

CITIZENS PROPERTY INSURANCE CORPORATION

MINUTES OF THE CLAIMS COMMITTEE MEETING
Wednesday, November 30, 2016

The Claims Committee of Citizens Property Insurance Corporation (Citizens) convened telephonically on Wednesday, November 30, 2016 at 10:00 a.m. (ET).

The following members of the Claims Committee were present telephonically:

Gary Aubuchon, Chairman
Jim Holton
Freddie Schinz
Jon Palmquist
Jay Adams

The following Citizens staff members were present telephonically:

Barry Gilway
Dan Sumner
Craig Sakraida
Elaina Paskalakis
Michael Guerra
Mike Gilmer
Joseph Theobald
Shari Hamilton

Call Meeting to Order

Roll was called: Chairman Gary Aubuchon, Governor Jim Holton, Governor Freddie Schinz, and Mr. Jon Palmquist were present.

1. Approval of Prior Meeting's Minutes (June 16, 2016)

A motion was made and seconded to approve the June 16, 2016 minutes. All were in favor. Motion carried.

2. Strategic Update

Jay Adams stated, thank you, Chairman Aubuchon. As we go through the strategic update today I am going to focus on our independent adjuster contract. We are going to use the Hurricane Matthew response to discuss some issues that have come up in the independent adjuster contract. What I want to distinguish before we get started is, Citizens had a completely 100 percent satisfactory response to Hurricane Matthew. We did everything we could to make contact, inspect timely and close claims. We received quite a bit of praise from our customer base on how quickly and how thoroughly we did the catastrophe response, but this discussion will kind of move down the path of what did we learn from the response.

Jay Adams continued, this is the first time Citizens has really been able to deploy independent resources for anything major since 2005. We had a few pocket storms here and there, and by and large we have really handled that with our daily work flows. So Hurricane Matthew was really the first opportunity for us to do a catastrophe deployment. And what I would like to discuss with this group is what we learned from those deployment requests from the independent adjuster firms.

Jay Adams continued, so during Hurricane Matthew, I am going to start on slide number three, and we did assign the need for independent adjuster resources as the National Hurricane Center was placing in a landfall down in West Palm. Citizens' early projections were for about 75,000 claims. As the National Hurricane Center track was off 40 or 50 miles, it resulted in a significant decrease in claims volume that was actually received. Our claims team went ahead and executed our catastrophe response plan. We sent the deployment notices to the independent adjuster firms and we were unable to really obtain all of the resources that we had requested from them. Based on what we learned we started to make some changes with those contracts and what our future will be going forward with the current contracts that we have.

Jay Adams continued, I am going to move on to slide number five. So the independent adjusting contracts today have litigation, non catastrophe and catastrophe all under a single procurement and contract. Our goal is to establish as many resources as we could with as few vendors as possible because our policy in force sizes have been declining and so has our claims volume. We wanted to make sure that we could assign enough claims to the activated firms for them to be viable in the model. Under the current contract for those 5,000 resources they are servicing litigation, non catastrophe and catastrophe. They also are providing office space to house their litigation and their fast track adjusters.

Jay Adams continued, slide number six, those contracts today consist of eight vendors. That is how many we have actual contracts for. This provided a total independent adjuster resource commitment of 3,441 adjusters. Slide number seven, Citizens and those firms had to credential all of the adjusters necessary to activate the firms. Citizens undertook credentialing of 3,677 total resources against all the vendor commitments. They also credentialed a few other junior adjusters that were not eligible to be deployed based on their lack of service.

Jay Adams continued, slide number eight, when we talk about the vendor contract performance, the vendors had performed very well and within all of our guidelines for litigation in our non catastrophe work, which consist of managed claims model and the non weather water team. We have been leveraging all of our non catastrophe work to create a training platform so that those independent adjusting firms could train adjusters to be prepared to deploy when a catastrophe eventually hits.

Jay Adams continued, slide number nine, when we talk about the vendor catastrophe performance, they were not able to perform within guidelines for the catastrophe response. They were unable to meet the catastrophe deployment resource requests based on their previous commitments and they were awarded contracts based on those commitments. They were unable to have the resources available at the appointed time slots for training and orientation and they were unable to deploy resources as requested. In order for Citizens' Cat plan to be operational we needed people deployed into certain roles, team leads, desk adjusters and task adjusters.

Jay Adams continued, When the vendors were unable to supply the resources they started sending bodies in any role and that created some challenges for Citizens. So what is the bottom line of some of the learnings out of the deployment requests for Matthew, those areas under the contract which Citizens has some control, such as commitment versus credentialing, office space to house the adjusters, to litigation and non catastrophe work, all of those pieces have performed extremely well. Quality reviews, SLAs, all of our timeline stuff, everything has worked really well. The areas of the contract outside of our control the vendors have not performed so well, and that was specifically in the deployment of the resources for catastrophe.

Jay Adams continued, going to slide number 12. Today I spoke earlier we have a single contract that includes litigation, non catastrophe and catastrophe. I am going to move over to slide 14. The current contract model challenges are today all of the vendors are getting work in multiple file types, such as litigation, non catastrophe and catastrophe, and some of them do all three, some of them do one of those and so forth. And where we have been challenged is when we have nonperformance in one of those business areas it really is hard for Citizens to hold that firm accountable because the firm is either activated or they're not activated or they are on some type of corrective action. And it creates a business problem for us if they're not performing in one area to turn off all areas. So we will talk about where we want to go in the future in that perspective.

Jay Adams continued, so I wanted to talk about the challenges we faced specifically in Matthew, and this is where the learnings start to happen. The catastrophe deployment failures of the activated IA firms were we requested 624 resources out of their commitments out of 2,048 resources. We only asked for 30 percent of their commitment and we asked for it as I said earlier based on the role. We were only actually able to deploy 279 resources which was 45 percent of our original request, and again, they were not deployed appropriately by the roles that we asked for.

Jay Adams continued, slide number 17, so what are the results of these deployment failures? The active independent adjuster firms are now in breach of contract. We issued corrective action plans as the contract stated. Those action plans were rejected and we were not able to resolve the deployment failures. We then moved through the contract to the next piece was the liquidated damages and then finally to the non-realized staffing penalties. Citizens has to be concerned about our reputational risks of where we stand in the current contract with what happened in this deployment. As I mentioned earlier, Citizens in the claims Cat plan and the claims team operated exactly like we had expected, exactly like we tested. The problem is we would not have been able to replicate this or scale this for a much larger event. We were very blessed by having 3,500 claims instead of 75,000 claims. If we had had the greater number based only the deployments that we were at, we would have certainly failed as a claims operation. So the single contracts today really is creating a problem for us in being able to manage and adjust to the different business needs that we have.

Jay Adams continued, slide 18. So what response have we given to these independent adjustment firms? We offered each of the four firms' settlement agreements, they were the exact same settlement agreements. We within those agreements had assessments for liquidated damages in total of \$120,000. We assessed for the unrealized staffing penalties of \$107,000. We are deactivating all of the non catastrophe and catastrophe work that those firms were currently

handling. We have asked that those vendors not honor potential non-compete clauses with the independent adjusters as we do not want to penalize the adjusters, and then we are not going to allow these vendors to participate in our future solicitations for non catastrophe and catastrophe.

Jay Adams continued, slide 19. The results of our failures, the four inactive vendors have now been moved to an active status. We have offered them part of the non catastrophe work and we will be transitioning early next year all of those remaining pieces. We have not required them to open up office space as we are going to be terminating all of these agreements mid-year 2017. These four firms that we are activating are not in any breach of contract at this point. They will be eligible to participate in any future solicitations that Citizens puts out. So what are some of the other risks that have come out of this? When we look at it from an independent adjuster firm perspective, a lot of the work that we give these folks are Florida based work and it is daily work. It is not catastrophe work. They really don't have relationships with catastrophe IAs outside of the state of Florida, and the adjuster groups in Florida is a finite population.

Dan Sumner stated, excuse me, Jay, this is Dan. I am sorry to interrupt. Could you clarify four of the firms that have the settlement agreement--What exactly they will and will not be able to bid for in the future?

Jay Adams stated, sure. So the four firms that are in breach of contract will not be able to bid for catastrophe work nor non catastrophe or our daily work. They will be eligible for bidding in litigation because there has been no breach there. As I mentioned earlier, they have performed very well in the litigation space.

Dan Sumner stated, thank you very much, Jay, for that clarification.

Jay Adams stated, sure. Back to the independent adjuster firm and some of the risks associated. So the IAs are also engaged in multiple rosters. Our firms are primary focused on Florida based IAs. They're not looking at country-wide nor do they have significant deep relationships with the country-wide adjusters. And it is difficult to train and engage Cat resources when there is no active event. So when we look at risks on slide 22 from the independent adjuster perspective they have become very market savvy evaluating policy in force and claims volumes before they will make a decision of whether they will deploy. Many of these folks are working claims non catastrophe jobs for other firms and they did not want to lose their current position based on the size of the event. Some of the more qualified IAs have been engaged with FEMA. They moved right from Hurricane Hermine over to Hurricane Matthew and many of them moved right up the coast to the Carolinas where the majority of the flooding were. Independent adjusters are looking for guaranteed volumes to deploy. Many are not working in the insurance arena and they're not committed to one specific IA firm in general.

Jay Adams continued, on slide 23, some of the risks that Citizens has based on where we are as far as size today, being smaller in policies in force we are much smaller in claims volume. This challenges us to engage enough firms with enough non catastrophe work to create the training cycle that we are looking for, for people to be ready for catastrophe work. We are leveraging all of that work that we currently have with the vendors to try to create as many resources that we can that are prepared to respond. And one of the biggest challenges we have with folks is when

you try to come in and work Citizens' claims you have to understand Citizens' system. So if you have not been in the pipeline of getting work it is a challenge at the beginning of the Cat that could take multiple weeks to get people used to the system where they can become efficient in the system.

Jay Adams continued, on slide 24, some of the lessons that we sum up from Matthew are, we don't have a contract in place that guarantees catastrophe resources today. The independent adjuster firm roster commitment cannot be relied upon for event response under the current contract structure. The contract and financial penalties were not sufficient for compliance. In providing IA firms with litigation and non catastrophe daily claims volume did not ensure that the IA firms were developing relationships with adjusters that would come to work for them and work for Citizens in a deployment response request. So what does the future look for Citizens based on what we have learned so far?

Jay Adams continued, let's go to slide 26. We are going to conduct new solicitations to provide reliable capacity for catastrophe adjusters for the 2017 hurricane season. We are going to look to issue three separate discreet contracts. One for litigation, one for non catastrophe and one for catastrophe. This will provide more accountability to the IA firms, helping us manage them. As I spoke earlier, if someone is having trouble under a litigation contract it doesn't affect the other contracts and it will help us to have a better accounting of accurate available resources by contract.

Jay Adams continued, on slide 27, at the beginning of November, we have already issued a request for information, and this is a solicitation specific to catastrophe. And what we are asking for out of the marketplace is for the large catastrophe vendors that specialize in this space. What can you tell us about your capability, about ability to respond, what are your best practices, your organizational structure recommendation, how do you create relationships, how do you prioritize your deployment, and then how do you monitor and measure the skill set of your adjusters that you actually have. What our goal is to take this information and complete some extensive due diligence. We want to make sure that Citizens defines their model that the marketplace can respond to, and not only the marketplace, Citizens has to be able to be of that model as well. So once we have the results of that we will start early in 2017, working on the solicitations to submit to the marketplace to acquire these resources for the future. And with that, that concludes my presentation. I will ask if there is any questions. And Chairman, I have one other topic that I would like to revisit that has come up in prior meetings.

Chairman Aubuchon stated, okay, do you want to do that other topic now or do you want to handle questions on this update first?

Jay Adams stated, let's go ahead and ask if there is any questions that I can respond to. And I want to go ahead and just set the stage that I will not be able to comment on anything to do with the settlement agreements and the firms that are engaged in those. So we won't divulge any specific information in those areas, but anything related to the response, the failures, and those type of things I will be glad to address if I can.

Chairman Aubuchon stated, sure. Members, are there any questions?

Governor Schinz stated, I just have one question. How do you guys and your staff feel if we have 100-year storm with the IAs for deployment?

Jay Adams stated, based on where we stand today we do not feel that we would be able to rely on the commitment that the current independent adjuster firms have supplied to Citizens. Our whole idea for moving forward with the new solicitation in the RFI is to make sure that we ask the right questions, get a better understanding of the relationships the firms have with those committed adjusters so that we can come back to this committee with a -- we will never be able to have 100 percent guarantee, but we will be able to have a stronger contract and a better understanding of what those resources are for a future response. I feel that we will be in a position to respond to a one in 100-year storm in 2017.

Governor Schinz stated, okay, for the new season?

Jay Adams stated, yes, sir.

Jay Adams stated, one other thing I would like to add is, so we have spent the last 10 years working and testing our catastrophe plan, and I want to just reiterate the fact that our catastrophe plan was solid and we were ready to respond. Everything in our catastrophe plan worked as we anticipated. It was just that we didn't have the resources that we needed. So our whole effort moving forward will be to secure the appropriate resources so that we will be able to respond to the citizens of Florida.

Governor Schinz stated, so you feel that will be in place by next hurricane season?

Jay Adams stated, yes, sir.

Governor Schinz stated, okay, great, thanks a lot. Thank you, Mr. Chairman.

Chairman Aubuchon stated, you bet. Jon or Jim, any questions for Jay?

Governor Holton stated, Jay, one general question. Do you feel that based on this experience that we are going to be better served by, and again, I know it is premature, with the RFI and so forth, but better served by focusing attention on some of the national firms that have a larger base of experience in Cat related claims throughout the whole country and are more mobile in terms of deployment and assets?

Jay Adams stated, that is exactly what our strategy is. We are in the planning phases now. But the idea is under the catastrophe contract that is exactly what we are looking for are non Florida based adjusters. We want the national group who work catastrophe day in and day out. In our non catastrophe we will continue to wanting to put that focus on Florida based adjusters just like we do today, because they reside here and they work our claims day in and day out. So, yes, I do agree that this new approach will provide better resource and better reliability of those resources because that is what they do day in and day out.

Governor Holton stated, I think that is a very good point and one just follow up, too. It might be good as a suggestion to consult with FEMA on some of their best practices and deployment of adjusting assets, you know, that they use as well in the flood arena when you are doing the due diligence on this. I don't know if you made those overtures yet or have the connections with FEMA, but I think that might be something to look into.

Jay Adams stated, that is certainly something we can consider and I appreciate the recommendation.

Governor Holton stated, thank you.

Jay Adams stated, thank you.

Jon Palmquist stated, you mentioned that you are deactivating the MCM teams on non Cat for the four pending. Will those four firms retain their existing pending claims files or will you transfer those existing pending claim files to the new firms?

Jay Adams stated, there will be a transitional period. We will turn on the new firms for new claims and leave the old firms turned on for a period to work out their pending. At the end of that time frame Citizens will take back any pending claims that are still outstanding and work them under our staff model.

Governor Palmquist stated, okay. Thank you. The other question is, again, we obviously have focused on our independent adjusting firms and the Cat resources. Does this whole exercise and experience create an opportunity to review the other Cat resources that we depend upon in the event of a Cat, such as the engineering firms, the board up companies, the water mitigation firms and so on?

Jay Adams stated, so today Citizens doesn't have any preferred vendor contractor type program unless it is a contracted program. We are very steadfastly moving down the path of standing up a managed repair program in 2017. When we get that program set up we will have those types of vendor relationships available, but we are not quite there yet.

Governor Palmquist stated, I see. Okay, Jay, thank you.

Chairman Aubuchon stated, okay, members, any further questions? Jay, I appreciate the high level aspects of your report. It appears to me that your team did an outstanding job in response to both hurricanes and I am very hopeful that our new RFI that we will put out and ultimately our solicitation yields the results that you are looking for, and that is certainty that in a Cat we will be able to get the independent adjusters that we need.

Jay Adams stated, agreed. Thank you.

Chairman Aubuchon stated, Okay, and then you had one other thing you wanted to update us on?

Jay Adams stated, yes, just one quick topic. So we have gotten a lot of questions around the change in the water language that we made effective July 1, 2016. What are we seeing from a claims perspective in that arena? Has it really changed anything? We have received 1,373 claims to date since the new language went into effect. Of those 1,300 claims 182 have had assignment of benefits associated with them, and in that same group of claims there is a representation count of six. I just wanted to share that. This seems to continue to come up and we just got to the place that we could report on that. So I would say that it is still too early to tell. 1,300 claims is not enough to determine any trends, but it doesn't look like it has made any significant impact to the assignment of benefit piece.

Chairman Aubuchon stated, members, any questions of Jay on this topic? Okay, Jay, we appreciate your update.

3. Catastrophe Update

Craig Sakraida stated, we had two hurricanes that impacted Florida last year, Hermine, which made landfall near St. Marks on September 2, and then Matthew that impacted the east coast of Florida on October 6 and 7. Many of the claims received from Hermine had significant flood or surge damage, just the nature of the area that it came in, in Apalachicola Bay there. It is prone to surge and flood, and the majority of the other claims were fairly minor, wind damage which resulted in really low claim payments. The claims from Hurricane Matthew span the entire east coast of Florida. Naturally we still got some from Miami-Dade County, but 67 percent of the claims were originating from Volusia, Brevard and Flagler that really were impacted heavily by the wind as well as the surge there. Wind damage was however concentrated in the coastal areas due to the parallel track that Matthew followed along the Florida coast. Both hurricanes presented unique challenges that Citizens hadn't faced in the past. With having to close our office and work remotely through the eminent landfall phases of the catastrophe plan, I think the company handled the challenges well. I think there were very few things that our IT partners didn't provide for us that we weren't able to do remotely. It was really pretty seamless I think from my perspective and a claims perspective.

Craig Sakraida continued, we were also able with Matthew to engage some portions of the Cat plan that we hadn't engaged before to test them out and ensure that they worked. One of them being our housing and rental car vendor program for the EOC deployments. The use of our auto dialer or predictive dialer that we use to contact customers that potentially would be impacted with the image from Matthew. This was the first real deployment of our field service vehicles for the emergency operation center and we sent two of those out. And then our telephone support unit for our commercial and residential policies, and this was integral because this is a life line for the customers to get in touch with the adjusters when they need to, when they are possibly having issues. So all of those we hadn't deployed before in a catastrophe and we did this time to great success.

Craig Sakraida continued, once again, the storms were a great opportunity to engage all the aspects and measure the effectiveness of the plan. As a result just a few things that we are looking at for the 2017 season, is have multiple plans in place for adjuster orientation including an out of state staging. This came about mainly with the hurricanes impacting Jacksonville both times and the office closures. Streamlining our adjuster on boarding process to make it quicker for them to

get in the systems and move through the training and the orientation. Provide more in-depth cross training for oversight employees so that they're aware of all of the functions of the roles they will be performing. And then formally develop a meeting structure for pre-storm discussions for everyone involved in a catastrophe.

Craig Sakraida continued, just a brief update, the numbers for Hurricane Hermine. About 878 claims, 18 were commercial. Just a little -- just a shade over \$986,000 paid. The numbers for Hurricane Matthew that I have listed here as of November 7 -- 3,056 residential, 191 commercial, 2,228 claims were inspected and just a note, not all of the claims required inspection, some of them being handled for fast track over the phone. 1,834 claims closed, 56 percent indemnity paid is \$6,520,000. Just a brief update. We are currently now roughly at 84 percent closed. We have paid just a shade over or actually \$10,718,575 and the great majority of the claims are inspected. So we are wrapping up the Cat response right now and should be able to move on as normal. We have received a small portion of reopens, but actually that number is fairly low considering the historical information that we have. Are there any questions regarding the summary?

Chairman Aubuchon stated, Members, any questions? Hearing none, thank you, Craig, good report.

Craig Sakraida stated, thank you.

4. Non Litigation Update: Non Weather Water

Mike Gilmer stated, thank you Chairman, Aubuchon. As indicated in the chart in your handouts, Citizens has received 8,136 non weather water first notices of loss through the end of third quarter 2016. That represents 52 percent of all FNOL received at the same period despite the continued depopulation and the reduction of citizens policies in force. The non weather water claim volume remains constant relative to the FNOL volume. New non weather water reported claims continues to be primarily from the tri-county area, Palm Beach, Broward, Dade and southeast Florida and in the Tampa area.

Mike Gilmer continued, some of the challenges that our staff and management continue to face involve the third-party assignment of benefits, late notice reported claims where the work to the insured property has already been completed. Citizens' ability to investigate the claim has been prejudiced and invoices received from water mitigations vendors that contain inflated scope of services and drying equipment charges. Citizens is proactively investigating 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 1,700 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 of fair reasonable cost analysis for completed mitigation services. With this information Citizens can then move to render an undisputed payment to our insured for the water mitigation portion of their claim.

Mike Gilmer continued, for non weather water adjusting staff also closely works with our SIU group when fraud indicators are present to help with these fraud and for potential for vendor and/or insured abuse. In keeping with the strategic vision outlined in the March 2016 Claims

Committee update the adjustment of non weather water claims Citizens has added 15 new adjusters solely dedicated to the service of non weather water claims. Citizens' strategy of dedicated non weather water adjusters in the defined territories has allowed the adjusting staff to become more familiar with the mitigation companies, public adjusters, loss consultant and claimant attorneys in their territories. These strategies have resulted in more effective communications, early identification of potential fraud and overall enhanced claims service handling.

Mike Gilmer continued, in conclusion as Citizens' non weather water teams continue to service our customers' claims to the challenges created by AOB and third-party representation, the new protocols and processes now utilized are bringing about successes in reducing indemnity payment and referral to the Department of Financial Services involving fraud. Citizens' water 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 Legislature to revise the AOB contracts, mandate licensing of Florida mitigation vendors and other statutes to harness those that would abuse the industry. Citizens' upcoming roll out of the manage repair program will also help to enhance opportunity for early inspection and service of our customers' claims right from the 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. And with that I will ask if anyone has any questions?

Chairman Aubuchon stated, members, any questions? Hearing none, thank you, Mike, for your report.

5. Special Investigations Unit Update

Joseph Theobald stated, suspicious non weather water claims remain a tremendous focus of the SIU and through October 2016, non weather water losses accounted for 74 percent of the loss types investigated by SIU and approximately 7.4 percent of the newly reported non weather water losses are investigated by SIU, and that is illustrated in the pie chart below. And one-third of the non weather losses involved water pipe breaks which is the leading sub cause of loss. The reporting of non weather water loss frequently accompanies the reporting of another water loss for the same policy with both water events occurring within days of each other. 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. In most cases investigated by SIU we find that the claims were reported by an attorney office following the solicitation for free home inspection by a loss consultant.

Joseph Theobald continued, now we continue to address these issues by employing the following strategies developed and communicated to the Claims Committee back in March 2015. We talked about SIU would leverage analytics and that would help us expose crime rings and relationships. We have ramped up our non weather water training for staff and we improved the processes and gained efficiencies utilizing our outsourcing. We kept the spotlight on fraud by keeping non weather water issues in front of staff and our business partners. And we maintain communications with law enforcement. We referred suspicious claims to the fraud division. The center of the following page on page 2 you can see two charts. The first representing non weather

water newly reported claims against those claims that are investigated and accepted by the special investigation unit. The second chart represents the completed investigation illustrated in blue against those investigations which are then referred to DIF, which is the fraud division.

Joseph Theobald continued, now although newly reported non weather water claims diminished slightly since February 2016, the number of non weather water claims investigations conducted by SIU has remained steady. The number of referrals to the Division of Insurance Fraud have steadily increased. In the six months and in September 2016, the number of complete investigations referred to the DIF have doubled over the previous six months. A significant increase in the number of DIF referrals is likely attributed to our analytic focus which is the greater speed of detection as well as our strategic alignment with our claims organization.

Joseph Theobald continued, now, when we get into our 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, and that is through the third quarter of 2016, which is required by State mandate. But since mid-year SIU's actionable referrals to DIF have resulted in eight individuals arrested in connection to non weather water losses to Citizens. This includes seven insureds as well as a public adjuster also have been charged with various insurance crimes.

Joseph Theobald continued, to give you an example of those types of case that we saw, the first is a Miami couple that was arrested and charged with insurance fraud in connection to their claim to Citizens for damages resulting from a collapsed drain line. The SIU investigation found that they attempted to submit the identical claim to another insured. We had a Miami man who 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 he attempted to pass off over \$5,000 in preexisting damage from a long term water leak as new damage in his claim to Citizens. And a Miami public adjuster was arrested and charged with insurance fraud when he created false documentation in support of the insured's non weather water loss claim. For more details of our results please refer to the SIU cases of interest addendum included in this packet. Are there any questions?

Chairman Aubuchon stated, members, any questions? Joseph, I have just one. Do we track the percentage of referrals that we send to the Division of Insurance Fraud against how many arrests or fines are actually made against those referrals?

Joseph Theobald stated, yes. Yes, we do. We track the number of actionable referrals we make and the results that we get from them, which may include sentencing or restitution. When it comes to fines and restitution that is turned over to the subrogation department.

Chairman Aubuchon stated, and would you happen to know offhand the number of referrals that we make to the Division of Insurance Fraud that are dismissed without action taken?

Joseph Theobald stated, I don't know the exact number, but I know that approximately 55 percent of the referrals we make to the fraud division are closed because they do not meet a threshold or they may have a lack of resources.

6. Litigated Claims Update

Elaina Paskalakis stated, first before I go into the metrics, I would just like to say what we are starting to see now when we examined our litigated claims is the increased influence of the AOB matters in the overall kind of litigation picture. For these metrics for this report we are reporting from January 1 of this year through October 31. During that time frame Citizens was served with a bit over 8,000 lawsuits, almost 8,100 in total. That is an average of 809 lawsuits per month which reflect a 30 percent increase over our average for 2015. So we are seeing a significant increase in overall incoming new suits month over month.

Elaina Paskalakis continued, in terms of our current pending lawsuits as of October 31, we had 9,300 lawsuits that we were working and overseeing. This reflects a 28 percent increase in the number of pending suits as compared to this time last year when we had a bit over 7,000. In terms of the venues where these lawsuits are filed we are consistent with the tri-county area accounting for approximately 96 percent of all lawsuits and I provided the breakdown with Miami-Dade having approximately 66 percent, Broward County with 25 percent and Palm Beach with five percent. Thirty-nine percent of the new incoming lawsuits arise out of a disagreement over scope and pricing. And when we look at the AOB lawsuits 22 percent arise of the overall arise out of a dispute over the amount paid. So essentially 61 percent of all of our incoming lawsuits are due to a dispute over the amount of the loss.

Elaina Paskalakis continued, in terms of representation at the first notice of loss, we have 85 percent of all the incoming lawsuits where the insured was represented by either a public adjuster, an attorney or both at the time that the loss was first reported to Citizens. The overwhelming majority of the lawsuits also are filed without Citizens ever being aware of any dispute of the adjustment by the insured prior to the lawsuit being filed, and we see that the majority of our lawsuits or almost the majority of our lawsuits are filed within six months of the first notice of loss.

Elaina Paskalakis continued, when we look at the overall distribution of the new incoming lawsuits water remains the leading cause of loss and it is currently at 55 percent. That is actually down 22 percent as compared to 2015, and this is not due, I think it is important to note, it is not due to the fact that we are receiving a less number of water lawsuits. What is happening is we are seeing a redistribution as the influx of AOB matters continue to rise. So now our influx is at 34 percent for incoming lawsuits which is a 13 percent increase over 2015. We also see the same effect in the number of pending lawsuits. Currently 48 percent of our pending volume are water claims. That again shows a decrease of 17 percent as compared to 2015, but it is due to the AOB increase which is now at 24 percent of all of the lawsuits.

Elaina Paskalakis continued, so in summary, we continue to see similar patterns as we have in the past with the frequency of water lawsuits from the tri-county area which has remained our leading cause of loss since early 2014. We continue to experience the rise and the frequency of the number of AOB lawsuits, which if you recall from the last presentation had a dramatic spike from December of 2015, into the first quarter of this year and continues to rise in frequency. Most of our lawsuits are being filed within six months of the first notice of loss and we are seeing 85 percent of those lawsuits reflect that there is representation at the time that the loss is first

reported. In response to these trends we continue to analyze and develop and fine tune our strategies and we work very closely across the claims organization, not only the non litigated claims, but also with SIU to handle these trends and respond to them appropriately. With that, that includes my report, Chairman Aubuchon. I would be happy to take any questions.

Chairman Aubuchon stated, thank you, Elaina. Members, are there any questions? Okay, hearing none, I thank you for your report.

7. New Business

[Meeting adjourned]

DRAFT