

Executive Summary

Committee Meeting, December 7, 2017
Board of Governors Meeting, December 13, 2017

Litigated Claims Update: January 1 – October 31, 2017

History

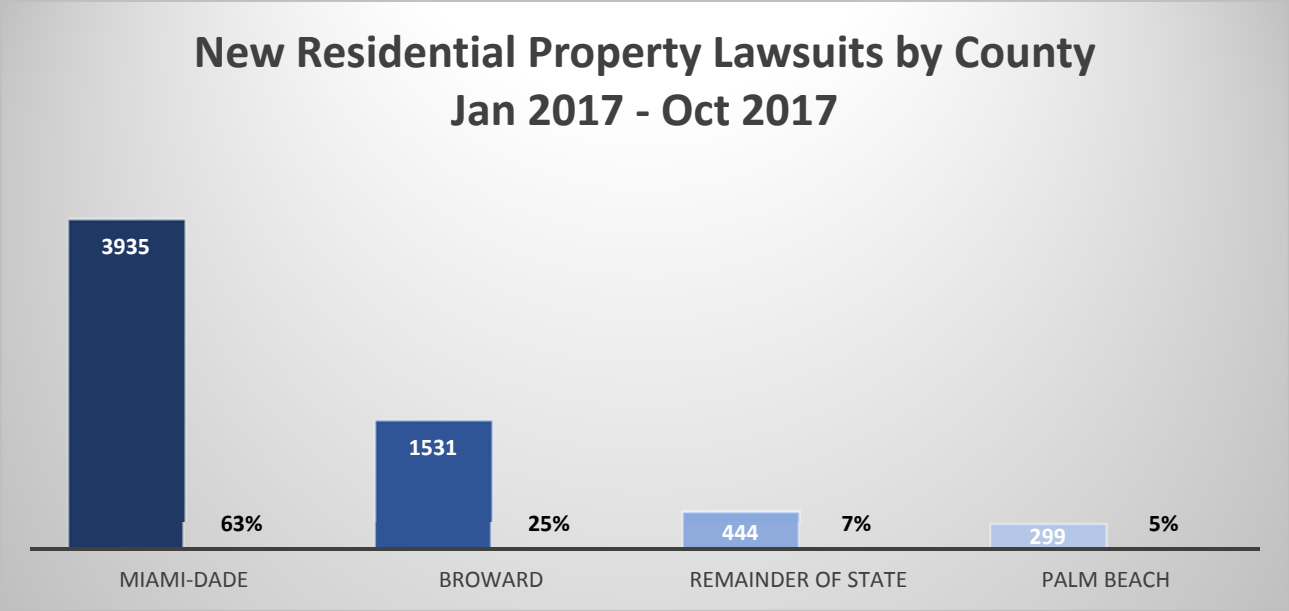
Overview of Incoming Lawsuits and Pending Volume

From January 2017 through October 2017, Citizens was served with 6,516 lawsuits (6,202 Residential Property) – averaging 652 new lawsuits per month. This reflects an 12 percent decrease in the number of new incoming suits per month as compared to this same time period last year (2016 average for January through October – 846).

As of October 31, 2017, current pending volume totaled 10,570 lawsuits (9,842 Residential Property). This reflects a 7 percent increase in pending as compared to this same time last year (9,168 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 63%
- Broward 25%
- Palm Beach 5%

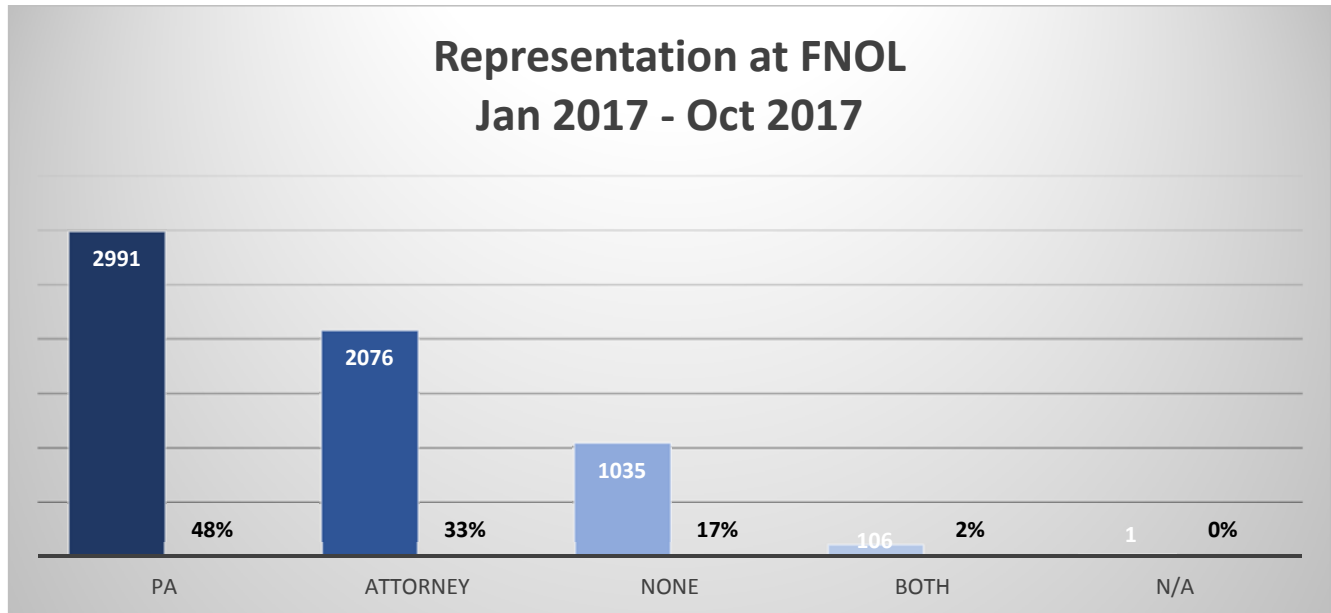


The insured was represented at First Notice of Loss in 83 percent of incoming residential property lawsuits, which has remained fairly consistent as compared to 2016:

- Public Adjuster 48%
- Attorney 33%
- Both PA & Attorney 2%

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In 60 percent of the incoming residential property lawsuits the insured did not dispute Citizens' position or adjustment of the claim prior to filing suit.

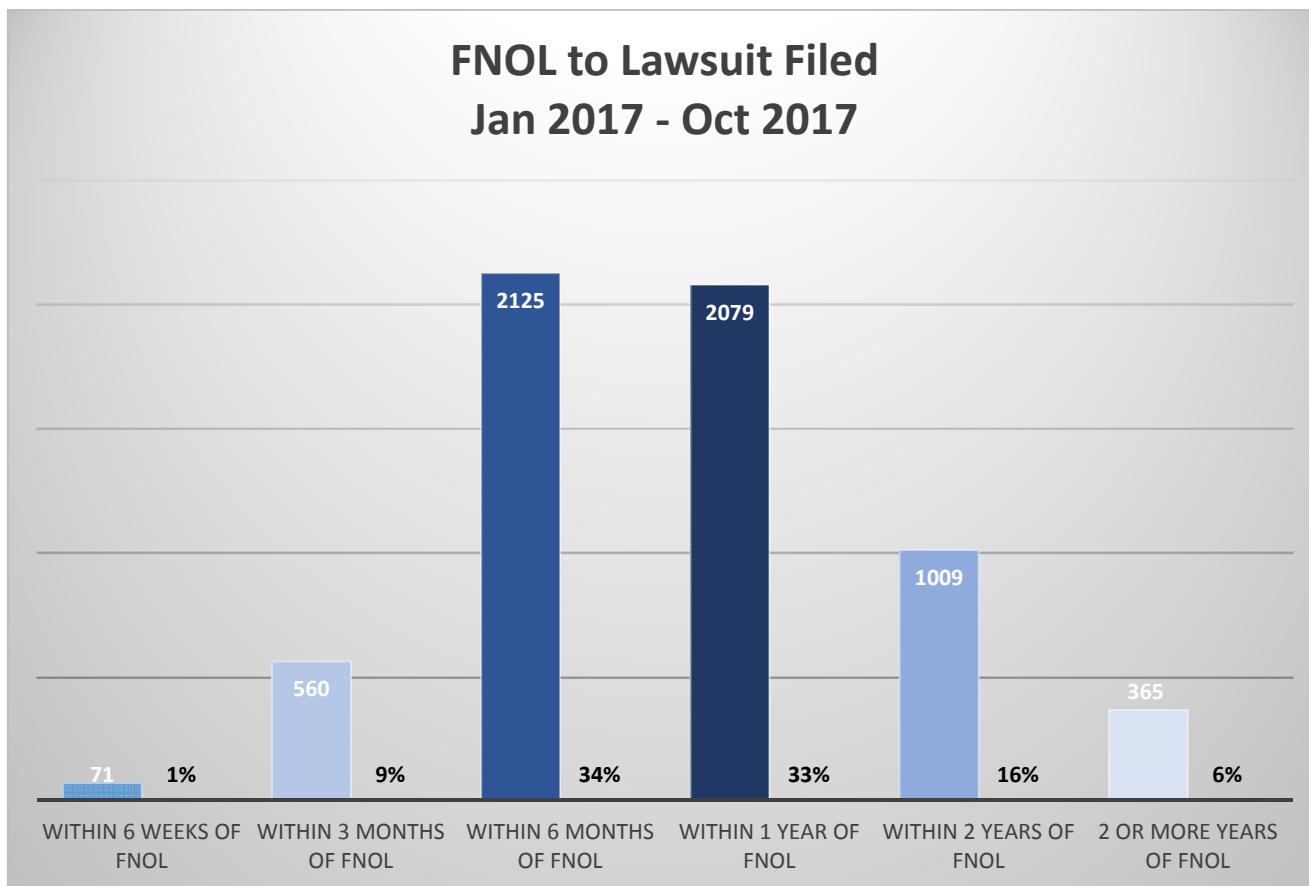
A review of the timing of incoming lawsuits reveals that 44 percent of lawsuits are brought within 6 months of the First Notice of Loss (FNOL)

- Within 6 weeks of FNOL 1%
- Within 3 months of FNOL 9%
- Within 6 months of FNOL 34%
- Within 1 year of FNOL 34%
- Within 2 years of FNOL 16%
- 2 or more years from FNOL 6%

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Water Loss and AOB

The leading cause of loss for new incoming residential property lawsuits remains Water Loss which represents 48 percent of incoming lawsuits (55 percent in 2016). We continue to experience an increase in the frequency of AOB matters that now represent 39 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 69 percent of the pending for residential property lawsuits. The overall percentage of pending AOB lawsuits has increased 6 percent as compared to 2016 and now represents 31 percent of the pending residential property lawsuits.

CAT Litigation – Hurricane Irma

The first Hurricane Irma lawsuit was received on October 20, 2017, 41 days after the date of loss. As of November 15, 2017, we have received 23 Hurricane Irma lawsuits.

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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 12 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.

The receipt of Hurricane Irma lawsuits began 41 days after the date of loss. We anticipate that CAT-related litigation will continue to increase at a steady rate through the end of the year, with a significant spike in new suits beginning in the first quarter of 2018.