

Citizens Property Insurance Corporation Managed Repair Program

Barry Gilway
President, CEO and Executive Director



Available for Non-Weather Water Losses for Citizens' HO-3 and DP-3 Policies

- Offered at time of loss for water losses caused by accidental discharge or overflow of water or steam from a plumbing, heating, air conditioning, automatic fire protective sprinkler system or household appliance
- Participation is optional
- Provided through two endorsements

1. Emergency Water Removal Services Endorsement

- No deductible
- No cost to policyholder even if loss is not covered by Citizens
- If the policyholder agrees to participate, Citizens provides a Citizens-approved contractor(s) to provide water removal and drying services to protect insured structures from further damage

2. Managed Repair Contractor Network Program

- Provides permanent repair services for covered damage
- Policyholder works with licensed and insured contractors within the network
- All contractors' claim related work is guaranteed for three years

2018 Policy Changes

- Effective for HO-3 and dwelling DP-3 new business and renewals May 1, 2018
- \$10,000 Sublimit for Coverages A and B if Managed Repair Contractor Network not used
- Requires all claimants other than insured, their agent, representative or a public adjuster representing claimant to
 - Provide documentation supporting the right to make a claim
 - Provide documentation detailing the scope and amount of loss
 - Participate in appraisal or alternative dispute resolution

Managed Repair Contractor Network Program Processing

Citizens has partnered with Crawford Contractor Connection to administrate a network of licensed, qualified, and credentialed contractors to perform permanent repairs based on nationally recognized estimates and quality standards that ensure the damage is repaired to pre-loss condition

Contact Policyholder	Within one calendar day after first notice of loss (FNOL) by both the Contractor and a Citizens' Adjuster
Loss Inspection	Within two calendar days, Contractor and Adjuster will inspect and prepare a repair estimate based on the Adjuster's identified scope of covered damages
Repair Estimate Approval	Contractor submits to Citizens' Adjuster for review and approval
Citizens' Claim Assignment	Once the repair estimate is approved, Citizens' Claims staff is assigned
Estimate Explained	Citizens' Claims staff explain repair estimate to policyholder and offer managed repair option
Policyholder Decision (two options)	1) Allow the Contractor to perform the repair services <ul style="list-style-type: none"> • No limit on the loss amount • 3 year guarantee on repairs • Certificate of satisfaction at the completion of the repairs; signed by policyholder
	2) Complete repairs with a contractor of their own choosing <ul style="list-style-type: none"> • Subject to \$10,000 limit

Note: Citizens' claim settlement payment will be based on the estimate provided by the Contractor Connection contractor. To ensure quality control standards are maintained, policyholders may be selected randomly to participate in a voluntary reinspection audit by a Citizens Claims Quality representative.

Change to Policy Language:

For all other claimants seeking benefits under SECTION I of the Policy, in the case of a loss to covered, property, we have no duty to provide coverage under this Policy to a claimant, if the failure to comply with the following duties is prejudicial to us:

- a. Provide documentation that substantiates the claimant's right to bring a claim under this Policy, and permit us to make copies;
- b. Provide documentation that details, itemizes, and substantiates the scope and amount of loss for which the claimant is making a claim under this Policy, including all updates to the scope and revised documentation, and permit us to make copies; and
- c. Participate in appraisal or other alternative dispute resolution method in accordance with the terms of the Policy.

These duties must be performed as often as we reasonably require, by each of the following:

- a. A claimant seeking benefits;
- b. The claimant's agents;
- c. The claimant's representatives; and
- d. Any public adjuster engaged on the claimant's behalf

The duties above apply regardless of whether a claimant seeking benefits under the Policy, or their agent or representative, retains or is assisted by a party who provides legal advice, insurance advice or expert claims advice, regarding an insurance claim under this Policy.

For purposes of this condition B.2. a claimant does not include an "insured."

Why is Managed Repair Needed?

The Managed Repair Program was developed in direct response to adverse development in non weather water losses primarily caused by the policyholder's accepting representation that ultimately filed suit on the claim

Through 2017, litigated water claims continue to be the sole driver of an indicated rate increase

- Litigated claims have an average loss and ALAE of \$38,000
- Non-litigated claims have an average loss and ALAE of \$6,400

The percentage of claims expected to enter litigation has remained at historical and unsustainable highs for 2016 and 2017. This leads to the expectation that in South East Florida, the litigation rate for HO-3 water claims will be over 70%.

Representation at First Notice of Loss (FNOL) – Claim is reported by an attorney or a public adjuster. A claim with representation at FNOL has an **80%** chance of ending up in litigation. A claim without representation at FNOL has a **30%** chance of ending up in litigation.

Assignment of Benefits (AOB) - When there is an AOB associated with a claim, there is an **82%** chance the claim will end up in litigation. When there is no AOB associated with the claim, there is a **34%** chance the claim will end up in litigation.

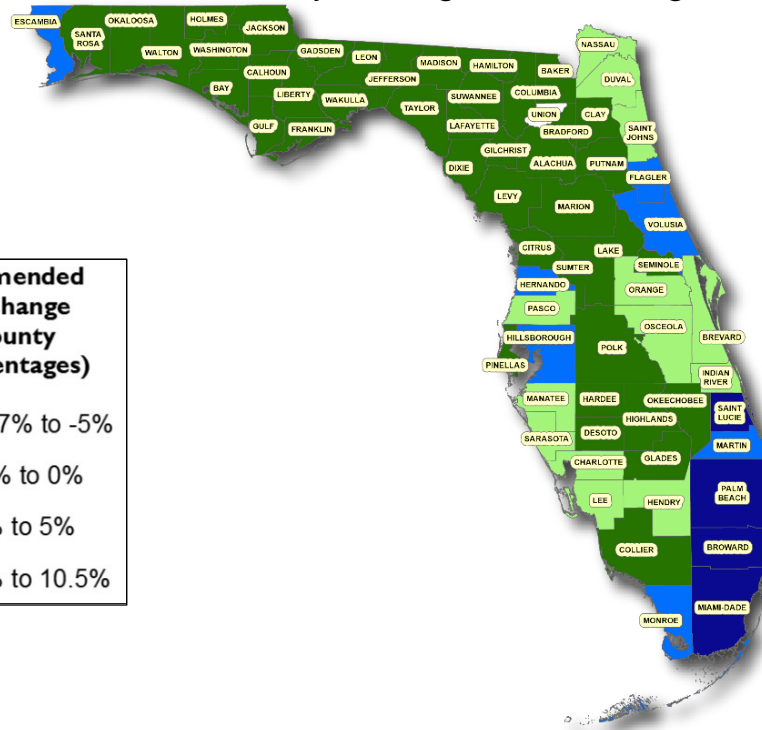
In 2016 in Miami-Dade, 92 cents of every premium dollar went to water claims and associated adjusting costs for PLA Homeowner premiums

With no policy changes, South East Florida would be facing over a decade of 10% rate increases. The intent of the Managed Repair Program and policy changes is to lower litigation rates.

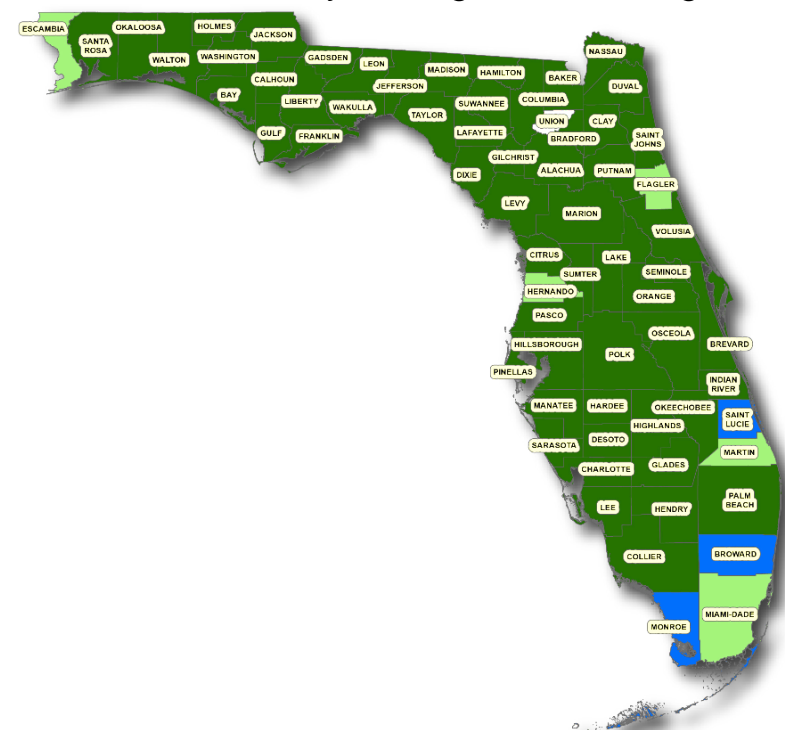
If the policy changes work as intended, actuarially sound rates will be achieved in a few years, at an overall lower rate

Water Losses are the Driver of Higher Premiums

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 2018
Pre-2013 Base Trend	112,000 out of 148,000
2018 Indication	47,000 out of 148,000

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

Citizens Policyholders with Access to the Program

Personal Residential Multi-peril Policies

	Homeowner HO-3	Dwelling DP-3	Total	% of Total
Palm Beach	10,762	6,366	17,128	8%
Broward	26,673	8,553	35,226	16%
Miami-Dade	54,341	18,677	73,018	33%
All Other Counties	67,555	29,335	96,890	44%
Statewide Total	159,331	62,931	222,262	100%

These policies make up 60% of Citizens' personal residential multi peril book of business

NOTES:

- 1) In force data as of 09/30/2017
- 2) Policy counts exclude risks tagged for depopulation

Why a \$10,000 limit?

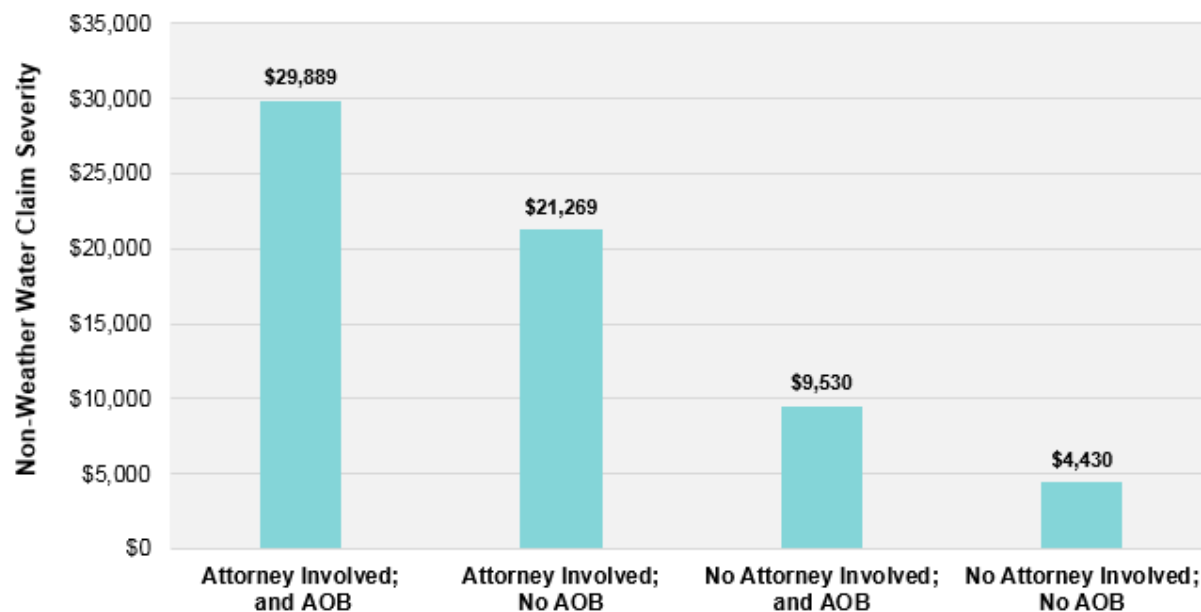
- The \$10,000 limit is a Florida Industry standard introduced by the private market for water claims on older homes
- 80% of Citizens' undisputed non-weather water claims are settled for less than \$10,000
- Repairs under the Managed Repair Program are not subject to the \$10,000 cap
- Ensures larger repairs are completed by licensed, qualified, and credentialed contractors with a three year warranty on repairs made

How Was a Vendor Selected?

- Citizens utilized a Request for Proposal (RFP) to solicit the services of a program administrator
 - The contract would be awarded to an administrator of a program that could be inclusive of all Florida based contractors
- Crawford Contractor Connection was selected for a term of 5 years with two, two year renewal options
- Crawford Contractor Connection selects contractors to be included in Citizens MRP. Our contract with Crawford stipulates minimum requirements for contractors including:
 - Evidence of a business in good standing such as, registration with FL Division of Corporations, necessary tax documents (W-9), completion of a vendor conflict of interest disclosure form each year, certifications of minimum insurance requirements
 - For specific contractors conduct background checks, ethics and confidentiality forms, verification that necessary licenses and certifications are current, required photos of Project Supervisors

Any Florida contractor may participate in the program if they meet the Crawford Contractor Connection minimum requirements

HO-3 Non-Weather Water Loss Data

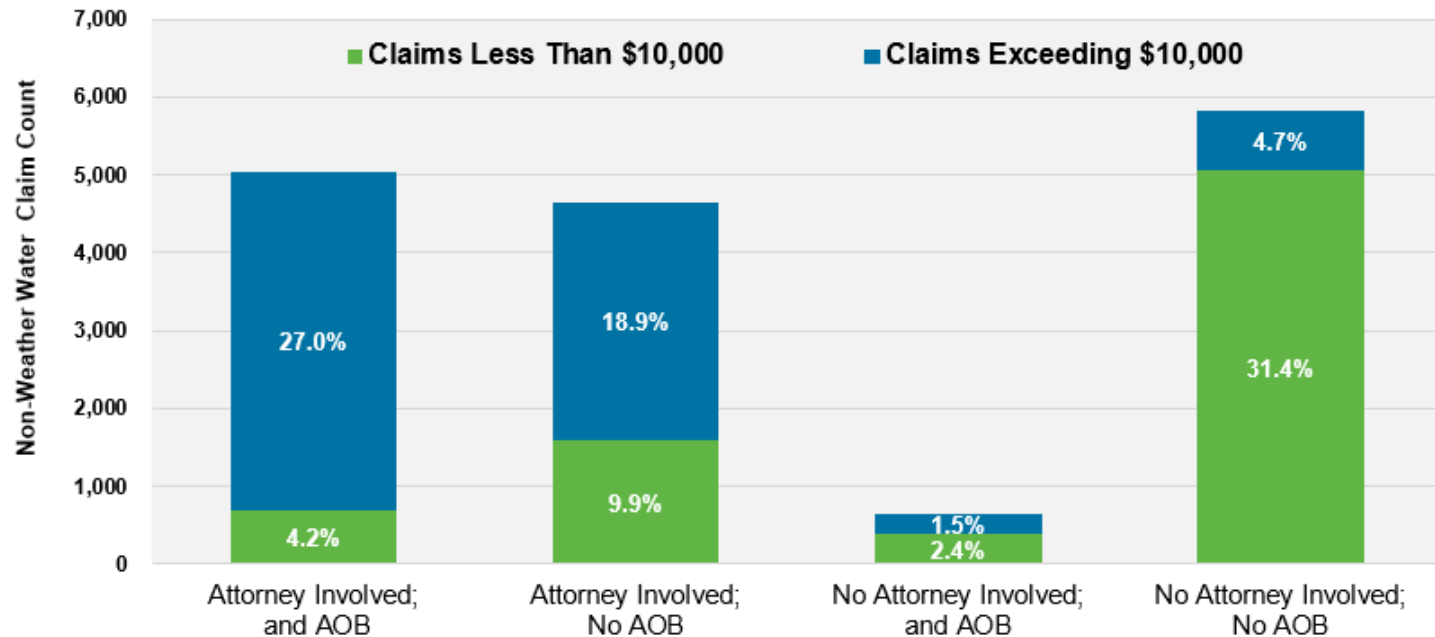


	Severity	# of Claims	% of Total
Attorney Involved; and AOB	\$29,889	5,042	31.2%
Attorney Involved; No AOB	\$21,269	4,644	28.8%
No Attorney Involved; and AOB	\$9,530	636	3.9%
No Attorney Involved; No AOB	\$4,430	5,828	36.1%
Average Non-Weather Water Claim	\$17,421	16,150	100.0%

NOTES:

- 1) All claim information is based on HO-3 water claims closed between 1/1/2016 thru 6/30/2017
- 2) Attorney involvement is defined as a claim that was reported with representation and/or ended up in litigation

HO-3 Non-Weather Water Loss Data: \$10,000 threshold



	Claims < \$10,000				Claims > \$10,000			
	Severity	# of Claims	% of < \$10,000	% of Total	Severity	# of Claims	% of > \$10,000	% of Total
Attorney Involved; and AOB	\$3,996	684	8.8%	4.2%	\$33,953	4,358	51.8%	27.0%
Attorney Involved; No AOB	\$3,567	1,591	20.6%	9.9%	\$30,494	3,053	36.3%	18.9%
No Attorney Involved; and AOB	\$3,397	395	5.1%	2.4%	\$19,584	241	2.9%	1.5%
No Attorney Involved; No AOB	\$1,785	5,070	65.5%	31.4%	\$22,120	758	9.0%	4.7%
Average Non-Weather Water Claim	\$2,429	7,740	100.0%	47.9%	\$31,219	8,410	100.0%	52.1%

NOTES:

- 1) All claim information is based on HO-3 water claims closed between 1/1/2016 thru 6/30/2017
- 2) Attorney involvement is defined as a claim that was reported with representation and/or ended up in litigation

MRP - Anticipated Impact on Premium Rates

In developing the 2018 premium rates, the impact of the program was taken into consideration:

Uncapped Indicated Premium Change		
County	Homeowners HO-3	
	2017	2018
Palm Beach	77.4%	17.0%
Broward	128.0%	42.5%
Miami-Dade	149.5%	46.2%
All Other Counties	6.4%	-3.8%
Statewide Total	96.8%	30.0%

The large reduction in the uncapped indicated premium rate change from 2017 to 2018 is directly related to the anticipated reduction in non-weather water losses from the new Managed Repair Program

For Citizens' personal residential multi-peril policies, non-weather water losses are the current driver of higher premium rates

As a nonprofit entity, Citizens must pass on increased costs to our policyholders. With unchecked water losses, maximum rate increases will be applied to affected areas for many years to come.

This is no longer an isolated Palm Beach, Broward, and Miami-Dade county issue. Throughout the rest of the state (excluding Palm Beach, Broward, and Miami-Dade) the percentage of claims with AOB has grown from 1.9% in 2014 to 18.3% in 2017 YTD.

The goal of the Managed Repair Program is to provide quality service quickly so costly and time-consuming litigation is unnecessary

With the Managed Repair Program, Citizens projects that rather than receiving a decade of 10% rates increases in the tri-county area, policies could reach actuarially sound rates in as little as three years