

Executive Summary

Committee Meeting, March 28, 2018
Board of Governors Meeting, April 11, 2018

Litigated Claims Update

Hurricane Irma Litigation (through February 28, 2018)

Citizens was served with the first Hurricane Irma lawsuit 41 days after the date of loss. As of February 28, 2018, Citizens has been served with 1,302 Hurricane Irma suits. The breakdown of the Hurricane Irma lawsuits is as follows:

| | | |
|-----------------------------------|-------|--------------------------|
| Total lawsuits served on Citizens | 1,302 | |
| Total Residential lawsuits - | 1,266 | 97% of All Irma Lawsuits |
| Total Commercial lawsuits - | 36 | 3% |
| | | |
| Total AOB Lawsuits - | 195 | 15% |
| Total Residential AOB - | 190 | 14.5% |
| Total Commercial AOB - | 5 | <1% |
| | | |
| Surge Involved – | 17 | 1% |
| Total Residential - | 10 | <1% |
| Total Commercial - | 7 | <1% |

Reported Date of Loss Range (09/07/2017 – 09/16/2017)

Lawsuit Filed

| | | |
|-----------------|-----|------|
| October 2017 - | 3 | <1% |
| November 2017 - | 63 | 4.8% |
| December 2017 - | 174 | 13% |
| January 2018 - | 415 | 32% |
| February 2018 - | 647 | 50% |

Residential Hurricane Irma Lawsuits (1266 Lawsuits):

Pre-Suit Claim Determination

| | | |
|-------------------------|-----|-------------------------------|
| Claim Paid - | 744 | 59% of Residential Irma Suits |
| Loss Below Deductible - | 289 | 23% |
| Claim Denied - | 185 | 15% |
| No Determination - | 12 | <1% |
| Claim Withdrawn - | 3 | <1% |
| Duplicate Claim - | 2 | <1% |
| No Policy in Force - | 1 | <1% |

Surge Involved - 10 <1%

County / Venue

| | | |
|--------------|-----|-----|
| Miami-Dade - | 780 | 62% |
| Broward - | 305 | 24% |

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| | | |
|---|--------|-----|
| Palm Beach - | 77 | 6% |
| Monroe - | 55 | 4% |
| Lee - | 12 | <1% |
| Collier - | 9 | <1% |
| Brevard - | 6 | <1% |
| Pinellas - | 4 | <1% |
| St Lucie - | 4 | <1% |
| Hillsborough - | 3 | <1% |
| Lake - | 2 | <1% |
| Indian River - | 2 | <1% |
| Seminole/Volusia/ Manatee/ Pasco/Osceola/Sarasota/ Highlands - | 1 each | <1% |

Commercial Hurricane Irma Lawsuits (36 Lawsuits):

| | | |
|------------------------------|----|------------------------------|
| Pre-Suit Claim Determination | | |
| Claim Paid - | 6 | 17% of Commercial Irma Suits |
| Loss Below Deductible - | 17 | 47% |
| Claim Denied - | 12 | 33% |
| Suit First Notice - | 1 | 3% |
| Surge Involved - | 7 | 19% |
| County / Venue | | |
| Miami-Dade - | 14 | 39% |
| Monroe | 10 | 2.7% |
| Broward - | 8 | 2.2% |
| Palm Beach - | 2 | <1% |
| St Lucie - | 1 | <1% |
| Manatee - | 1 | <1% |

History

2017 Year End Overview

As of December 31, 2017, Citizens was served with 7,580 new incoming lawsuits – averaging 632 new lawsuits per month for 2017. This reflects a 24% decrease in the number of new incoming lawsuits as compared to 2016 (Total new lawsuits – 9,911; average 826 new lawsuits per month).

2018 Overview of Incoming Lawsuits and Pending Volume (January 1, 2018 – February 28, 2018):

From January through February 2018, Citizens was served with 1,832 lawsuits (1,771 Residential Property) – averaging 916 new lawsuits per month. This reflects an 28% increase in the number of new incoming suits per month as compared to this same time last year (2017 average for January through February – 714). Hurricane Irma suits represent nearly 58% of all new incoming lawsuits for 2017 (Total new Irma suits – 1,062; averaging 531 per month).

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As of February 28, 2018, current pending volume totaled 11,194 lawsuits (10,806 Residential Property). This reflects a 12.5% increase in pending as compared to this same time last year (2017 – 9,952 pending matters).

90% of the incoming residential property lawsuits arise out of the Tri-County area:

- Miami-Dade 60%
- Broward 25%
- Palm Beach 5%

The insured was represented at First Notice of Loss in 63.5% of incoming residential property lawsuits. This reflects a 20.5% decrease in the number of insureds with representation at the First Notice of Loss which is directly related to the influx of Hurricane Irma claims:

- Public Adjuster 35%
- Attorney 27%
- Both PA & Attorney 1.5%

In 51% 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 over 70% of lawsuits are brought within 6 months of the First Notice of Loss (FNOL). This reflects an increase of 26% in the number of lawsuits filed within 6 months of FNOL and is directly related to the influx of Hurricane Irma lawsuits:

- Within 6 weeks of FNOL 1%
- Within 3 months of FNOL 3.25%
- Within 6 months of FNOL 66% (previously 34%)
- Within 1 year of FNOL 19% (previously 34%)
- Within 2 years of FNOL 6.3% (previously 16%)
- 2 or more years from FNOL 4.4%

Impact of Hurricane Irma Litigation:

Hurricane Irma lawsuits now represent the leading cause of loss for all new incoming lawsuits (58% overall; 50% brought by insured & 8% by AOB), and currently represent approximately 12% of all pending lawsuits.

Water Loss matters remain the leading cause of loss in pending volume, representing 42% of the pending for residential property lawsuits. The overall percentage of pending AOB lawsuits accounts for 29% of the pending residential property lawsuits (0.5% increase overall; 27% Non-Irma AOB; 2% Irma AOB).

Conclusion

The majority of new incoming lawsuits has shifted to Hurricane Irma litigation with the overwhelming majority (over 90%) arising out of the Tri-County area. The influx of Hurricane Irma litigation also reflects that lawsuits are being filed faster with over 70% of new incoming suits brought within 6 months of the First Notice of Loss, a 26% increase as compared to pre-Irma litigation. This is trending up despite the

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fact that insureds who filed suit and had representation at First Notice of Loss has decreased by almost 20% (currently 64.5%; previously 84%) as many insureds reported their own losses.

For Residential Hurricane Irma lawsuits the leading dispute is Scope & Pricing for claims in which payment was made for damages (59%). For Commercial Hurricane Irma lawsuits the leading dispute is also Scope & Pricing, however this is related to claims where the damages are below the deductible (47%).

Correction of Prior Update – December 2017

The prior Litigation Update in December 2017 erroneously reported a 12% decrease in the average number of new incoming lawsuits for the time period of January through October 2017 as compared to the same time period for 2016. The correct percentage is a 24% decrease in the average new incoming lawsuits per month. The raw numbers reported in the December update were correct. A mathematical error led to the incorrect percentage decrease reported.