

ACTION ITEM

- New Contract
- Contract Amendment
- Other Committee 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 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 or 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.

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| Item Description | The Actuarial and Underwriting Committee meeting Minutes July 12, 2022 |
| Purpose/Scope | Review of the July 12, 2022 Actuarial and Underwriting Committee to provide opportunity for corrections and historical accuracy. |
| Contract ID | N/A |
| Budgeted Item | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Procurement Method | N/A |
| Contract Amount | N/A |
| Contract Terms | N/A |
| Committee Recommendation | Staff recommends the review and approval of the July 12, 2022 Actuarial and Underwriting Committee minutes. |
| CONTACTS | Jennifer Montero, CFO Kelly Booten, COO |

CITIZENS PROPERTY INSURANCE CORPORATION

**MINUTES OF THE
ACTUARIAL AND UNDERWRITING COMMITTEE MEETING
Tuesday, July 12, 2022**

The Actuarial and Underwriting Committee (A&U) of Citizens Property Insurance Corporation (Citizens) convened at the Alford Inn in Winter Park, FL on Tuesday, July 12, 2022.

The following members of the A&U were present:

Carlos Beruff
Marc Dunbar
Scott Thomas
Fred Strauss
Jason Butts

The following Citizens staff members were present:

Barry Gilway
Jennifer Montero
Barbara Walker
Tim Cerio
Jay Adams
Kelly Booten
Brian Donovan

Call Meeting to Order

Barbara Walker: We are now convening, and you are dialed in to Citizens' July 12th, 2022, Actuarial and Underwriting committee that is publicly noticed in the Florida Administrative Register to convene immediately following the Finance and Investment committee and is recorded with transcribed Minutes available on our website. For those attending today's session through the public link, you are automatically in listen only mode. Panelists, thank you for identifying yourself prior to addressing the committee. Chairman Beruff, we have no speaker requests for today's Actuarial and Underwriting meeting. May I proceed with roll call?

Chairman Beruff: Please.

Barbara Walker: Chairman Beruff.

Chairman Beruff: Here.

Barbara Walker: Governor Dunbar. Governor Butts.

Governor Butts: Here.

Barbara Walker: Governor Thomas.

Governor Thomas: Here.

Barbara Walker: Fred Strauss.

Fred Strauss: Here.

Barbara Walker: Chairman Beruff, we have been having difficulty, technical difficulty getting Governor Dunbar on the line, but we are continuing to make the effort.

Chairman Beruff: Very good.

Barbara Walker: You have a quorum.

1. **Approval of Prior Meeting's Minutes**

Chairman Beruff: Thank you. Ms. Montero, ready when you are.

Jennifer Montero: Do you want to approve the Minutes?

Chairman Beruff: **Motion to approve the Minutes (March 22,2022).**

Governor Thomas: **Second.**

Chairman Beruff: **Second.** They are done.

2. **Chief Financial Officer Report**

a. Rate Filing Update

Jennifer Montero: Thank you. I am going to turn it over to Mr. Donovan, Chief Actuary, to go over our Rate Filing Update.

Chairman Beruff: The depressing news...

Brian Donovan: It depends on your perspective.

Chairman Beruff: Well, the perspective of reality, we are the least expensive, we are the least alternative in the state of Florida. We should be the most expensive.

Brian Donovan: Well, I would say we didn't get the results we wanted, but we got not as bad as it could have been, let's put it that way. And I will go through some of those details. So, we did receive the rate orders for personal lines and commercial lines on June 24th. Just as a reminder, highlights from when we discussed this in December. Some of the items that were discussed in detail were using a hurricane provision based on the highest of the two four models versus a medium of the two four models. That was one provision.

A VOICE: Inaudible (mic was not on)

Brain Donovan: Well, yes, that is correct, I was going to list them and say, approved, approved, disapproved, but we could do it that way, that works. So yes, we did –

Chairman Beruff: INAUDIBLE (mic was not on).

Brian Donovan: Right, they accepted our recommendation on the interpretation of the models in the rate indication, okay. And then the second was the provision for reinsurance to include a cost that covers a 1-in-100-year event, even though we didn't necessarily purchase that, that is per Senate Bill 76. That was included and that was approved. And then the third item as I am sure you recall, based on the large, uncapped indication and what is going on in the market, our recommendation a long with a few exceptions, increase premiums 11% across the board regardless of what individual policy indications might be. That was not approved. That was the one item, other than that everything was approved as filed for the most part.

Chairman Beruff: Now, didn't we also ask not to go below zero and that was not approved, also?

Brian Donovan: Correct. They ended up approving or directing Citizens to allow decreases up to, I guess I should say down to minus 10. So, policyholders on their renewal will get rate changes ranging from minus 10 to plus 11. So, what all that roles up into is for personal lines we filed for a 10.7% increase, 7.4% was approved. Commercial lines was pretty much filed as approved. That was 10% was filed and 10% was approved, and across all accounts and lines of business 10.6% was filed and 7.5% was approved.

Chairman Beruff: Not even keeping up with inflation.

Brian Donovan: Excuse me?

Chairman Beruff: We are not even keeping up with inflation if the inflation is rated 8.4, 8.6, 8.8.

Brian Donovan: Yes, that is a fair point, I am glad you said that. I should have brought this up. Keep in mind that the inflation is reflecting coverage change on renewal and that gets – those coverage amounts are being increased on renewal.

Chairman Beruff: The coverage amounts are.

Brian Donovan: Right.

Chairman Beruff: But we can't raise the premium by the amount.

Brian Donovan: No, we do for the change in coverage that is outside the cap.

Governor Thomas: The risk does. What we are insuring goes up, while the rate is the same. We were insuring the house at 100 grand, now it is 150 grand. That rate is now going up –

Chairman Beruff: It is reflecting more premium, but we were also on the hook for a bigger responsibility.

Governor Thomas: Well, sure, the premium goes up, the rate stays the same, but the premium goes up based on the risk factor, what the rate is multiplied by.

Brain Donovan: That is a fair point. We still are -- the inadequacy isn't increasing; it is still staying.

Chairman Beruff: Yes, so we have got more responsibility to pay the claim for more money because the inflation rate on the cost of rebuilding it is higher.

Brian Donovan: That is correct.

Chairman Beruff: So, I don't think that is a win. Okay.

Brian Donovan: So, the new effective dates for commercial will be 10/01 and for personal lines will be 11/01 for what I just described. But then one thing I want to remind us of. So, this was the rates what we filed was going to go into effect 10/01, 11/01, but come, if you remember from Senate Bill 76, come 2023, the cap goes to 12% instead of 11%. And so, what we are going to do is file in August for a 01/01/2023 effective date will change nothing else will change from what was just filed and approved other than the cap will increase to 12%.

Chairman Beruff: Anybody else?

Jennifer Montero: Just a reminder, the effective date originally was August 1st.

Chairman Beruff: Right.

Jennifer Montero: So, we lost three months on residential and two months on commercial.

Chairman Beruff: Yes. As we discussed last week. Questions? Next.

3. Chief Operation Officer Report

a. Product Updates – July 2022 [AI]

Kelly Booten: Today we have two product changes that we are requesting. It's behind tab three. The first is an alternative dispute resolution process that we want to add to our product, and I have the experts here with me today, Tim and Jay to explain this.

Tim Cerio: Good afternoon, Tim Cerio, General Counsel for Citizens. Mr. Chair, members, Citizens plans to submit for OIR's approval, an acquired endorsement to the base policy for all personal lines, and this endorsement would institute a new alternative dispute resolution procedure that is consistent with Senate Bill 76, and this ADR method would utilize Administrative Law Judges from the Division of Administrative Hearings to resolve claims. And Chair Beruff, you and several Board members have encouraged me in not so gentle terms, as well as Jay Adams to figure out creative approaches to managing growing litigation. Governor Dunbar has discussed for a long time trying to figure out ways to utilize the Division of Administrative Hearings. And so, we think we have got a really good product here. So, the Notice of Intent to Initiate Litigation required by Senate Bill 76 really helps us to identify disputes that Citizens was not aware of and claims where there was coverage, but the insured or the assignee disagree with the amount that Citizens thinks is payable for the claim. When these disputes about the value of the claim are identified, the insurer or the insured have the ability to send the dispute to appraisal which results in a much quicker resolution of the claim and it avoids attorney's fees because it avoids litigation, and in order to be entitled to attorney's fees under Florida law you have got to, there has to be a lawsuit that is filed. The appraisal process avoids that. The Notice of Intent process established by Senate Bill 76 is not great for providing opportunities to use quicker and less costly ADR when the dispute is about whether or not there is coverage. Coverage disputes are more difficult, and as a result these cases which represent about 75 percent of the Notices of Intent, they continue on to litigation. So, the proposed endorsement would allow Citizens or the Claimant to utilize the Division of Administrative Hearings if after service of the notice of intent its determined that the dispute does involve coverage limits or coverage or policy limits. The DOAH endorsement to the base policy would authorize the Division of Administrative Hearings instead of our court system which are overburdened and backlogged right now to resolve disputes between Citizens and its policyholders or assignees under an AOB regarding claim determinations, and again, this can be requested by either Citizens or the policyholder, this ADR procedure.

Chairman Beruff: Mr. Cerio.

Tim Cerio: Yes.

Chairman Beruff: I have a question.

Tim Cerio: Sure.

Chairman Beruff: So as a person who has been through a few DOAH processes, you need a lawyer to get through it.

Tim Cerio: Correct, and I am getting to that, Mr. Chair.

Chairman Beruff: Okay. So, there is a provision for the people to go through and if they succeed, they get their attorney's fees paid?

Tim Cerio: Correct, yes. And we think that makes this frankly more appealing to –

Chairman Beruff: Yes.

Tim Cerio: -- for OIR's approval.

Chairman Beruff: A person trying to get through the DOAH process on their own is not going to get anywhere.

Tim Cerio: Right. So, sort of related to that. It is taking on average approximately 430 days to resolve a lawsuit. Again, courts are really backlogged right now, and Citizens currently we are at over 19,000 lawsuits, is that correct, Jay?

Jay Adams: Pending.

Tim Cerio: Pending. And as a governmental entity we have the, the authority which is obviously unique among insurers because we are the only governmental entity that is an insurer in Florida. We have the ability to utilize DOAH like other governmental entities or agencies. So, in preliminary discussions with DOAH, with the Chief Judge at the time and the Deputy Chief Judge who is now the Chief Judge, the Division or the Division has committed to set aside Administrative Law Judges who would be dedicated to property insurance issues. They have committed to also hiring additional ALJs as needed during a ramp up period, the idea is that these ALJs are going to develop an expertise in property insurance to the extent that they don't already have it, in property insurance disputes, and this would make this process, we think it would be efficient. We think that this process could take around 100 days as opposed to 430 days. And again, can be requested by either side, by the claimant or by Citizens. These ALJs would render detailed final orders within 30 days after receipt of a hearing transcript, and the determination is final and binding on the parties. We would obviously continue to use other forms of ADR, including appraisal as appropriate, and again, DOAH has assured us it does have the capacity to dissolve the disputes referred to it. And there is enough lead time. This enforcement would not have an effective date until February 1, 2023. So, there is an ability to ramp up. Although we are under no statutory obligation to pay attorney's fees to your point earlier, Mr. Chair, the endorsement authorizes the ALJ to award attorney's fees to an insured based upon a maximum hourly rate of \$200, which is typically the maximum hourly rate we pay our own counsel in the event a Final Order determines that policy benefits are payable. Allowing attorney's fees is unique under ADR. Usually, you don't get attorney's fees.

Chairman Beruff: Right. But that would be a disincentive otherwise, because there is no way you go forward, in my opinion, without an attorney going to DOAH is a waste of time. So, you are going to have to incentivize some behavior by some attorneys to try to settle the case in their best interest on a quick basis.

Tim Cerio: We do think -- well, and we also think that there is far less incentive. I mean, the cases cannot be protracted and, you know, the ADR process provided by the endorsement benefits the consumer or policyholder, because of the ability to use ALJs with an expertise in insurance, the expedited time frame to resolve the claims, they get their claim resolved sooner, and they can

recover attorney's fees. The expertise also benefits us, because we can, you know, get a result quicker. We are not paying as much for not just outside or plaintiff's counsel, but our own counsel.

Chairman Beruff: Assuming the Board approves this tomorrow, when would you put in for the request for the OIR to approve it?

Tim Cerio: Yes, and we have communicated with OIR. We have laid out this proposal. They know that we need to bring it to the Board.

Chairman Beruff: But assuming that is done, how long is it going to take to get their consent?

Tim Cerio: Kelly.

Kelly Booten: Well, that is unpredictable, but we would file this along with the other change that we have here immediately, by August 4th is our date and then it can take them up to 45 days.

Chairman Beruff: Because the implementation date that Mr. Cerio is saying is February 1st, '23, you have got to have everything back by November 1.

Tim Cerio: We are, we are making ourselves available to OIR to answer questions. So, I think it is fair to say that we have a good –

Chairman Beruff: We are always available; they just don't respond.

Tim Cerio: We are proactively reaching out. We have been communicating, Mr. Chair. They have asked questions and we have had some good back and are forth.

Kelly Booten: And we have also sent the product language, and we had a pre-meeting.

Chairman Beruff: Okay.

Governor Thomas: It remains I take it a one-way attorney fee shift?

Tim Cerio: Yes.

Governor Thomas: Is there some thought, maybe we haven't gotten this far down the road, if OIR approves it, are there claims efficiencies to be had? Will we do the DOAH process with in-house attorneys, will we continue to use outside counsel, but it is more focused in the Tallahassee area?

Tim Cerio: Most definitely. Although ALJ hearings can be held around the state. That is a real opportunity for in-house. And in fact, not to get in the weeds on this, while we have been looking at this, we have sort of tapped the brakes on the in-house initiative as we have discussed, because if we are doing it at DOAH it is a different type of lawyer that we might be looking at to hire in-house, but definitely in-house.

Governor Thomas: Right, I mean, it is a formal litigation, but my guess is the vast majority of our panel counsel probably don't do a lot of ALJ, don't do a lot of DOAH work. It is a little different.

Tim Cerio: It is a little different, yes. Governor Thomas.

Chairman Beruff: I am a terrible Chair of these meetings. ¹Would somebody make a motion to adopt the previous Minutes?

Governor Butts: So moved.

Governor Thomas: Second.

Chairman Beruff: There you go. Done, right?

VOICE: Well, we have to debate.

Chairman Beruff: Yes, let's debate it for a little while. Barbara says we are done, that is all I care about. Go ahead, Mr. Cerio.

Tim Cerio: Mr. Chair, that is really it. We think there could be a significant savings.

Chairman Beruff: Do we need to make a motion or is there an action item?

Tim Cerio: I think there is –

Kelly Booten: Yes, we have a motion for both changes at the same time. Do you want me to go ahead and –

Chairman Beruff: Let's go do it unless somebody has questions, go ahead.

Kelly Booten: All right. The second one has to do with remaining useful lives, Senate Bill 2-D passed during the special session introduced statutory language prohibiting an insurer from non-renewing newer roofs solely for age or for older roofs, the insurer must allow the policyholder the opportunity to provide an inspection indicating at least five years remaining useful life. The insurer may not refuse to issue or non-renew a policy or require a roof replacement as a condition of renewal if this inspection indicates that the roof has five years or more remaining useful life. Our current rules require inspections demonstrating three years remaining useful life in deeming a policy ineligible when the expected roof life falls below three years. In order to ensure alignment with the new legislation, we propose changing eligibility rules for older roofs to require an inspection demonstrating five years remaining useful life and no issues with roof condition. When a satisfactory inspection is provided, Citizens will provide a one, five-year extension of coverage. So, we are proposing eligibility rules be modified to change inspection requirements from three years remaining useful life to five years remaining useful life and one year extension, one, five-year extension.

Chairman Beruff: Okay. So that is item two.

¹ The March 22, 2022 Minutes were approved at the beginning of meeting.

Governor Thomas: I have a question.

Chairman Beruff: Yes.

Governor Thomas: What do we mean by one five-year extension of coverage? You are not saying, we are not saying we are going to guarantee renew them for five years.

Kelly Booten: Well, if they have an inspection that shows five years remaining useful life, we will renew them for five years.

Chairman Beruff: Why wouldn't we just renew them for one year?

Kelly Booten: Well, we do them one year at a time, then we won't have them reinspect, have to prove it every year. So yes, renewals are one year at a time, the inspection for five years.

Governor Thomas: So, we do have roofs that are over 15 years old, right?

Kelly Booten: Yes. Our roof rule is actually our age of roof is 25. We are different than the market. So, the 15 years really doesn't apply to us.

Governor Thomas: Okay. Because the statute talks about 15 years.

Kelly Booten: Yes.

Governor Thomas: And five years useful life.

Kelly Booten: Yes. Technically we feel like we are compliant, but to make it consistent, we are recommending changing the three years to five. And also, we are changing our practice. We had been non-renewing when it goes below the three years. We are going to wait until the five years and then start non-renewing.

Governor Thomas: Let me just make sure I understand how we compare to the rest of the market. So, the rest of the market is going to say, if your roof is 15 years or older, we are not going to renew you unless you give us an inspection saying it has at least five years useful life.

Kelly Booten: They can make their rules be 15, 20, it has to be approved by the Office, but the intent of the statute is to not allow somebody to just say it is 15 years with no other requirement around it. The roof has to be in bad condition and the policyholder has to have the ability to show that there is remaining useful life.

Governor Thomas: I would do one five-year renewal. If we get, let's say we get whatever the age of the roof is, we say it is too old, we are not going to renew it, they come back with an inspection that says, no, here is an inspection report that says it has exactly five years useful life. Why doesn't that tell us they're going to get one renewal and one year only, because the next year that old roof is only going to have four years useful life left in it. So why are we going to five-year extension? Why is it –

Kelly Booten: It is going to have to repeat this process every year for five years and inspections are expensive.

Governor Thomas: But they could get the inspection.

Chairman Beruff: That's on their dime though.

Governor Thomas: That is on their dime.

Kelly Booten: The Inspector is certifying that the roof has five years remaining useful life.

Governor Thomas: And hypothetically the inspection is done today, and the inspector says it has five years useful life. That means July, let me look at what today is, July 12 of 2023, that roof has four years useful life. It is now outside the five-year window. So why would we -- why would someone bring us an inspection report that says it has a five-year useful life, why does that not tell us, not that you get a five-year renewal of coverage, but you have got one year and you probably ought to expect you are not going to get renewed, because next year unless you replace this roof, you are not going to have a five-year useful life roof.

Kelly Booten: You could, you could make that argument. I don't believe that is the intent though.

Governor Thomas: Well, I mean, is the rest of the industry going to walk away at four-year roofs and we're not? We are again going to provide something better than what the marketplace provides?

Kelly Booten: We are providing -- we are providing more lenient rules already because of our situation at 25. I mean, we go all the way to 25.

Governor Thomas: I understand. I just don't get the why, we are already beyond what the statute requires. And so now we are going to go even further, and we are going to say, well, the statute allows every other private insurer to walk away at four years when we get a report saying five years, we are going to now commit ourselves to five more years. Why are we going to insure years four, three, two, one?

Chairman Beruff: Well, I agree with Governor Thomas' comment. Don't you think that the legislation is more about not canceling a policy without giving them adequate time. So, if that is the intent of the legislation and they have proved that they have five years left, then you renew them for one year. It gives them a year to figure it out. But to his point, the roof now only has four years left. So why renew it again? It just gives everybody time to go either fix their roof or find somebody else to insure them.

Governor Thomas: Or why even talk about a five-year coverage period. I mean, we are doing annual renewals anyway you look at it, right. Nobody, nobody at a renewal comes in for a renewal and we say, great, you are renewed, and you are renewed for the next five years. We do one-year policies.

Chairman Beruff: I think Ms. Booten's comments is more relative to having the client have additional inspections every year to get a policy.

Kelly Booten: Right.

Chairman Beruff: So, I mean, I just happen to ask, have someone get one of those things done. It was like 75 bucks. It is not a big deal for a roof inspection.

Jay Adams: So, one of the things, maybe it would be helpful, and I don't know how you would want to handle this pending matter, but we circled up before tomorrow with Governor Thomas and you and with the statute, walk through our analysis on it.

Chairman Beruff: Yes. I mean, we are not trying to make it difficult, but our job is to try to make Citizens more difficult to obtain insurance from. Not make it easier.

Jay Adams: We believed that we were in compliance with special session law, but definitely let's make sure that you all agree.

Chairman Beruff: All right, we will do that, thank you.

Governor Thomas: Again, I am not –

Chairman Beruff: No, I think it is a valid way. If we were in compliance following Governor Thomas' suggestion, then why don't we just fine tune what we are going to request the OIR approve us accordingly?

Kelly Booten: Well, today we do start non-renewing once it goes below three. So based upon the statute, we felt like we had to wait until the end of the inspection year. That was the determination we made.

Chairman Beruff: Okay.

Kelly Booten: So, we will go back and look at it again.

Governor Thomas: I can't remember if the statute talks about non-renewals for 15-year or older or just were the non-renewals based on age and age alone.

Kelly Booten: Yes, it wouldn't be based upon age alone. If there is a condition problem with the roof it can be non-renewed.

Governor Thomas: Right, right.

Kelly Booten: Yes. But it really was meant to prevent an arbitrary 15 years and you are ineligible.

Chairman Beruff: So, we have two items. One we are going to review, but you need an action.

Kelly Booten: Yes, could you make an action to approve this and then we will follow up with you at the Board meeting tomorrow on it.

(Recommendation: Approve the above proposals to update Citizens' Product guidelines, forms and supporting documents; and b) Authorize staff to take any appropriate or necessary action consistent with the Product Updates - July 2022 Action Item to include filing with the Office of Insurance Regulation (OIR), system change implementations, updates to supporting documents, applications or forms and other relevant activities. Final changes and implementation timeline may vary, based on project complexity, operational considerations, and feedback from the OIR.)

Governor Thomas: I am fine with that. But I think we will get it to the Board meeting in between-

Chairman Beruff: Yes, if someone moves and I will second and we will move forward.

Governor Thomas: **So moved**, yes.

Governor Butts: **Second**

Chairman Beruff: Okay, we will move forward and to be further edited, if necessary, by tomorrow, right?

Kelly Booten: Right. And then one more item.

Chairman Beruff: Sure.

b. Citizens Document Fulfillment Services (Print/Mail) [C]

Kelly Booten: Next is the consent item for Citizens Document Fulfillment Services for printing mail. In August of '21 we issued an RFQ to the two vendors on state term contract, Exela and TC Delivers. Each vendor responded with comparable pricing. Initially Citizens awarded a contract to the incumbent, Exela with a base term of two years and one optional one-year renewal. As policy in force continued to rise, the service volume and cost have been impacted. At the time of the RFQ, we estimated an annual, and the cost are based upon envelopes, a volume of 7,992,000. As of the end of May 2022, our projections have increased to an estimated annual envelope volume to 9,781,232. Further impacting costs, USPS has implemented a postal rate increase effective July 10th, and the supply chain challenges of the cost increase pass through cost for envelopes. In the last seven months we have had a number of price adjustments to deal with a pass-through cost. The other thing we have here is adding a secondary vendor, because we had two objectives. Add a second vendor for business continuity purposes and to increase the cost on this term. When we took it in September, it was for two years. This is to add 2024 to it. The requesting additional cost is \$28 million to the previously authorized amount of \$20 million for the two years.

Chairman Beruff: \$20 million.

Kelly Booten: \$20 million, yes. Bringing the total authorized amount to \$48 million over the three-year contract term. There is a table in here that explains the cost.

Chairman Beruff: Let me stop and make sure that I have the memory correct, that this is something that you went through a state contract to get. The comment I made is that I wanted that to be bid out outside of the state contracts, because I have had some real-life experience that state contracts aren't necessarily the least expensive that we can get, right. And then the other thing we discussed briefly was, and you said you were going in that direction, was to start finding, to analyze what it cost per customer annually to keep them informed through the mail system.

Kelly Booten: Yes.

Chairman Beruff: Did we get that?

Kelly Booten: Yes, we did.

Chairman Beruff: Okay.

Kelly Booten: It is, for each of the years it ranges from 10.77 to 11.52.

Chairman Beruff: So roughly 10 bucks.

Kelly Booten: Yes.

Chairman Beruff: Per person.

Kelly Booten: Per person.

Chairman Beruff: Okay, so what we discussed was whether we could get people to sign off on taking delivery of their notices digitally. And giving them, obviously, if we give them five bucks, we are still five bucks ahead.

Kelly Booten: Correct.

Chairman Beruff: And do we have to do that, do we have the power to do that or is that another OIR item that has to be signed off on?

Kelly Booten: No, that is an operational item, and right now we have the ability for them to get their documents digitally.

Chairman Beruff: Right.

Kelly Booten: But there is the opt out option is going in third quarter as a feature. If we extend it out price cost savings for implementation at a 20% adoption rate.

Chairman Beruff: Yes.

Kelly Booten: Which is an industry average for the three years for ramp up time, and there is a range here.

Chairman Beruff: I understand.

Kelly Booten: Because it depends on the new business documents are typically all printed, and then we would at renewal not print documents, but we may still have to print cancelations and non-renewals. That hasn't been vetted out yet. So the range is from 3.4 million to 7.5 million, depending upon the number of documents that we –

Chairman Beruff: Total for three years or per year.

Kelly Booten: Total for three years.

Chairman Beruff: That is real money. Okay.

Kelly Booten: Okay.

Chairman Beruff: So, you need an action item for that?

Kelly Booten: Yes, we do, and I will read the recommendation when I can find it.

Chairman Beruff: So, are we going back and bidding out like we talked, correct, outside of the state agency?

Kelly Booten: Yes, for the next –

Chairman Beruff: Why not now? Let's do it now. Because we don't, this is an extension of a contract past '23 to '24. So, let's not go past '23. Let's take our time and get the outside bids. I don't want to sit on my laurels for two years.

Kelly Booten: So, we will do that with the intent to have this in place for the 2024 year and not have to use the last year.

Chairman Beruff: Correct.

Kelly Booten: But can you go ahead and approve this action item?

Chairman Beruff: That is the committee's –

Kelly Booten: **The recommendation is to authorize the one-year renewal of the contract with Exela and TC Delivers as a vendor under the same state term contract and increase the contract amount over the three-year term to \$48 million, which will be allocated between both vendors as set forth in this consent item.**

Chairman Beruff: Okay, so what, just to be clear, we are approving one year to '23, correct?

Kelly Booten: That was including '24.

Chairman Beruff: Well, that is not what –

Kelly Booten: Let me do my math.

Chairman Beruff: Well, that is not what, what, obviously the Board members can opine, but what I would like to do is make sure we have a contract through '23, and not tie ourselves up to '24 until we get some outside bids that provide the same services that are not part of the statewide negotiated bid system.

Kelly Booten: Okay, let me do the math and add these, because it is '22 and '23.

Chairman Beruff: Okay. Well, okay. Wherever you need to be to be reasonable, but not into '24. At least that is my recommendation. If the other Board members or committee members agree with me somebody will have to make a motion to that affect.

Kelly Booten: Round it is 5.9 something, so \$6 million for two years for the remainder of '22 and for '23.

Chairman Beruff: That is what I would like to see if somebody would move that.

Governor Thomas: **I'll make a motion.**

Governor Butts: **I'll second.**

Kelly Booten: Okay.

Chairman Beruff: There you go, done.

Kelly Booten: Thank you.

Jay Adams: You need to vote, Mr. Chair.

Chairman Beruff: **All those in favor, signify by saying aye.**

(Chorus of ayes.)

Governor Thomas: A motion as a second constitutes a majority.

Chairman Beruff: Yes, that's what I thought. But I'll will go along with the flow.

Tim Cerio: Mr. Chair, or Kelly, did we have the vote on the DOAH? I know that we talked about pulling the roof proposal.

Governor Thomas: No, I think my motion was to approve both items to get to the Board.

Tim Cerio: Great.

Governor Thomas: With entertaining it with respect to –

Chairman Beruff: We are going to refine.

Governor Thomas: Yes. At least discuss it –

Chairman Beruff: correct.

Tim Cerio: Thank you, Governor Thomas.

Chairman Beruff: What is next?

Kelly Booten: (Inaudible – mic was not on)

Tim Cerio: And Mr. Chair, Jay brought up a good point. He asked me to clarify. On the DOAH endorsement, the effective date is February 1, 2023. So, after February 1, 2023, a new policy or an old policy once it is renewed would then have this endorsement. Then you would have to have a claim.

Chairman Beruff: Right, right.

Tim Cerio: So, we may not see the benefit for a year.

Chairman Beruff: We are not going to see any action in the court system until second quarter of '23 at the earliest or the third.

Governor Thomas: So, it is all new business after February 1st, and all renewals that happen –

Chairman Beruff: After February 1st.

Tim Cerio: Correct, and then a loss.

Chairman Beruff: Okay, who is next or what is next?

Kelly Booten: I reserve the right to redo my math and bring it forward at the Board meeting tomorrow.

Chairman Beruff: Only a true numbers person would come up with that. All right. So, we are on to the Exposure Reduction Committee.

(Whereupon, the meeting was concluded.)