

The Non-Weather Claims Explosion: A Pocketbook Problem for Citizens Customers

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Florida Chamber Insurance Summit, Orlando, FL

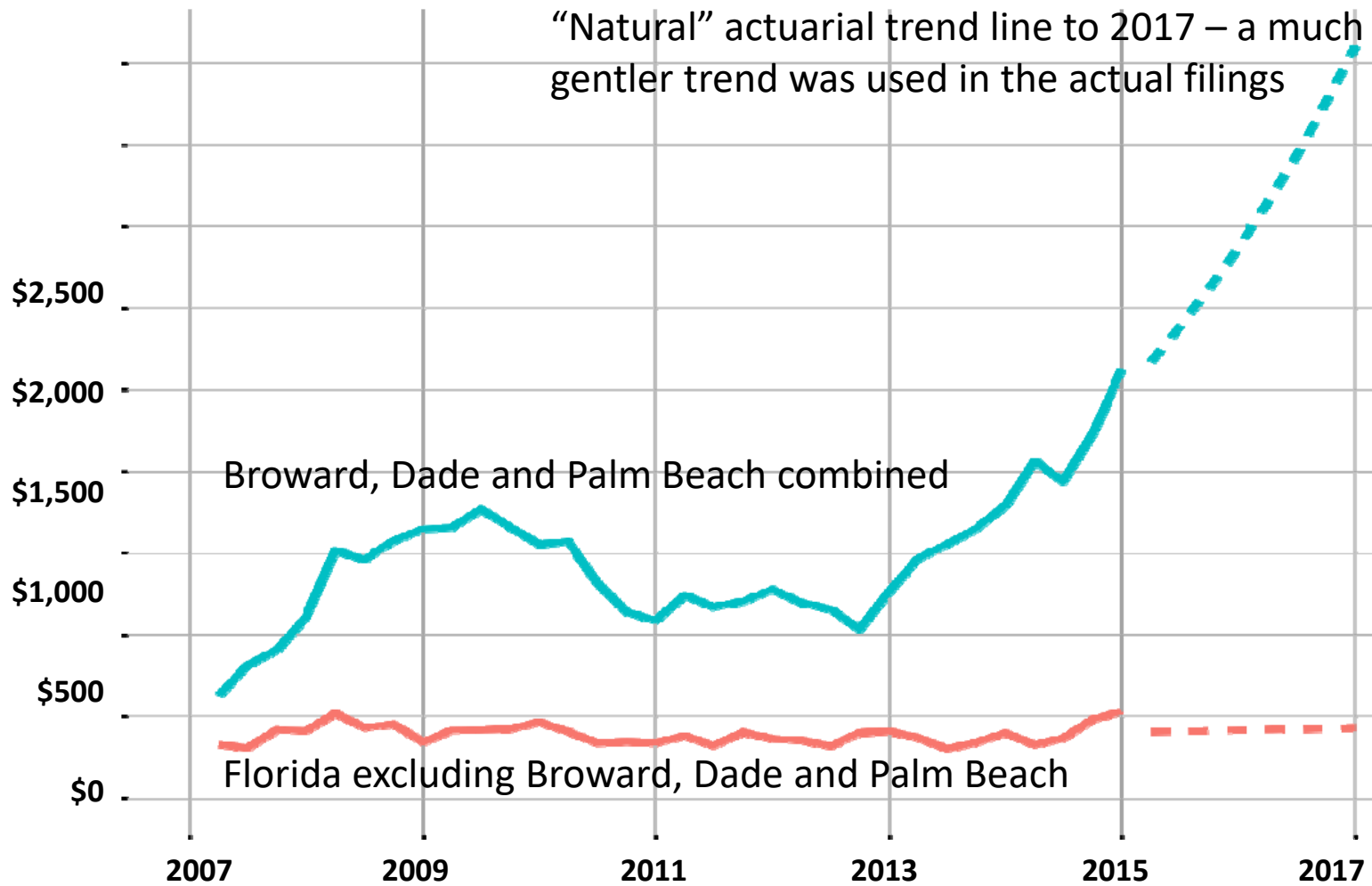
October 27, 2015



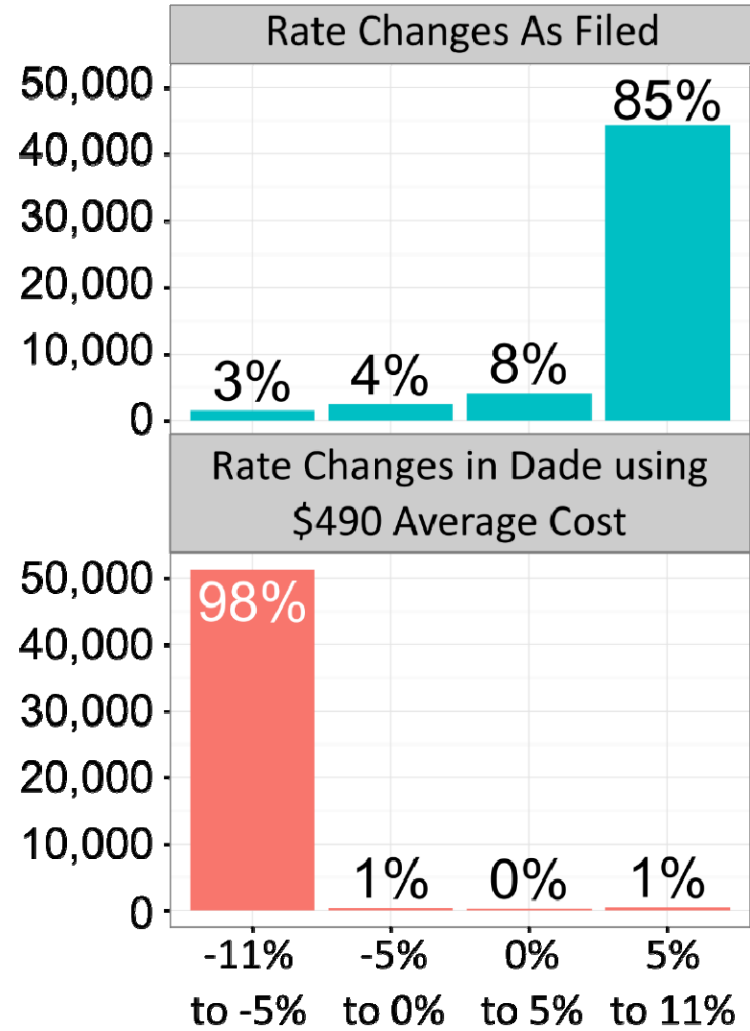
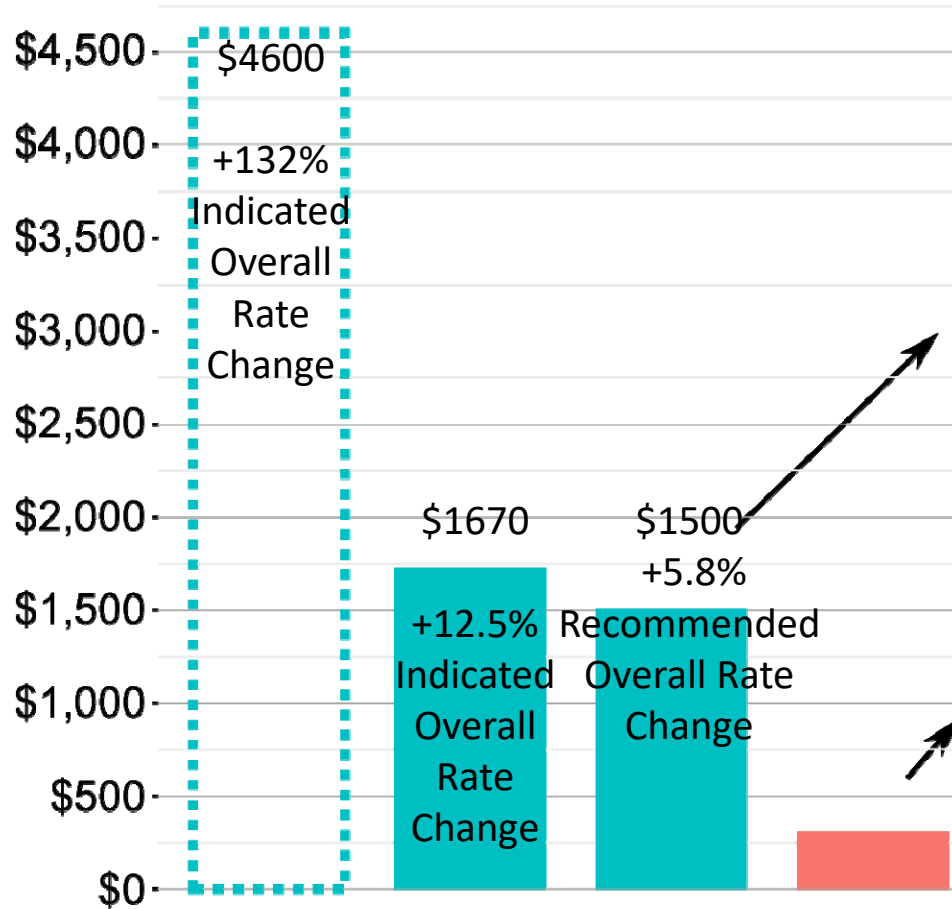
Historically Higher Claims Frequency and Severity in South Florida Has Accelerated...



...And Current Costs Feed Into Rate Filing Data...

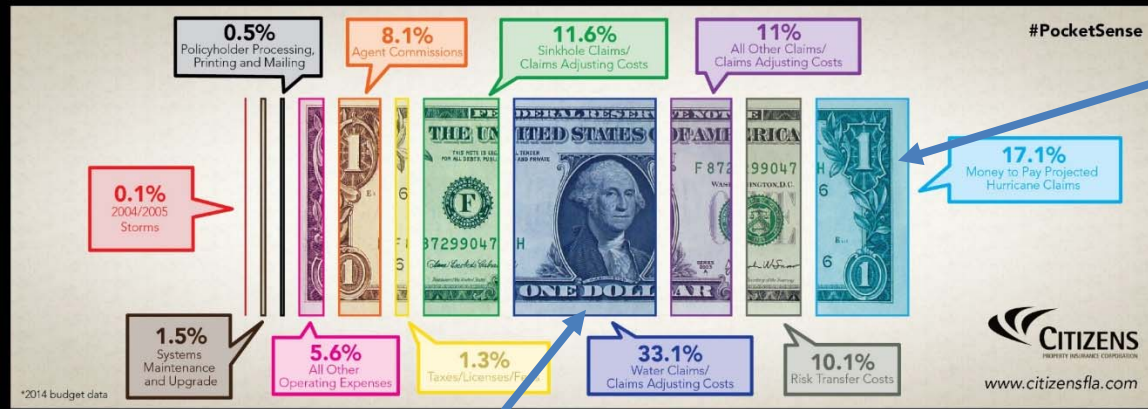


...Directly Driving Rate Swings of Up to 20% in 2016



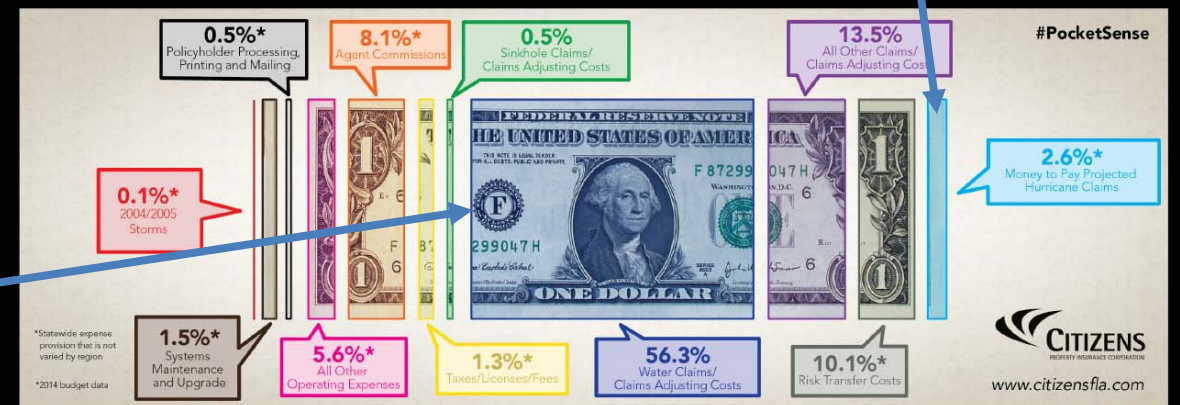
The Premium Dollar in Miami-Dade is Consumed by Water Claims, Leaving Less Contribution to Hurricane Reserves

Where does my **premium dollar** go?



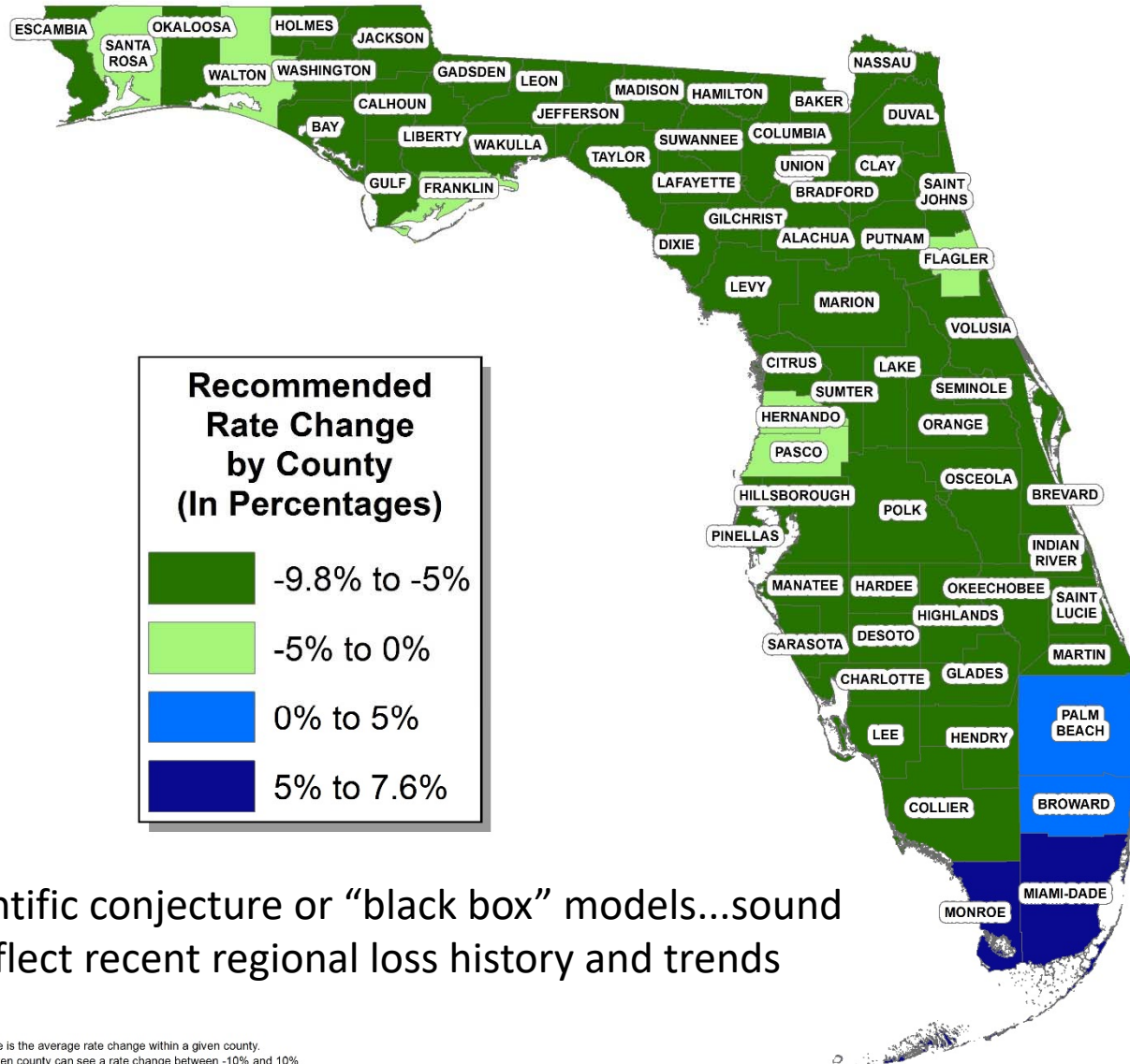
...Leaving much smaller buildup of hurricane reserves in the most wind-prone part of Florida!

Miami-Dade: Where does my **premium dollar** go?



Over 56% goes to water claims in Miami-Dade vs. 33% statewide...

And Consumers Pay the Price, in Both Smaller Reserves and Immediate Regional Rate Hikes for Water Peril



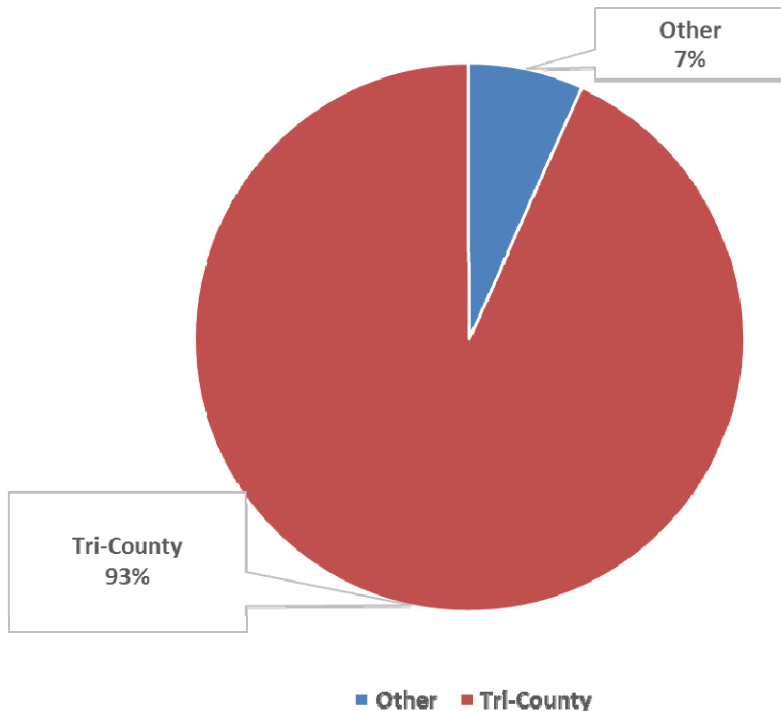
No scientific conjecture or “black box” models...sound rates reflect recent regional loss history and trends

Notes:

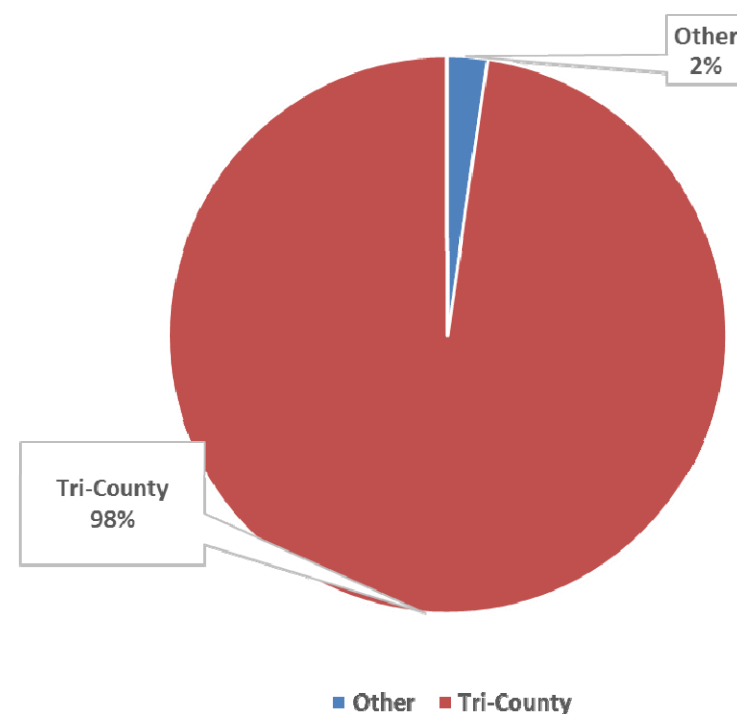
1. Percentage of rate change is the average rate change within a given county.
2. Policy holders within a given county can see a rate change between -10% and 10% excluding effects of the FHCF build-up pass through.

Claims Activity is Driven by Representation at First Notice...

2014 Claims with Representation



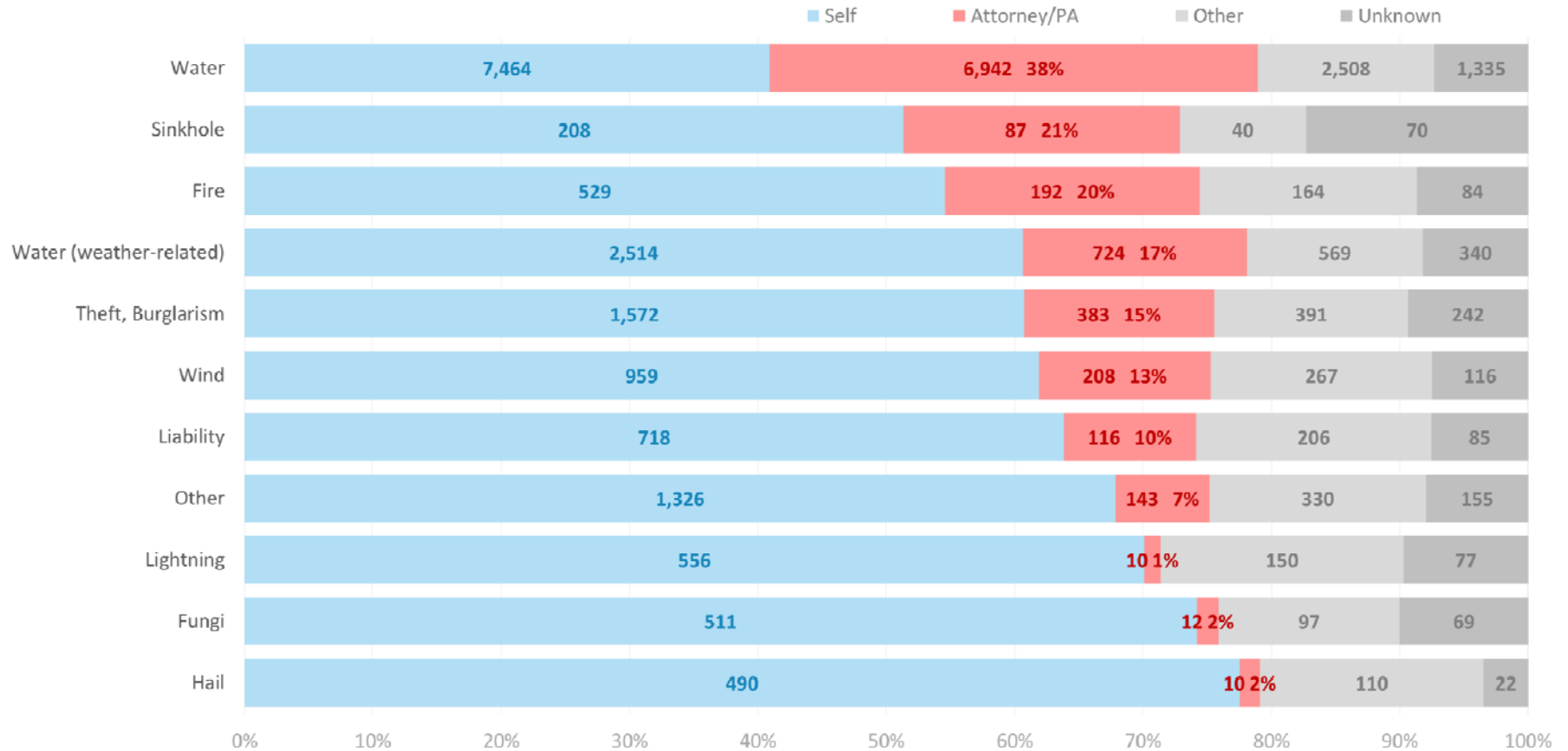
2014 Water Claims with Representation



Tri-County has about 50-60% of Citizens exposure (by policy count, premium, or value) but contributes over 90% of all claims represented by attorney or public adjuster at First Notice

...Which is More Prevalent for Water Claims

FNOL Reported By, by COL and Count and % Distribution



Claims data mining shows water peril is by far most likely to be represented at First Notice

Aggressive Tactics Are Used to Generate Claims Represented Before Insurers Have the Chance to Remediate...

PROPERTY DAMAGE?

Contact Us "BEFORE" You File An Insurance Claim.

The insurance company will send out their "own" adjuster and you'll need us to represent you to **MAXIMIZE YOUR CLAIM!**

HURRICANE FLOOD PLUMBING FIRE ROOF LEAK MOLD

- ✓ Commercial & Residential Claims
- ✓ Thousand of Satisfied Customers
- ✓ Millions \$ In Recovery Settlements
- ✓ Reopen Old Claims
- ✓ Experienced Adjusters
- ✓ Business Loss of Income
- ✓ Nationwide Representation

WINDSTORM INSURANCE NETWORK Public Adjusting Services

CALL FOR A FREE CONSULTATION

This is solicitation for business. If you have had a claim for an insured property loss or damage and you are satisfied with the payment by your insurer, you may disregard this advertisement.

YOUR INSURANCE COMPANY MAY OWE YOU MONEY!

We maximize and expedite your Insurance claim, whether it's a reopen claim or new insurance claim.

Reasons to Call

- Hurricanes
- Fires
- Tornados
- Broken Pipe
- Flood
- Air Conditioning Leaks
- Mold
- Water Damage
- Roof Leaks
- Loss by Collapse
- Kitchen Leaks
- Bathroom Leaks
- Vandalism
- Policy Review

FREE 11 POINT HOME INSPECTION

With this Moneysaver Coupon. May not be combined with other offers. Expires 3/14/14

772-678-3864
772-245-0538

THIS IS A SOLICITATION FOR BUSINESS. IF YOU HAVE HAD A CLAIM FOR AN INSURED PROPERTY LOSS OR DAMAGE AND YOU ARE SATISFIED WITH THE PAYMENT BY YOUR INSURER, YOU MAY DISREGARD THIS ADVERTISEMENT.

Examples of common advertisements in South Florida publications

...And Represented Claims Inflate Costs Dramatically

Report Year	% Water Claims Represented at FNOL	Average Without Representation			Average With Representation		
		Loss	ALAE	Total	Loss	ALAE	Total
2014	26.5%	10,061	1,873	11,934	22,797	5,014	27,811
2015*	42.8%	6,793	854	7,647	14,316	2,259	16,575

In recent reporting periods, claims represented at first notice cost more than twice as much as claims reported by the insured. Cost inflation occurs in both loss and defense.

* Undeveloped actuarial data. Averages will increase as later reported claims close.



What Can Citizens Do On Our Own?

- Build Out Managed Repair Services Structure
 - ✓ Solicitations underway for Contractors
 - ✓ Voluntary program
- Optimize the Product
 - ✓ Better language to encourage Appraisal rather than litigation
 - ✓ More clarity on coverage for hidden damage, trenching, matching
 - ✓ Potential premium or other incentive to select Managed Repair option
- Claims Center of Excellence for Water Peril
 - ✓ Dedicated in-house staff adjuster teams
 - ✓ Close collaboration between non-litigated and litigated claims teams
- Educate Consumers and Stakeholders
 - ✓ “Call Citizens First” communications initiative
 - ✓ Clear message of pocketbook impact at rate hearings, Board meetings, and business events like the Chamber Summit
- Recommend and Defend Actuarially Sound Rates
 - ✓ Ultimately, regional consumers pay the price for a broken claims environment
 - ✓ Pocketbook impact may lead to legislative and executive attention to problem

Questions and Discussion