

Prior Board of Governors Meeting Minutes

ACTION ITEM

- New Contract
- Contract Amendment
- Other – Board Meeting Minutes

CONSENT ITEM

- Contract Amendment
- Existing Contract Extension
- Existing Contract Additional Spend
- Previous Board Approval _____
- Other _____

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

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

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

Item Description	Board of Governors Meeting Minutes, September 25, 2024.
Purpose/Scope	Review of the September 25, 2024, Board of Governors Meeting Minutes to provide opportunity for corrections and historical accuracy.
Contract ID	N/A
Budgeted Item	<input type="checkbox"/> Yes <input type="checkbox"/> No N/A
Procurement Method	N/A
Contract Amount	N/A
Contract Terms	N/A
Board Recommendation	Staff recommends the Board of Governors review and approve the September 25, 2024, Board of Governors Meeting minutes.
CONTACTS	Tim Cerio, President/CEO and Executive Director Barbara Walker, Senior Executive Assistant and Board Secretary

CITIZENS PROPERTY INSURANCE CORPORATION

**MINUTES OF THE
BOARD OF GOVERNORS MEETING
Wednesday, September 25, 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, September 25, 2024, at 8:30 a.m. (EDT).

The following members of the Board were present:

Carlos Beruff, Chair
Scott Thomas, Vice Chair
Josh Becksmith
Jason Butts
LeAnna Cumber
Erin Knight
Charlie Lydecker
Jamie Shelton
Robert Spottswood (telephonically)

The following Citizens staff members were present:

Tim Cerio	Andrew Woodward	Mathew Carter
Jennifer Montero	Carl Rockman	John Schmitt
Aditya Gavvala	Christine Ashburn	
Jay Adams	Michael Peltier	
Jeremy Pope	Sudheer Kondabrolu	
Joe Martins	Ravi Tadiparthi	
Mark Kagy	Ken Tinkham	
Brian Newman	Ray Norris	
Barbara Walker	Raina Harrison	
Bonnie Gilliland	Eric Addison	

The following people were present:

Kapil Bhatia	Raymond James
Sasha Stipanovich	Raymond James
Nathaniel Johnson	Bank of America
John Generali	Wells Fargo
Matthew Sansbury	RBC Capital Markets
Dave Newell	FAIA (telephonically)

Call Meeting to Order

Barbara Walker: Good morning and welcome to Citizens September 25, 2024, Board of Governors meeting that is publicly noticed in the Florida Administrative register to convene at 8:30 am. It 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.

Roll Call: Chair Carlos Beruff, Vice Chair Scott Thomas, Josh Becksmith, Jason Butts, LeAnna Cumber, Erin Knight, Charlie Lydecker and Jamie Shelton were present with Robert Spottswood (telephonically). A quorum is established.

1. Chairman's Report

Chair Beruff: Thank you. Good morning, everyone. We're going to move through this meeting pretty quickly this morning because the team is getting ready for the storm in the Gulf of Mexico. I'll entertain a motion to adopt the meetings from the minutes from the last meeting.

Action Item: Previous Board of Governors Meeting Minutes

A motion was made and seconded to approve the July 10, 2024, Citizens Board of Governors meeting minutes. All were in favor. Motion carries.

2. President's Report

Here is the corrected version of your meeting notes:

Tim Cerio: Good morning, members of the Board. I do want to start off by talking about Tropical Storm Helene, soon to be Hurricane Helene. As of 5:05 p.m. on Monday, we went under binding restrictions, so Citizens is not writing any new business right now. In anticipation of the impending storm, I want the Board to know we have proactively prepared for the anticipated impact to our state. Our CAT monitoring phase was activated on Tuesday. We will be moving into the CAT activation phase today, just planning our response and aggressive post-storm response.

All areas of the organization are conducting, you know, critical touch-point exercises so that we know we're ready internally to ensure that the entire organization is prioritizing storm response. Our Consumer Response Center (CRC) volunteers have been placed on standby earlier this week for deployment. All contracted, independent adjuster firms are on notice and will be able to respond. Contracted call center vendors have been placed on alert, and resources have been ramped up to ensure we are able to meet the immediate needs of our consumers. We believe we are ready, and I just wanted the Board to know that as the storm approaches landfall. Any questions from the Board?

[no questions]

Tim Cerio: Okay, a very brief Hurricane Debbie update from me, and Jay Adams will go into more details in his report. Total Debbie claims so far: about 20,792. A majority of those are in the Tampa-Sarasota region. About 70% of the claims are in that region. 18.2% of the claims have been submitted with representation. We have paid out about \$8.3 million so far. One of the things, and again, Jay will go into more detail, but I just want to highlight is that a lot of these claims are flood claims, and of course, Citizens doesn't provide flood coverage. Some of these folks have flood insurance; I'm sure some don't. So, we think you're going to see a higher denial rate than you might normally see because there was just a tremendous amount of unexpected flooding. We are going to keep an eye on it. Jay's going to go into more detail. You can see the breakdown on this chart by county where these claims are coming from so far. And again, Jay will give you some more details. But with the storm, obviously, for those individuals and families impacted, it was terrible. As an organization, it was not a horrible event as far as claims go. But we're certainly going to make sure that we're doing right by our policyholders who are impacted. Next slide, please. Actually, before we get to the slide, I do want to insert a discussion.

Action Item: Language Change: Vendor Cloud Storage & Cloud Hosting Cost Transparency

Tim Cerio: There's not a slide on it, but one of the things that our team has been spending a lot of time on, and it's something the Chair has talked about a lot in our meetings, is taking a look at these tremendously complex, huge-dollar-value contracts. A major component of these contracts is cloud storage and cloud hosting. What are we spending? How much of these contracts are allocated to cloud spend? Is it a pass-through? Are some of these vendors providing really valuable services and charging a fair price, or are we getting gouged? Are we paying too much just for cloud storage services? I will tell you; we've had very meaningful discussions with the Department of Management Services and Secretary Allende. This is an issue that the state is starting to look at, not just Citizens. We went back and asked many of our biggest vendors to tell us what their cloud spend is. Mark has spent a lot of time on this, and I think everybody responded. I think we had two meaningful responses that actually answered the question. Most of the others either refused to respond or have been kicking the can basically. I think it's something we need to take seriously. We're going to continue to push, but one of the things I would propose is us adopting language in our contracts that says, as any part of a competitive solicitation above \$500,000 for contracts that include cloud storage and hosting services, vendors must provide information setting forth their costs related to cloud storage and hosting services under the contract, even if those costs are not passed along to Citizens. Such information shall be maintained by Citizens as confidential trade secret information. Vendors that do not provide this information shall be deemed ineligible for contract approval. We think they will respond. If they don't, then we have a choice to make about moving on to vendors who will provide this information. That is where we're prepared to go. That's our recommendation as a staff. I want to know if you all have any questions or comments.

A motion was made and seconded to adopt contractual language for any competitive solicitation above \$500,000 that include cloud storage and hosting services that vendors provide information

setting forth their costs related to those cloud/hosting services, even if those costs are not passed through Citizens. All were in favor. Motion carries.

Tim Cerio: Thank you. So, this slide, I do want to talk about, as we usually do, the benefits that we're seeing with market recovery as the insurance market continues to recover in Florida, as well as the benefits from the litigation reforms that were passed by the legislature and championed by the Florida Governor and the Florida Chief Financial Officer (CFO). This slide on litigation mitigation, what you can see is that the percentage of non-CAT litigation since 2015 is specific to homeowner policies (HO-3 non-CAT water claims). So, they don't include hurricane losses. They are trending in a very positive direction in terms of new claims entering litigation. You can see the decline in Citizens, and we've divided it up. You've got the southeastern counties, which, as we've discussed many, many times, have a sort of culture of litigation in those areas. Then, the rest of the state, and finally, the statewide average. In 2015, the statewide average of claims going to litigation was 44%. You had 56% just in the southeast counties—that's Miami-Dade, Broward, and Palm Beach. The rest of the state was much lower at 11%, which gave you that 44% average. Fast forward to the end of 2023 (and of course, we'll hopefully get some updated data at the end of 2024), but the statewide average is now 10%. Southeast Florida has dropped to 16%, and the rest of the state is at 6%. These improvements are attributable, we believe, to the litigation reforms. It's been very positive, as well as some of the things that Citizens has adopted, like the Managed Repair Program, the appraisal process, Assignment of Benefits (AOB) reform, and Senate Bill 2A, which has made a huge impact. And then, of course, we now have the ability to send cases to the Division of Administrative Hearings. So, we believe this trend will continue, and I think the data for 2024 is going to be even more positive. Next slide, please.

Vice Chair Thomas: I'm sorry, Mr. Chair. If I may? I know we just started the Division of Administrative Hearings (DOAH) process, so I don't know how many claims we've actually had go there yet or not. But are you excluding from those percentages the DOAH claims? Because they are litigated—they're just not litigated in state court.

Tim Cerio: I don't know if we've excluded them or not, but I don't believe it's...

Chair Beruff: I can answer that question. I don't think the numbers reflect that because they weren't all from 2024.

[multiple speakers] Yeah, these numbers are for 2020, so...

Tim Cerio: These are from 2023, so it's only been a handful of cases so far. But again, for those listening, we think that the DOAH process is good for our policyholders as well as Citizens. Our policyholders can get a result within 120 days, a written order that explains why the administrative law judge ruled the way he or she did. We wind up spending less in attorney's fees. Whether we win or lose, we're going to spend less. It's positive for both the consumer and Citizens. Vice Chair Thomas, we have data on 2024 if any of the Board would like to see it.

Vice Chair Thomas: I was just curious because they are litigated claims; they're just litigated elsewhere.

Tim Cerio: I think we would include it, yeah.

Chair Beruff: I think what the governor is saying is that when you update these reports, please make sure that you include DOAH in the litigated case count.

Tim Cerio: We will, Chairman, absolutely.

Chair Beruff: Thank you.

Tim Cerio: You've seen this chart before. This is a historical policy count and total insured value for our book, along with our budgeted projection for year-end. As of September 6, we had 1.1 million policies—252,608 policies in Citizens—and \$530 billion in total insured value. We had budgeted to end the year with 1.239 million policies and \$678 billion in total insured value. The great news is that, thanks to the interest in depopulation, our latest forecast has the policy count dropping down by the end of the year to about 891,184 policies and a total insured value (TIV) of \$381 billion. So, compared to the actual September policy count, by year-end, all things going steady, we will drop by about 29%, and total insured value will drop by about 28%. It's a good forecast. Next slide, please. As of August, Citizens' TIV has decreased by about 4%—2% for Personal Lines and 12% for Commercial Lines. You can see at the end of the chart where we think the forecast is going to drop significantly between August and December. That's TIV. Next chart, please. This is new business. The rate of new business coming in is slowing. This time last year it was coming in at a more rapid rate. New Personal Lines business—the actual rate of it coming in has remained steady, but compared to last year, we're in much better shape. In January of 2024, Citizens received less than 30,000 policies—that was the lowest number of new policies coming in since January of 2022. For the year-end of 2024, we had budgeted for 527,000 total new policies. Through August 31, we've only had 283,000 policies, and we think we'll end the year with 371,000 policies. Again, we thought it would be around 527,000 new policies, but we now think it's going to be 371,000, which is about 30% lower than we budgeted for. So, the market's recovering. New business, for now, is slowing more than we forecasted. Next slide. You've all seen this slide before, too. This reflects the depopulation activity for 2024. So far, combined Personal and Commercial assumed policies total 132,445, and about \$65 billion in total insured value has been reduced. These figures will increase. We've got October and November Depops at the very bottom. Over 400,000 policies were approved. About 300,000 policyholder choice letters were mailed out for the October depop, and November is still in the works. The map on the right shows areas where the policies are being removed. Thirty-seven percent of the policies are being removed in the Tri-County region. That's really great news. Because of takeout companies, the improved litigation landscape, and the reforms, they're not shying away from these areas. That's a very good sign of recovery and the impact of the reforms. Last slide, please. Financial results for Q2 2024. Again, we monitor a segment of selected companies (the Board of domestics). Similar to last quarter, the net income and net underwriting gain are both in the black, which is very encouraging. We haven't seen both in the black since 2016. For as long as I've been at Citizens, we've been showing you all this chart, and it was very bleak. Then, things started to turn around in 2021, and now companies are able to do business. It's a great sign of recovery. So, Mr.

Chairman, that's it for my abbreviated pre-storm report. If anybody has any questions . . . Sorry if I rushed it through a bit.

Action Items/Consent Items

Chair Beruff: Would you like to move the consent items forward, please?

Barbara Walker: Chairman, as you requested, I'll present the action items you wish to move to our consent index, unless the Board would like them retained as action items. Those are: Item B, the Investment Manager Service; Item E, Claims Legal Services; and Item F, the Agency and Agent Appointment Agreement.

A motion was made and seconded to approve the following action/consent index items:

Action Index Items:

C. Geospatial Imagery and Damage Assessment Report

D. Property Loss Estimating Software

G. Technology Infrastructure, Software, Professional and Staff Augmentation Svcs. – Part 1

H. Cyber Liability Insurance

I. Directors & Officers Insurance

J. Citizens Plan of Operation Revision

Consent Index Items:

- **Janitorial Services, Jacksonville and Tallahassee**
- **Underwriting Field Survey Program f/k/a Property Inspection for Underwriting**
- **Recommendation for Board Approval of Increases Required by Section 627.351 (6)(jj)FL**

All were in favor. Motion carries.

3. Chief Financial Officer's Report

Layer Charts

Jennifer Montero: So, since you just moved the investment managers to the consent, I only have one item, the layer charts. So, behind Tab Three of your book, you'll see the updated layer charts. Since the last Board meeting on July 10, staff updated some of the underlying assumptions in the layer charts that were presented. Changes from the July version of the layer charts include the use of June 30, 2024, in-force policy information versus the March 31, 2024, data to estimate the probable maximum loss (PML). The PML is now \$17.8 billion, which is down \$200 million from \$18 billion, and a revised projection to the Florida Hurricane Catastrophe Fund coverage, which decreased from \$5.02 billion in July to \$4.56 billion. As a result, the retention dropped approximately \$250 million, from \$3.15 billion to \$2.9 billion. So, when our overall exposure shrinks, our coverage for the CAT Fund also shrinks. When it shrinks, it does drop down, so it does reduce our retention. In addition, the estimated trigger points for the Citizens policyholder surcharge and the emergency assessment have both shifted down one year from the July version of the layer chart. The Citizens policyholder surcharge now triggers at the one-in-73-year event versus the one-in-74, and the emergency assessment is triggered at the one-in-82 versus the one-in-83-year event. Those are all the changes.

4. Chief Insurance Officer's Report

Jay Adams: Good morning, Chairman and Governors. I'd like to start off with a very brief Hurricane Debbie debrief, just to let you know where we are. Next slide. So, just as a reminder, Hurricane Debbie made landfall as a Category One with 80 mile-per-hour winds in Taylor County near Steinhatchee. Next slide. Our catastrophe response centers were deployed to Perry, Live Oak, Sarasota, and Bradenton, and the result of that was that we were able to support 25 policyholders. We filed 11 first notices of loss (FNOL), and we issued one check for \$600 for additional living expenses. Next slide. So, the policyholder experience measured only from the period of August 5 through August 10, which was the majority of when these first notices of loss were received. We did get 3,009 FNOL calls with an average wait time of 6.6 seconds. We had a total of about 5,100 calls received in total, and that average wait time was 5.6 seconds. So, this is really just an example of the CRCs that we deployed. This shows you some of the volunteers that were there, and a few of these slide pictures have customers there as well. Next slide. We did do a CAT Manager deployment, and we sent those folks out to Brooksville. The reason we did that was we had some new contracts with independent adjusting firms, and what we wanted to do was have those managers reach out and work directly with the independent adjusters in the field. They did training and validation to make sure that they understood what all of Citizens' expectations were, and they stayed out there for about one week. Next slide. The box on the left here is the independent adjuster firms that are under our new contract. These are the folks that responded to Hurricane Debbie, and the box on the right just gives you a breakdown of the deployment activity that we did. We had 321 total adjusters engaged in response to Hurricane Debbie. Next slide... some of the claims statistics. This slide is a little bit dated. As Tim mentioned this morning, we are about 2,800 claims for Debbie, and we have a closing ratio of about 73% of those. Next slide. There are a lot of numbers here, and again, these are a little bit dated due to the date required for this presentation to be submitted. What I really want to point out are just a few things here. Our total incurred, which is the amount paid plus any reserve the adjuster put on the file for this event, is \$13.134 million. I will point out that this does not include Brian Donovan's IBNR reserve; he indicated that he would not be able to compute that until the end of September. One other category I think is worth noting, because I do think the Office of Insurance Regulation is going to draw some attention to it, when we look at the claims that have been closed with payment, there have been 450 of those, and we have 15,108 closed with no payment. That ratio is probably a little concerning out there in the industry. As Tim mentioned, a lot of that is related to flood. When the hurricane deductible applies to some of these small losses, folks don't incur enough expense to exceed that. However, Florida does have a calendar year deductible, so we did encourage people to file their claims. Since it's an annual deductible, any of these individuals impacted by what will be Hurricane Helene will have already accrued some of that deductible towards their percentage deductible.

Charlie Lydecker: I ask the question with respect, more specifically, to Hurricane Helene bearing down on North Florida. I think Tim gave a good overview of the action steps that are current right now, right? I want to get your assessment, though. One of the things that has become clearer to me in recent years, and this is really more in other parts of the state, is just because other parts of the state have just been hit by hurricanes so much. The necessary construction and protections from wind feel like they're stronger, but that may be the case in North Florida as well, because, as we know, it's been hit now several times. Flooding, though, is what scares me more than wind. My question to you is, and I know we don't

cover flood, so my question is twofold. One, how are we coordinating to help the citizens of Florida with their flood claims? Because somebody who has their own flood, you know, probably has difficulties, particularly in a catastrophic event with everything going on, navigating between the federal government flood program versus the insurance companies. Their insurance—they thought they had insurance. It was a market of last resort. It's all they could get. Now, they are being told that, you know, we don't cover this. How should we be thinking about that? Is that a concern on my part that's misplaced because I'm really wondering more about our ability to be helpful to the citizens of Florida. If they have a flood and they call you, are we facilitating into the National Flood Program? Are we able to provide any triage or assistance? Just help me think through that a little bit as this storm comes bearing down on us here in North Florida.

Jay Adams: Traditionally, FEMA does not engage with the carriers. What happens in these situations is they often require the homeowner to provide a letter of denial from the carrier, and then they will pick up the flood piece and run with that. In most of these smaller events, like Hurricane Debbie, there was very little wind damage, and most of it was flood—rising water, surge, those types of things. There may not be an underlying homeowner claim at all. They submitted through Citizens. We investigate and determine that it's all flood or rising water type damage; we would deny the claim. Then it would be up to the insured to proceed with filing their claim with FEMA and going through that. We don't engage with them to facilitate any of that process.

Charlie Lydecker: Will the federal flood program provide any funding upfront on a quick basis to help a homeowner out, while they're trying to get a hotel or relocating, or something like Citizens would do on their package product, which excludes flood? Say, "Here's \$10,000. We know this is going to be a \$250,000 claim. Here's \$10,000 right now and let us help get your life in order as soon as possible." What should the citizens of Florida expect if this is another storm like what occurred, which is more of a flooding event and a little less of a wind property damage type of event, right?

Jay Adams: I really can't comment as to how FEMA engages and deals with that because, as I said, we don't engage with FEMA in this at all. We adjust the covered claim under the homeowner product, and then FEMA adjusts whatever the flood piece would be. Now, I do believe they have programs set up to give advances and things to help policyholders, especially if their home is unlivable.

Charlie Lydecker: So, let me ask this question another way: if it requires a declination from Citizens Insurance Company, before you can begin the process of trying to claim funds from FEMA, the National Flood Program, can we be in a position to provide the insured citizens of the state of Florida a declination immediately? Or do we go through a reservation of rights? Is there, you know, an adjusting process that can be cumbersome? It seems like we'd be doing a good thing if we provided a no-coverage declination, even though there might be some coverage, to get the ball rolling with FEMA quicker.

Jay Adams: We do go out and investigate those claims, and again, we have 60 days by statute to resolve whatever the coverage issue might be. We do all that we can to get those denials out there as quickly as possible. It still requires an investigation because, for example, let's say a tree fell on the house and damaged the roof, and water came into the house. They also had flood and rising water. We have to go out and determine what was damaged under the homeowner product versus what the damages are under

the homeowner product versus what the damages and the flood product. And, you have to figure out what that coverage limit would be. We can't do that over the telephone or anything.

Charlie Lydecker: That's a very real example, so I agree with you, but that's going to be fewer than what you typically see, which is flooding—waters coming in—and homes that would otherwise not have been damaged now are flooded, which oftentimes could be just a total loss, right? So again, I know we have 60 days. If I'm a homeowner up there, I want (obviously it's not a wind-related issue and not that we want to run around and just give declinations to everybody thoughtlessly) a declination for now. You can get, you know, your flood program adjustment process going more immediately. This storm...I mean the maps that I'm looking at look like it's going up through Atlanta. If that creates the kind of rain and they have not been punched like we have in the past, right, and so there is the likelihood of a lot of claim activity. I would like to see Floridians get online first with FEMA. And I'm trying to say, and I want to be careful that we don't—and I know you're being sensitive to this, and you guys are really thoughtful. This is me talking as a citizen of Florida and not as an insurance practitioner. I want our folks, you know, we're getting hit first. I want them first. You know, we want them to get money ASAP and not get stuck right in 60-day waiting periods, investigative processes, which are important.

Chair Beruff: The question is how much and how much faster can Citizens adjudicate a claim and say, "Hey, folks, this isn't us. Go to your FEMA and get your money from them." Is that the....

Charlie Lydecker: . . . a little cruder than I was trying to... I was trying to evoke a certain sensitivity to what's coming on the state of Florida. But yeah, that's correct.

Jay Adams: To clarify something that I said, there's nothing that would preclude the insured from turning in their flood claim the day the flood occurs. FEMA may require a declination from the insurance carrier, okay, but they don't have to happen at the same instance, right? So, you can start the flood claim, and then the homeowner carrier can provide the declination if it was a flood claim, right? And then that'll satisfy the FEMA process. I don't think that would preclude FEMA from coming out, doing an inspection, and starting their process the day the insured filed that claim.

Chair Beruff: Mr. Adams, a suggestion for you guys to look into. You're not going to do it today, obviously, because you got bigger fish to fry in the next few days. But in the future, would it be prudent to have a discussion with FEMA and say, "Okay, how do we expedite this process between the two of us?" Okay, so that we can help the consumer who needs the money, which is what Governor Lydecker is alluding to. So that instead of "We don't know what FEMA does" kind of thing, we should get to know what they do a little bit. We don't want to be experts; we want to see if there's a way we can coordinate the results quicker by us, you know, at least understanding their process a little bit so that we can fall in line quicker.

Charlie Lydecker: The picture and the map pictures that we are seeing now, you can literally predict what's going to happen with the width of it and the type of rain that they're talking about, and that it's going up north as far inland as it is. And you know what caught my attention? It was also going to hit Atlanta, right? So how do we create an expedited process? Even though it's not a Citizen's claim, how

do we help our citizenry move that process faster for folks that are going to be potentially in a bad spot?

Tim Cerio: I would just say I think it's something we should certainly look at. I would just caution the Board that if we're allocating resources to help people who aren't Citizens' insureds, then our Citizens' insureds are going to be waiting to have their claims adjudicated.

Chair Beruff: We're only talking about Citizens insured.

Charlie Lydecker: Well, but if there's no coverage . . .

[multiple speakers]: I'm sorry, if there's no—you're still an insured of Citizens, just no coverage. Those are two different things.

Tim Cerio: They still have to be a client. We just have to adjudicate quickly enough. So, we said, "Sorry, this is not wind; this is flood" so that they can take the next steps with the FEMA people. So that's what I think is being advocated here and do it as quickly as possible.

Charlie Lydecker: The one other point I'm trying to make is that we can give an immediate declination that feels like the inverse of a reservation of rights, which is, "Hey, we're declining this as a favor to you so you can move forward." That doesn't mean there might not be any structural damage that would invoke a Citizens insurance policy. It doesn't mean it's absolute; you reserve the right for the insured to come back and say, "Yes, there was flooding, but also these windows were broken." I'm just trying to ask if we should consider this proactively. If we don't think about it now, we'll be reacting when people are hurt and angry and waiting for a response. They often don't care who's at fault, but they eventually figure out it's government and/or Citizens Insurance. I think it'd be good PR and a thoughtful process to acknowledge that we have 60 days to adjudicate this. Should we be thinking about it in a different way? That's what I'm trying to push a little bit.

Chair Beruff: I think you got the message, guys.

Action Item: Geospatial Imagery and Damage Assessment Reports

Jay Adams: Thank you. I do have one action item for geospatial imagery and damage assessment reports. This did not go through the Claims Committee. Chairman, I had a discussion, and he asked if we could go back to the vendor to see if we could get better pricing conditions. I'm going to explain a little bit about that and how we were able to do it, but this geo...

Chair Beruff: Let me cut to the chase and explain it to the Board, and you can correct me if I misspoke. The company that provides photo assessments after events was going to charge us "x." I said, "Our business is going to depopulate, so we shouldn't be charged this for a three-year contract." Mr. Adams went back and negotiated that every year, correct?

Jay Adams: Correct.

Chair Beruff: They will take a snapshot of how many policies we have in force and adjust the cost based on direct written premium. So, as our dollars go down, their charges to us will go down. They were at a fixed price, which made no sense, since we're going to get smaller. That's what he accomplished with his negotiations. Is that correct, Mr. Adams?

Jay Adams: That is correct.

Chair Beruff: So, go ahead and make the motion, and we'll adopt it. I'll ask the Board to adopt it.

Jay Adams: Staff recommends that the Board of Governors authorize geospatial imagery and damage assessment reports to contract with Vexel Imaging U.S. with an expiration date of December 31, 2027, for an amount not to exceed \$4,238,502 as set forth in the action item and authorize staff to take any appropriate or necessary action consistent with the geospatial imagery and damage assessment report action item.

A motion was made and seconded that the Board of Governors authorize Geospatial Imagery and Damage Assessment Reports contract with Vexcel Imaging US, with an expiration date of December 31, 2027, for an amount not to exceed \$4,238,502 as set forth in this Action Item and to authorize staff to take any appropriate or necessary action consistent with this Geospatial Imagery and Damage Assessment Reports Action Item.

5. Chief Administrative Officer's Report

Market Accountability Advisory Committee (MAAC) Update / Exposure Reduction Committee Update

Jeremy Pope: Good morning, Chairman. Good morning, Board. Dave Newell reached out and waived his report because it was just an operational update for the MAAC. We met on September 18, and there's nothing to report other than we refreshed the annual charter and the action item that was listed was moved to consent.

Chair Beruff: Thank you.

Jeremy Pope: We also had a recent Exposure Reduction Committee meeting, and we provided that information yesterday. So, if there are no questions, that concludes my update.

Chair Beruff: Any questions from the Board?

[no questions]

6. Chief Information Officer's Report

Information Systems Advisory Committee (ISAC) Update

Aditya Gavvala: Good morning, Mr. Chairman and Governors. On September 17 at the ISAC, the staff presented an update on the IT Strategic Plan and security objectives. We had one action item, which received support and approval. If you do not have questions, I can go straight to the recommendations.

[no questions]

A motion was made and seconded that the Board of Governors authorize technology infrastructure, software, professional services, and staff augmentation services, part one contracts for an amount not to exceed \$25,162,832 as set forth in this action item and authorize staff to take any necessary action consistent with this action item. All were in favor. Motion carries.

7. Chief of Internal Audit's Report

Joe Martins: Good morning, Mr. Chairman and Governors. We had the Audit Committee yesterday, and nothing specific came from the committee that we need to bring to the board. I also don't have any action items.

8. General Counsel and Chief Legal Officer's Report

Action Item: Cyber Liability Insurance

Brian Newman: Good morning, Mr. Chairman and Board of Governors. I have three action items. The first two are insurance renewals. The first is for cyber insurance renewal. We're recommending a different carrier, reflecting a 16% discount on the premium over similar coverage last year. I ask for your approval.

A motion was made and seconded for the Board of Governors to authorize the purchase of Cyber Liability Insurance through Canopius for a one-year term beginning on October 1, 2024, and ending on September 30, 2025, for a total annual premium of \$275,000, 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: Directors and Officers Insurance (D&O)

Brian Newman: The next item is the renewal of our D&O coverage. We have a bid from Chubb Executive Risk for the aggregate coverage. However, we have a lower bid from Berkshire that is approximately \$11,000 less than Chubb's quote. The broker recommends we stay with Chubb for continuity. I reached out to Chubb to match or improve upon the Berkshire quote, but they refused. I recommend we go with Berkshire.

Chair Beruff: Let's get a motion.

Robert Spottswood: I have a question. Would there be a gap in coverage when changing carriers for an occurrence or claims-made policy?

Brian Newman: No, there's no gap.

A motion was made and seconded for the Board of Governors to authorize the purchase of Directors and Officers Liability Insurance for a one-year term beginning October 1, 2024 and ending on September 30, 2025, with primary coverage through Chubb and excess coverage through Berkshire and Hartford, for total coverage of \$20 million with a total annual premium of \$289,201.38, 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

Chair Beruff: I'd like to discuss our exposure under statutory law in Florida for the Board period.

Vice Chair Thomas: That conversation is better had confidentially.

Chair Beruff: I'd like to schedule that discussion for the next meeting.

Action Item: Plan of Operation Revision

Brian Newman: The last item is updates to our plan of operation. This plan is similar to a constitution for Citizens. It incorporates many issues required by statute. It was last amended in 2013, and significant changes in law have occurred since then. We worked with Ken Tinkham to make thoughtful changes to accommodate these legal updates. I propose removing the requirement for adherence to the State of Florida reimbursement policy from our plan of operation. If approved, this will move to the Financial Services Commission for approval.

A motion was made and seconded that the Board of Governors approve the Plan of Operation attached hereto; and that the Board authorize staff to seek approval of the Plan of Operation from the Financial Services Commission; and that the Board authorizes staff to take any necessary and appropriate action in accordance herewith. All were in favor. Motion carries.

Action Item: Property Loss Estimating Software

Chair Beruff: Mrs. Walker, did I miss something?

Barbara Walker: Yes, there is one agenda item that was unintentionally omitted when moving from action to consent: the property loss estimating software. This item went through unanimously at the Claims Committee and should have been moved to consent.

A motion was made and seconded to authorize the Property Loss Estimating Software contract with Xactware Solutions, Inc., for an initial term of five (5) years, with one (1) three-year and one (1) two-year renewal term options, for an amount not to exceed \$10,200,000, as set forth in this

Action Item; and authorize staff to take any appropriate or necessary action consistent with this Property Loss Estimating Software Action Item. All were in favor. Motion carries.

Meeting adjourned.