

Executive Summary

Committee Meeting, June 15, 2017
Board of Governors Meeting, June 20, 2017

Litigated Claims Update

Overview of Incoming Lawsuits and Pending Volume

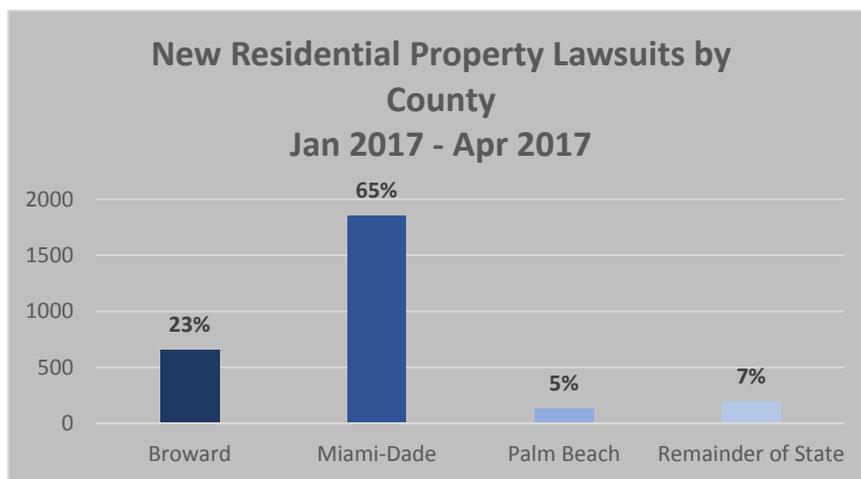
For period January 1, 2017 to April 30, 2017

From January 2017 through April 2017, Citizens was served with 2,953 lawsuits (2,829 Residential Property) – averaging 738 new lawsuits per month. This reflects an 11 percent decrease in the number of new incoming suits per month as compared to this same time period last year (the 2016 average for January through April is 826).

As of April 30, 2017, the current pending volume totaled 10,424 lawsuits (9,597 Residential Property). This reflects a 41 percent increase in pending as compared to this same time last year (7,400 pending matters).

93 percent of the incoming residential property lawsuits arise out of the Tri-County area. This distribution has remained fairly consistent since March 2014:

- Miami-Dade 65%
- Broward 23%
- Palm Beach 5%



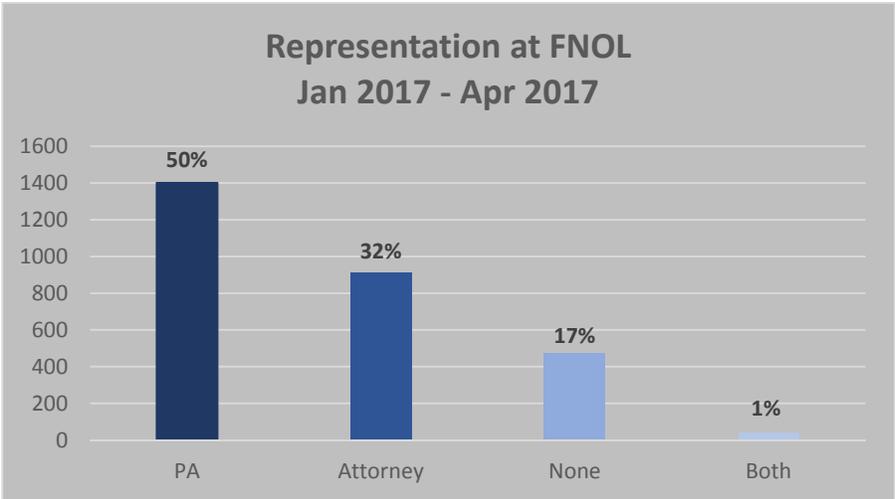
The leading dispute in 50 percent of new incoming residential property lawsuits is a disagreement over scope and pricing issues.

The insured was represented at First Notice of Loss (FNOL) in 83 percent of incoming residential property lawsuits, which has remained fairly consistent as compared to 2016:

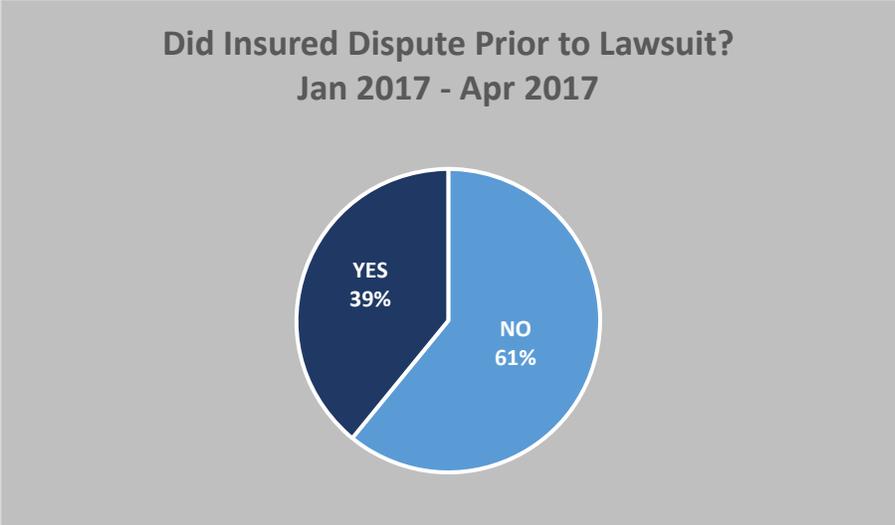
- Public Adjuster 50%
- Attorney 32%
- Both PA & Attorney 1%

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In 61 percent of the incoming residential property lawsuits the insured did not dispute Citizens' position or adjustment of the claim prior to filing suit.



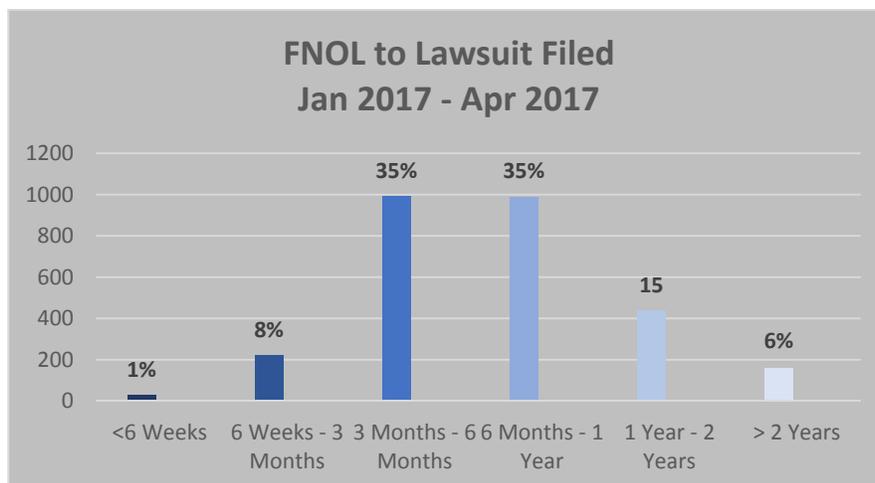
A review of the timing of incoming lawsuits reveals that 44 percent of lawsuits are brought within 6 months of the FNOL

- Within 6 weeks of FNOL 1%
- Within 3 months of FNOL 8%
- Within 6 months of FNOL 35%
- Within 1 year of FNOL 35%
- Within 2 years of FNOL 15%
- 2 or more years from FNOL 6%

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Water Loss and Assignment of Benefits (AOB)

The leading cause of loss for new incoming residential property lawsuits remains Water Loss which represents 47 percent of incoming lawsuits (55 percent in 2016). We continue to experience an increase in the frequency of AOB matters that now represent 40 percent of new incoming residential property lawsuits, as compared to 34 percent of incoming lawsuits in 2016, and 21 percent in 2015.

Water Loss matters also remain the leading cause of loss in pending volume, representing 50% of the pending for residential property lawsuits. The overall percentage of pending AOB lawsuits has increased 5% as compared to 2016 and now represents 29% of the pending residential property lawsuits.

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. While the overall frequency of new lawsuits has decreased by 11 percent as compared to this same time period in 2016, the frequency of new incoming AOB suits has been on the rise since December 2015.

Almost one half of new suits continue to be filed within six months of the First Notice of Loss, and the vast majority (83 percent) 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, in conjunction with both in-house and outside legal counsel, continues to craft and refine litigation strategies to address litigated matters in an appropriate and effective manner.