

Executive Summary

Claims Committee Meeting, March 12, 2020
Board of Governors Meeting, March 25, 2020

Litigated Claims Update

CLAIMS LITIGATION – 2019 YEAR END OVERVIEW (January 1, 2019 – December 31, 2019)

Overview of Incoming Lawsuits and Pending Volume:

In 2019, Citizens was served with 9,559 new lawsuits, averaging 797 new lawsuits per month. This reflects a 27% decrease in the number of new incoming suits per month as compared to 2018 (averaged 1,094 new lawsuits per month).

Breakdown of 2019 New Lawsuits:

First Party Residential Property – 9,379 Total (98% of Overall Total)

- Residential CAT	4,532	48%
- Residential Non-CAT	4,820	51%
- Residential Sinkhole	27	<1%

First Party Commercial Property – 131 Total (<2% of Overall Total)

- Commercial CAT	124	95%
- Commercial Non-CAT	6	5%
- Commercial Sinkhole	1	<1%

Third Party Liability – 49 Total (<1% of Overall Total)

As of December 31, 2019, pending volume totaled 12,877 lawsuits. This reflects a 14% decrease in pending as compared to 2018 Year End (14,896 pending matters as of December 31, 2018).

Breakdown of 2019 Year End Pending Lawsuit Volume:

First Party Residential Property – 12,490 Total (97% of Overall Total)

- Residential CAT	6,931	55%
- Residential Non-CAT	5,375	43%
- Residential Sinkhole	184	1%

First Party Commercial Property – 282 Total (2% of Overall Total)

- Commercial CAT	260	92%
- Commercial Non-CAT	13	5%
- Commercial Sinkhole	9	3%

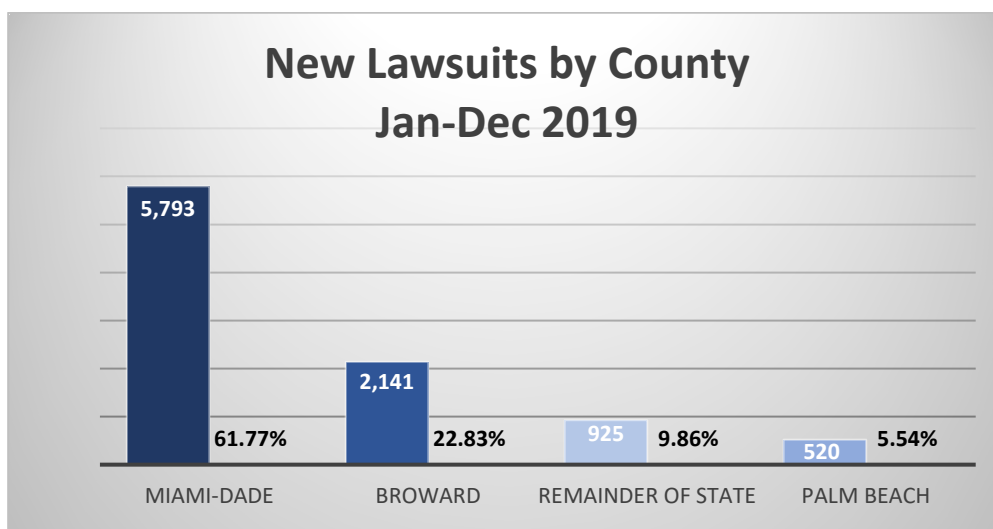
Third Party Liability – 105 Total (1% of Overall Total)

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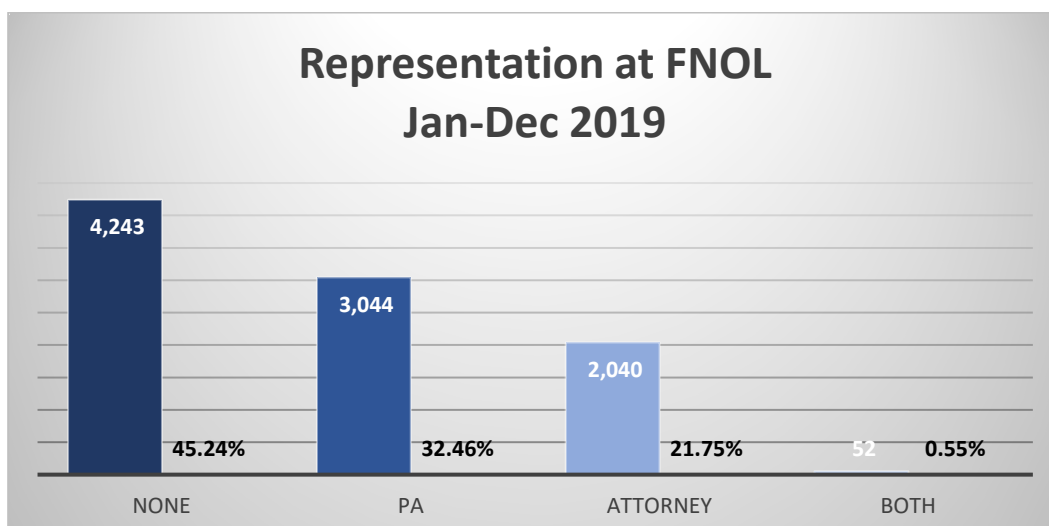
90% of the incoming residential property lawsuits arose out of the Tri-County area. This distribution has remained fairly consistent since March 2014:

- Miami-Dade 62%
- Broward 23%
- Palm Beach 5%



The plaintiff was represented at First Notice of Loss in 55% of incoming residential property lawsuits, which has decreased slightly from 62% as compared to 2018:

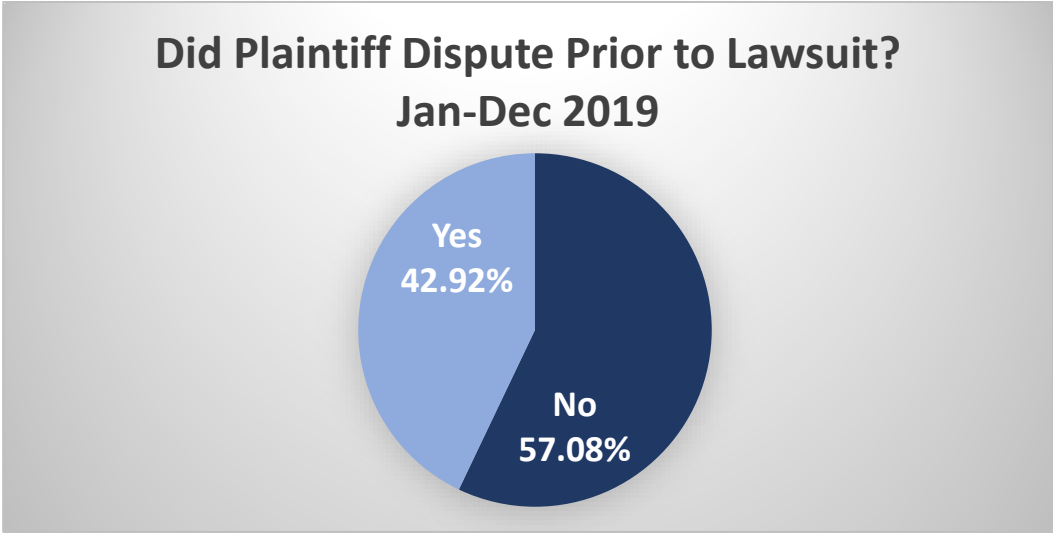
- Public Adjuster 32%
- Attorney 22%
- Both PA & Attorney 1%



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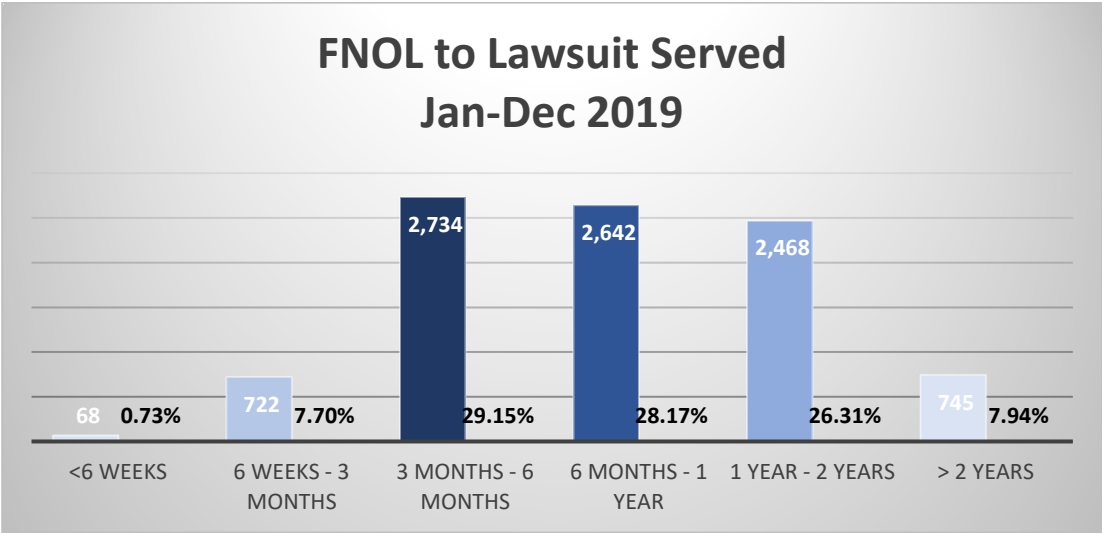
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In 57% of the incoming residential property lawsuits the insured did not dispute Citizens' position or adjustment of the claim prior to filing suit.



A review of the timing of incoming lawsuits reveals that 38% of lawsuits were brought within 6 months of the First Notice of Loss (FNOL). This is consistent as compared to 2018 as we return to pre-Irma levels.

- Within 6 weeks of FNOL 1%
- Within 3 months of FNOL 8%
- Within 6 months of FNOL 29%
- Within 1 year of FNOL 28%
- Within 2 years of FNOL 26%
- 2 or more years from FNOL 8%



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Year End 2019 Conclusion:

Throughout 2019 the leading cause of loss for new incoming Residential Property lawsuits remained CAT losses representing 48% of incoming lawsuits, a decrease from 58% in 2018 (30% of the CAT lawsuits brought by the Insured, and 19% brought by AOB Vendors). AOB litigation represented 42% of new incoming residential property lawsuits, as compared to 29% in 2018, and 37% in 2017. This increase in AOB litigation experienced in 2019 is a result of returning to pre-Irma levels as we move farther from the CAT event. Water loss litigation represented 24% of new incoming lawsuits, a slight increase over 20% in 2018.

For Commercial Property losses 73% of new incoming lawsuits were filed by the insured on CAT related losses. Commercial AOB losses represented 24% of incoming lawsuits, the majority of which were also CAT related losses.

CAT losses remained the leading cause of loss in Residential Property pending volume, representing 43% of the pending for residential property lawsuits. The overall percentage of pending AOB lawsuits increased as compared to 2018 and represented 34% of the pending residential property lawsuits. Pending Water loss remained consistent as compared to 2018 at 27%.

CAT losses also represented the leading cause of loss for Commercial Property pending volume (92%), with 78% of lawsuits filed by the insured and 16% filed by AOB vendors.

CLAIMS LITIGATION – 2020 UPDATE (January 1 - 31, 2020)

Overview of Incoming Lawsuits and Pending Volume:

As of January 31, 2020, Citizens was served with 658 lawsuits. This reflects a 21% decrease in average monthly total compared to January 2019 (830 new lawsuits).

Breakdown of January 2020 New Lawsuits:

First Party Residential Property – 651 Total (99% of Overall Total)

- Residential CAT	313	48%
- Residential Non-CAT	337	51%
- Residential Sinkhole	1	<1%

First Party Commercial Property – 5 Total (<1% of Overall Total)

- Commercial CAT	5	100%
- Commercial Non-CAT	0	0%
- Commercial Sinkhole	0	0%

Third Party Liability – 2 Total (<1% of Overall Total)

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As of January 31, 2020, pending volume totaled 12,681 lawsuits. This reflects a 12% decrease in pending as compared to January 2019 (14,459 pending matters as of January 31, 2019).

Breakdown of January 2020 Pending Lawsuit Volume:

First Party Residential Property – 12,317 Total (97% of Overall Total)

- Residential CAT	5,317	43%
- Residential Non-CAT	6,828	55%
- Residential Sinkhole	172	<2%

First Party Commercial Property – 264 Total (2% of Overall Total)

- Commercial CAT	248	94%
- Commercial Non-CAT	12	5%
- Commercial Sinkhole	4	1%

Third Party Liability – 101 Total (1% of Overall Total)

88% of the incoming residential property lawsuits arose out of the Tri-County area. This distribution has remained fairly consistent since March 2014:

- Miami-Dade 62%
- Broward 21%
- Palm Beach 5%

The plaintiff was represented at First Notice of Loss in 57% of incoming residential property lawsuits:

- Public Adjuster 33%
- Attorney 24%
- Both PA & Attorney <1%

In 51% of the incoming residential property lawsuits the insured did not dispute Citizens' position or adjustment of the claim prior to filing suit.

A review of the timing of incoming lawsuits reveals that 69% of lawsuits were brought within 1 year of the First Notice of Loss (FNOL). This is consistent with pre-Irma litigation levels.

- Within 6 weeks of FNOL <1%
- Within 3 months of FNOL 5%
- Within 6 months of FNOL 32%
- Within 1 year of FNOL 37%
- Within 2 years of FNOL 11%
- 2 or more years from FNOL 15%

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Water Loss, AOB and CAT:

CAT loss is the leading cause of loss for both new and pending lawsuits as of January 31, 2020. CAT lawsuits represent 48% of all new incoming lawsuits and 43% of all pending lawsuits for January 2020.

AOB lawsuits (arising out of all causes of loss) represent 29% of new incoming lawsuits, a 31% decrease in distribution of incoming lawsuits as compared to January 2019. The raw number of AOB suits received in January 2020 is 44% less than the number received this time last year. Pending AOB lawsuits now represent 34% of total pending, which is a 17% increase as compared to January 2019.

Non-Weather Water lawsuits represent 33% of new, incoming lawsuits, a 13% increase in distribution of incoming suits as compared to January 2019. The raw number of Non-Weather Water suits received in January 2020 is 33% higher than the number received in January 2020. In terms of pending volume, Non-Weather Water lawsuits currently account for 28% of total volume.

CONCLUSION

While lawsuits arising out of Hurricane Irma continue to represent the leading cause of loss in new incoming, as well as pending, lawsuits, the volume is declining as we move farther away from the event. However, we do anticipate a future increase in Irma lawsuit volume as we approach Statute of Limitations cut off dates, both statutory and perceived. As we compare the receipt of new incoming AOB lawsuits to early 2019, we believe we are starting to experience a decline in litigation attributable to the statutory changes. Non-Weather Water lawsuits continue to rise as expected in the absence of other intervening CAT losses.

The timing of lawsuits has now normalized to pre-CAT 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. This trend has remained consistent over the past few years.