

CitizensAdvisor



Citizens analysis shows increased costs from assignment of benefit

TALLAHASSEE, FL – A detailed analysis conducted by Citizens Property Insurance Corporation for state insurance regulators concludes that water loss claims, exacerbated by assignment of benefits, are driving higher rates in South Florida and increasingly across the state.

Responding to a mandatory data call from the Florida Office of Insurance Regulation, the analysis further indicates that the frequency and severity of claims filed under an assignment of benefit is growing at a disturbing rate. Citizens' actuaries analyzed data for both litigated and non-litigated claims, with and without an assignment of benefits, or AOB, under which homeowners sign over control of their claim to water remediation companies, contractors and/or attorneys. The analysis can be found in the [Media Resources](#) section of Citizens' website.

The analysis found that cases in which customers assigned benefits to contractors or remediation companies were almost twice as expensive on average, and more likely to lead to litigation. The average litigated claim cost is more than double that of a non-litigated claim, showing that AOB and litigation work both separately and together to drive average claims costs more than four times higher than that of a simple non-assigned, non-litigated claim.

"Consumers are losing control of their claims by transferring their authority to contractors and attorneys under the current assignment of benefit system," said Chris Gardner, Chairman of Citizens Board of Governors. "This analysis shows clearly that AOB is raising water claims losses. Those higher costs are paid by all policyholders. We have a dual obligation of protecting our policyholders while keeping premiums as affordable as possible."

The analysis reaffirms earlier studies showing that water loss claims are the leading cause of higher insurance rates, especially in Palm Beach, Broward and Miami Dade counties. Water claims are being filed at double the rate of just two years ago in the Tri-County area and triple the rate of two years ago across the rest of the state.

Age of home, the study concluded, was not a significant cost driver.

Recent claims are increasingly represented by third parties under an assignment of benefits, which indicates a likely spike in costs going forward. By Florida law, predicted costs must be fully reflected in the rates established for Citizens by the Office of Insurance Regulation.

"The skyrocketing frequency of claims both inside and outside the Tri-County region, coupled with the demonstrated effect of both AOB and litigation as massive cost drivers, is an ominous sign," said John Rollins, Citizens Chief Risk Officer. "As a result, Citizens customers all over Florida can expect a round of rate hikes in 2017 unless we can work with the Legislature and the Office of Insurance Regulation to achieve reforms and changes that will lower predicted future non-weather claims costs", he said.

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January 25, 2016

Events

January 25 @ 12:30 p.m.
[House Insurance & Banking Subcommittee](#)

January 26 @ 9 a.m.
[Senate Banking and Insurance Committee](#)

March 16, 2016 @ 9 a.m.
[Board of Governors](#)

Spotlight



Bette Brown
Consumer Representative
Citizens Board of
Governors

Policies in Force

484,788
as of January 19, 2016

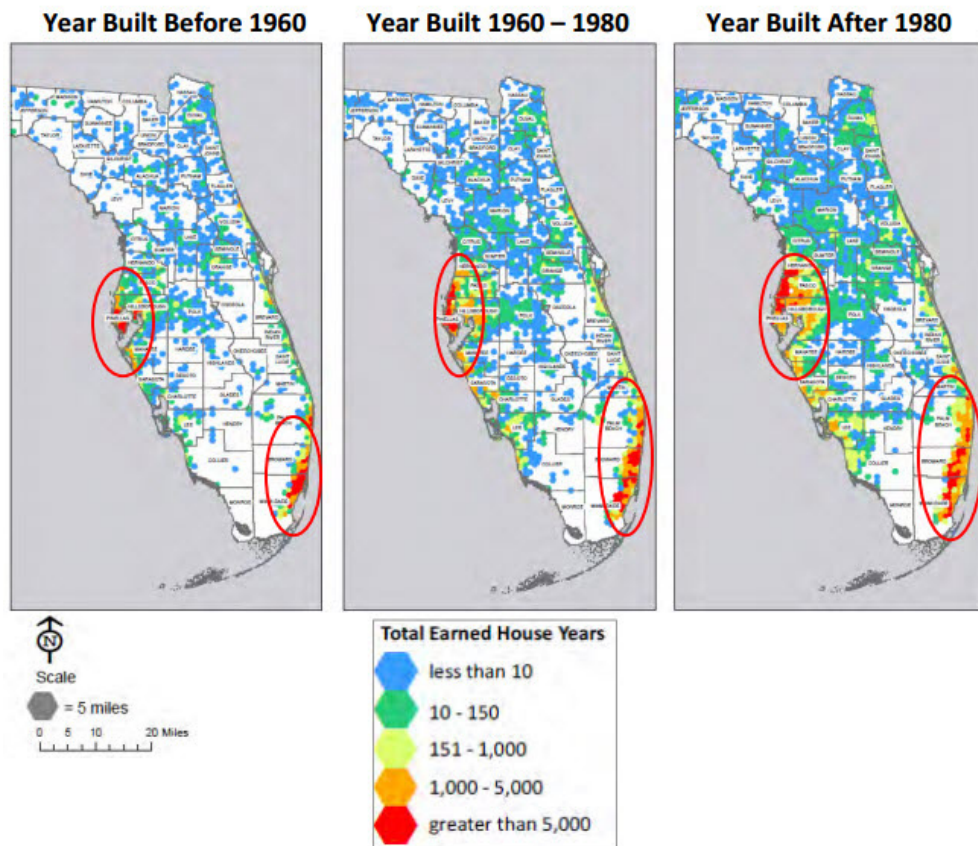
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Citizens has joined a coalition of consumer, business and agent groups to educate the public and other stakeholders about the need to make changes to state law regarding assignment of benefits. [The Consumer Protection Coalition](#) will work to educate consumers and lawmakers over the next several weeks as they address potential changes to the AOB process.

Did You Know?

The map below provides a view of the distribution of Citizens' customers by year built. One earned house year is equivalent to one home insured for one full year and represents a measure of the exposure.

Homeowners Earned House Years by Year Built
Calendar Year Data 10/1/2009 – 9/30/14



Citizens policy homeowners/condo unit limits lowered to \$800,000

TALLAHASSEE, FL – Citizens on January 1, 2016 lowered policy limits on homeowners and condominium unit policies to \$800,000 in compliance with legislation (SB 1770) passed in 2013 aimed at reducing Citizens' exposure by transferring more expensive homes back to the private market.

The law requires Citizens to reduce policy limits on homeowners and condominium owners unless "a reasonable degree of competition" is not available to consumers within a particular county.

The Office of Insurance Regulation has determined such competition does not exist in Miami-Dade and Monroe Counties. As a result, Citizens will continue to make coverage available to these policyholders in Miami-Dade and Monroe Counties for up to \$1 million.

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[The Florida Channel](#)

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Citizens policy count passes milestone, Drops below 500,000

TALLAHASSEE, FL – Benefiting from a reinvigorated private insurance market, affordable reinsurance and favorable weather, Citizens Property Insurance Corporation has reduced its policy count to under 500,000, marking another milestone as the company returns to its role as the state's insurer of last resort.

Citizens policy count on January 19, 2016 was 484,788, the lowest level recorded since Citizens was created in 2002. Total exposure has shrunk to \$143.53 billion.

"This marks an important milestone and the culmination of efforts from all Citizens' stakeholders," said Chris Gardner, chairman of the Citizens Board of Governors. "Much of the credit needs to go to the private property insurance market, which under the watchful eye of the Office of Insurance Regulation has grown strong over the past several years. State leaders also need to take a bow."

Following 10-years with no major hurricane, Florida's private property insurance market has returned to health, aided by the availability of affordable reinsurance. In October, all 67 Florida domestic property insurers passed a stress test administered by the Office of Insurance Regulation that simulated various hurricane scenarios including a repeat of the 2004 hurricane season.

As the state's insurer of last resort, Citizens' policy count over the years has fluctuated in response to changing market conditions. Following periods of increased hurricane activity or other market disruptions, Citizens policy count rises. The last peak occurred in 2012 as Citizens approached 1.5 million policies and more than \$500 billion in exposure.

By law, Citizens is required to levy assessments on Florida policyholders if it exhausts its ability to pay claims. In 2011, Florida policyholders faced a potential assessment of \$11.6 billion in the event of a 1-100 year storm. Citizens eliminated the risk of such an assessment in 2015.

"These results were accomplished by dedicated Citizens staff who worked closely with 23 companies on the depopulation program and 14 companies on the Clearinghouse program over the past few years," said Barry Gilway, Citizens President, CEO and Executive Director. "These results exceed all expectations and I thank our Board of Governors for their strong support."

News Links

[Property insurer releases analysis on assignment of benefits](#)
Politico Florida

[Florida's Citizens Policy Count Reaches Lowest Level on Record](#)
Insurance Journal

[Florida's search for new insurance chief a priority for Rick Scott, Cabinet](#)
News Service of Florida

[Insurance reform group seeks national commissioner search](#)
Sun Sentinel

[Scott ally Grady lacks minimum experience for top insurance job](#)
Tampa Bay Times Buzz Blog

[Citizens Chairman: Water loss claims changing the math for Citizens](#)
Sun Sentinel