

Citizens Property Insurance Corporation

Barry Gilway, President/CEO and Executive Director

September 25, 2013



Catastrophic Ground Collapse

- **Included with basic coverage and subject to 10% glide path**
- Depression in ground cover that is clearly visible to naked eye
- Abrupt collapse of ground cover
- Structural damage to the covered building, including the foundation
- Insured structure is condemned and ordered vacated by the authorized governmental agency



- Citizens has had 7 catastrophic ground collapse claims

Non-Catastrophic Sinkhole Claims

- **Sinkhole loss** means **structural damage** to the covered building, including the foundation, caused by sinkhole activity.
- **“Structural Damage”** Definition(s)
 1. Interior floor displacement in excess of acceptable variance
 2. Foundation displacement in excess of acceptable variance
 3. Listing, leaning, or buckling of the exterior load bearing walls
 4. Damage resulting in the primary structural members or systems being significantly likely to collapse
 5. Damage occurring on or after October 15, 2005, that qualifies as substantial structural damage.



Implementation of SB 408

LEGISLATIVE

- Placed time limits for bringing sinkhole claim
 - Supplemental/reopened sinkhole claim must be given to the insurer within 2 years
- Changed definition, statutorily, of a sinkhole loss
 - Created definition of “structural damage” for purposes of determining if a sinkhole loss had occurred
- Authorized insurers and required Citizens to restrict catastrophic ground cover collapse and sinkhole loss coverage to the principal building
 - Limited claim payments to the ‘principal building’; other structures no longer covered
- Clarified additional living expense coverage available only if structural damage to the covered building
- Allowed an insurer to require a property inspection prior to issuing sinkhole loss coverage
- Modified insurer’s ability to non renew a policy on the basis of filing a sinkhole claim
 - May only be non renewed if payments for sinkhole loss equal or exceed policy limits or
 - If the policyholder does not repair the structure in accordance with the engineering recommendations
- Certification of Proper Completion of Sinkhole Repairs
 - Once building stabilization or foundation repairs of a sinkhole loss are completed, the professional engineer must file with the Clerk of Court a copy of the report, certification, the legal description of the real property, and the name of the county clerk of court

Implementation of SB 408

CLAIMS

- Current claim activity is a mix of pre and post SB 408 claims
- Moved sinkhole claims handling to staff field team, single adjuster model
- Updated Claims investigation to reflect new language for Sinkhole Loss
- Changed Letters and engineer firm assignment forms to reflect new language/definitions
- Majority of claim handling activities remained unchanged after coverage decision made

PRODUCT

- Implemented a mandatory 10% sinkhole deductible
 - 5/1/2012 for new business and 6/1/2012 for renewals
- Modified all residential policy forms to reflect legislative revisions
 - 1/1/2012 for all new and renewal policies
 - 1/1/2013 all policies have legislative revisions; have gone through renewal cycle
- Commercial policies contained Structural language prior to change

UNDERWRITING

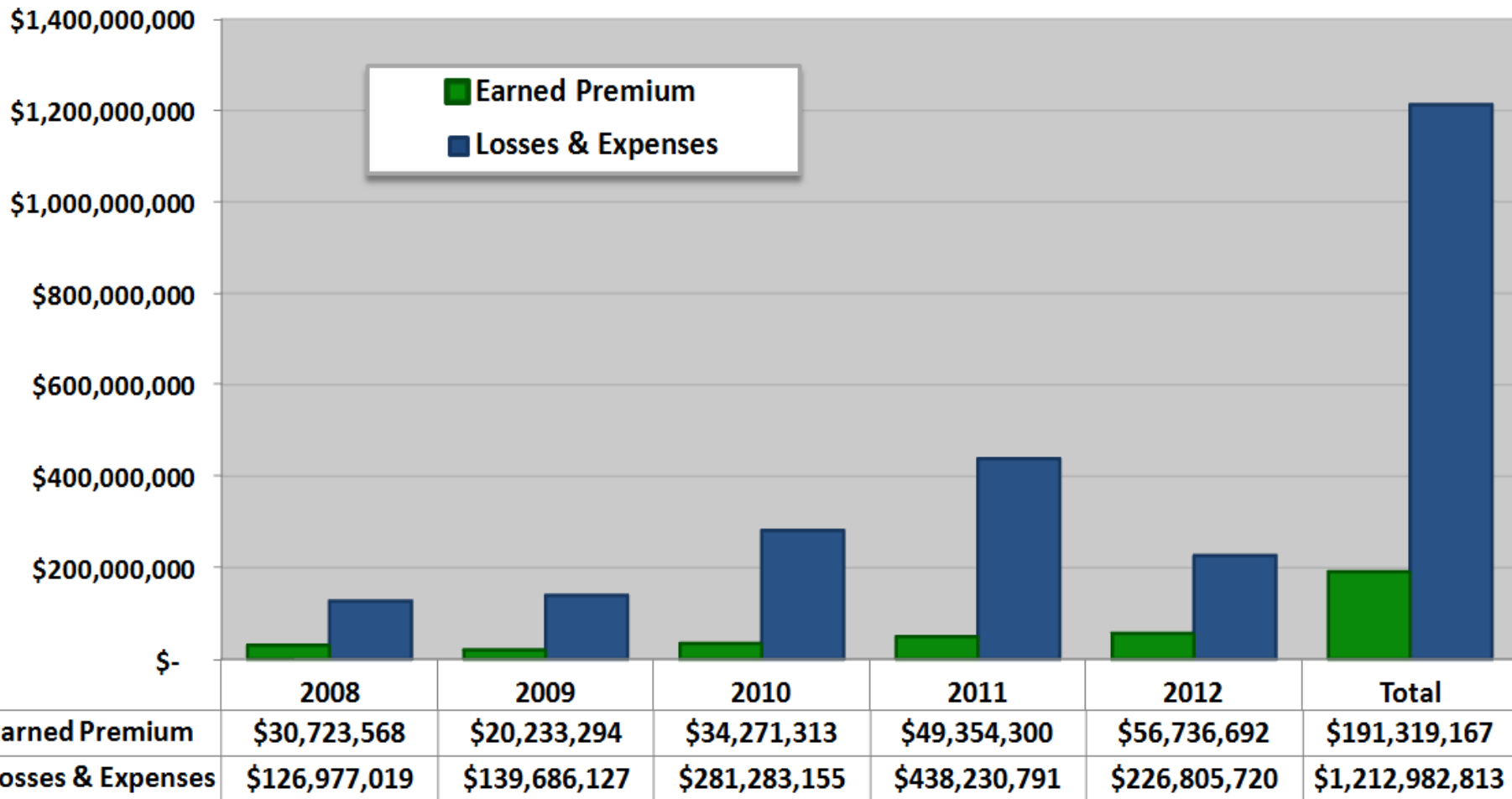
- Endorsements down 22% from 2011 to 2012
 - Hernando down 30%, Hillsborough down 21%, Pasco down 27%
- October 2011 pre binding inspection in four counties: Hernando, Hillsborough, Pasco, and Pinellas
- January 2012 inspection expanded to 12 additional counties: Alachua, Citrus, Hamilton, Lake, Manatee, Marion, Polk, Seminole, Sumter, Suwannee, Wakulla, and Washington
- Sinkhole underwriting centralized

Sinkhole Premium and Losses

Data Evaluated as of August 2008 – September 2012

County	Earned Premium	Incurred Loss	Difference
Hernando	\$52,813,533	\$657,031,909	(\$604,218,376)
Pasco	\$59,634,479	\$292,119,024	(\$232,484,545)
Hillsborough	\$27,806,623	\$166,660,062	(\$138,853,439)
Remaining Counties	\$51,064,534	\$97,171,819	(\$ 46,107,285)
Total	\$191,319,169	\$1,212,982,814	(\$1,021,663,645)

Historical Sinkhole Premium and Losses



Sinkhole Loss Ratios

Year	Loss Ratios
2011	873.88%
2012	316.84%
2013 Through 2 nd Quarter	PLA – 179.22% Coastal – 256.12%

Historical Homeowners Sinkhole Rate Change

Year	Indicated Sinkhole Rate Change	Change in Indicated Rate from Prior Year
2011	307.8%	-
2012	476.3%	157.7% ↑
2013	263.2%	(44.7%) ↓
2014	222.6%	(15.4%) ↓

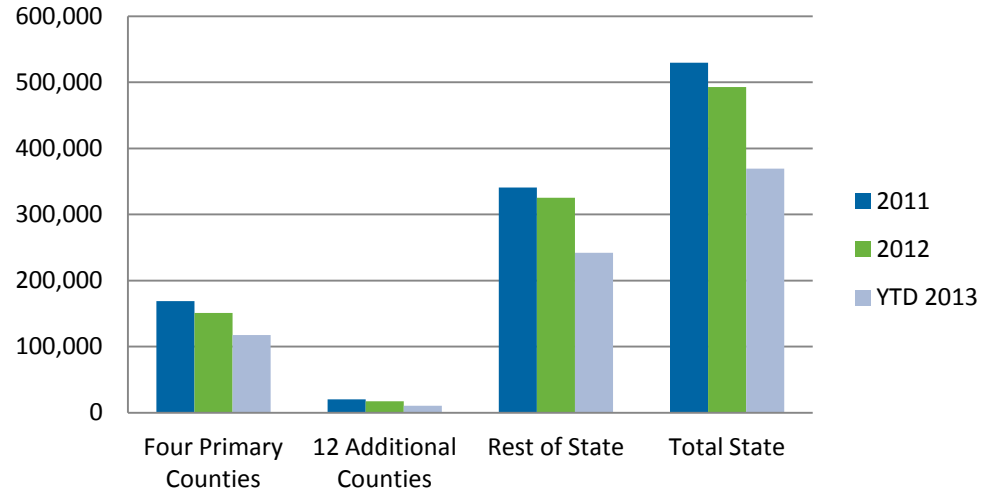
Indicated Sinkhole Rate & Premium Change

County	Indicated % Change	Filed and Approved % Change	Average Premium		
			Current	Proposed	Difference
Hernando	451%	20%	\$1,688	\$2,026	\$338
Pasco	177%	20%	\$1,829	\$2,195	\$366
Hillsborough	235%	50%	\$ 383	\$ 574	\$191

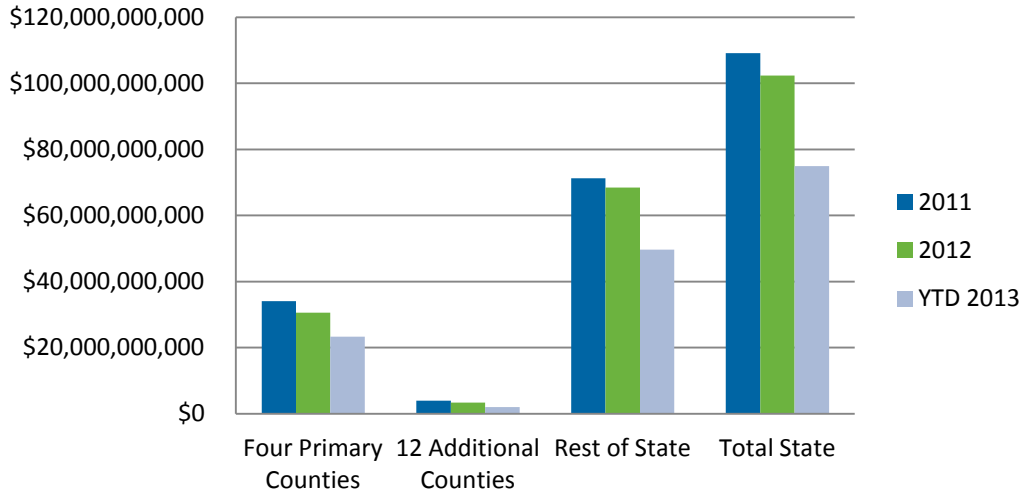
Sinkhole Policy Count and Exposure

- Four primary counties are Hernando, Hillsborough, Pasco, and Pinellas
- Additional counties added in 2012 are Alachua, Citrus, Hamilton, Lake, Manatee, Marion, Polk, Seminole, Sumter, Suwannee, Wakulla, and Washington

Policy Count



Exposure

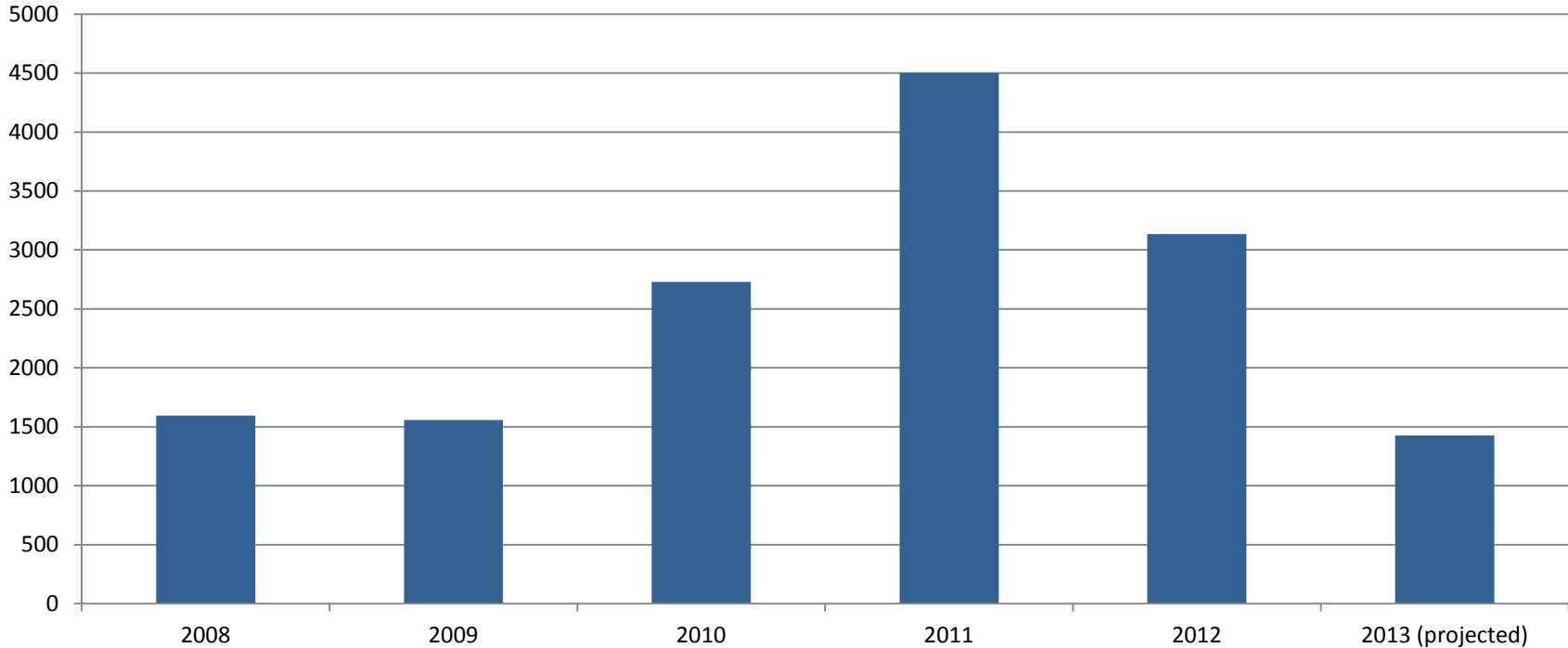


Optional Sinkhole Endorsement

Homeowner and Dwelling Policies (Data as of 06/30/13)	Number of Policies	Percent of Policies	
		With Sinkhole Endorsement	Without Sinkhole Endorsement
Hernando	28,667	31%	69%
Hillsborough	58,661	64%	36%
Pasco	47,831	21%	79%
Pinellas	99,112	64%	36%
Sinkhole Prone County Total	234,271	51%	49%
All Other Counties	441,910	57%	43%
Statewide Total	676,181	55%	45%

Claims Volume

Claims Volume 2008-2013



- New claim volume down, similar to 2009 volume

Claims Experience

2012 Sinkhole Claims

	Paid	Reserved
Total Indemnity	\$79,650,477	\$155,618,453*
Post SB 408 Indemnity	\$921,355	\$3,696,882*

*not including IBNR

- Total 3135 claims
- 643 on post SB 408 policy or 20.5%

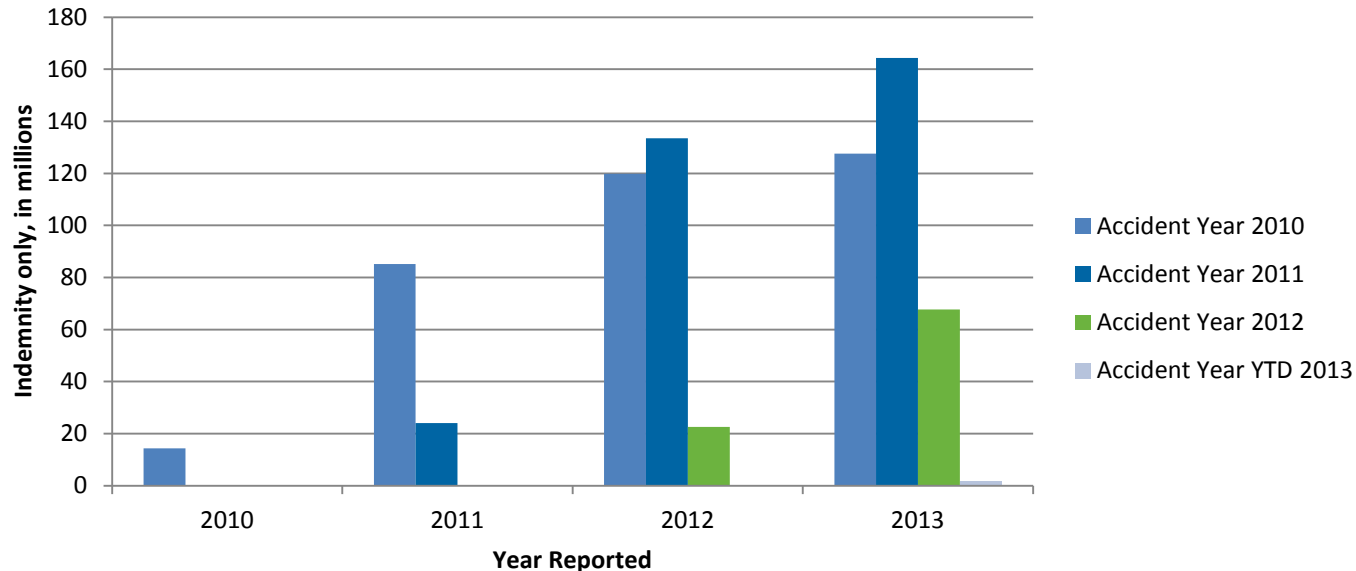
2013 Sinkhole Claims - YTD through August

	Paid	Reserved
Total Indemnity	\$1,595,479	\$32,137,441*
Post SB 408 Indemnity	\$655,617	\$17,387,971*

- Total 950 claims
- 706 on post SB 408 policy or 74.3%

Claim Development

Claim Development Over Time



Above is indemnity only, does not include LAE

- LAE paid YTD 2013 through August- \$4,210,797.18
- Current combined indemnity and LAE, paid and reserved for 2013 claims, \$38,512,365.48 (not including IBNR)
- Current total case reserves and IBNR for sinkhole, Indemnity and LAE - \$597,932,022

Other factors affecting total paid on 2013 claims

- Adherence to statutory provisions
 - Limit total paid to ACV, excluding stabilization cost, until insured enters stabilization contract
 - Pursuing repair in majority of cases even if estimated amounts exceed policy limit