

Executive Summary

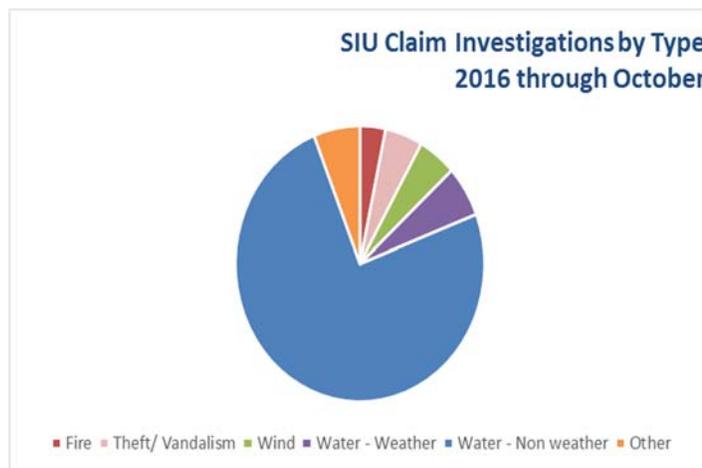
Claims Committee Meeting, November 30, 2016
Board of Governors Meeting, December 7, 2016

Special Investigations Unit Update

Water Claims Overview

Suspicious non weather water claims remain a tremendous focus of the Special Investigations Unit (SIU). Through October 2016, non weather water losses accounted for 74 percent of the loss types investigated by SIU. Approximately 7.4 percent of newly reported non weather water losses are investigated by the SIU.

- One third of the non weather water losses involve water pipe breaks, which is the leading sub-cause of loss.
- The reporting of a non weather water loss frequently accompanies the reporting of another water loss for the same policy with both water events occurring within days.
- Claims are typically reported several days and in many cases, weeks after the loss, and long after water mitigation and destructive repairs have already been completed under an executed Assignment of Benefits (AOB).
- In most cases investigated by SIU, we find that the claims are reported by an attorney's office following solicitation for free home inspection by loss consultant.



Our SIU Strategy

We continue to address these issue by employing the following strategies developed and communicated to the Claims Committee in March 2015.

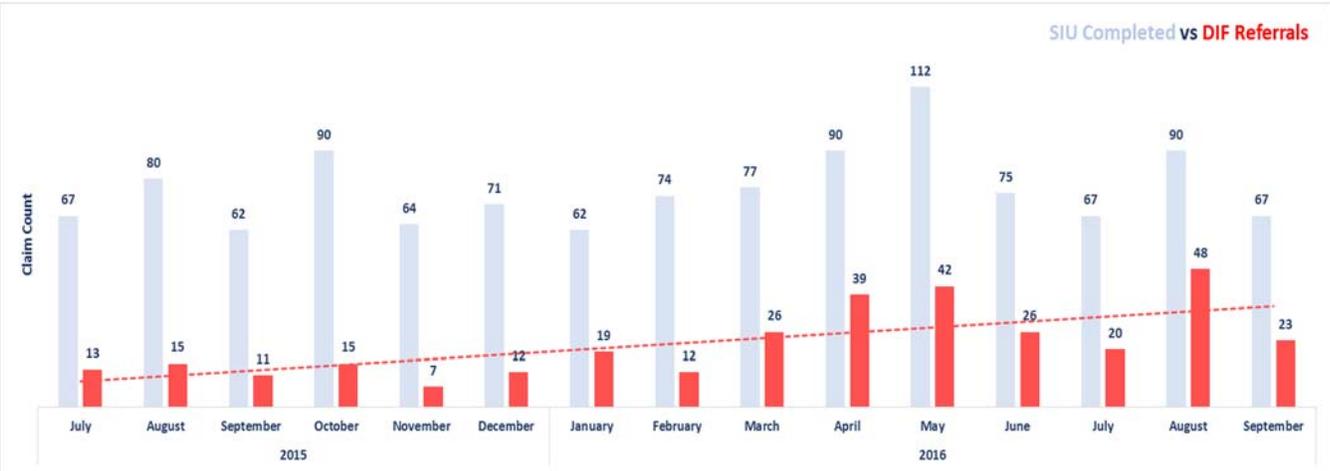
- Leveraged analytics
- Ramped up non weather water training for staff

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- Improved processes and gained efficiencies
- Kept the spot-light on fraud
- Maintained communications with law enforcement

Data Observations



Although newly reported non weather water claims diminished slightly since February 2016, the number of non weather water related claims investigations conducted by SIU has remained steady.

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The number of referrals to the Division of Insurance Fraud has steadily increased. In the six months ending September 2016, the number of completed investigations referred to the DIF has doubled over the previous six months.

The significant increase in number of DIF referrals is likely attributable to our analytics focus which has led to greater speed of detection, as well as our strategic alignment within our claims organization.

Results

Our SIU investigations have resulted in the identification of non-meritorious claims as well as generated 267 actionable referrals to the Division of Insurance Fraud (through third quarter 2016), which is required by state mandate.

Since midyear, SIU's actionable referrals to DIF resulted in eight individuals arrested in connection to non weather water losses to Citizens. This includes seven insureds as well as a public adjuster, all of whom have been charged with various insurance crimes.

- A Miami couple was arrested and charged with insurance fraud in connection to their claim to Citizens for damage resulting from a collapsed drain line. The SIU investigation found they had attempted to submit the identical claim to another insurer.
- A Miami man was arrested and charged with insurance fraud after it was found that he submitted a water damage claim to Citizens for a ruptured supply line and attempted to claim old unrepaired damage on two previously submitted claims.
- An insured was arrested and charged with insurance fraud after it was found that he attempted to pass off \$5,500 in pre-existing damage from long term water leakage as new in his claim to Citizens.
- A Miami public adjuster was arrested and charged with insurance fraud when she created and submitted false documentation in support of an insured's non weather water loss claim.

Please refer to the SIU Cases of Interest Addendum for more details on recent non weather SIU results.