

Executive Summary

Claims Committee Meeting, November 30, 2016

Board of Governors Meeting, December 7, 2016

Litigated Claims Update

Overview of Incoming Lawsuits and Pending Volume

(January 1 – October 31, 2016)

From January 2016 through October 2016, Citizens was served with 8,097 lawsuits regarding residential property losses – averaging 809 new lawsuits per month. This reflects a 30 percent increase in the number of new incoming suits per month as compared to 2015 (2015 average was 621).

As of October 31, 2016, current pending volume totaled 9,306 lawsuits. This reflects a 28 percent increase in pending as compared to this same time last year (7,075 pending matters).

Ninety-six percent of the incoming lawsuits arise out of the Tri-County area. This distribution has remained consistent since March 2014:

- Miami-Dade 66%
- Broward 25%
- Palm Beach 5%

The leading dispute in 39 percent of new incoming lawsuits is a disagreement over scope and pricing issues. This reflects a 15 percent decrease in the leading dispute since 2015 due to the frequency of Assignment of Benefit (AOB) lawsuits in which the leading dispute is over the amount paid (22 percent).

The insured was represented at First Notice of Loss in 85 percent of these incoming lawsuits:

- Public Adjuster 50% (5% increase over 2015)
- Attorney 34% (4% decrease since 2015)
- Both PA & Attorney 1.5%

In 59 percent of the incoming 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 47 percent of lawsuits are brought within 6 months of the First Notice of Loss (FNOL)

- Within 6 weeks of FNOL 1%
- Within 3 months of FNOL 9%
- Within 6 months of FNOL 37%
- Within 1 year of FNOL 37%
- Within 2 years of FNOL 9%
- 2 or more years from FNOL 6%

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Water Loss and Assignment of Benefit

The leading cause of loss for all new incoming lawsuits remains Water Loss which represents 55 percent of incoming lawsuits. This reflects a 22 percent decrease as leading cause of loss for all incoming lawsuits as Water Losses have historically comprised in excess of 80 percent of new lawsuits since March 2014. This is due to the influx of AOB matters that comprise a higher percentage of incoming new lawsuits since December 2015. For 2016 year to date, AOB matters represent 34 percent of all new incoming lawsuits (a 13 percent increase as compared to 2015).

Water Loss matters also remain the leading cause of loss in pending volume, representing 48 percent of the pending for all lawsuits. This reflects a 17 percent decrease in percentage of overall pending lawsuits as compared to 2015, again due to an increase in the overall percentage of pending AOB lawsuits, now at 24 percent.

Conclusion

The majority of new incoming lawsuits continue to arise out of water loss claims in the Tri-County area. This trend has remained consistent since early 2014. A dramatic rise in the number of incoming AOB suits has also been realized since December 2015. While the percentage of AOB matters continue to rise both in terms of new incoming lawsuits and overall pending volume, the number of Water Loss lawsuits has not decreased. Citizens has realized a dramatic increase in the overall number of new suits as compared to 2015.

Almost one half of new suits continue to be filed within six months of the First Notice of Loss, and the vast majority reflect representation of the insured at the time the loss is first reported. The majority of lawsuits are also filed in the absence of the insured disputing Citizens' position at the time of the adjustment of the claim.

In response to the ongoing trend with Water Loss litigation and increasing frequency of AOB lawsuits, the Claims Litigation department is refining the organizational structure and working closely with in-house Legal staff to craft appropriate and effective litigation strategies to address these matters.