

Executive Summary

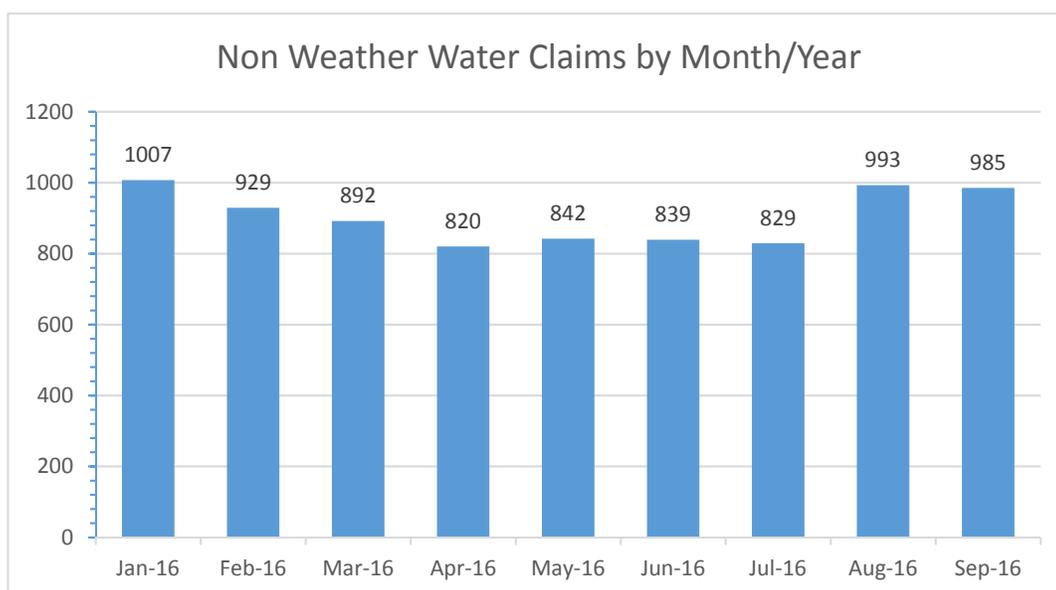
Claims Committee Meeting, November 30, 2016

Board of Governors Meeting, December 7, 2016

Non Litigation Update

Non Weather Water

As indicated in the chart below, Citizens has received 8136 non weather water first notice of loss (FNOL) through the end of the third quarter 2016. This represents 52 percent of all FNOLs received for the same period. Despite the continued depopulation and the reduction of Citizen's Policies in Force (PIF), the non weather water claims volume remains constant relative to the total FNOL volume. New non weather water reported claims continue to be primarily from the Tri-County area of southeast Florida and the Tampa area.



Claim service challenges that our non weather water adjusting staff and management continue to face involve third party Assignment of Benefits (AOB) and late notice reported claims where the work to the insured property has been completed and Citizen's ability to investigate the claim has been prejudiced. And, invoices received from water mitigation vendors that contain inflated scope of services and drying equipment charges.

Citizens is pro-actively addressing these non weather water challenges on multiple fronts. On June 9, 2016, Citizens awarded Lynx Services the Water Mitigation Estimate Review program. Since moving to a single vendor process review, Citizens has submitted in excess of 1700 water mitigation estimates. The Lynx review provides Citizens with a comparison evaluation, leveraging the IICRC industry standards that apply to the water mitigation industry, and documents a fair and reasonable cost analysis for completed mitigation services. With this information Citizens can then move to tender an undisputed payment to our insured for the water mitigation portion of their claim.

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The non weather water adjusting staff works closely with Special Investigation Unit (SIU) when fraud indicators are present to help reduce fraud and the potential for vendor and/or insured abuse. In keeping with the strategic vision outlined in the March 2016 Claim Committee update for the adjustment of non weather water claims, Citizens has added 15 new adjusters solely dedicated to the service of non weather water claims. Citizen's strategy of dedicated non weather water teams in defined territories has allowed the adjusting staff to become more familiar with the mitigation companies, Public Adjusters, Loss Consultants and Plaintiff attorneys in their territories. These strategies have resulted in more effective communications, early identification of potential fraud and overall enhanced claims service handling.

Conclusion

As Citizens' non weather water teams continue to service our customers' claims through the challenges created by AOB and third party representation, the new protocols and processes we now utilize are bringing about successes in reduced indemnified payments and referrals to the Department of Financial Services involving fraud. Citizens' *Water Initiative Enterprise Team* is pushing forward through 2016 and into 2017, on multiple fronts; to communicate the message, "Call Citizens' First"; to work with the State Legislatures' to revise AOB contracts, mandate licensing of water mitigation vendors and other statutes to harness those that would abuse the industry. Citizens' upcoming rollout of the *Managed Repair Program* will also help to enhance opportunity for early inspection and service of our customers' claims right from FNOL. We are cautiously optimistic that both short-term and long-term strategies and implementation of new initiatives will bring about reduced non weather water claim abuse, and ultimately, the associated indemnified and loss expense costs.