CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE
BOARD OF GOVERNORS MEETING
Wednesday, April 10, 2024

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened The Westin Lake Mary, Orlando North in Lake Mary, FL on Wednesday, April 10, 2024, at 8:30 a.m. (EDT).

The following members of the Board were present:

Scott Thomas, Vice Chair
Jamie Shelton
Josh Becksmith
Erin Knight
Jason Butts
Robert Spottswood

The following Citizens staff members were present:

Tim Cerio
Aditya Gavvala
Jay Adams
Joe Martins
Brian Newman
Barbara Walker
Bonnie Gilliland
Christine Turner
Raina Harrison
Brian Donovan
Andrew Woodward
Stephen Mostella
Sudheer Kondabrolu

The following people were present:

Kapil Bhatia	Raymond James
Dave Newell	FAIA
John Generalli	Wells Fargo
Matthew Sansbury	RBC Capital Markets
Sasha Stiponovich	Raymond James

Call Meeting to Order

Barbara Walker: Good morning and welcome to Citizens April 10, 2024. Board of Governors meeting that is publicly noticed in the *Florida Administrative Register* to convene at 8:30 a.m. and is recorded with transcribed minutes available on our website. For those of you attending today's session through the public link, you are automatically in listen-only mode. As a reminder, we are streaming live on Florida channel. Vice Chair Thomas, we have no speaker requests at this time. May I proceed with the official Roll Call?

Vice Chair Thomas: Yes, please do.

Barbara Walker: Vice Chair Thomas is sitting in for Chair Beruff who is not here with us today.

Governor Josh Becksmith, Governor Jason Butts, Governor Erin Knight, Governor Jamie Shelton, and Governor Robert Spottswood were present. A quorum was established.

1. **Chairman's Report**

Approval of Prior Meeting Minutes

Vice Chair Thomas: Thank you very much. And welcome, everyone to our April 10, 2024, Board of Governors meeting for Citizens Property Insurance. We'll begin with a couple of items. One is in everyone's agenda materials are the minutes from the last meeting, and I would certainly entertain a motion to approve those minutes.

A motion was made and seconded to approve the December 6, 2023, Board of Governors Minutes. All were in favor. Motion carries.

Consent Agenda

Vice Chair Thomas: Also, within the agenda packet, there are seven items for approval from various committees that are included in our consent index. First, would anyone on the Board wish to pull any item off the consent index for individual discussion? Barbara, if you could just review what those items are on the on the consent index, so I can entertain a motion?

Barbara Walker: Yes, sir.

- Enterprise Litigation Management System – Additional Spend for Implementation
- Enterprise Litigation Management System – Additional Spend for Continued System Operations
- Claims Legal Services
- Water Mitigation and Mold Remediation Estimate Review Services
- Learning Management System
- Recommendation for Board Approval of Increases Required by Section 627.351(6)(jj) Florida Statutes
- Procurement Protest Procedure

Vice Chair Thomas: Thank you very much. And again, I would entertain a motion with respect to those consent items.

A motion was made and seconded to approve the listed Consent Agenda items:

- **Enterprise Litigation Management System – Additional Spend for Implementation**
- **Enterprise Litigation Management System – Additional Spend for Continued System Operations**
- **Claims Legal Services**
- **Water Mitigation and Mold Remediation Estimate Review Services**
- **Learning Management System**
- **Recommendation for Board Approval of Increases Required by Section 627.351(6)(jj) Florida Statutes**
- **Procurement Protest Procedure**

All were in favor. Motion carries.

2. President's Report

Vice Chair Thomas: And that will bring us to the President's Report. Mr. Cerio, Good Morning.

Tim Cerio: Good morning, Mr. Chairman, members of the Board. I want to start off by recognizing today is a very special day. It's a momentous day. It is our great Corporate Secretary Barbara Walker's birthday today.

Vice Chair Thomas: Happy birthday. Barbara!

Revised Organization Chart

Tim Cerio: So, we've had a lot happen since our last meeting in December, and I have a lot to report, fortunately, a lot of good news about the State of the Market. So, I will dive right into the first item. Next slide, please. Thank you, Barbara. As you all know, we have reorganized the executive leadership team (ELT) to make it more streamlined with six direct reports to me. This has enabled me to also add duties and responsibilities for individuals on the ELT and expand their roles where it made strategic sense and alignment for the company. I know these individuals are not only up to the challenge but also excited for the opportunity. So, to walk you all through it:

- Jay Adams, our Chief Claims Officer, is now the Chief Insurance Officer, and we have added Underwriting and Product Management to his portfolio.
- Jeremy Pope, our Vice President of Customer Experience, is now our Chief Administrative Officer, with additional responsibilities including Agency and Market Services; Strategy and Planning; Enterprise Business Agility; and Human Resources (HR) and Facilities.
- Chief Financial Officer (CFO) Jennifer Montero now oversees Vendor Management and Purchasing.
- Brian Newman, our General Counsel, will now have the Chief Technology Officer reporting to him. The Privacy Officer already reports to the General Counsel, so we thought that would make a lot of sense strategically. And I think there's something to be said, for keeping IT Security separate from IT Operations just from sort of a checks and balances standpoint.
- Aditya Gavvala, previously our Vice President and Chief Information Officer, remains as Chief Information Officer but has been moved up to the executive leadership team, reporting directly to me. He is a tremendous leader, and he has hit the ground running, and I'm happy that he has had this opportunity in the company.

So, Mr. Chair, well, a couple of things. First, as we move forward, you know, these leaders are going to have to take time to assess, you know, are there additional changes and realignments that are necessary some tweaking as these boxes have shuffled? I mean, obviously, we have very good, very dedicated employees; we want to make sure that the alignment fits. The reporting structure is efficient, and it works for them, and it works for their supervisors. And so, these leaders are taking a look at things. So, there may be some more tweaks in the future. But we're very excited about it. And I did want to mention that the Plan of Operation does require the Board's approval of senior leaders or their removal from Citizens. So, I would ask for you to if you all would consider approving Aditya Gavvala to the executive leadership team.

Vice Chair Thomas: I think the best thing to do then . . . it does require ratification for his, I guess we'd say elevation to the ELT. And so, I think what we would be looking forward to would be a motion to ratify the position of Chief Information Officer as part of the ELT and promoting the corollary promotion that goes with that.

A motion was made and seconded to ratify the position of Chief Information Officer as part of the Executive Leadership Team and promoting the corollary promotion tied to that ratification. All were in favor. Motion carries.

Citizens Strategic Plan

Tim Cerio: Thank you, and congratulations, Aditya. Next slide, please. Okay. So, Citizens Strategic Plan. We've taken a look and spent a lot of time as a leadership team and in the company examining the strategic plan. Like the plans of many organizations, they evolve in response to new challenges, demands, and priorities. Citizens, specifically, but the property insurance market in general, has faced numerous challenges. I believe we're emerging on the other side, as I hope you'll agree after hearing the report later on. This plan serves as a multi-year blueprint, outlining strategic imperatives to achieve our mission and vision. It also includes a core list of values and commitments representing our guiding principles. The revised plan continues this evolution, moving away from formal language and incorporating the enabling statute into the mission and vision in a more succinct and impactful manner. This plan sets clear expectations and benchmarks for evaluation. Let's jump into it.

Next slide, please, Barbara. Our mission: We serve the people of Florida as the state's insurer of last resort and as an innovative thought leader focused on promoting a healthy property insurance market. Our Vision: We strive to promote access, stabilization, and market competitiveness for Florida consumers, carriers, investors, and the overall property insurance industry. Here's a comparison of the prior mission and vision compared to our new mission and vision. We believe it's more succinct and better expresses our role. We want to be a source for good ideas and solutions.

Next slide. Our values and commitments: committed, accountable, responsive, and empowered. These are inculcated in the culture of our company. Next slide. These are the commitments we make to stakeholders regarding financial management, operations, workforce, and the property insurance market in general.

Next slide. Strategic imperatives. When I became CEO, I emphasized focusing on promoting the population, taking care of our customers, and minimizing the risk of assessments on the people of Florida. These are incorporated into the full strategic plan. That's it. If you have any questions or discussion, I'd love to hear it. I want to thank the ELT and other members of the team, including individual contributors, for their hard work on this revised strategic plan. I'm very proud of their efforts.

Vice Chair Thomas: Thank you. Anything from the Board for Mr. Cerio? [silence]. I can tell you this: I have a lot of confidence in the reorganization that you've done and with the folks that you've promoted into really good team, and I've had a chance to work with them now for years. And I'm very pleased with what it looks like and where you're going.

Tim Cerio: Thank you. Next slide, please, Barbara.

State of the Market Report

Tim Cerio: As I mentioned, there's a lot of good news to report on the state of the market. One of the best things that can happen is having a great discussion yesterday on rates. What does that mean? What does that look like? How do we get there in light of the glide path, shrinking Citizens through depopulation? The slide shows the historical policy count; you've seen this slide before. As most of you will remember, we were projecting to end the year with 1.23 million policies by the end of 2023. We actually ended the year at 1.23 million and instead of having $675 billion in total insured value, we had $553 billion. As of the end of March, we had 1.17 million policies and about $519 billion in total insured value. Now we budgeted for 2024 to end the year at 1.246 million and $679 billion in total insured value. But I think I can honestly say to you, we think we're going to come in well below that. We did that for budgetary purposes, but we think we're going to have a very successful depopulation in 2024. We think the market is going to continue to recover, capital is going to continue to flow into the Florida market, and we're pretty optimistic. We have a lot of good policies, the market is interested in our business, and again, that's a sign that the market is getting healthier. Our goal is to eventually get Citizens back down ideally to that true residual insurer level. To Governor Spottswood's point yesterday, a true residual insurer that's charging actuarially sound rates to the policies that we do have.

Next slide. Thank you. This gives the historical projected perspective for depopulation, which is important to understand where we're heading. It gives you some idea of where we've been. The green bars represent the personal lines depopulated policies, and the blue bars represent the commercial policies that were moved. In 2023, we had about 275,000 policies assumed by the private market. This year so far, we've had just over 115,000 that have been depopulated. This is a true sign of recovery, and the capital is beginning to flow back in, and it's much more than the takeouts from 2016 to 2022 combined. Last year, if you look at the chart, last year's depopulation behaved a lot like 2013, relative to the total policy count removed, about 24% of the policies that were depopulated. If that's an indicator, we're expecting and hoping this year and in the next few years will result in additional large depopulations. We projected over 244,000 additional policies to be removed in 2024, and we are hoping and actually working toward making that a very conservative projection. We hope to be even higher than that. It is very hard to argue with taking a look at this slide. It's very hard to argue that a tremendous amount of credit for the market recovery has to be given to the litigation reforms adopted in Florida. As a result, non-Catastrophe (CAT) related litigation is down by about 20%. This graph shows the fraction of claims that have been litigated over the past 15 years and what's projected for 2024. These are specific to homeowners and dwelling fire non-catastrophe water claims, so they don't include hurricane-related claims. You can see that where we are currently trending is very positive in terms of new claims entering into litigation, which explains why the admitted industry is interested in depopulation because of the declining litigation. The decline in Citizens is attributable to three things. Even before the reforms to get ahead of the fraud that we were seeing in the industry, Citizens took a number of initiatives to prevent fraud and decrease losses through our managed repair program and the appraisal process, among other things. Jay Adams and his team did a wonderful job in crafting and implementing these programs, and they deserve all the credit in the world. Assignment of Benefits (AOB) reform created by House Bill 7065, which came online in 2019, has had a tremendous impact, measurable impact for Citizens. And then, of course, the litigation and AOB reforms provided by Senate Bill 2A, eliminating AOB completely and eliminating one-way attorney’s fees, that passed in December of 2022. That's made a strong impact and will continue to make an even more significant impact in 2024. Because, as you remember, although those reforms passed under Florida law and actually according to the specific language of the statute, what had to happen as the statute or the new law passed, the policy has to renew with the new law incorporated, and if there was a loss under that policy, the new law would be in effect. So, although we're seeing some benefit from Senate Bill 2A, we're really going to see the results in 2024.

Next slide. Now, the good news is that the signals the market is improving from the sense of underwriting gain and loss and net income for companies in Florida. This chart reflects the financials of some of the Florida domestics we watch. For the first time since 2015, net income isn't in the red for those companies. That's huge and the underwriting is only slightly deficient, and you can see the trend.

Next slide, please. More details from the numbers. This reflects more detail going back about five years, looking at the latest financials available for selected private carriers we monitor. 2023 results have significantly improved compared to prior years. The latest underwriting loss declined by 83% compared to 2022. The latest net income shows a positive amount which hasn't happened since

2015. Compared to the previous year, surplus grew by 12%, while direct rewritten premium increased by about 11%, and contributed capital in 2021 and 2022 standout as the highest. In 2023, it was significantly lower, 67% below 2022, and a lower need for additional contributed capital means these companies are experiencing fewer excess losses. Much of this is attributable to the reduction in mitigation costs, another sign of the market.

Next slide, please. Another sign of the market improving is that our market share is down. You've seen these pie charts before. 2011 reflects when Citizens was at its largest at 23% of the market. In the last couple of years, as we've grown, fortunately, we've never hit that figure. We were up to 17% of the market. We're back down to 15% of the market currently, a very positive result. I will also tell you that the Office of Insurance Regulation (OIR) has done a press release when they announced that eight property and casualty insurers were approved to enter the Florida insurance market. Ovation Home Insurance Exchange is the most recent approval. It joins Manatee Insurance Exchange, Condo Owners Reciprocal Exchange, Orange Insurance Exchange, Orion 1 At Select Insurance Company, Orion 1 At Insurance Company, Mainsail Insurance Company, Intel Row Insurance Companies as newly approved property and casualty insurers. In addition to new companies entering the market, the OIR approved the acquisition of Florida domestic property and casualty reciprocal insurer Trusted Resource Underwriters Exchange to allow the existing company to grow its footprint in the state and expand its underwriting capacity. And as a result of Ohio's approval of the acquisition, more than $1.25 billion of capital.

Vice Chair Thomas: Thank you very much, Mr. Cerio. Anything from members of the Board for Mr. Cerio?

Robert Spottswood: If you counted those other insurance carriers, as our peers, and you compared our performance to our peers, in terms of gains and losses, underwriting and net income and capital surplus, etc., and also size, where do we stand with regard to performance of our peers?

Tim Cerio: Jennifer, I'd like you to correct me if I'm wrong; I believe we have net income gain and a net underwriting gain this year. I want her to correct me if that is wrong, but I will tell you, Governor Spottswood, that is a good question. And one of the things that we face in the past is that we had almost $7 billion.

Jennifer Montero: Yes, for 2023, as of December, at the end of the year, we had net underwriting gain of $466.5 million. We had net income of over $746 million.

Robert Spottswood: The chart you put up; it compares favorably.

Tim Cerio: Yes, governor.

Robert Spottswood: Can you explain why we're doing so much better?

Tim Cerio: I'm going to kick it off, and I'd like Jennifer to expand. As a governmental entity, there are things that we are able to do and advantages that the private market doesn't have. On the one hand, when we had almost $7 billion in surplus and net income gains, with some investment income coming in, we had an underwriting loss; our rates are actuarially unsound. That is a disadvantage that we have over the private market. However, we don't have to buy as much reinsurance. There are other factors in the mix as well. Back to the discussion about rates, that is why if we are actuarially sound and competitors are actuarially sound, because of the way we're structured and the advantages we have, we will oftentimes still be cheaper. That's why the legislature put back in statute the need for us to be actuarially sound and non-competitive with the private market.

Jennifer Montero: I was just going to add the reinsurance is the biggest difference. We're not required to buy the levels of reinsurance that the private market does.

Tim Cerio: We were required to buy up to a one-in-100-year storm and the private market is one-in-130-year storm.

Jennifer Montero: Plus, a second bit of one-in-170…

Robert Spottswood: . . . things there if one of our objectives is to promote the private market in to bring in more private insurers and make that market more robust and stronger so that we can further depopulate, are there lessons to be learned or changes that we can make with regard to regulating the private market to make them more competitive and coming in taking these policies off their books?

Tim Cerio: I think there are a couple of things. First, obviously, our rates would help, and we have the glide path, but there are some other things that the legislature has done and some initiatives that we're working on that might address that. But there are other changes that, again, I wouldn't want to get ahead of our regulator. But they're things that the regulator or OIR is looking at. Certainly, legislative initiatives. In the past, we've worked with OIR, we've worked with the legislature, there are certainly things that we could propose even if they're not in our bailiwick, but we could certainly suggest some ideas. I've got some ideas, but I'm reluctant to say anything publicly without talking to you all first. But yes, to answer your question, there are things that can be done.

Robert Spottswood: Thank you.

Vice Chair Thomas: Thank you, Governor. Anything else?

Jamie Shelton: Can you back up to the depopulation slide that had like the bar graph on there? Just really quick, because I apologize. I'm colorblind, so they all look the same to me. But now at the bottom, we've got the policies and the exposure. Those policies that are depopulated in 2024, it's like 114,000 so far but the exposure for those … I'm looking at compared to 2023 is like $545 million for those policies, versus all 2023 was 100…

Tim Cerio: I think that's where we are now. The other years reflect the amount that we reduced our exposure. I don't think that we haven't reduced 545 [conversation in background] Oh, is that why that is? Okay. Thank you, Jennifer. So, the good news is we have had our first commercial depopulation in a long, long, long time. It includes commercial depopulation.

Jamie Shelton: Okay, good. And I think it was like a product mix type, so thank you for that CFO.

Jamie Shelton: Just one more point on that. From my perspective, the commercial side in the non-residential commercial is a business that Citizens should not be in. I know that's a legislative matter. The legislature needs to address that. That's not an insurable asset of last resort. The markets are available for commercial nonresidential developments, but they choose a non-competitive lower price product in Citizens. So that's a business we should not be in. But thank you for the clarification. Thank you, Mr. Chairman.

Vice Chair Scott: Thank you, governor. Anything else?

Vice Chair Thomas: Thank you, Governor. Anything else? It's good to see the good news. There has been bad news before, but I think the important thing (obviously this lot from claims) is everyone should understand this is like turning the battleship around. You know, we didn't get legislative changes that were like flipping a switch. We had to have rollover in policies and so forth. So, I think the trend is exactly what we thought we would see and glad to see it materializing and hope it continues in the future.

Tim Cerio: Thank you, Mr. Chair.

Vice Chair Thomas: Alright. Do you have anything else for us?

Tim Cerio: I don't. Thank you.

3. <u>Chief Financial Officer's Report</u>

Vice Chair Thomas: We'll move on then, if Ms. Montero wants to come up. And I don't know, Governor Knight, if you have any particular presentation from yesterday's Finance and Investment Committee meeting or just turn it over to respond to however you want to handle it.

<u>Finance and Investment Committee (FIC) Report</u>

Erin Knight: Sure. We can turn it over to Ms. Montero. I think several of us actually attended the meeting. So, if you'd like to summarize, I think that would work for all of us. And we do have one item that we moved through committee as well and the Investment Policy Statement changes.

Vice Chair Thomas: Ms. Montero: It's all yours.

Risk Transfer Program Update

Jennifer Montero: Thank you. So, there were two items at the Finance and Investment Committee Meeting. The first one was the layer charts and the update on the risk transfer program. So, the layer chart you see in front of you is as of January 1, 2024. We have operated under a combined account. Our personal lines, commercial lines, and coastal account have been combined into one big account. Combining the accounts enhances Citizens' ability to pay claims for future storms and minimizes the potential for assessments. We are aiming to place private reinsurance coverage of approximately $5.5 billion. This will be comprised of $500 million of existing risk transfer, and the remaining $5 billion will be new risk transfer, with budgeted premiums of approximately $700 million. Under this scenario, Citizens would expose all of its surplus in a one-in-100-year event and would have the potential for a Citizens policyholder surcharge of $567 million for one 100 years of that, which would attach around the 1-in-96-year event. The first layer is a sliver layer which sits alongside the Florida Hurricane Catastrophe Fund (FHCF). It provides approximately $630 million of coverage. The layer, if placed in the traditional market, would work in tandem with the mandatory coverage provided by the FHCF. Layer One sits above the sliver layer and in the FHCF. The layer would provide $4.9 billion of coverage from the capital and traditional reinsurance markets, which includes a capital markets renewal risk transfer replacement of $500 million through Lightning Re. This is the second year for the multi-year notes, which were originally placed in 2023, as well as approximately $4.4 billion of coverage from both the traditional and capital markets, which you see in the yellow. Staff will work with Citizens' traditional and capital markets teams, as well as the Financial Advisor, to evaluate available options relating to the structure, terms, pricing, and other relevant matters. With regards to the 2024 risk transfer program, staff will present the recommendations to the Board at the May 14 special Board meeting for the final approval of the Risk Transfer Program. That completes my update on risk transfer. Are there any questions?

Vice Chair Thomas: Any questions regarding the layer chart? [silence] Go right ahead.

Action Item: Investment Policy Update

Jennifer Montero: Okay, I'm going to move into the Investment Policy, and you can leave the layer charts up if you'd like since they do kind of relate. I can show you exactly where the investment policies hit. So, we had five separate investment accounts that are being reduced to three investment policies, as the two tax-exempt policies are being eliminated. Citizens defeased its pre-event debt in 2023; and therefore, we don't have any funds invested in the tax-exempt liquidity fund or the tax-exempt claims paying fund. The assets in the three main taxable investment policies are only invested in high-quality fixed-income securities with an overall investment strategy that prioritizes goals of safety of principle, liquidity for operating expenses and claims to be paid in a timely manner, and competitive returns. However, each of the policies provides for different portfolio duration, credit quality, and other parameters consistent with these broad goals and the specific purpose of the underlying fund. The taxable liquidity fund generally governs the investments of funds in surplus that will be the first one used to pay claims after an event and that can be used to pay operating expenses on an ongoing basis. The amount of the liquidity fund is reset each year to equal the approximate amount of the funds needed to reach the attachment point of the Florida Hurricane Catastrophe Fund. The taxable claims paying fund generally governs the investment of funds that are up to the one-in-100-year probable maximum loss and will be used to pay claims post-event after Citizens has expended all monies in the liquidity fund. The taxable claims paying long-term duration fund generally governs the investment of funds that are above the one-in-100-year probable maximum loss and will be used to pay claims post-event after Citizens has expended all monies in the taxable claims paying fund. As the monies are invested pursuant to the policy, this will be Citizens' last source of available funds. Duration limits of this policy are longer than the duration of the taxable claims paying fund and allow for maximum return. This policy is currently not funded, but as we build surplus, then this policy will be funded. Surplus is projected up to the 1-in-96-year event in 2024. As part of the annual review of the investment policies, Citizens' staff works with its Financial Advisor and investment managers to make proposed changes to the policies. The recommended changes are slightly more conservative to preserve surplus and to adjust for market conditions. For the Taxable Liquidity Fund, we recommend decreasing the maximum limit for securities with ratings of Baa3 or BBB- from 10% to 5% and decreasing the maximum issuer limit from 1.5% to 0.5%. For the Taxable Claims-Paying Fund, decrease the minimum limit for securities with ratings of Baa3 or BBB- from 10 to 7.5% and decrease the maximum issuer limit from 1.5 to 1%. For the taxable claims paying long-duration fund, increase the minimum Treasury and US agency composition from 20% to 25% and decrease the maximum allowable corporate securities from 80% to 75% and decrease the minimum tranche size for asset-backed securities from $75 million to $50 million. For all three taxable funds, require written notice from the investment manager within one business day of an event where the securities are downgraded by one notch to BBB+, require an action plan from the investment manager within five business days of an event where the securities are downgraded by one notch to BBB+ or if a negative watch falls outside of the investment policy standards. Decrease the maximum issuer limit for all asset-backed securities from 1.5% to 1%. Exclude Treasury and Agency Money Market Funds from limitations regarding money market funds and include portfolio management language regarding the investment strategy being based solely on the pecuniary factors to comply with recent statutory changes; this last one we are just simply codifying we are already practicing that. These changes will allow Citizens to be more proactive with adverse rating actions, reduce exposure to individual issuers that have minimum rating levels, and reduce issuer exposure for asset-backed securities. And there is an action item for this item, Mr. Chairman.

Vice Chair Thomas: Okay, perfect. Are there any questions from the Board regarding the policy changes as just outlined by our CFO? Yes, Governor?

Robert Spottswood: I'm surprised that the high percentage of corporate securities that we provide for in our policy. Could you speak to that and in what type of consultation we had and advice from our outside managers of the portfolio to have such a large percentage of corporate securities and what kind of rating that they carry?

Jennifer Montero: This is Kapil Bhatia; he's our Financial Advisor with Raymond James. That is our taxable claims paying long duration fund, so that is the least conservative of three funds. It would have a larger amount of those corporate securities.

Kapil Bhatia: Good morning, Governors. For the record, Kapil Bhatia from Raymond James and Associates. We are your Financial Advisors. The reason we have significantly higher exposure to the corporate security is because we have the ratings constraints and the issuer limit; it gives us the spread of around 75 to 250 basis points based on above the Treasuries, and the Treasury rates have been historically significantly low. So, we managed to increase the income while making sure the credit quality meets the standards and because it's more than above the liquidity fund. So, we have a little bit less exposure in the claims-paying fund, significantly more in the long duration because we want to maximize the income considering how long it takes us to pay for those claims. So, our objective is to maximize income without giving up any credit quality.

Robert Spottswood: Compared to the Treasury and agency securities, what's the difference in yield corporate securities?

Kapil Bhatia: It depends on the ratings gradation. So, if it's a AA corporate securities or a AAA corporate securities, for example, Apple or Microsoft will be plus 52 / plus 75 above the Treasury for a 10-year paper. And if it's a single A it will be closer to 100 to 125. So, it effectively increases our income by 20% to 25% because Treasuries are at 5% and we can make 6% to 6.5%.

Robert Spottswood: In your required minimum ratings on those securities as ….

Kapil Bhatia: Yes, minimum rating will be … it is A-. 90% of our portfolio is A-. We do have plus on the corporate side or higher, and here is a chart from yesterday. Approximately 70% of our portfolio is rated A or higher, and that excludes the Treasury. So, we are very conservative. It's a stable portfolio. And the objective of this is to maximize the income without giving up any of the credit part. And we are managing that credit risk by reducing our BBB exposure as Jennifer mentioned earlier. And over 77% of our taxable portfolios are rated A or higher, not A-. So, we have a very small portion in BBB plus. That's also in a very short time.

Robert Spottswood: And we're staying away from corporate securities from the sectors of the economy that face, perhaps substantial issues going forward. As you know, trillions of dollars of corporate debt is repricing this year and next year.

Kapil Bhatia: That was one of the reasons we reduced the BBB exposure because there was a rollover risk for the lower rated entities. But our portfolio, and if you see all of the names that we are happy to share through that…we continuously monitor all of the credit names in our portfolio. And right now, we don't have a single downgraded security in our portfolio, which is below the BBB, even with the crisis, during last March with the financial banks where there was a collapse of those banks. So, we manage that exposure very closely. And that's one of the reasons we have an issuer limit on each issuer. So, if we have issued a limit of half a percent or 1%, from an overall portfolio perspective is relatively small. And we have a large team of investment managers. We have nine investment managers which manage it. So, we have a continuously diversified product managers behavior perspective, as well as from the overall portfolio.

Vice Chair Thomas: Thank you. With that, I'll move to accept staff recommendation and motion for approval of the outline.

A motion was made and seconded to approve the Citizens Investment Policies (these changes will allow Citizens to be more proactive with adverse rating actions, reduce exposure to individual users that have minimal rating levels, and reduce issuer exposure for asset-backed securities) and to authorize staff to take any appropriate or necessary action consistent with this action item. All were in favor. Motion carries.

Jennifer Montero: Thank you.

Vice Chair Scott: Do you have anything else as part of your CFO Report?

Actuarial Qualification Documentation

Jennifer Montero: I do want to bring to your attention the Actual and Underwriting Committee Report. Brian Donovan, our Chief Actuary, did provide the qualification documentation for his appointment as actuary. I believe all of you were here yesterday for that. He's here and happy to go over those requirements once again, if you'd like him to.

Vice Chair Thomas: I don't know if it's necessary. From my standpoint, it’s not an action item for us. The idea is he is advising us of his qualifications and that he meets the standard. And certainly, if anyone from the Board has any questions about that, we are happy to open the panel up for that. But I don't think there's a need to do that again.

Jennifer Montero: Perfect. And then the last item I have on the agenda is the financial sets of December 31. Again, I did go over those yesterday with this group. I'm happy to go over them again if you'd like to hear them again.

Vice Chair Thomas: I don't need to hear them again, but I'm not going to stop anyone else on the Board if they'd like a further review of the financials. You kind of went over a little bit also, I think in President Cerio's report.

Jennifer Montero: Thank you. That completes my report.

4. Chief Insurance Officer's Report

Vice Chair Thomas: Thank you. And I think that'll bring us to Jay Adams, who is our new Chief Insurance Officer who has a couple items for us, I believe.

Actuarial and Underwriting (A&U) Committee Report

Action Item: Product Updates

Jay Adams: Thank you, Chairman and governors. I do have two items that I need approval on today. The first one is on our product updates. I believe all of you were present yesterday for the A&U Committee. We went through that in pretty good detail. I'd entertain any questions that may have lingered from yesterday. And if not, I'd like to proceed.

Vice Chair Thomas: If anyone has any questions, or if not, I'll entertain a motion.

Josh Becksmith made the motion to Approve changes to Citizens' Product guidelines, forms and supporting documents to address emerging issues as described in the Product Updates – April 2024 Action Item; and to authorize staff to take any appropriate or necessary action consistent with the Product Updates – April 2024 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. All were in favor. Motion carries.

Claims Committee Report

Jay Adams: Thank you. And then from a Claims Committee perspective, the Claims Committee met telephonically on March the 28th. And really, the focus of that meeting was on some strategic updates on Claims Legal Services and on the impact of the legislative reform, which Tim covered a little bit about this morning as well.

Action Item: Quality Assurance Software

Jay Adams: And with that, I have one action item related to the Claims Committee, and it's for our Quality Assurance Software. Citizens uses this to do file reviews on all of our staff and all of our vendor independent adjusters. The idea here is this is how we help manage the quality of those individuals. And what I'd like to do is just read the purpose in the scope of this real quick: the action item request approval to contract with Inpoint, Incorporated for claims quality assurance software. The contract will replace Citizens' current contract with Inpoint for the same software, which expires August 5, 2020. The software provides comprehensive claims audit functionality through integration with Citizens claims data service. Approval is requested for a two-year initial term with two one-year renewal options for an amount not to exceed $1.5 million for the life of the contract. And Chairman, I would entertain any questions that the Board may have.

Vice Chair Thomas: Okay, is this the item we discussed with the committee, but it wasn't yet ready for us to...

Jay Adams: We couldn't vote on it because it needed to come to the Board because it was an action item.

Vice Chair Thomas: Okay. We had something that claims didn't actually vote on because of the calendar system, though.

Jay Adams: That is our Independent Adjusting, sir, which is later this month.

Vice Chair Thomas: Okay, perfect. Thanks. Any questions about the claims quality assurance software item? Or if not, I certainly would entertain a motion to approve the contract with Inpoint, Inc, including the renewal periods for an amount not to exceed $1.5 million.

A motion was made and seconded to approve the contract with Inpoint, Inc., including renewal periods, for an amount not to exceed $1,500,000, as set forth in this Claims Quality Assurance Software Action item and to authorize staff to take any appropriate or necessary action consistent with this Action Item. All were in favor. Motion carries.

5. Chief Administrative Officer's Report

Action Item: On-Demand Learning Library

Jeremy Pope: For the record, Jeremy Pope, Chief Administrative Officer. And this morning I have two action items for the Board's consideration, and they're listed behind tab five of your materials.

The first one is our On-Demand Learning Library. This is essentially our off-the-shelf professional development program that we use for employees that also includes compliance training. The request is a three-year contract totaling a little over $195,000. This is pulled from a state term contract with pricing that's already been negotiated. Chair Thomas, I'll be happy to answer any questions the Board may have and read the recommendation if desired.

Vice Chair Thomas: Any questions from the Board? Let's go and read the recommendation, and then I'll entertain a motion.

Jeremy Pope: Absolutely. Citizens staff proposes that the Board of Governors approve a three-year contract with Carousel Technology Corp for LinkedIn Learning for the amount not to exceed $195,889.32, as set forth in this action item, and authorize staff to take any appropriate or necessary action consistent with this action item.

Vice Chair Thomas: Perfect, open the floor for motion.

A motion was made and seconded to approve a three-year contract with Carahsoft Technology Corp. for LinkedIn Learning for an amount not to exceed $195,889.32, as set forth in this Action Item; and to authorize staff to take any appropriate or necessary action consistent with this Action Item. All were in favor. Motion carries.

Action Item: Outgoing Shipping Services

Jeremy Pope: Perfect. Thank you, Chair. The next item I'll move on to is our outgoing shipping services. This is a continuation of service. And this is essentially our contract with FedEx, there's two requests. This is for both internal and external shipping. But the request is to add an additional $62,000 to the existing contract. That is essentially due to the Policies in Force (PIF) volume that hit. We were below forecast; we initially sought approval from the Board for this particular item, and then also for approval to move into a new contract because the existing contract will expire later this year for $472,000. And that's for a new two-year contract with FedEx. And this is also a state term contract with pre-negotiated rates in chair. I will also entertain any questions or move on to the recommendation.

Josh Becksmith: Mr. Chair, can I just ask just a quick question? Do we send a lot of the policies and information out electronically?

Jeremy Pope: We do. We absolutely do. And honestly for the shipping services with FedEx, those are really for expedited situations. It's not the norm, if you will. We do have a paperless promotion with our consumers, so they can elect to be blunt.

Josh Becksmith: We aren't obligated to send paper unless they specifically ask for it. They have to opt in to an electronic?

Jeremy Pope: They have to opt in for paperless. So, we're not able to auto-enroll consumers. But so we have on that point of sale with the agents there's we have a program where we educate consumers and also at any point when they call in for any type of servicing. We're moving our consumers explaining the benefits of paperless delivery, if you will, that document it.

Vice Chair Thomas: Okay, so we've got two, two components to this increased spend on the current contract and the new contract through 2026. Correct? That is correct. Okay. I don't know that. We need you to read the recommendation.

A motion was made and seconded for the Board to approve increasing the currently approved amount of $370,000 to $432,000, an increase of $62,000 for the current contract, expiring September 21, 2024; and to approve a contract with FedEx Corporate Services, Inc. for an amount not to exceed $472,000 through November 27, 2026, as set forth in this Action Item; and, to authorize staff to take any appropriate or necessary action consistent with this Action Item. All were in favor. Motion carries.

Market Accountability Advisory Committee (MAAC) Report

Dave Newell: Good morning, Mr. Chairman and Board. Looking back on what Jeremy just said, I was watching the news this morning, and I know you talked about FedEx, but the US Postal Service is recommending a first-class stamp go to 75 cents in July. So interesting. For the record, my name is Dave Newell; I'm the chair of the Market Accountability Advisory Committee. Our committee met on March 26, and Jay Adams, Chief Insurance Officer, brought us up to date on current policy counts for personal and commercial lines, total insured values, which is always a good target to look at, and then market share. And I think Tim talked about that quite a bit this morning during his presentation. Also, heard some statistics on new business, where it's coming from, and certainly there's always interest on the committee of where it's coming from within the state. It used to be a lot was the Tri-County area, but if you look at the statistics now, it's really all 67 counties are playing a role in Citizens. So, Jay provided a slide titled "Exploit Exposure Reduction DashBoard" with estimated policy counts for year end. And I think you saw some of that earlier as well. The committee heard reports from Jeremy Pope and Carl Rockman, related to depopulation, the Interim Clearinghouse, and certainly FMAP. So, I won't go into that. But one thing that we always hone in on from our committee is certainly depopulation in terms of those policies exiting Citizens back into the private market, and what that return rate looks like. And thus far, that return rate is very minimal…. Those policies that have been depopulated over the last year to 18 months. So hopefully, that trend will continue. That number is relatively low compared to years past.

Vice Chair Thomas: So, Dave, are we talking about just possibly, like at renewal, that somehow, they get placed back with us? Is that the…

Dave Newell: Yes. Once they get the renewal on that carrier's paper, so to speak, and think they kind of come back? Please do.

Robert Spottswood: I thought every policy going to the private market company that they agreed to keep it for three years. And I believe you just said within 18 months. Are they sliding back? How is that possible? What's the reason for them to slide back?

Dave Newell: I don't mean it in those terms. I mean, when we assume a policy when Citizens, the private market assumes a policy it takes that rest of that term, and then the renewal term, right. So sometimes it'll take a year before that particular policyholder may see his new rates on that carrier's paper.

Tim Cerio: I think I could answer that question for Governor Spottswood. The carrier is required to offer renewal based on the information given yesterday for up to three years; however, the insured in the event that that renewal exceeded the 20% threshold, they could then come back to Citizens… not the carrier actually not offering a renewal.

Robert Spottswood: I think that that was in our contract of assignment to require them to stay within that 20% for three years. If the intention is to keep it for three years, they could easily avoid that obligation by just increasing rates by 50%. That doesn't seem an effective way of enforcing the three years.

Vice Chair Thomas: I don't think we have any way, and I'm happy to be corrected on this, through our assignment of affecting what their real rights are. So, I think they commit to what their renewal rates would be because, again, at the end of the day, they can only charge whatever it is filed and approved by the OIR. I'm not aware of any way that we could eliminate the idea that a policy that goes out the door through depopulation that in a year or something the rates aren't such that it re-qualifies for Citizens. I don't know how because it's just out of our control.

Robert Spottswood: So, we’re obligated to take it back?

Vice Chair Thomas: Same obligation we have to write anyone who qualifies and can't otherwise. Hopefully, their agents are doing a good job ensuring they actually meet the requirements for us to write. But yeah, we generally can't turn down business, Chair**.**

Jeremy Pope: And I would just add, Governor Spottswood, it's minimal, as Dave mentioned. Currently, within the past 12 months, we're seeing less than half a percent of those policies being repopulated back into Citizens. Jennifer also mentioned yesterday about 1.45% of her three-year periods. So we do monitor those policies closely to ensure the remaining ones are minimal.

Dave Newell: Thank you. The Clearinghouse or the interim program chips, as has been referred to by many, seems to be right now a solution that many are using, and the 20% rule, the eligibility rule, is certainly a tool to help drive that. Citizens did a great job educating the agents and providing resources during that interim period, so there's been a lot of support in and around that program before they stand up the permanent solution. I think agents feel comfortable with that process at this point. The committee received an update on Agency Management Services. Certainly, the committee always talks about the agent and agency counts, where that growth is coming from, policies in force per agency… because for the longest time, we saw a really low number of agencies that had a great number of policies, and now there's a little more of a spread, because unfortunately, the market has restricted. We heard an update on violations and binding restrictions. Again, I think some of that increase, potentially, it's very slight, had something to do with the policy count increase. So, with more policies coming in, there's more risk of a document not being uploaded in a timely manner. But I will tell you, Carl and Jeremy and the team do a great job of reaching out to those agents that seem to maybe be repeat offenders to guide them through that process. So, the Voice of the Consumer was another point of interest to the committee that Citizens enacted quite some time ago with Jeremy's advisement, and it's always good to get feedback from consumers dealing with an independent agent on the process of coordinating insurance with Citizens. Right now, the satisfaction rate is very good, although there are some that are outside the norm. Again, I will tell you that the team, the outside advisors, and the managers do a great job of reaching out to those individual agencies to advise them on how they can maybe turn a little bit of that around if there are some concerns from the consumers. The committee received the legislative update by Alden Mullins, who was subbing for Christine that day. And then lastly, the committee welcomed two new members, Scott Rowe of Tower Hill

Insurance, and Marshall Martin with the Florida Bankers Association. So, they're now on the MAAC. Thanks to Jorge Hernandez and Obdulio Piedra for their service to the committee. There was a lot of talk at the very end of the committee by several, and if you look at the makeup of the committee, a lot of people on the committee represent insurance associations. So many of those agents were commenting to Jeremy and Carl and the team about working with them through this depopulation process, especially when it came to commercial depopulation. We've not seen a commercial depopulation in many, many years, and certainly, the process has changed quite a bit from the last time. So, there were a lot of comments to the team about working with them, getting an understanding of how they can make the process better, and the team helping with that. Again, the committee wanted me to certainly say that it's been a great working relationship, especially through the depopulation process. So, with that, Mr. Chairman, that concludes my report, and I'm happy to answer any questions.

Vice Chair Thomas: Appreciate it, Dave, very much. Any questions from the Board? Further questions? No, Thank you much.

Exposure Reduction Committee

Vice Chair Thomas: We had the Exposure Reduction Committee yesterday. Governor Butts, I don't know if you have anything further to note to us. [inaudible] Looks good. All right. All right. Thank you, Mr. Pope. Appreciate it.

6. Chief Information Officer's Report

Vice Chair Thomas: I don't think we have a CIO Report but come up here and say hello. Introduce yourself.

Aditya Gavvala: We do not have any action items or consent items to present to the Board today. We shared some informational updates about three major IT programs at the Information Systems and Advisory Committee. That concludes my report.

Vice Chair Thomas: Perfect. Appreciate it. I look forward to working with you in this position.

Aditya Gavvala: Thank you very much.

7. Chief Communications, Legislative and External Affairs's Report

Vice Chair Thomas: And now Ms. Ashburn with our Chief Communications, Legislative and External Affairs' Report. What's going on in the legislature?

Christine Ashburn: So, Mr. Chairman, I did provide a detailed update on the outcome of the legislation session at yesterday's meeting. I'm happy to answer any questions or review it for all of you again today.

Robert Spottswood: Anything coming up for the next session? What should we expect next year?

Christine Ashburn: That's a good question, Governor Spottswood. We are having a change in leadership in the House and Senate, obviously, because we'll have a new speaker and a new president. Given all of the major reforms that we've talked a lot about and the benefits of those reforms, I think at this point, it's probably going to be paying attention to what might be efforts to undermine those reforms or change those reforms. I don't know that leadership is in the mind to do that. But I think we're going to, you know, you say in the legislative world defense is about 90% of what you do. And for the first time in a very long time, on one-way fees and those types of items, we are actually in a playing defense mode as opposed to offense. But I think we will probably see efforts, both in the courts potentially, but certainly legislatively to whittle away at those reforms. Obviously, Governor DeSantis was a huge piece of those reforms, and he obviously will still be governor. So, we just have to pay attention to make sure that there aren't efforts to take away what was gained. And you saw Tim's report, and Jay talked about the Claims Committee. What we're seeing in the litigation rights realm is a lot of the older stuff. And we're seeing very good trends; we want to make sure that nothing occurs to undermine that. Also, I think Governor Lydecker, who's not here today, talked a lot about fraud. And I think fraud and abuse and funding for fraud, anti-fraud services with the CFOs office, whatever we can do to be supportive of those efforts to get at the core, the root of fraud is really something we're focused on in prosecuting those cases.

Robert Spottswood: So, I heard incoming speaker, Danny Perez, gave a presentation in the Council of 100 a couple of months ago, and I'm paraphrasing, he said something to the effect that the insurance crisis facing the state of Florida is the greatest crisis that the state of Florida faces. So, I would say we have a very strong supporter in the legislature. And I believe we have it on the Senate side as well, for anything that we can think of that we should be suggesting. And I don't know if we take ours to the OIR and get them to do it. But if there are any tweaks to the legislation that was passed last year, based upon the experience we're seeing, it looks like it's positive. But if there's anything that needs to be tweaked to improve upon that or propose something else, I would think that, to the extent we can be, and I'm not sure what our role is in this process, I don't know yet. But to be proactive and getting the upcoming legislature to make any further changes or tweaks or adjustments, what they've already done, would be something we should be looking to do. We have a very supportive group.

Christine Ashburn: Certainly, I think what our CEO, Tim, said earlier is true. Because we're a government entity, we're an open book on data. And so, a lot of times when these conversations happen, we're always at the table, thankfully. But our data allows us to tell the story for the industry in a way that private companies can't necessarily do. So absolutely, I think you're right, and I think looking at public adjusters, appraisal, and all of the things in Jay's space, I really do believe there's going to be a continued focus on cleaning up where there are still holes. I think the one-way fee statute was the silver bullet fixing that 100%. But bad actors are bad actors. And we're going to start to see things creep up in different spots. So, I guess the good and bad news is the session, because we remember, it's an election year. So, the session won't start until March of next year. It's a later session where this year's was in January. So, we have a lot longer break to develop ideas. And in fact, we've already sat down; we meet with the CFO's office in the Governor's Office, monthly outside of session. And we've already started to talk about with the CFO's office what they might be looking at, because they do regulate the public adjusters. And they do have the fraud, the anti-fraud unit, and the investigative units, and we want to partner with them in any way we can. Brian Newman, our new General Counsel, he and I've sat down and talked about things we might be able to do to support them in their efforts to really stamp out fraud. People say, "Why do you pay if it's fraud and abuse? Why do you pay the claims?" Well, insurance fraud is really hard to prosecute, and I think our Special Investigations Unit and GC, they do a phenomenal job. In talking to the Department of Financial Services (DFS), they'll tell you, I think, of the market, we are the best. We hand them cases that they can take forward. Having prosecutors want to take those on can be difficult. Is there a way for us to help DFS get funding to fund more units within the State's Attorney's offices, things like that. So, we're already in conversations on those types of items. Thank you.

Robert Spottswood: Thank you.

Vice Chair Thomas: It's a very important thing that we get the message out that things are looking better. But they do take time because of the structural issues in terms of effective dates and existing policies. So, there's a certain level of criticism of well. We did away with one-way fees on Monday and rates didn't go down on Tuesday. Well, that's not quite how it works. So, I think that's what we do today, and everything is helpful in making people hopefully understand that things are trending in the right direction. This was never an overnight fix.

Christine Ashburn: Absolutely. We're getting to a point now where the law was signed by the Governor, becoming effective on December 16, 2022. So, we are more than 12 months out. If you talk to industry experts and our team, we've always said 18 to 24 months, realistically. Like you said, you just don't turn an aircraft carrier on a dime. But I think we are hopefully the tip of the spear with our data to start showing, Vice Chair Thomas, to your point, that the trends are changing. And it's going to take time. But I think the other thing that's going to be harder for us, as you all know, our rates are not actuarially sound. So, there's an expectation that our rates are going to come down because of these reforms. They're not where they need to be. And we have to work to message that with state leaders. So, they understand, I think most do. But with term limits and new people coming in, is the question, are rates going down? Is it going to be a reflection of what's going on in the market? Because our rates weren't where they're supposed to be anyways, our overall rate may come down, but we're not going to be wholesale reducing rates because of these reforms right now.

Vice Chair Thomas: Well, and I think it's an important distinction, and thank you for saying the 18 to 24 months. When you're looking at the domestic carriers or abroad, there was a lot of anxiety, even waiting back in 2022. And they all recognize the fact that it does take time. But I think what you're seeing now with the depopulation, what you're seeing now with other private insurers, is more capacity coming back into the marketplace because of that legislative reform, right? And so, I think you and the Citizens team have done a fantastic job of pushing that. I know that you all are in the marketplace, you're talking to agents, you're talking to consumers, you're talking to insurance carriers, and you're getting different perspectives. And a lot of this would not have happened without the push of you and the team and Tim and the rest of the team at Citizens. I know you work tireless hours when session is in and the admin session is not in but do appreciate the initiative and the push on behalf of the consumers and obviously, on behalf of Citizens. So, thank you.

Christine Ashburn: Thank you. And I will say I'm the one downtown with Tim and others. But Jennifer's team and Jay's team, the data that they're able to give us and allow me to run with really does create the reputation we have because we are a trusted source. I can't say enough how on a dime, if it's session, any one of their team members knows to get the information. It's a huge team effort. So, I appreciate the comments.

Vice Chair Thomas: Christine, thanks. Good work and thanks for the report today.

8. Chief of Internal Audit Report

Vice Chair Thomas: That should bring us to our last report: Chief of Internal Audit. I don't know if Governor Shelton has anything from the Audit Committee. I think in honor of our Chairman Beruff, I would ask you if there any fires to out.

Joe Martins: There are no fires to report at this point in time, and we don't have anything specific to bring to the Board today for consideration.

Jamie Shelton: And, Mr. Chairman, I have nothing to bring forward at the meeting today.

Vice Chair Thomas: Perfect. Thanks.

New Business

Vince Chair Thomas: Thanks for the great, very thorough report from yesterday in the committees. Appreciate that. That it unless anyone else has anything for that, but that should do it. I don't have any new business. I generally would open the floor for any comments before we wrap this up. And then I would ask our birthday lady, before I adjourn this meeting, if I missed anything on the agenda…. any action items we needed to cover that I've somehow omitted?

Barbara Walker: You've got it all covered. We do have FMAP immediately following this meeting.

Vice Chair Thomas: Gotcha. So, we'll adjourn the April 10, 2024, Board of Governors Meeting. Appreciate everybody's participation and all the good work today. Thanks.

Adjourn.

CITIZENS PROPERTY INSURANCE CORPORATION
MINUTES OF THE
SPECIAL BOARD OF GOVERNORS MEETING
Tuesday, May 14, 2024

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened via Zoom on Friday, May 14, 2024, at 10:00 a.m. (EDT).

The following members of the Board were present:

Carlos Beruff, Chair
Scott Thomas, Vice Chair
Joshua Becksmith
Jason Butts
Erin Knight
Charles Lydecker
LeAnna Cumber
Robert Spottswood

The following Citizens staff members were present:

Tim Cerio
Jennifer Montero
Barbara Walker
Bonnie Gilliland
Raina Harrison
Jay Adams
Joe Martins
Christine Ashburn
Jeremy Pope
Mark Kagy
Aditya Gavvala

Call Meeting to Order

Barbara Walker: Good morning, and welcome to Citizens' May 14, 2024, Special Board of Governors meeting that is publicly noticed in the Florida Administrative Register to convene at 10 a.m. and is recorded with transcribed minutes available on our website. For those attending today's session through the public link, you're automatically in listen only mode. Chair Beruff, we have no speaker requests for today's meeting. I'll proceed with an official roll call.

Chair Carlos Beruff, Vice Chair Scott Thomas, Josh Becksmith, Jason Butts, LeAnna Cumber, Erin Knight, Charles Lydecker, Governor Shelton was unable to attend today. Robert Spottswood. Chairman, you have a quorum.

Chairman Carlos Beruff: Perfect. Thank you. Who's up?

Tim Cerio: Jennifer, you're muted.

Chairman Carlos Beruff: I heard Tim clearly, so it must be on somebody else's end.

Tim Cerio: Yeah, we're trying to get Jennifer unmuted. We have been dealing with some technical difficulties Post storm. Mr. Chairman.

Jennifer Montero: Sorry about that, Mr. Chairman.

Chairman Carlos Beruff: Alright, no worries.

Jennifer Montero: Couldn't find the button. I'm happy to start if you're ready?

Chairman Carlos Beruff: Please.

2024 Risk Transfer Program

Jennifer Montero: So, the reinsurance markets are better than last year, but have significantly changed since the beginning of the year. There were significant amounts of capital invested in reinsurance markets in the last quarter, 2023, as interest rates were starting to come down with the expectation of fed rate cuts. However, as inflation continued, the Feds changed its stand to a higher for longer, and now investors are trying to capitalize on higher rates, and therefore they've been moving some of the capital from reinsurance markets to alternative investments, including private credit, where their returns are higher. There are also additional risk transfer needs of demand from Texas, Louisiana, and California as property markets continue to just locate nationally. Florida's exposures continue to grow. For example, the residential model exposure is $3.6 trillion in 2024, compared to $3.3 trillion in 2023, which is a 9.3% increase in growth. Citizens' exposure grew by 31% in 2023, and is expected to grow by 7% this year, even though we expect only a slight change in the policy count in 2024. Market pricing on a risk adjusted basis is expected to be similar to 2023 ranging from a negative 5% to a positive 5%; however, capacity is constrained, as all insurers need more capacity in 2024. This is due to significant increases in exposure and replacement costs, as well as the wrap in 4 layers are expired which translates into additional need for approximately $1 billion of reinsurance coverage from the private market, and of course, an increase in the CAT Fund retention from $9.5 to $9.9 billion. So, Citizens aims to secure private reinsurance coverage of approximately $5.5 billion. This would be comprised of $500 million existing private reinsurance remaining from 2023 and $5 billion of new private risk transfer. Under the scenario Citizens would expose all its surplus for a 1-in- 100-year event and would have a potential Citizen's policyholder surcharge of $567 million for a 1-to-100-year event which would attach at the 1-96-year event. The proposed 2024 Risk Transfer layers are as follows; the sliver layer will sit alongside the FHCF. It provides approximately $630 million of annual per occurrence coverage which covers personal and residential personal, residential, commercial, residential losses. This layer is placed in the traditional market, and we work in tandem with the mandatory coverage provided by the FHCF. Layer one will sit above the sliver layer in the CAT Fund. This layer will provide $4.9 billion of coverage for personal, residential, commercial residential losses from the capital and traditional insurance markets, which includes a capital market renewal, risk transfer placement of $500 million through Lightning Re. This is the second year for the multi-year notes which provide aggregate coverage. They are originally placed in 2023, as well as approximately $4.4 billion of occurrence in annual aggregate coverage from the traditional and capital markets.

Staff recommends that the board well, I'll hold off before the recommendation Chairman to pause for any questions.

Governor Spottswood: Mr. Chairman, if I may. I've got a question for Jennifer.

Chairman Carlos Beruff: Please.

Governor Spottswood: Just out of curiosity, is there a similar layer chart that's put together, not only for us, but for all of the private insurers involved in Florida? Do we know what the total loss would have to be for all of the private companies as well as us to be tapped out?

Jennifer Montero: Yes, there are. There are, PCN is one that does it. There are those that gather all the losses on an aggregate basis, because, for example, Lightning Re is an industry index bond. We only will recover any monies on that if the industry losses hit a certain amount, and the PCN is the one that has that index for us. That's who we rely on to give us that data and they're part of ISO, and there are others like that, that do gather that aggregate data. The Cat Fund also, is one that would gather the data on, not on the commercial non-residential, but on the commercial residential and the personal residential, everything that's in this subject business of coverage, the Cat Fund covers that as well, and we report to them as well as the Office of Insurance Regulation, so there are entities that collect it for reporting purposes for different kinds of reporting purposes. Obviously, the Cat Fund is so that they know how to pay out, the OIR is keeping track of everybody, and PCN is helping with the index bonds to know when we've attached to them.

Tim Cerio: Jennifer for our board members, and our listeners who may be tuning in, what's PCN and what's ISO?

Jennifer Montero: PCN, I don't know what the acronym stands for, but it is basically a company that is subsidiary, I believe, of ISO, which is a bigger company that provides all kinds of insurance services, ISO does rating, they do all kinds of stuff on our product side. They're not a current vendor, but they have it in the past do our inflation guard factors for our replacement cost. We use their external actuaries to pair review our stuff. PCN is a subsidiary, I believe of ISO, but PCN just collects data on the losses, and you have to have something identified to say, whose numbers are we going to use? So, we use PCN for the purpose of the index bond, but there is aggregate data collected in many, many different places for different reasons.

Governor Spottswood: Jennifer, is that something I could look up online and get access to that kind of data?

Jennifer Montero: Cat Fund may have information on their website.

Tim Cerio: We could probably get it for Governor Spottswood, right?

Chairman Carlos Beruff: I was just going to offer Tim. You could get someone from Jennifer’s staff to send Governor Spotswood with the links.

Tim Cerio: Please do it.

Governor Spottswood: That'd be great. Thank you.

Kapil Bhatia: Jennifer, can I just add on to it, maybe helpful. Governor Spottswood, for the record I’m Kapil Bhatia from Raymond James and Associates. We are your financial advisor. So, Cat Fund publishes how they set up their rates in March, the whole rate making formula report which shows the whole State residential exposure, as Jennifer mentioned. So, Jennifer even quoted those numbers in her talking points in the very beginning. So, for example, the losses, like with Ian or an Ian event today will generate a total loss of around $23.2 billion. That's based on the Cat Fund’s data, and they publish that report every year. And we are certainly happy to share that with you. It's up on their website, but we'll share that with you. PCN and ISO are both part of Verisk, the other preeminent risk modeling firm, and they basically do all of the data, but all of their data is by subscription only, and not publicly available.

Governor Spottswood: Thank you for that. Thank you.

Chairman Carlos Beruff: Jennifer?

Jennifer Montero: Yes.

Chairman Carlos Beruff: I think, unless obviously any board member is welcome to ask any questions along the way and stop us, but what I'd like to focus on is, what did we pay online last year in average over the total placement we paid? And what do you think we're going to get to, so can authorize you to move forward.

Jennifer Montero: Sure. Last year the net rate online was 12.09 and we spent $650 million. This year we would like the Board to approve a spend of $750 million with a rate online of 13%.

Chairman Carlos Beruff: Okay. And then the other thing that was a bit of a surprise to some of us on the Board was the true up, and I call it a true up because of the policy count that is a snapshot taken and correct me, is it September 1 or September 30?

Jennifer Montero: September 30, Mr. Chairman.

Chairman Carlos Beruff: So, September 30, everybody. So that you know this, there's a snapshot of the policies we have in force; we’re buying the insurance based on a policy count that we've estimated and if it exceeds the parameters that I think Jennifer is going to negotiate towards it exceeds 10% up or down. There's no cost to us, correct me if I'm wrong, Jennifer.

Jennifer Montero: Correct.

Chairman Carlos Beruff: Okay, and if it exceeds 10% in either way, we either get money back from the premium, or we have to pay an additional amount that's prorated for the amount of policies that we exceed the 10% cap. Is that a true statement, Jennifer?

Jennifer Montero: That is correct.

Chairman Carlos Beruff: Okay, so go ahead, any Board member, jump in if you have questions or queries.

Governor Spottswood: I was just going to ask, is that 10% of the of the outstanding exposure on total policies or what is that based on?

Jennifer Montero: It's based off the Tiv the exposure. These layer charts that you're seeing in front of you right now, those are forecasted to September 30, and we put those numbers out at the beginning, and if at the end of the day when the actual September 30 comes in it with, the chairman is saying, is that they differ from our forecast to the actual by more than more or less than if it's within 10% up or down.

Chairman Carlos Beruff: Nothing changed.

Jennifer Montero: Nothing changes. If it's higher, we owe an additional premium on that amount that we went over, and if it goes under 10%, we get a premium refund for the shrinkage that occurred.

Governor Spottswood: So, we had portion of the amount of refund, Jennifer, or refund calculator?

Jennifer Montero: It's calculated based off the increases and it’s the premium extended to the additional Tiv, so you're paying as though you're paying….

Chairman Carlos Beruff: It's prorated actual, though?

Jennifer Montero: Right? Yes.

Chairman Carlos Beruff: That's I think that's beneficial.

Governor Spottswood: The benefit of depopulation to get down by at least 10%, so that you get that depop refund. Is that right, Chairman?

Chairman Carlos Beruff: That's correct. If we were able to hit it targeted and the projection, and then we depopulated prior to September 30, at the snapshot, we would get a credit, that's pro rata to the amount that we paid. Is that a true statement, Jennifer? I think it is.

Jennifer Montero: That is, but I will say the problem with that is, most of the depop stops in May.

Chairman Carlos Beruff: Oh, yeah, that's a different animal. The example math is correct the likelihood of depopulation in midstream of hurricane season becomes very unlikely.

Governor Spottswood: And it doesn't apply to the following year. So.

Chairman Carlos Beruff: No correct.

Governor Spottswood: Okay.

Citizens' Staff proposes that the Board of Governors, a) Approve the recommendation to purchase traditional and capital markets risk transfer for the entire 2024 program, not to exceed the amount of $750 million; and b) Authorize staff to take any appropriate or necessary action consistent with this Action Item.

Chairman Carlos Beruff: Jennifer, if there are no questions from the other Board members and please, you know there's no rush here. Just if there's no question, then I the chair, would request the motion to approve Jennifer to move forward.

Governor Spottswood: I'll move.

Governor Knight: Second.

Chairman Carlos Beruff: Okay, we have a first and a second. All those in favor signify by saying, Aye.

Governor Knight: Aye.

Governor Thomas: Aye.

Governor Spottswood: Aye.

Chairman Carlos Beruff: I believe we're unanimous in our in our approval, but if not, somebody, say something. So, I recommend that you move forward, Jennifer, and report to us your success, so that Florida gets plenty of reinsurance this year as we go into the summer season, and for all of you board members that I won't see for a while. I guess I'll see many of you at our July meeting. Always a pleasure.

Tim Cerio: We do have another issue, Mr. Chairman.

Chairman Carlos Beruff: We don't have an issue, we have another thing to discuss.

Tim Cerio: Another item. Yes, it could be an issue, but we hope not, but definitely another item.

Chairman Carlos Beruff: Alright! Alright!

Jennifer Montero: Thank you, Mr. Chairman!

Chairman Carlos Beruff: Jay, that's it?

Jay Adams: Am I recognized?

Chairman Carlos Beruff: Can I cut through to Jay's issue? Jay's issue, somehow magically he found a way to save us $100 million dollars, am I correct in that assumption?

Governor Spottswood: I move to approve.

Chairman Carlos Beruff: Exactly!

Jay Adams: That's correct.

Chairman Carlos Beruff: Okay, so Jay found a magical way to save us $100 million dollars, I said you had me at Hello!

Jay Adams: Thank you.

Chairman Carlos Beruff: So, we have a motion to approve Jay to move forward with that idea, is there a second?

Governor Lydecker: I'll second it.

Chairman Carlos Beruff: Okay, let's discuss it for those board members, I don't want to make light of it, but I thought I'm pretty sure all of you were briefed on this subject, but if there are any comments, or you want to hear from Jay as to how he did it we're happy to put the Jay on the spot? Nope? So, we have a second. All those in favor signify by saying, Aye.

Governor Cumber: Aye!

Chairman Carlos Beruff: I think motion carries unanimously.

Governor Lydecker: Chairman, I'd like to make a comment if I may, regarding the first item.

Chairman Carlos Beruff: Yeah, of course.

Governor Lydecker: Just as a general comment, I continue to think that I don't think I have a choice on this, I'm just going to register my view, that it's very hard to have a thoughtful discussion as a board on the issue of reinsurance placement when it's in the public, and all the participants in that process get to hear any level of strategy that comes from this board. So, I don't think there's anything we can do about it, and you know the power of sunshine is far more important than I guess our desire to be able to strategize as a group. Talking out, speaking out loud and thinking out loud amongst ourselves and radiating that to the marketplace is just, you know, foolish. So, I'm reserving my comments. And I do have comments. But I'm going to reserve them specifically for Jennifer. I just wanted to go on record of saying that.

Chairman Carlos Beruff: And I'd like to go on record to say that I'm 100% in concurrence. It's hard to negotiate or play a poker game when you're showing people your poker hand.

Governor Spottswood: I would agree.

Governor Thomas: Although I would try to emphasize. All we've done is we've authorized a number, I mean, we still work under the statutory mandate to buy it if it's at reasonable rates, and so I fully expect our professional staff to walk away from unreasonable rates. No one should mistake this who's listening or watching that we've somehow committed to anything other than an overall authority that we've granted our staff to go out in the market with it, right?

Chairman Carlos Beruff: Absolutely

Governor Spottswood: That's a good point.

Chairman Carlos Beruff: It's a great point.

Governor Lydecker: It's… I think it is a good point. I don't agree with it, but I think it's a very good point. We didn't tip our entire hand, that's true. But you know gosh, if I knew what the budget was for our clients, and how I could address their needs, then, you know, that would be very advantageous as a seller. So again, I'm just simply registering my view. It's very hard to do that in public, and out of respect for Jennifer and Tim and the team and making sure that we support their reference 100%. I don't think it makes sense to have any further conversation about it.

Governor Spottswood: Yeah

Chairman Carlos Beruff: Agreed.

Jennifer Montero: Mr. Chair, this is Jennifer, may I make a quick comment?

Chairman Carlos Beruff: Course.

Jennifer Montero: I just wanted to point out that we definitely do not pay above market for the reinsurance we have walked away before, and I think the market knows that. In 2022, when there was a lot of the special session, it was very late in the season, it was into late May, everybody kind of froze with what to do, and then, when it was done, it was almost like an auction, and there were a lot of demands of, "you gave me this rate online", "I'm going to double it and you have until 4:00 pm, or I'm going somewhere else". It was a lot of ugliness, and Citizens walked away from that, we didn't participate. We got most of our coastal account filled and only part of our PLA, because the pricing was so outrageous. So, I just want to assure the board that my team and I would never go out and pay outrageous pricing just because we have the authority for this spend. I just wanted to make sure you are comfortable, knowing that.

Chairman Carlos Beruff: Well, I think we are. That's what the Board members have said, they have confidence in your team, but at the same time it's just, I agree with Charlie that it's just a terrible way to negotiate, but we'll deal with that another time.

Governor Lydecker: But, Jennifer, I think, Jennifer, you could expect to get a bunch of calls from us.

Governor Spottswood: Chairman, can I pass on one more afterthought?

Chairman Carlos Beruff: I'd like to just add to Mr. Lydecker, I had a very passionate discussion about this last week. Okay go ahead, Mr. Spottswood.

Governor Spottswood: I was just wondering if there's a way of changing that September 30 true-up date to make it more meaningful to us to have a better chance of getting a refund. I mean I don't know if there's some magic to September 30.

Jennifer Montero: September 30 is kind of the peak of the hurricane season, Governor, and so that's the peak point of where they decided; that's an industry thing across all traditional reinsures. It's better for hurricane season, it's a September 30 exposure date.

Governor Spottswood: It just seems that guts the possibility of getting that kind of 10% reduction and getting a refund. I'm not sure if they picked that date, because it renders the possibility of a refund meaningless.

Jennifer Montero: Most companies can control what they write and they can get their hands around that, manage that in a better way, because they decide what policies come into them and which ones they don't, and which counties they go in, and what kind of risk they take and they can very much control how much exposure they have during hurricane season, so that it never moves and it doesn't grow. We unfortunately are one of the ones that don't have that option. We grow and shrink without any of our own control, and so those callers are there, I think, for us, because we do have that issue of, we could go either way with no control. So, I don't think they were meant to be punitive, I think it was trying to help us out, saying, we know you don't have a lot of choice, so we'll give you this caller if it changes, and we'll do it both ways, up and down. But it is an industry thing, and it is probably, and Kapil's on and could probably speak to it as well. It's probably the best identifier to what the exposure is, you know, at the time when the season is active.

Chairman Carlos Beruff: So, on the topic in July, I'd like to add Barbara for discussion, and Mr. Cerio and Jennifer, let's discuss one of the things that, and anyone that's on this, I think anyone's on this call is going to agree with the comment I'm about to say. We all hate something, "it's always been done this way"; That's like the worst thing in business to me. We've always done it this way, so I'm not saying it's wrong, but we should at least discuss it at the July meeting, and then see if there is, we're the biggest show in town with the biggest pockets we should be able to make our own, take our own direction on things and see what happens. With that, said, the chairman recognizes that I always do things without consulting Barbara Walker, who does have to read the action items, and then we can vote on it and make it official so go ahead, Barbara.

Barbara Walker: For the claims adjusting services, action item, Staff recommends that the Board of Governors, authorize Claims Adjusting Services contracts with 31 vendors as indicated in attachment A, for an initial term of 5 years, with 1, 3 year renewal, option, followed by 1, 2 year, option for an amount not to exceed $500 million as set forth in this Claims Adjusting Services action item and authorize staff to take any appropriate or necessary action consistent with this item, and Chair, the vote is already standing, and thank you for allowing me to read that into the record.

Chairman Carlos Beruff: Very good. Thank you, Barbara. Okay. Anyone else have any comments? Hearing no comments, I entertain a motion to adjourn?

Governor Spottswood: Aye!

Governor Lydecker: Second

Chairman Carlos Beruff: Motion. A second. Folks have a nice summer. See? Everybody in July.

Governor Spottswood: Take care, everybody! Thank you!

CITIZENS PROPERTY INSURANCE CORPORATION
MINUTES OF THE
SPECIAL BOARD OF GOVERNORS MEETING
Wednesday, June 19, 2024

The Board of Governors (Board) of Citizens Property Insurance Corporation (Citizens) convened via Zoom on Wednesday, June 19, 2024, at 9:00 a.m. (EDT).

The following members of the Board were present:

Carlos Beruff, Chair
Scott Thomas, Vice Chair
Joshua Becksmith
Jason Butts
Erin Knight
Charles Lydecker
LeAnna Cumber
Robert Spottswood
Jaime Shelton

The following Citizens staff members were present:

Tim Cerio
Jennifer Montero
Barbara Walker
Bonnie Gilliland
Raina Harrison
Jay Adams
Joe Martins
Christine Ashburn
Jeremy Pope
Brian Newman
Ravi Tadiparthi
Brian Donovan

Call Meeting to Order

Barbara Walker: Good morning, and welcome to Citizens' June 19, 2024, Special Board of Governors meeting that is publicly noticed in the Florida Administrative Register to convene at 9 a.m. and is recorded with transcribed minutes available on our website. For those attending today's session through the public link, you're automatically in listen only mode. Chair Beruff, we have no requests for speakers today. I'll proceed with official roll call.

Chairman Carlos Beruff: Thank you. Please proceed.

Chair Carlos Beruff, Vice Chair Scott Thomas, Josh Becksmith, Jason Butts, LeAnna Cumber, Erin Knight, Charles Lydecker, Governor Shelton, Robert Spottswood. Chairman, you have a quorum.

Brian Donovan: Guess, that's me. Good morning, Chairman, board members, I'm Brian Donovan, Chief Actuary at Citizens. This morning we're going to discuss the proposed rates for 2025.

Brian Donovan: Next slide please. So the overall uncapped indication across all lines of business is 27.8%, which means that for Citizens' rates to be accurate and sound, the rates on average would have to be increased by 27.8%. After application of the guide path, the recommended rate change is 13.5%. The uncapped indications do include explicit adjustments to account for the anticipated savings we need elimination of AOB's, or one way of attorney fees, as well as an expense provision for the cost of reassurance to cover one- and 100-year storm, even though Citizens does not purchase that much reassurance. Primary and commercial risks will be capped at 14% and non-primary risks will be capped at 50%. Citizens competitive position is considered when applying the capping and these rates will be affected from 1/1/2025 to 12/31/2025

Brian Donovan: Next slide, please. So you know, we have seen some drastic improvements from last year, just as a reminder last year, you know if you look at the HO3 and HW2 line of business, which is by far Citizens' largest line of business, last year, prior to any consideration of SB 2A, which eliminated the AOB, the one-way attorney fees, the unadjusted indication was 91.5%.

After we took into account SB 2A that indication became 55.1%, and then what was ultimately approved after capping was 12.6%. Now, one year later, we update our indications with the newest information and the unadjusted indication, so before any consideration of SB 2A, the unadjusted indication was 40.9%. And then once we adjusted for SB 2A, it's 25.2%. So that's a drastic improvement in one year, going from 91.5% and 25.2%. And we know exactly what's causing that and what drives that improvement, it has to do with the litigation rate. As you can see here, we're looking at the HO3 litigation rate.

Litigation rate means the percent of claims that are reported that end up in litigation. And that's important, because the litigated claim costs about 4 times as much to settle due to the attorney fees, so a large litigation rate is going to equate to large litigations and the lower the limit and litigation rate, the better your indication. So we can in 2015, almost 1 in 2 claims was litigated. Then fast forward to 2023, it was 1 in 10, that's a drastic improvement, and that is, with what's going on.

Brian Donovan: Next slide, please. So I do want to talk about competitive analysis. Our statute does require Citizens' rates to be non-competitive as best we can, and while also considering the path. So what we did this year is, we took Citizens' in force book of business as of 12/31/2023 and we rated it with competitor rates. So we were able to identify 18 companies that are actively writing in Florida. These 18 companies provides about 43% of the policies in force and Citizens comprises another 21%. So we were able to take Citizens policies, we know what our premium is, and then we compare to what everyone else charges. For example, , each one of those rectangles represents one single individual policy.

The black line represents what Citizens' premium is for that particular policy. And then you can see the other colors and symbols represent the other company's premium. So, what the other company would have charged for that exact same risk that Citizens has on its book of business. We did that for every policy, and then we rolled it up. But one thing the statute does not do is define, what does it mean for Citizens to be non-competitive? It just says, be non-competitive. In past years way back in 2006, that basically meant that Citizens had to be the most expensive premium. But we softened that a little bit, and we deem Citizens' policy premium to be non-competitive if it's greater than 7 out of the 10 competitive premiums.

Brian Donovan: next slide, please. So we took that information by rerating and looking at the competitors, then we rolled it up and we're looking at it by region and county. The important number here is the percent change needed to be non-competitive. So that means that is how much we would have to raise Citizen's average premium in a particular area, so that it would be more expensive 7 out of the 10 times as compared to the competitors. So you can see those are some pretty big numbers, for example, with Broward, it's saying we would need 74.1% to make it so that Citizens was more expensive; more than 7 at the same time. So those are some very big numbers. So how do we use this information? We're going to use this information and how we select our capping within the constraints of the law.

Brian Donovan: Next slide, please. So here we're looking at the HO-3 by location, and the column called Actuarial is the actual indication and the column, Competitive, is the number we were just looking at. That's how much we would have to raise rates to make Citizens' rates uncompetitive. So, for example, with Dade, the actual indication is minus 4, seems surprising, but it's really not if you think about it. They had the highest litigation rate for years. They were getting the highest rate increases with that when that litigation drops so much, they're going to be the first to really benefit from it. So, the actual indication is minus 4. If there were no other considerations, and we were just charging actuarially sound rates, that is what the recommendation would be, minus 4 for Dade. However, when we take the competitive amounts into consideration, Citizens is cheaper than that by a lot, so in that situation, we're going to recommend 14% increase for everyone in Dade, and you can see a similar situation in Broward where it's close to zero; pretty flat indication, but we're still competitive, so we're recommending 14%.

Brian Donovan: Next slide, please. And then same idea for wind only except with wind only policies, we don't have any competitors to compare ourselves to because there's really not anyone writing wind only, but you can see the indication items themselves are very large and we're getting to the max. You know the indication by itself, knocks out within the glide path. Anytime, you see a number greater than 14%, that's due to the primary that has a path greater, up to 50%. So, you can see for wind only, there's 77.6% overall, with the 15.4% recommended.

Brian Donovan: Next slide, please. So, primary versus non-primary, you can see that overall, well non-primary makes up about 6.7%, so it's not a big portion, but it's something, and we'll see on the next slide, it does vary by line of business. For the primary, the uncapped indication is 28.7%. After our proposed change is 13.4%, and then for the non-primary, the indications 14.9%. But when we take into account the competitive position, we're proposing a 22.8% increase.

Brian Donovan: Next slide, please. This is more detailed primary versus non-primary. Like I said, you can see column 8 comprises 6.7% of the total policy, but it does vary by line of business, and you see, for the mobile homes and the condo units, it does make up 20 to 25% or so of the business, so that's where most of the nonprofit resides.

So that is the presentation. That's what I wanted to talk about, but I'll stop for discussions or questions before I read the action item.

Governor Lydecker: I'll ask a question, can you just expand a little bit more on the primary versus non-primary, and make sure we're thinking about it the correct way; secondary homes. Actually, I would have thought non-primary was a bigger number. Non-primary just sounds to me like it's more wind exposed and more along the water.

Brian Donovan: Right. Okay, could you please go back to the last slide? Well, we'll go back one more side, I think that would be a good starting point. So, I think your first question or part of your question was, why does non-primary have a lower indication than primary? Was that part of your question?

Governor Lydecker: Yes.

Brian Donovan: Okay, so the reason now, if you remember last year, the opposite is true. Non-primary has had a much, higher indication, but next year we applied a 50% to non-primary, so that’s why primary still last year had a 13% cap. So that's one reason non-primary has gone a full year, the 50% cap instead of 14%. So that that lowered the indication. So that that's the reason why, when we look at non- primary versus primary, the non-primary indication is lower this year because we collected it. We're collecting more money for it, because there's a much higher cap.

Brian Donovan: Could you go to the next slide, please? And so then I think your second question was, you thought there would be more non-primary; and just as a reminder, everyone, as you said, it's a secondary home, and it's a home where it's not occupied for more than 9 months out of the year. So, there's 2 criteria. And you can see in column 8, for homeowners, it's less than 4%, the closer to 3% of the policies are deemed to be non-primary. The large sections that have the non-primary are the condo units and the mobile homes. Did that address your question?

Governor Lydecker: Yes, thank you.

Governor Spottswood: I've got a question, Brian. So when you, when you look at that chart and you go through the various proposed percentage changes for the various categories, and they range from 13 and change to 22 and change, but then you foot that at the bottom at 14, does that mean that even though you have some indications or some proposed changes in excess of 14, that you're going to limit the change of 14? Or is that 14, and intended to be an average across that portfolio? Or what is that 14%?

Brian Donovan: Let's go back to the slide that showed HO-3.

Brian Donovan: And so I mean, the idea is 14%. Let's talk about primary first. So we go and look at every territory like we're kind of looking up here. It's kind of rolled up here, but we do this on a much, you know, much more granular level like for date, I think there's like 4 Territories or something. So, for every individual territory, you look at it, and we say, if the competitive analysis is very high, like, greater than 20, 30, 40, 50, usually 50, 60, we say for primary, it doesn't matter what the actual indication is, everybody in that territory is getting 14% period.

Governor Spottswood: So stop right there then. So look at Monroe, which is 17% proposed, but the total at the bottom is 14%, so what is the actual proposed increase for Monroe County? Is it at 14 or 17%?

Brian Donovan: That would be 17% for HO-3. You'll notice this is multi-peril where Monroe doesn't have a lot of HO-3 multi-peril.

Governor Spottswood: So again, then, when you go to the other charts that you presented in your handout, I don't think you went through them today, but when you go county by county, and you have some increases that are far greater than 14%, is it being limited to 14% because of the glide path?

Brian Donovan: Yeah, if it's primary, it's limited to 14% period. But if it's non-primary it can go as high as 50%.

Governor Spottswood: Commercial or wind only?

Brian Donovan: For commercial, there's no consideration of competitive analysis. It doesn't exist. When you get the indication, you know, the indicated rate as is, and nobody will get more than 14%. The wind only, the primary there's no competitive piece of it. But the indications are so high, basically, everyone's going to get the 14% anyway, just based on the indication alone.

Governor Spottswood: So, even though those proposed rates that were proposing here are higher than 14% that are capped at 14% because of the glide path?

Brian Donovan: For a primary yes, or cap at 14%, but for the non- primary it could be greater. That's why, when you look at Monroe, you see 17%, but in this case, almost half or just a little less than half those 1,400 polices are non-primary….

Governor Spottswood: So just focus on commercial and wind only, those 2 categories are subject to a glide path and capped at 14% as well?

Brian Donovan: Exactly. Yes, that is 100% true.

Governor Thomas: Hey, Brian, just quick comment. If I assume the Board were to adopt this, I'm sure then news will be about the proposed rate increase. But to me the real story here was your second slide, which showed the substantial, really incredible reduction in our in the uncapped indication from year to year, based on Senate Bill 2A. I mean to me the uncapped indication sort of as a measurement of whatever the long-term additional risk to assessments and so forth, is by reason of having artificially low rates, and if we're looking at almost cutting that in half one year to year for Senate Bill 2A, that's a that's a phenomenal change to me, and very significant in terms of the long-term risk we face here from that standpoint. So I just wanted to comment on that. I know nobody else outside of here we'll want to focus on, but that that's just a dramatic change from year to year in the uncapped indication, o I appreciate you getting that info in front of us.

Governor Lydecker: I would echo.

Governor Spottswood: Yes, it's certainly a positive and success. Can you tell me what the effective date of that change was?

Brian Donovan: The effective date of the change for Citizens, well, I think, okay, in case of Citizens, there was policy language changes that had to happen, and so people had to renew onto the new policy. So it took effect 6/1/2023. So, any Citizen's policy written 6/1/2023, and later will have the new language on it that eliminates AOB.

Governor Spottswood: So we've barely gone through one policy year with that change in place. And you've already seen this dramatic change.

Brian Donovan: Absolutely, like when we compare, you're right. So the most recent year in our indication is 2023. So like I just said it, it's not going to have, the only part of that has the change, but we can put side by side what we're seeing, and it's very early on, but we can see what's happening and compare, and we see that and then we project it further, like we did last year, and it is we're definitely seeing improvement on that.

Governor Lydecker: I would echo Governor Thomas' comment, too. I'm happy that the uncapped indication is, you know, what we're the proposed change is half of the uncapped indication on the personal lines book, and also the unadjusted rates that you talked about earlier from 91.5% to 25.2%. I think you know, these are very positive indications that we're creating an environment where there's a potentially more stable insurance marketplace inside of the State of Florida and encouraging competition, so that each year we can get to a place where there's not only stability, but you know our real dream is depopulation and reduced rates.

Brian Donovan: Any other questions or comments?

Chairman Carlos Beruff: Hearing none. If someone either Barbara or Brian will read the action item for a vote, I think we can proceed, but I'm happy to listen to any other comments. I learned long time ago that there's no sense in taking and extending a meeting when I agree with everything that's been said. So, let's move forward with the action item, I think, but if there's any board member who hasn't had a chance to make comment or ask a question, lease do so now.

Governor Lydecker: Mr. Chair. I'll just ask one more question. This might be for Tim. Is there an update relative to depopulation? I know at the last meeting, I think the trajectory was really positive between then and the end of the year.

Tim Cerio: Well, Governor Lydecker, I've got Jennifer next to me. I think that we have readjusted our forecast. We thought we might end the year around 1.2 million policies. I think there's a very good chance we could be below, and I'm looking at Jennifer; below a million now? Yes, we've increased the depop number from 360,000-ish to over 400,000. So hopefully, October, November, December will be very active. That's the expectation. And that's all because of the success of the reforms.

Governor Lydecker: Thank you.

Chairman Carlos Beruff: Good question. Thank you, Governor Lydecker.

Governor Spottswood: Chairman, can I just follow up on that?

Chairman Carlos Beruff: Please, of course.

Governor Spottswood: Is there is there any consideration on our part to dropping or getting out of the multi-peril business and getting more focus on the wind only portion of our mission. If you look at the total exposure on multi-peril, it really dwarfs other we have, and what we get paid in premiums for are far less, but 20% of our…

Tim Cerio: Governor Spottswood, there was a proposal this past year, and we were asked to present some data, and the idea being in this particular proposal was that we would basically become the insurer of 1st resort for wind only and that would probably free up much of the market to absorb the multi-peril. And again, I don't have those statistics in front of me, but I know that we ran the numbers. If we were the only, if we were wind only statewide, our total exposure would have been, I believe it was over 3 trillion dollars and our reinsurance, and I'm looking at Jennifer and Christine, and I want to make sure I don't... It was over 3 trillion dollars, and our reinsurance by would have to go; we would have to purchase/spend over 5.5 billion dollars on reinsurance. So I think these proposals may still get floated, and there may be various ways to skin the cat, but at least what we were looking at, what was proposed last year would have been completely cost prohibitive.

Brian Donovan: Yeah, can I add a comment to that? I just realized, I think it's important to note that when we do these indications like for multi-peril indications, we look at wind separately, from water separately, from sinkhole separately, you know everything else. The non-wind perils have negative double digit negative indication where the wind has, you know, very, very high, so basically, the non-wind peril is subsidizing the wind at this point. I think that's an important consideration when you're thinking about that.

Governor Lydecker: That's what the case was on our last analysis, and so that therefore, wasn't possible. But one thing that you know my observation is in the marketplace is that it's changing pretty rapidly. It's, you know, as pointed out here, there are improvements that are occurring as a result of the legislature's response last year. That's already been referenced. There's a lot of changes occurring in the marketplace, and so, Governor Spottswood, your comment, I think, is something that we just have to keep regularly bringing up. I don't think this conversation we're having right now could be different 6 months from now, and a year from now.

Governor Spottswood: I mean, if you look at the chart, Brian, that you presented on policies, exposure, premium enforced by policy form. I'm not sure I understand the analysis that you just suggested. If I add up the numbers, it looks like our wind only represents about 20% of our total portfolio?

Brian Donovan: Well, keep in mind, when we say multi-peril, it includes wind as well. That multi-peril policy is mostly wind, and then it has the other stuff as well. That wind only is just wind without anything else. So there's a whole lot of wind exposure in that multi-peril.

Governor Spottswood: So you're saying, if we went to wind only we'd have the categories that you have listed as wind only plus an additional amount from the multi-peril which would be the wind portion.

Brian Donovan: Yes.

Governor Spottswood: That's why this chart doesn't tell the story. If you look at what we have classified as wind only is only 20% of our total exposure and if you look at the premium in force that's attached to that, it suggests that the multi-peril is a much greater exposure and cost. It's not making us as much money. But you got over 20% of the exposure there, and less than 10% of the premiums in force. You know I wasn't involved in your last discussion about this, so I didn't really understand that portion of it, but I get the point that you're making now. As I said, this subject is pretty complicated to figure out.

Chairman Carlos Beruff: Any other comments, questions? Brian, do you want to read the action item?

Brian Donovan: Staff proposes that the Board of Governors for new and for existing business approved the discussed proposals of 14% and 10.3% for personal commercialize respectively for new business, explore the possibility to be actively sound and the amount of competitive and authorize staff to take any appropriate or necessary action persisted with the filing of the proposed rate, which includes filing with the Office of Insurance Regulations, system change implementations and other relevant activities.

Chairman Carlos Beruff: Do we have motion?

Governor Knight: I'll make a motion.

Chairman Carlos Beruff: Governor Knight makes a motion. Is there a second?

Governor Becksmith: Second.

Governor Shelton: Second.

Chairman Carlos Beruff: Governor Becksmith, with seconded the motion. All those in favor signify saying, Aye. Aye.

Governor Thomas: Aye.

Governor Shelton: Aye.

Chairman Carlos Beruff: Mrs. Walker, do we need to do a voice thing, or we are we good, I think it’s unanimous?

Barbara Walker: Yes, Chairman, it is unanimous, but I can do a vote for voice if you would like for me to?

Chairman Carlos Beruff: No, I think we're good as long as there's no board member that disagrees with the fact that we think it's unanimous. So with that, let’s move forward, somebody make a motion to adjourn, and we'll see each other in a couple of weeks in Orlando.

Governor Shelton: So moved.

Chairman Carlos Beruff: Second, and thank you, folks. Everybody have a great day.