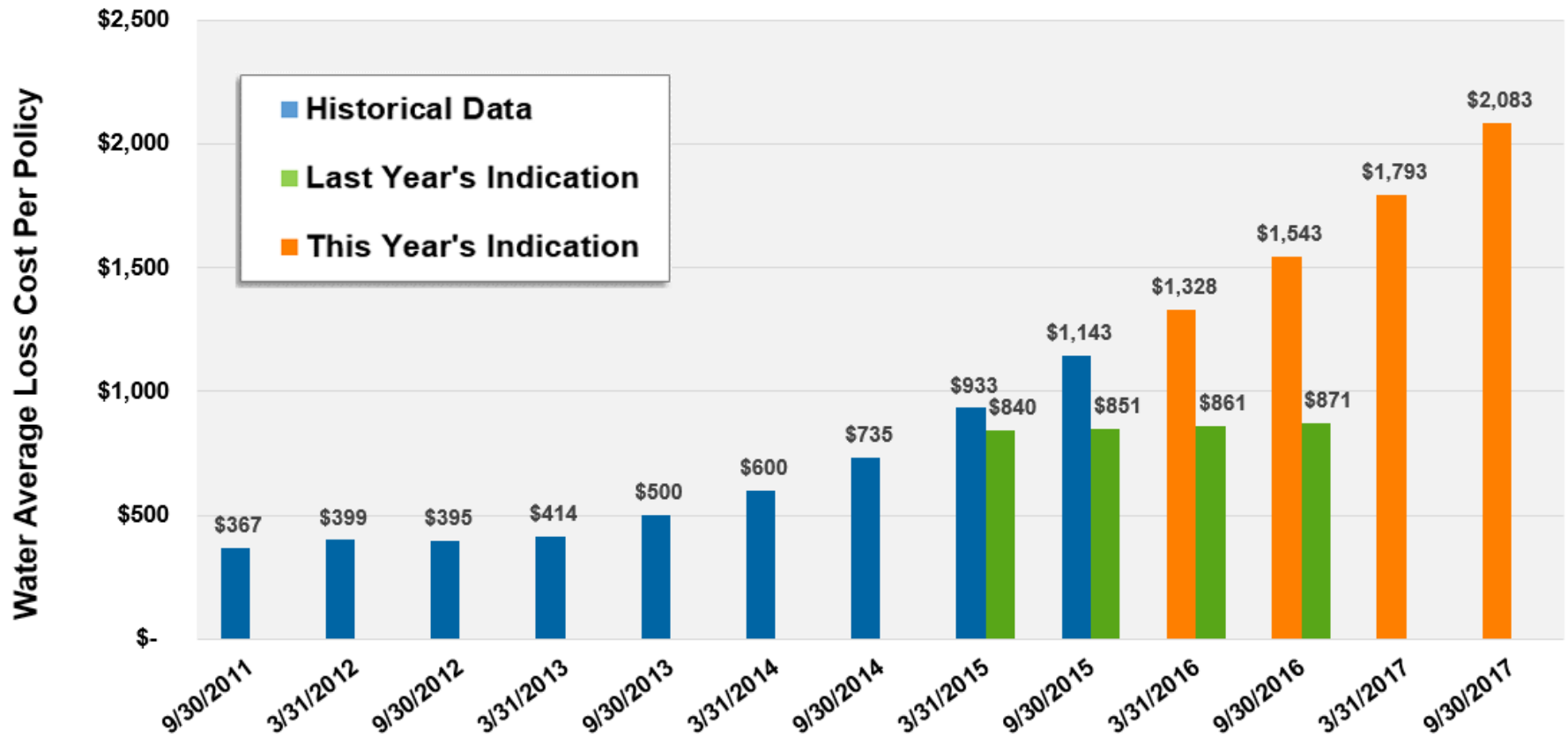




**Water Loss Trends** | Board of Governors and Audit Committee Meetings

September 27-28, 2016

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

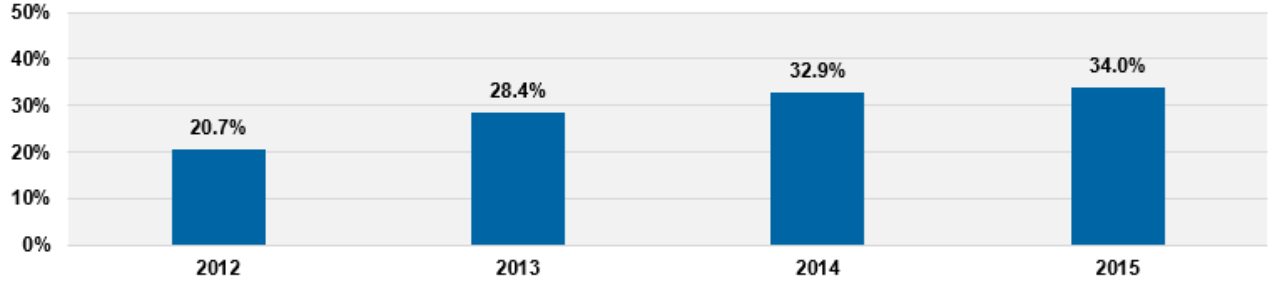


**NOTES:**

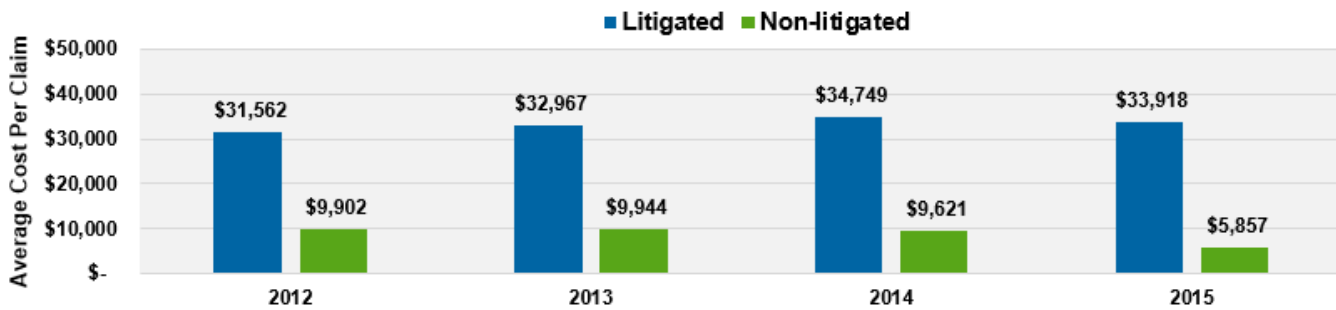
- 1) Figure above shows the average annual loss cost per policy due to water peril for Homeowners policies
- 2) Last Year's Indication uses the 2.4% all other peril loss trend filed last year
- 3) This Year's Indication uses the 35.0% water loss trend filed this year

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

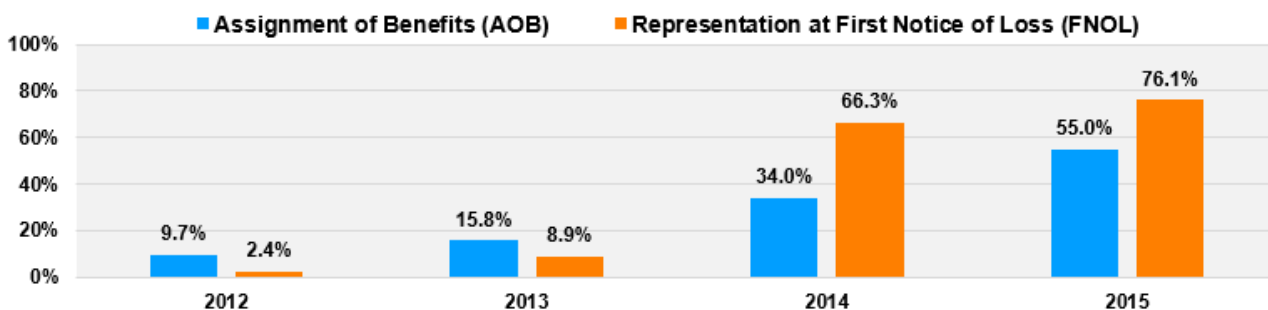
**Percent of Water Claims That Are Litigated**



**Severity of Litigated vs. Non-litigated Water Claims**



**Percent of Litigated Water Claims with AOB or Representation at FNOL**



**NOTES:**

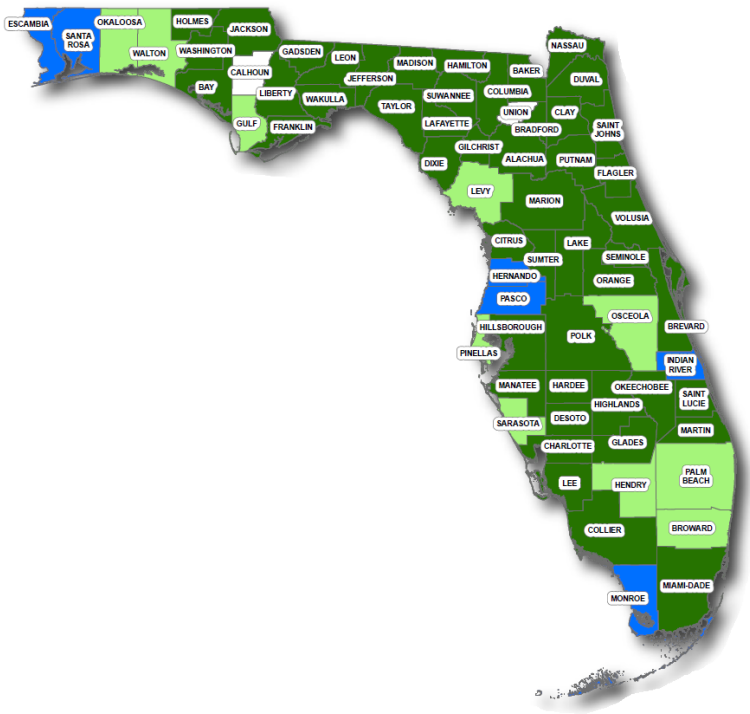
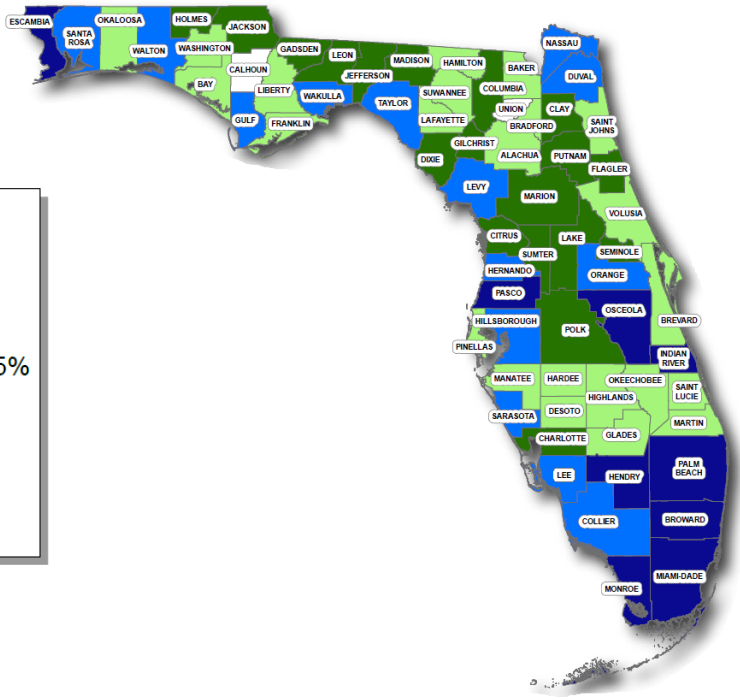
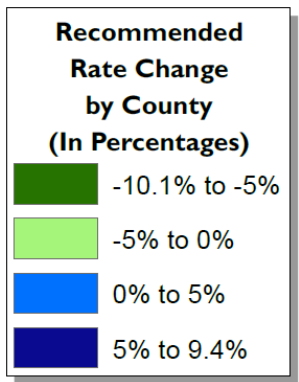
- 1) Claims data is based on non-weather related water claims by report year for Homeowners policies
- 2) Severity of litigated and non-litigated claims are based on undeveloped report year incurred loss and allocated loss adjustment expense (ALAE)



# 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