between 13 and 45 that we could maybe save some money down there, do something different maybe that we've never done before and then cover up top so that we have a full 1-in-100 coverage. And, I just wish we had explored all of that, including going bare down there so that we can at least decide on what we want to do since that's our most expensive layer.

Jennifer Montero: I'll be happy to respond to that. We did look at that and we did look at going bare there and if you put the 233 in that sliver where the 280 is, you end up with $47 million of assessments for probability at the 1-in-13. That would end up with a surcharge right out of the gate. The whole purpose of saving the money, I understand, that is why we have the 1.3 billion underneath the cat fund, that's why we don't buy under there. We don't have enough surplus in the PLA to swap those two areas and yes, it would protect (if it were equal) it would protect one and the other one would be there and again, when we got hit, it would eat up the remaining surplus we had which would cause not only an assessment in that year, we would have zero surplus moving forward, which means for any kind of expense that we had that was more than the income that comes in the next year, we'd have another assessment. And that followed each year, so we're able to have something happen when we can build up surplus. The Cat bond for reasons that Kapil mentioned and being that low, there would be no appetite in that market, but we definitely looked at what it would be to go bare, and you'd have a big hole of $47 million in that level which, even a smaller storm could cause an assessment.

Governor Dunbar: So, let me just make sure that… a couple of points. We don't know because we didn't try. We speculate that there is not the appetite, but we didn't try in the cat bond market, is what I heard. So, I want to make sure, is that correct? We don't know; we didn't try, but we think that there won't be appetite, or it would be more expensive. Is that right?

Kapil Bhatia: Governor Dunbar, If I may make one point. We did not try. Capital markets are not meant to be an experiment and that's one of the reasons we did not, as you know, we pulled out the Coastal market cat bond beforehand. So, there is an infrastructure cost of doing the risk analysis preparing to document when you know where the markets are. And we know how stressful the markets are. So, not to say we didn't try, it wasn't an experiment hypothesis that we should try to see what we know. I just want to make sure the infrastructure cost, doing the risk analysis, preparing the legal document, going to the market where we know where the markets are stressed, and we even point out where the sweet spot is. So, I just want to make sure that we go through it, if there is any point to try, we explore it before doing it and we know where the markets are, how the markets are behaving. Capital markets, you must have the documents, there are legal rules attached to it, what it takes to try.

Governor Dunbar: What's the expense to try, Kapil?

Kapil Bhatia: Somebody would have to prepare the risk analysis and we will have to prepare the legal documents, so somewhere between… if you remember during the March board meeting, the board authorized us that if we go to the market, it would be the cost of somewhere between $250,000 to $300,000 to look at the feasibility of where the market is and what the pricing will be. And, if we go to the markets or actually put the documents out there to get the investor's reaction, because we can only have a discussion with investors once the transaction is officially announced, then if for some reason we don't get an attraction, we have to pull back. And that is negative from a long-term perspective. We never want to pull the transaction back because we do rely on risk transfer market and investors for long term. So there's the short term impact and the long term negative impact knowing the markets.

Governor Dunbar: Okay, so, for a couple hundred thousand dollars we could've tried…is what I'm hearing. I just want to make sure I understand what you said.

Kapil Bhatia: Yes, for a couple hundred thousand dollars we could try, but just understanding the negative market reaction to the long-term sustainability.

Governor Dunbar: Okay, I'm pretty confident that no one's going to look at Citizens in a negative way. We've been pretty solid, so… The decision as it relates to the options, right? I think should rest with the board and this is just something on a moving forward basis. If we ask for options, please bring the options to us so that we can make those decisions as opposed to making them at the staff level and then not presenting us options. I would've like to have known, you know, what the market said about a cat bond placement there. I'd like to know the fiscal aspect of going bare there, going cat bond or going traditional, just so that we can make that decision. Because the statute says the board makes the decision on reinsurance and so when staff clips our knowledge back, we are not able to have this discussion. And it could be that we will stay with the traditional, but we are in a very atypical place right now, and, the legislature is about to change the law, that – we could've explored and pushed the envelope in some areas because at least from what I'm being told by folks in the reinsurance market, we are the best place to put Florida risk because of how well we have been running and how predictable we are in terms of LAE and loss trails and things like that. I throw that out there for what it's worth.

Barry Gilway: My response was in relation to Governor Knight's question. This is not a usual and typical market. It's not even consistent with a market relating to growth. It has everything to do with not only the issues that Jennifer raised on a global basis, but a complete and total distressed in terms of the ability of Florida marketplace to respond. This marketplace is completely, 100%, out of control. I do believe that we are recognized as probably the most professional place in the marketplace, but we're still subject to the same litigation issues that the rest of the market is subjected to. So, Governor Knight, the issue basically is you have multiple, major reinsurers that have simply left the Florida market. Ren Re, Swiss Re, Munich Re, they are big players. And other major players that have come back to capacity in the Florida marketplace by 50%, 80%... so we have a situation where the capacity, even for Citizens and without question, we're the best credit risk along with the cat fund, has been severely restricted and although we're presenting a request for $400 million placement, without going too far, I think it will be an amazing event, if we place a significant portion of what we are proposing. And it all has to do with total collapse of the overall Florida marketplace. And that collapse continues with the FedNat decision last week…Citizens has more than doubled its size in 18 months and the exposure associated with that – we've gone from $108 billion in exposure to $275 billion of exposure in 18 months. We're struggling, frankly, to get reinsurers interested, knowing that level of growth, not knowing when it's going to stop and how far it's going to go. Jennifer and Kapil are struggling to find reinsurers that are willing to provide that level of capacity. Governor Dunbar is correct; that is we are the best game in town. But, at the end of the day we are still subject to absolutely insane litigation rates that are current across the state, and I think the Chairman in correct in that everyone is on hold at this point to see whether anything relevant will come out of the special session next week. That will be a determinant, I think, in terms of whether reinsurers in any way shape or form reverse their position and release capacity into the marketplace. But, to Governor Knight's question, it is unique and unusual, and it's being described as the worst marketplace in the last 15 years. So, thank you for the opportunity to comment.

Chair Beruff: Thank you, Mr. Gilway. Ms. Montero, unless it's additive, I think we've killed this horse.

(Feedback delay)

Jennifer Montero: I just want Governor Dunbar to understand that we are still in the market. One of the reasons that we don't have more information on a lot of this is we got half the quotes that we went out for. We're not getting feedback from them. These are not final; we might go to the market and there might be no interest in any of these different layers. We are working with the best that we have with the limited information that we've received in the market. We do think that the traditional market likes the lower layers, because it does give them a better return. I understand that your point is to save money here and place it there. We do have a bunch of surplus underneath which, to your point, we try to save there. Underneath the cat fund, that's about 50% rate online to try to reinsure products under there, but we are still in the market and at this point we're not really creating… we're kind of just putting the first draft together. The reinsurance will actually come in where their appetite is and where they want to be. They end up being the ones that create the final layer charts based on where they would like to participate. There are dotted lines everywhere on this chart to show that these are flexible. Especially on the Coastal Account, if you can see on the left side, all the yellow and all dotted next to the Everglades, those are solid. But with surplus, when the other cat bond was there, it just shows that you could move different ways, so this is not set. It's almost just like a draft that was out there to show, so that we could price layers, etc. It doesn't mean that that sliver has to be filled. I think it's important to, but at the end of the day… the reason we didn't cut layers out was because I don't know where the market is going, because…

Chairman Beruff: We appreciate that. Governor Thomas would like to make a comment or has a question.

Governor Thomas: Just in follow up to that, my understanding is that what I think is essentially going to be asked of us today is spend $400 million. At what point does the actual layer chart that we get from the market, when you have that authority, differ so much from what we've looked at that you come back to us and say, wait, we had the $400 million and now we're looking at spending it dramatically different than what we talk about in today's hearing.

Jennifer Montero: I think mostly what you'll see in this market is if the layer is not full, it would be partially full. You might have, for example, the Coastal Account, and if you look halfway up, layer 3, 2022 traditional add layer 3, that's $325 million – we might come back with only $225 million in that layer. And the one above it might have even less, so we set the stage… the biggest thing is to give the reinsurers options so that they don't look at our program and say, "I don't like that." Some of them don't like aggregate, and some like the aggregate. So, we've tried to give a bit of everything and as you can see the lower layers are both current and the higher layers are aggregate. The idea is to kind of let the reinsurers dictate where they want to be. We're indifferent as long as we can get our programs filled, we want to give them as many options as we can so we can get more reinsurers on our program.

(Due to feedback – Gov. Thomas repeated his statement below)

Governor Thomas: I assume in a sense, given the underlying market conditions that our own layer chart we are looking at here is much more of an estimate than in years past. We don't know… in your past you've come to us and we've looked at this, we have a pretty good handle on where the market is and where it's going, but this is somewhat… we may expect a greater discrepancy than in years past?

Jennifer Montero: Absolutely, yes. That's a correct statement.

Chair Beruff: Okay. Anybody else have any comments? Because I think what the answer was for Governor Thomas is that the buckets are going to get purchased, we may not buy as much reinsurance in each individual bucket, because nobody wants that much.

Jennifer Montero: Right, right.

Chair Beruff: Anybody else have comments? Jennifer, is there anything else you want to share with us?

Jennifer Montero: I would just share the last close up on that. So, the proposal of the overall risk transfer program will result in combined 2022 Risk Transfer Program of $4.7 billion, which has an approximate cost of $433 million. However, the likelihood of obtaining that amount of capacity in the current market is remote. The cost is greater than the initial budgeted amount of $400 million as we added the upper layer in the Personal Lines Account to the program after the March 23rd board meeting. However, we are requesting a spend not to exceed the budgeted amount of $400 million as we know that we will not be able to place the program fully and if it is fully subscribed, we can adjust the layers accordingly to not exceed the budgeted amount. And if there are no additional questions, I will read the recommendation.

Chair Beruff: Please read the recommendation.

Jennifer Montero: Citizens' staff proposes that the Board of Governors a) Approve the recommendation to purchase traditional and capital markets risk transfer at a cost not to exceed $400 million in the Coastal Account and the Personal Lines Account as set forth in this action item; and b) Authorize staff to take any appropriate or necessary action consistent with this action item.

Chair Beruff: I'd like to make a comment that the cost of that shouldn't exceed 9.95%.

Jennifer Montero: Understood.

Barbara Walker: Chairman Beruff, would it make it easier if I called roll call for a vote since we are having feedback issues on the line?

Chair Beruff: First, we must get a motion. Will someone make a motion?

Governor Henderson: So, moved.

Chair Beruff: Do we have a second?

Governor Hasner: Second.

Chair Beruff: So, we have a second. Any further discussion before we have Barbara call the roll?

Governor Thomas: Your reference to no cost in excess of 9.95%, is that a portion of the motion? Or is that simply direction that we're all agreeing to staff as they go to the market on this?

Chair Beruff: Thank you for that. I think direction should be enough for the staff to understand.

Jennifer Montero: Yes.

Chair Beruff: So, we have a motion and a second. There's no further discussion, Barbara, will you please call the roll?

Barbara Walker called roll and vote was unanimously in favor.

Chair Beruff: Perfect, thank you. What's the next subject?

Jennifer Montero: The next subject is the Bond and Disclosure Counsel and I'm going to ask Tim Cerio to join me as this is a joint sponsorship. We did a procurement for Bond and Disclosure Counsel; we have panels for both of these. We did a combined; however, each Counsel would say whether they were interested in Bond or Disclosure or both. If they did go for both, they cannot be on the same transaction. If they're selected for Bond Counsel, or Bond Issuance, the same firm cannot also serve as disclosure counsel (and vice-versa).

We do have two separate action items because even though they are very similar, some of the duties are different and the charts are different. We had four responses to our Bond Counsel solicitation and all four moved forward into the negation on to the panel. Those four are Nabors, Giblin & Nickerson, P.A., Greenberg Traurig, P.A., Squire Patton Boggs (US) LLP, and Bryant Miller Oliver P.A. Those are the four that responded and all four were awarded for the panel.

Then the second one is Disclosure Counsel and we had six responses to those and with the Disclosure Counsel, we had the same four that I just mentioned, Nabors, Giblin & Nickerson, P.A., Greenberg Traurig, P.A., Squire Patton Boggs (US) LLP, and Bryant Miller Oliver P.A. along with Grey Robinson and Buchanan. The bottom two: Robinson and Buchanan, there's a natural break in scoring so they did not make it to the panel so, both panels are the same four firms. And then the fee schedule is included along with the Executive Summary and there's an example in there for Bond Counsel and Disclosure Counsel and we write above the charts to show if we had… if you look on page two for Bond Counsel, For example, fora $1 billion transaction, the fees would be $250,000, $194,400, $230,000, and $225,000 for Nabors, Greenberg, BMO, and Squires, respectively, just to show how this comes out in the chart. And I have a bigger chart that breaks them all down. And the same thing on the next page for the Disclosure Counsel. And this is just to put them on the panel. That does not guarantee that any work, etc. We haven't done a pre-event or post-event since 2015 and that's basically what this is for. We're basically authorized by statute to secure bonds for specific purposes including insuring that it is sufficiently funded and that we have funds on hand in case of catastrophe claims. These financial transactions may include pre-event or post-event bond issuances, capital market transactions, commercial banking transactions, international transactions, and other structured financial transactions. So, this panel is to help us through that, and then…I'm sorry did you have a question?

Chair Beruff: So, let me get this panel thing. It's basically law firms that are approved to be on these panels that we enter into arrangements to pay fees. Is that correct?

Jennifer Montero: Yes.

Chair Beruff: So, we have four firms and at the end of the day, if we use them, we're agreeing to a rate structure. Is that correct? Or for further services?

Tim Cerio: That is correct.

Chair Beruff: We have no obligation to use the four firms, do we?

Jennifer Montero: No, we do not.

Chair Beruff: Okay, so, and what is the length? It's an outline of what they're going to charge us if they provide services when they participate in these different situations. Are the rates locked in for some duration of time?

Jennifer Montero: The term is five years with one (1) two-year (2) renewal option.

Chair Beruff: Okay, go ahead Governor Dunbar. I don't understand what the big deal is here, but let's talk about it.

Governor Dunbar: No, I was going to move for approval, Chair.

(Due to audio feedback, remainder of comment was unintelligible.)

Tim Cerio: Yes, we're on that. (Affirming Governor Dunbar's concern)

Chair Beruff: So, I have a motion, do I have a second?

Governor Fields: I apologize for the interruption. I just have two quick questions. I think I know the answer to this, but Jennifer, can you just confirm that what we are voting on right now would in no way award Gray Robinson a contract to do anything? And I ask that because I would have a voting conflict if the answer was yes. And then secondly, could you or Tim please help me understand why the rates that we are agreeing to that are part of this package, vary between firms? How that works itself out?

Chair Beruff: Thank you, Governor Fields.

Jennifer Montero: Gray Robinson is not on our list we're voting on.

Chair Beruff: And the second comment, Governor Fields would like to address is why aren't the costs the same across the providers? Why didn't we negotiate them to be at the same level?

Tim Cerio: That will just go into the part criteria that we will use for those coming into it. We put them on the panel based on a combination based on the evaluation, price is a factor, but they all wanted to negotiate a different rate. Some firms were excluded because what they proposed were astronomical and other got included because they may have come in particularly low. But that's just part of the selection process.

Jennifer Montero: There are a couple that capped their rates, but at higher levels, where they're the most expensive when we do smaller deals but as we do bigger deals, they tend to be less expensive. So depending on what kind of deal we are doing, they would give us the option between the different Bond Counsel and Disclosure Counsel.

Chair Beruff: Governor Fields, does that satisfy you comment or questions?

Governor Fields: Yes, thank you, Chairman.

Chair Beruff: Governor Dunbar, I see you'd like to make a comment. I'm going to mute so I don't mess up communications.

Governor Dunbar: Yes, just out of respect for Governor Fields, I was going to withdraw my motion in case he wanted to make a motion that everybody come down to the lowest rate. But if he has no interest in that, I'll keep quiet.
Governor Fields: I know that we've hired a great General Counsel and I know that he'll do the right thing when it comes to making sure that we get what we deserve and that we're not underpaying and we're not overpaying for legal services. So, I leave it at that and support the motion.

Chair Beruff: So, we have a motion and a second. We'll go ahead and call the question. All those in favor say aye… (chorus of ayes) Motion approved.[2]

Barbara Walker: Thank you, Chairman.

Chair Beruff: What's the next matter?

Barbara Walker: The next item, sir, is the Enterprise Litigation Management System with Jay Adams.

Chair Beruff: Go ahead, Jay, please.

Jay Adams: Okay, thank you, Chair and Governors. Today I have an action item for the Enterprise Litigation Management System, and I want to give a very brief background because we've provided a very explicit Executive Summary. In our last solicitation that we did back in March of 2021. Acuity was the incumbent vendor and Mitratech was an additional bidder in the process. We knew going into the solicitation that Mitratech was in discussions with Acuity to purchase that organization. During the process, Mitratech did finalize and purchase the Acuity program. Acuity, they left their bid in and Mitratech withdrew their bid. The board gave us approval in December to enter into negotiations and contracts and we have been speaking with them since that time frame. We have been unable to secure a statement of work that meets Citizens' needs. They indicated that the Acuity bid was significantly less than what they needed to break even. They also demanded a ten-year contract and based on prior conversations with this board we knew that there would probably be very little support to go into a long-term contract like that. So, we did negotiate with them for another contract to stay on the current platform, which is the Acuity platform, owned by Mitratech. They're going to provide us with a three-year program there and we can cancel that program after two years. We did post a single-source solicitation because our contract and all renewals end in June of this year. We really were pushed into a corner. So, if there are no questions about what's going on, I'd like to read the action item.

Chair Beruff: Does anybody have any questions? I'm curious as to how we got in the corner since we started negotiations in December. The contract as a single source makes me nervous as a matter of principle. So, can you give me a little more insight? What's the size of this contract for three years?

Jay Adams: $1,950,000

Chair Beruff: So, it's prorated so if we end at the end of two years if you're successful finding a better fit for us, we pay two-thirds of that amount?

Jay Adams: Ultimately, yes. This is based on volume that goes through there as far as the spend and it values… (feedback)

Chair Beruff: Is there another solution? Or did you just run out of time to find it?

Jay Adams: That's ultimately the issue. (Portions are unintelligible due to feedback) We continued to work with them, and they did provide us some solutions. But the final solution did not provide all the attributes

[2] The following recommendations are being notated for clarity and transparency: Disclosure Counsel Services and Bond Counsel Services and are included at the end of our transcription.

that we were looking for. So, if this board recalls, we worked with the consultant E&Y to come up with a list of what we considered, you know, world class litigation management systems and tools and at the end of our discussion, they were only able to deliver 19 of the 31 modules that we felt that we needed to really upgrade our system. They also, like I said, wanted a ten-year term which we believed that this board would not approve. They were also looking for additional funds to do the development for those 19 modules over and above what the board had already approved. Based on that group of scenarios, we made the decision that the best course of action at this point was for Citizens to just continue in the current platform that we are in with Mitratech and then the 3-year time frame gives us time to go out to the market and solicit again. It's gives us the ability to do any development work that might be needed with a new system. And most importantly, convert all the data that's in our current system into whatever that new system may be.

Chair Beruff: I'd like to direct the staff, with consent of the board and discussion by the board that if we move forward, then we get it done in two years and not take three years to get there. I would imagine 24 months is enough time to solve this problem. And we have a right contractually if we approve this item. I see Mr. Cerio wants to make a comment.

Tim Cerio: I just want to say a couple of things. The two years, Mr. Chair, would be $1.248 million. I just wanted to make that point and we hear you loud and clear. I just want to say, and just as a side, there was a lot of thought as to what the board would want us to do. Because we are not going to allow ourselves to… we have the option to go to somebody who was, you know, almost three times more expensive, that wasn't going to be an option. We think that this is the best option to get through this. We are going to expedite the procurement as best we can, but you know, the issue is the vendor that is ultimately selected, getting them on board and getting the system up and running as soon as possible, but I think we hear you loud and clear. That was a lot of the thought that went into how best to handle the situation. It is not an optimal situation.

Chair Beruff: Governor Dunbar, please go ahead.

Governor Dunbar: I just want to throw this out as a suggestion, it seems like there is some systemic issues in here that we probably could learn from on SaaS software procurements moving forward. Chair, you may want to have the Audit Committee take a peak at sort of went wrong in this procurement so that we don't have it happen elsewhere, because it sounds like we were married to a software vendor, we went to the street, the software vendor, you know, basically had us somewhat over a barrel and really tried to exploit their position by holding our software hostage and so we may want to do a serious look at this and adjust the way we do technology, particularly software and data-based procurements so that this doesn't happen elsewhere. So that we're a year or more out as opposed to weeks or months out, just something to think about. We probably ought to have some modifications to our procurement protocols because it seems like a pretty big mess.

Chair Beruff: Understood. I think the staff, hopefully, figured out a better way to not get us in this conundrum, but I understand that sometimes these things happen out of our control, we just need to learn from them and move forward. Anybody else have a comment? Governor Dunbar?

Governor Dunbar: I move for approval.

Chair Beruff: I have a motion for approval, do I have a second? [3]

Unknown: Second.

Chair Beruff: Okay, we have a motion and a second. All those in favor signify by saying aye.

(Chorus of ayes) Motion approved.

Chair Beruff: I don't think we need to poll the board on that one, Barbara. Next?

Barbara Walker: Chairman, that is all unless we have any new business. I would like to take the opportunity to let you know that I did not call Governor Butts name in the first vote for reinsurance, would we like to go ahead and clarify Governor Butt's vote now?

Chair Beruff: Yes, thank you.

Jason Butts: Yes, thank you.

Barbara Walker: Jennifer would like to make a comment on the Bond and Disclosure Counsel item.

Jennifer Montero: On the Bond and Disclosure Counsel approval, we had one Executive Summary, but we had two separate action items just to bring out the fee schedules and you did want approval. I wanted to make sure that the approval includes both Bond Counsel approval and Disclosure Counsel approval. And I can actually read the Disclosure Counsel recommendation.

Chair Beruff: I don't think we need to do that, unless somebody else thinks we need to do that. We understand that we have essentially approved two Counsels.[4]

Jennifer Montero: Okay, thank you.

Chair Beruff: Is there any new business? I think this concludes the meeting.

Meeting adjourned.

[3] The following recommendation is being notated for clarity and transparency: Enterprise Litigation management System and is included at the end of our transcription

Disclosure Counsel Services

Ancillary Services Discount
(If Firm is paid bond/disclosure counsel fees in excess of $200,000 in any one year / during the term of the contract)

	Nabors	Greenberg	BMO	Squire
% discount off the Partner rates quoted in Section 3 after the first 40 hours.	0.00%	The first 25 hours will not be billed.	20.00%	10.00%
% discount off the Associate rates quoted in Section 3 after the first 40 hours.	0.00%	The first 25 hours will not be billed.	20.00%	10.00%

Contract Terms	The proposed contracts are for a five (5) year base term with one (1), two (2) year renewal option.
Board Recommendation (DOES NOT go through Committee)	Citizens' Staff proposes that the Board of Governors: a) Authorize Citizens to contract with Nabors, Giblin & Nickerson, P.A., Greenberg Traurig, P.A., Squire Patton Boggs (US) LLP, and Bryant Miller Oliver P.A. for Disclosure Counsel services with an initial term of five (5) years, and for one (1), two (2) year renewal option for the fees, as set forth in this Action Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.
Contacts	Jennifer Montero, CFO

Bond Counsel Services

Ancillary Services Discount
(If Firm is paid bond/disclosure counsel fees in excess of $200,000 in any one year / during the term of the contract)

	Nabors	Greenberg	BMO	Squire
% discount off the Partner rates quoted in Section 3 after the first 40 hours.	0.00%	The first 25 hours will not be billed.	20.00%	10.00%
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Contacts	Jennifer Montero, CFO

Enterprise Litigation Management System

Contract Amount	The estimated contract amount is $1,950,000.00 for the recommended three (3) year contract period and includes all costs associated with ongoing maintenance/license fees throughout the contract term. This estimate is based on certain assumptions pertaining to data/file size and litigation spend. If additional funds are required, Citizens' staff will request authorization for additional funds through a separate Action Item.
Contract Terms	The contract will have a three (3) year term with the option to terminate after year two (2).
Board Recommendation	Citizens' Staff proposes that the Board of Governors: a) Authorize Citizens to contract with Mitratech Holdings, Inc. for a term of three (3) years with the option to terminate after year two (2), for an amount not to exceed $1,950,000.00, as set forth in this Enterprise Litigation Management System Action Item; and b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.
Contacts	Jay Adams, Chief Claims Officer