

# CitizensAdvisor



## Rate hearing set for this week in Tallahassee

TALLAHASSEE, FL – The Office of Insurance Regulation this week will hold a public hearing to discuss Citizens Property Insurance Corporation’s proposed 2017 rates that respond to rising non-weather water losses and assignment of benefit abuse that left unchecked will force rate hikes for years to come.

Citizens’ Board of Governors in June approved a statewide increase of 6.8 percent for personal lines policyholders, reversing a recent trend of lower rates for all but South Florida customers.

Under the proposed rates, inland homeowners with multiperil policies would see an average increase of 6.3 percent, while homeowners along the coast would see rates climb by an average of 8.6 percent. Rates for condominium unit owners would rise by a statewide average of 7.1 percent. Despite statewide increases, thousands of Citizens customers will see rate reductions.

Without significant reform, Citizens has warned its policyholders to brace themselves for continued rate hikes as water losses and increased costs surrounding assignment of benefits eat into surplus and force Citizens to repeatedly raise rates to fulfill its statutory obligations under the glide path.

“Our actuaries rely upon recognized standards to formulate the recommendations presented to the Office of Insurance Regulation,” said Chris Gardner, Chairman of Citizens Board of Governors. “Unfortunately, our data indicates that most of our policyholders are being required to pay higher rates because of inflated claims, increased litigation and abuse.”

Citizens’ analyses show water losses have increased in both severity and frequency. Claims filed with Citizens under an assignment of benefits are more expensive and far more likely to lead to litigation, which only adds to the cost of the claim. Under current conditions, rates in Miami-Dade County would need to nearly triple to adequately pay claims. Statewide, personal lines rates would have to rise an average of 65 percent.

The 2017 proposed rates would have been higher had the Florida Office of Insurance Regulation not recently approved a set of Citizens policy contract changes regarding emergency services and notification requirements before permanent repairs can begin. Following Citizens’ lead, many private insurance companies have filed similar requests.

Citizens is required by law to recommend rates that are actuarially sound, while complying with a legislative glide path that caps rate increases at 10 percent, excluding coverage changes and surcharges. The rates will take effect after January 1, 2017.

Additional information and answers to common questions about Citizens’ rates and premiums are included in Citizens [2017 Rates](#) Frequently Asked Questions. The kit also includes additional information about Citizens’ costs and [projected rate need](#) for 2017.

**August 15, 2016**

### Events

**August 18 @ 9 a.m.**

Office of Insurance Regulation  
[Citizens 2017 Rate Hearing](#)

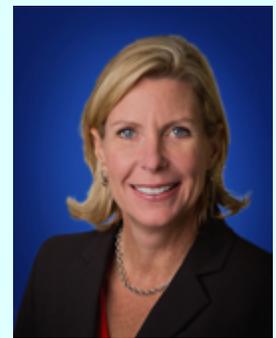
**Coming in September**

Legislative Webinar - Approved Rate Discussion by Geographical Region  
Contact: [Candace Bunker](#)

**September 28 @ 9 a.m.**

[Board of Governors](#)

### Spotlight



**Jennifer Montero**  
Chief Financial Officer

### Policies in Force

**490,703**  
as of August 5, 2016

# New focus on Agency/Underwriting Fraud netting big results

JACKSONVILLE, FL – Citizens' Special Investigations Unit (SIU) has created new mechanisms for agents and underwriters to report possible fraud and abuse that already have netted big results during the first two quarters of 2016: 10 referrals of suspected fraud to state investigators and more than \$10 million in improper coverage.

More than a year ago, SIU, part of the Claims Division, increased staff and assigned six additional employees to agency and underwriting fraud. This year, SIU trained agents and underwriters on referrals and added a fraud referral button to the home page of Citizens' Underwriting Launch Pad application.

The results of focusing agents and employees on spotting fraud and abuse in the application stage have been successful.

"We've made a concerted effort to focus on agency and underwriting fraud – and it's really paying off," SIU Manager Stephen Chaney said. "In the first quarter alone, we, along with our business partners in Underwriting, identified more than \$7 million of insurance that was improper, and our Underwriting Department took action or is set to take action against those risks to our business."

Chaney's staff, which includes three investigators in South Florida and two in Jacksonville, not only investigates cases of possible fraud, but it also works with agents and underwriters to develop fraud "red flag" indicators, trains agents and underwriters to spot these indicators, and regularly works with underwriters in person to help identify possible fraud.

In addition to identifying more than \$10 million in improper coverage as of June 20, the SIU agency and underwriting teams referred 10 cases of possible fraud to Florida's Division of Insurance Fraud for criminal prosecution. The referrals have resulted in four arrests, including one of an agent who misappropriated a customer's insurance premium and also was terminated as an agent. Another case concerned policyholders who received an extra \$160,000 in liability coverage for a home they failed to disclose was being used as an assisted living facility business.

"Fraud is a multibillion-dollar business, and it occurs in many forms – not only in claims," said Joseph Theobald, Citizens' Director of Special Investigations. "Our agency and underwriting group has done an excellent job rooting it out in agency and underwriting areas. Their efforts not only result in cutting costs that negatively affect policyholders' premiums, but we hope they also discourage those who would consider such fraud or abuse in the future. When it comes to fraud, Citizens will identify it, report it, and help stop it."

## Legislative Office Hours



Citizens Board of Governor's consumer representative Bette Brown (far left) accompanies Citizens' staff recently for meetings with local consumers at the office of Rep. Holly Raschein (far right) in Key Largo.

### Quick Links

[Newsroom](#)

[Legislative Resources](#)

[Outreach Form](#)

[Online Sunshine](#)

[The Florida Channel](#)

[Board of Governors Materials](#)



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## Maximum Coverage Limit decreased

TALLAHASSEE, FL – Fulfilling the requirements from legislation passed in 2013, Citizens will lower its maximum dwelling replacement cost (Coverage A) coverage limit to \$700,000 beginning January 1, 2017.

Effective for new business and renewals, the following personal residential risks no longer are eligible for coverage under Florida law:

- A structure that has a dwelling replacement cost (Coverage A) of \$700,000 or more
- A single condominium unit with a combined dwelling and contents replacement cost Coverage A and C) of \$700,000 or more
- A tenant contents policy with a Coverage C limit of \$700,000 or more

Note: The maximum coverage limit changes reflected above will not affect policy forms where lower maximum coverage limits already exist.

Because the Florida Office of Insurance Regulation (OIR) determined there is not a reasonable degree of competition in Miami-Dade and Monroe counties, these two counties are exempt from the decreased coverage limit of \$700,000. The maximum coverage limit of less than \$1 million will continue to apply to risks in these two counties.

Citizens will comply with the nonrenewal guidelines and mail affected policyholders nonrenewal notices in advance of nonrenewal dates of January 1, 2017, or later. The nonrenewal will be effective at the end of each policy's current term.

Agency principals soon will receive a separate email containing a list of affected policyholders, in order to assist them with securing coverage elsewhere. Citizens' website, systems and manuals will be updated to reflect this change.



## News Links

[Mark Howard: Whose Benefit?](#)  
*Florida Trend*

[Citizens hires company to review water damage repair estimates, negotiate lower invoices](#)  
*Palm Beach Post*

[The Insurance Industry Has Been Turned UPSide Down by Catastrophe Bonds](#)  
*The Wall Street Journal*

[Miami Agent Gets 2-Year Prison Sentence for Issuing Fake Insurance Policies](#)  
*Insurance Journal*

[Battling Back Against the Use of AOBs in Water-Related Claims](#)  
*Claims Management*

[As insurance fraudsters get smarter, so do investigators and their methods](#)  
*Property Casualty 360*