

Executive Summary

Claims Committee Meeting, December 4, 2019
Board of Governors Meeting, December 11, 2019

Litigated Claims Update

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

History

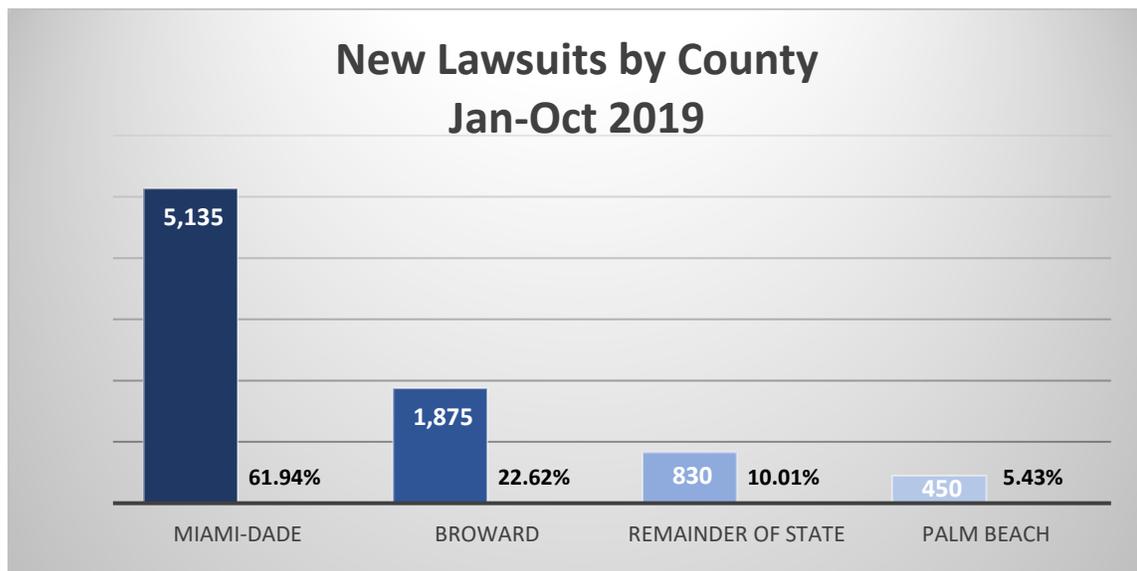
Overview of Incoming Lawsuits and Pending Volume:

From January 2019 through October 2019, Citizens was served with 8,441 lawsuits (8,290 Residential Property) – averaging 844 new lawsuits per month. This reflects a 24% decrease in the number of new incoming suits per month as compared to this same time period last year (2018 average for January through October – 1,114).

As of October 31, 2019, current pending volume totaled 13,145 lawsuits (12,742 Residential Property). This reflects a 9% decrease in pending as compared to this same time last year (14,510 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 62%
- Broward 23%
- Palm Beach 5%

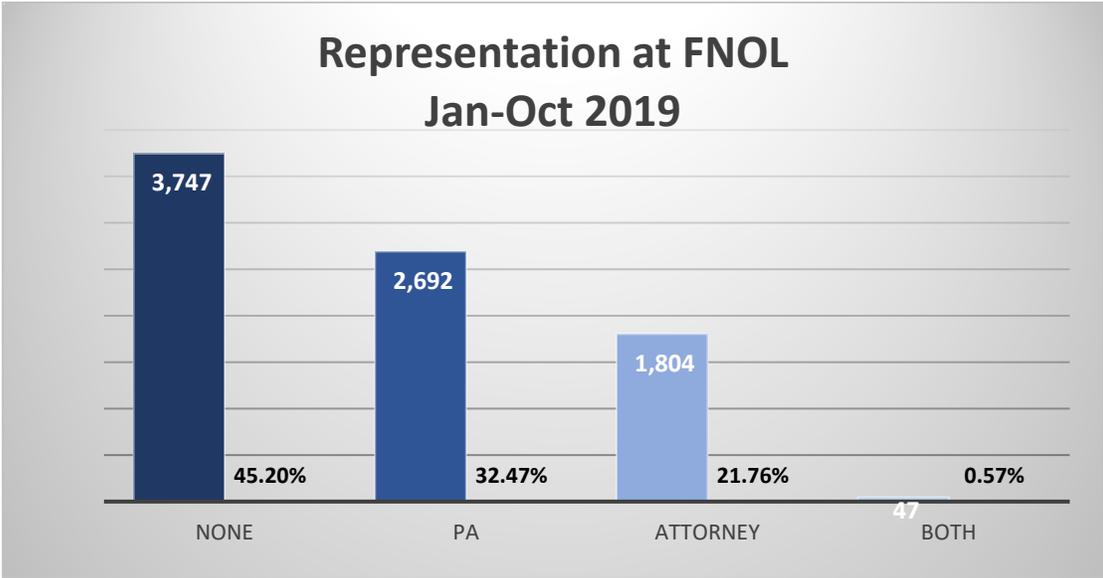


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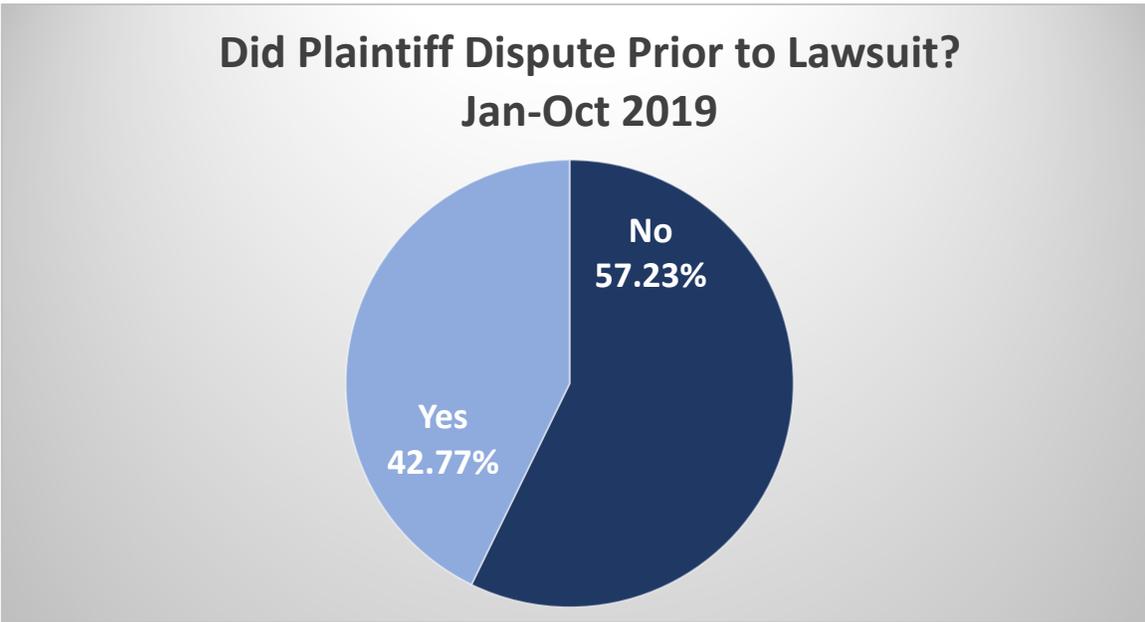
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The plaintiff was represented at First Notice of Loss in 55% of incoming residential property lawsuits, which has decreased slightly from 61% as compared to 2018:

- 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.

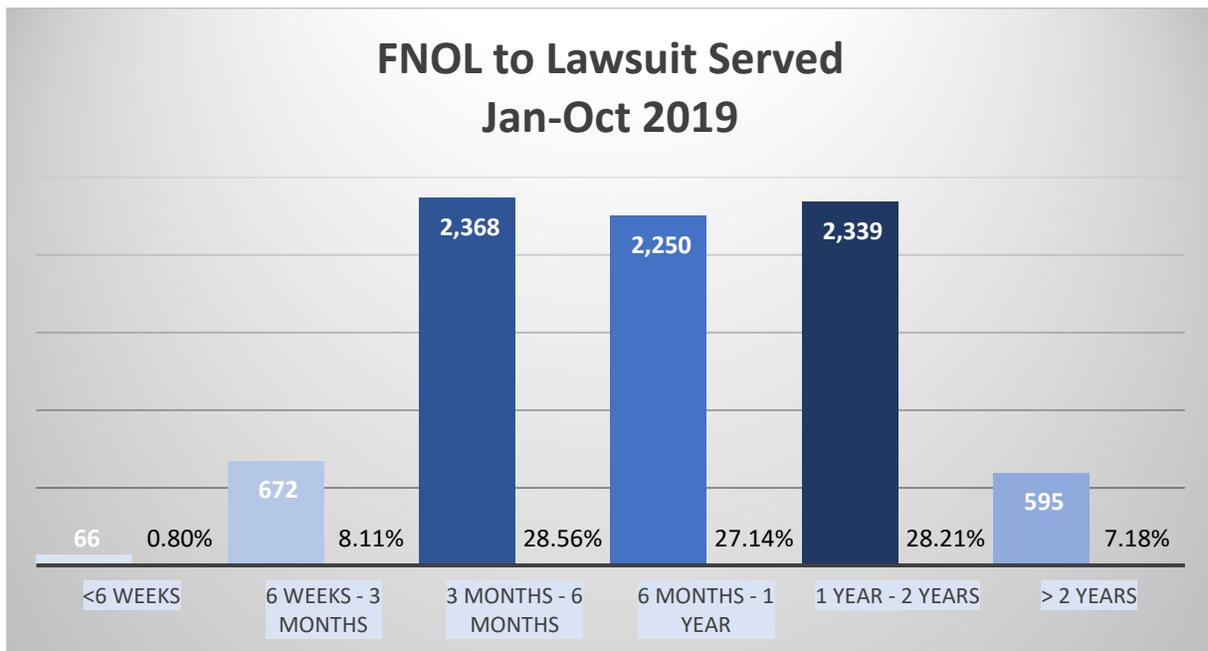


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A review of the timing of incoming lawsuits reveals that the majority of lawsuits (62%) are brought more than 6 months after the First Notice of Loss (FNOL). This is consistent as compared to 2018 as we return to pre-Irma levels (the majority of lawsuits arising out of a catastrophe are historically brought within 6 months of FNOL).

- Within 6 weeks of FNOL 1%
- Within 3 months of FNOL 8%
- Within 6 months of FNOL 29%
- Within 1 year of FNOL 27%
- Within 2 years of FNOL 28%
- 2 or more years from FNOL 7%



Water Loss, AOB and CAT:

The leading cause of loss for new incoming residential property lawsuits remains CAT losses which represent 49% of incoming lawsuits (down from 60% for the same time period in 2018). 30% 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 42% of new incoming residential property lawsuits, as compared to 31% for this same time period in 2018, and 39% in 2017 (it is still too early to realize the impact of the recent AOB legislation in litigated claims at this time). Water loss litigation currently represents 24% of new incoming lawsuits (a slight increase above 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 59% in 2018). The overall percentage of pending AOB

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lawsuits has increased as compared to 2018 and now represents 35% of the pending residential property lawsuits. Pending Water loss has increased to 27% as compared to 20% in 2018.

CONCLUSION

While lawsuits arising out of Hurricane Irma continue to represent the leading cause of loss in new, incoming lawsuits, the volume is sharply declining as we move farther away from the event. We continue to experience a rise in Water and AOB lawsuits as is expected as the influx of catastrophe related litigation declines. It is also too early to see the impact of the recent AOB legislation on litigation trends.

The timing of lawsuits is also returning to a pre-Irma pace with the 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.