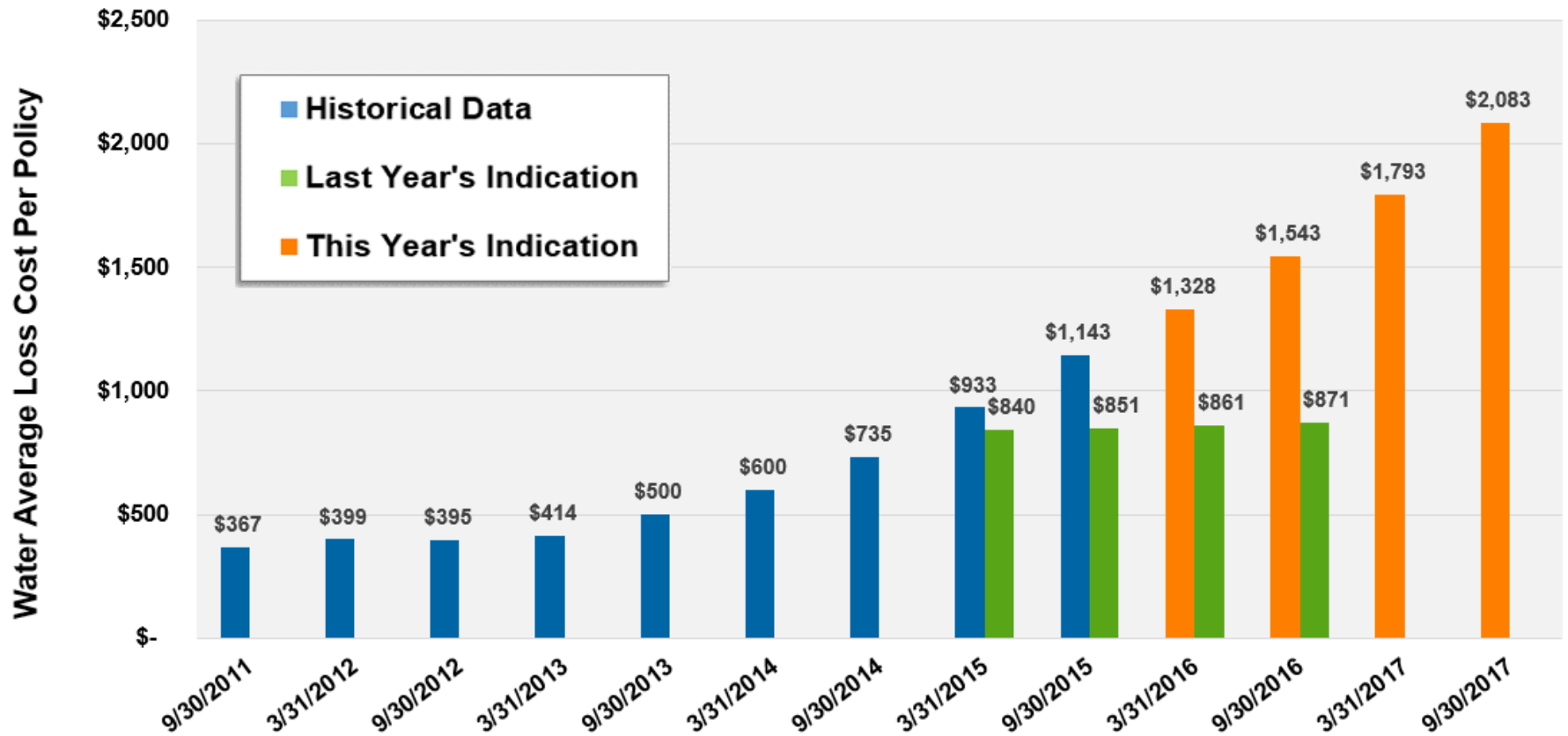




Water Loss Trends | Board of Governors and Audit Committee Meetings

September 27-28, 2016

Water Loss Trends Have Not Stabilized, Driving Higher Rate Needs Across Florida

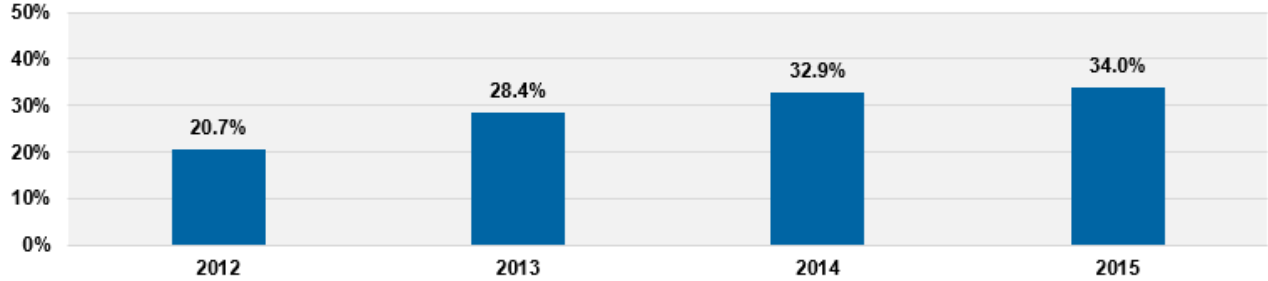


NOTES:

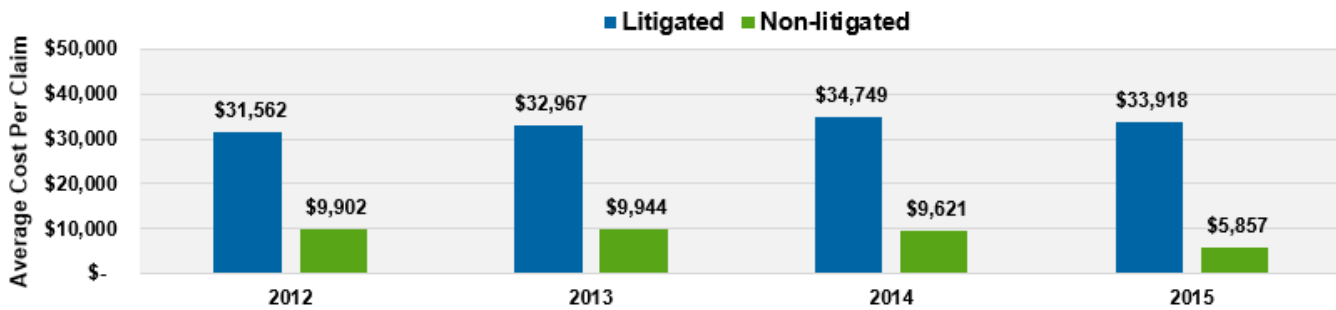
- 1) Figure above shows the average annual loss cost per policy due to water peril for Homeowners policies
- 2) Last Year's Indication uses the 2.4% all other peril loss trend filed last year
- 3) This Year's Indication uses the 35.0% water loss trend filed this year

Root Causes Identified in Citizens' White Paper Continue to Drive Water Trends by Report Year

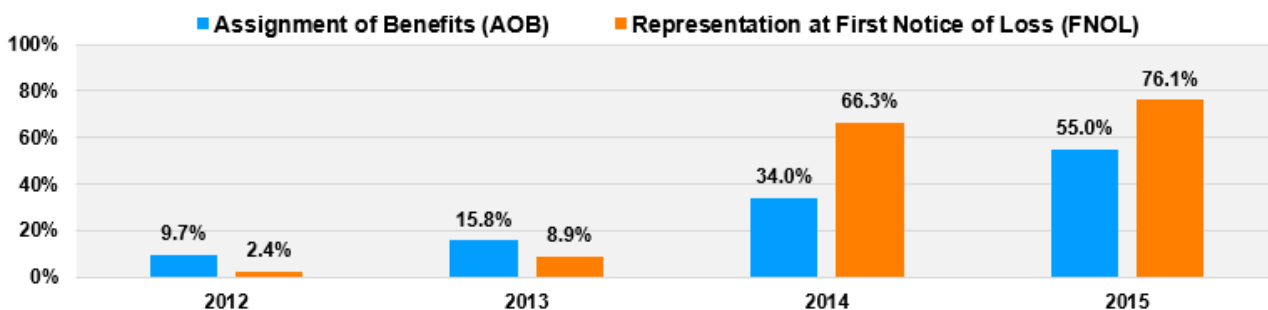
Percent of Water Claims That Are Litigated



Severity of Litigated vs. Non-litigated Water Claims



Percent of Litigated Water Claims with AOB or Representation at FNOL



NOTES:

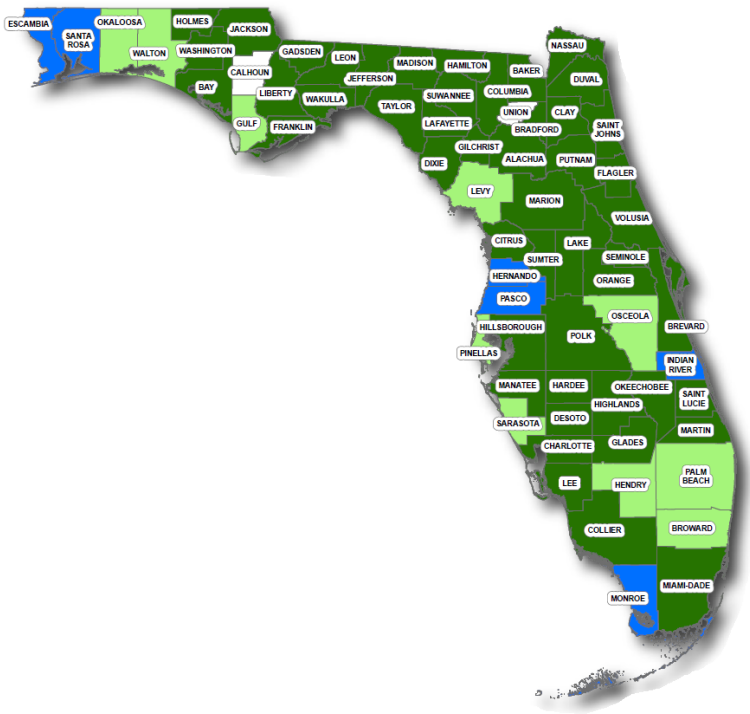
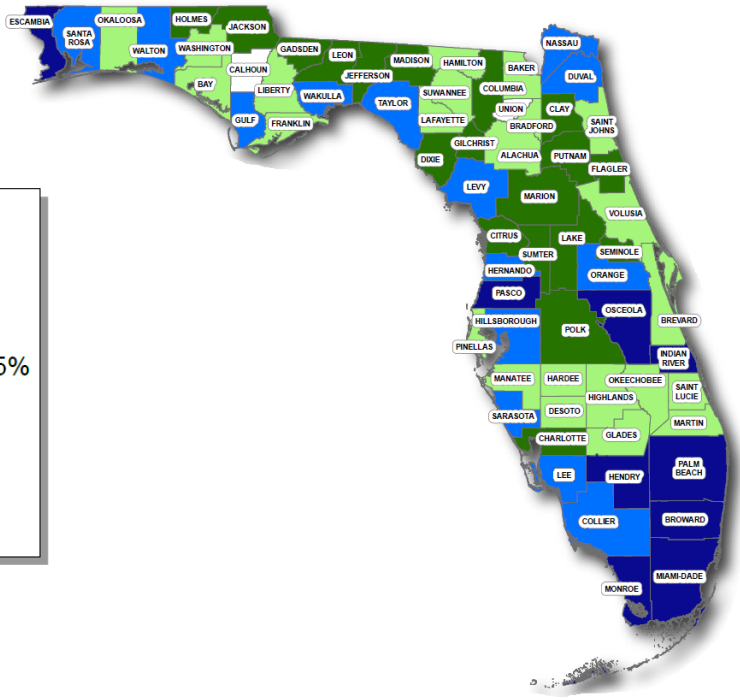
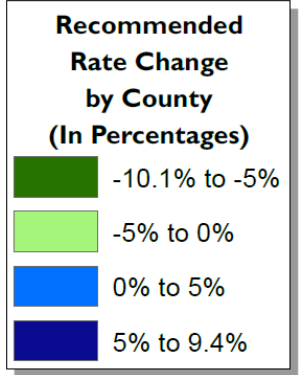
- 1) Claims data is based on non-weather related water claims by report year for Homeowners policies
- 2) Severity of litigated and non-litigated claims are based on undeveloped report year incurred loss and allocated loss adjustment expense (ALAE)



But For Recent Spike in Water Trends, Over Half of Multi-Peril Homeowners Customers Would Swing to Lower, not Higher Rates

**Water Loss Trend at Current Level
Multi-Peril HO3 County Average Rate Changes**

**Water Loss Trends at pre-2013 Levels
Multi-Peril HO3 County Average Rate Changes**



Water Loss Levels	Number of HO3 Rate Decreases in 2017
Pre-2013 Base Trend	103,000 out of 142,000
2017 Indication	23,000 out of 142,000

NOTES:
 1) Percentage of rate change is the average rate change within a given county
 2) Policy holders within a given county can see a rate change between -10% and 10% excluding effects of the FHCF build-up pass through