

Executive Summary

Claims Committee Meeting, September 4, 2019
Board of Governors Meeting, September 25, 2019

Litigated Claims Update

CLAIMS LITIGATION – 2019 YEAR TO DATE (January 1, 2019 – July 31, 2019)

History

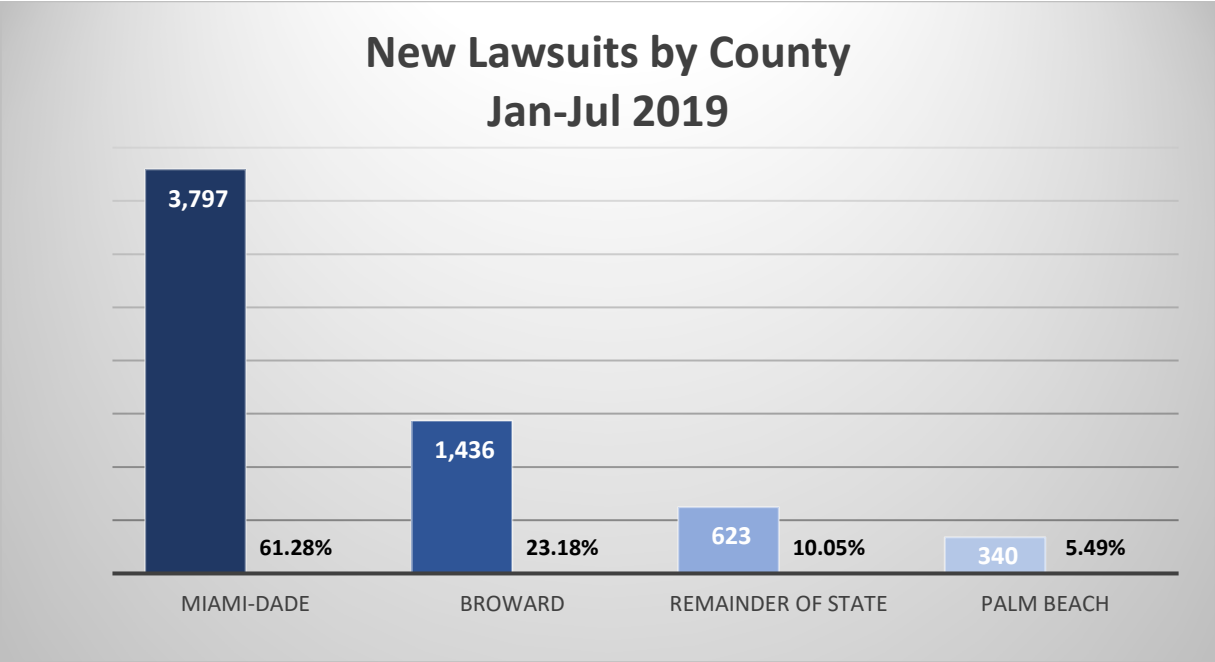
Overview of Incoming Lawsuits and Pending Volume:

From January 2019 through July 2019, Citizens was served with 6,315 lawsuits (6,196 Residential Property) – averaging 902 new lawsuits per month. This reflects an 20% decrease in the number of new incoming suits per month as compared to this same time period last year (2018 average for January through July – 1,124).

As of July 31, 2019, current pending volume totaled 14,026 lawsuits (13,568 Residential Property). This reflects a 1% increase in pending as compared to this same time last year (13,835 pending matters).

90% of the incoming residential property lawsuits arise out of the Tri-County area. This distribution has remained fairly consistent since March 2014:

- Miami-Dade 61%
- Broward 23%
- Palm Beach 6%



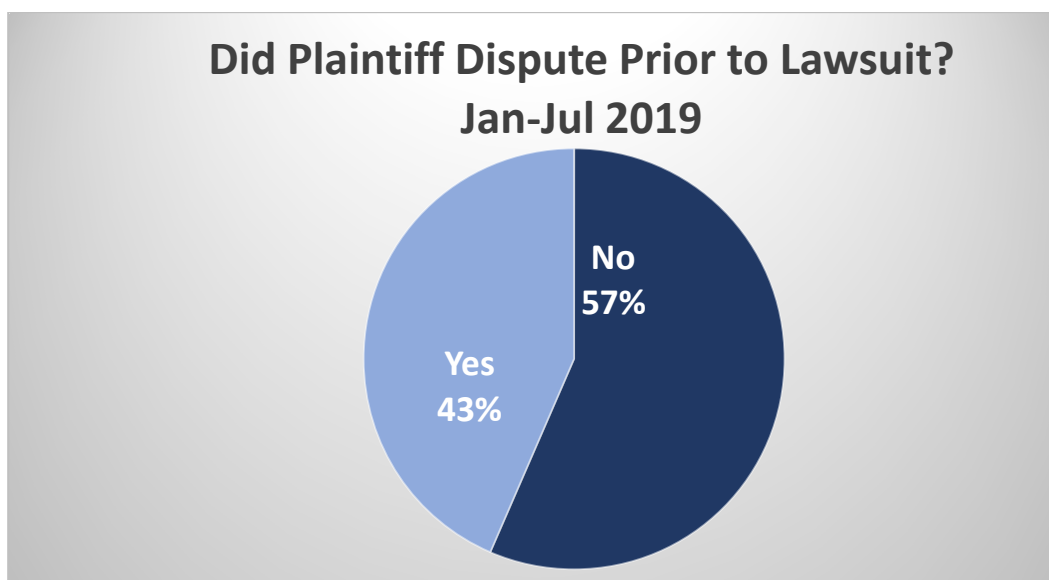
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The plaintiff was represented at First Notice of Loss (FNOL) in 55% of incoming residential property lawsuits, which reflects a 7% decrease as compared to 2018. The primary difference is in representation by an Attorney at FNOL, while representation by a Public Adjuster is consistent with 2018.

- Public Adjuster 32%
- Attorney 22%
- Both PA & Attorney 1%

In 57% of the incoming residential property lawsuits the insured did not dispute Citizens' position or adjustment of the claim prior to filing suit. This reflects a 9% increase as compared to 2018.

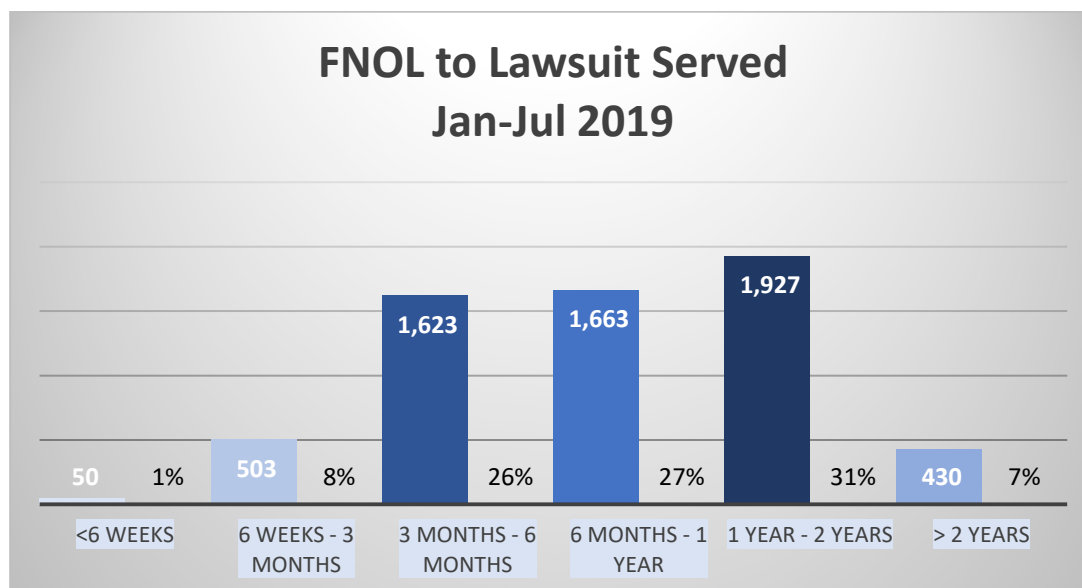


A review of the timing of incoming lawsuits reveals that 35% of lawsuits are brought within 6 months of the First Notice of Loss. This is consistent as compared to 2018.

- Within 6 weeks of FNOL 1%
- Within 3 months of FNOL 8%
- Within 6 months of FNOL 26%
- Within 1 year of FNOL 27%
- Within 2 years of FNOL 31%
- 2 or more years from FNOL 7%

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Water Loss, AOB and CAT:

The leading cause of loss for new incoming residential property lawsuits remains CAT losses which represent 48% of incoming lawsuits (down from 61% for the same time period in 2018). 29% of the CAT lawsuits were brought by the Insured, with 19% brought by AOB Vendors. As we move farther away from Hurricane Irma, we see a return to pre-Irma levels of AOB litigation that now represent 45% of new incoming residential property lawsuits, as compared to 30% for this same time period in 2018, and 40% in 2017. Water loss litigation currently represents 23% of new incoming lawsuits (21% for this time period in 2018).

CAT losses also remain the leading cause of loss in pending volume, representing 43% of the pending for residential property lawsuits (compared to 34% in 2018). The overall percentage of pending AOB lawsuits has increased as compared to 2018 and now represents 35% of the pending residential property lawsuits. Pending Water loss has decreased to 26% as compared to 31% in 2018.

Please note that neither the new incoming lawsuits nor pending lawsuits reflect the impact of new the AOB legislation that went into effect July 2019. We anticipate that it will be several months before the impact of this legislation is realized in litigation.

CONCLUSION

The majority of new incoming lawsuits continue to arise out of Hurricane Irma, but are sharply declining as we move farther away from the event. We are experiencing a rising trend in AOB lawsuits that have reached pre-Irma levels of litigation. This is an expected trend as Hurricane Irma claims have been trending down, Non-Weather Water claims have been trending up, and the new AOB legislation has only recently gone into effect.

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The timing of lawsuits is also returning to a pre-Irma pace with the vast majority of lawsuits brought more than six months after the claim was first reported to Citizens. The majority of lawsuits continue to involve insureds that were represented at the time the loss was first reported and filed in the absence of the insured disputing Citizens' position at the time of the adjustment of the claim.