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Citizens: Water loss impact on rates higher than earlier predicted

TALLAHASSEE – Barring meaningful reforms targeting assignment of benefits and claims filing abuses, water losses in South Florida will drive up rates in the region by 10 percent annually for years to come, according to the latest loss data assembled by Citizens Property Insurance Corporation.

Skyrocketing water losses in Miami-Dade, Broward and Palm Beach Counties have eroded progress made following more than a decade without a hurricane. Given the latest data, rates in those counties would have to nearly triple to pay for non-wind related losses. Under Florida law, Citizens rate increases are limited to 10 percent a year.

Meanwhile, water losses threaten rate decreases in other regions of the state. While loss ratios now point to an average rate reduction of 10 percent outside of the South Florida for 2017, increasing water losses exacerbated by assignment of benefit abuses and late notice of loss threaten to eliminate those reductions across the state.

“We have spent the last four years returning Citizens to becoming a true residual market,” said Chris Gardner, Chairman of Citizens Board of Governors. “While we continue to focus on surplus preservation as we shrink, the latest results are alarming and show a deterioration of financial results that could never have been previously expected due to the recent experience of non-wind water losses.”

Citizens’ actuaries used the latest non-wind loss trends to project the 2017 indicated rate need for Miami-Dade, Broward and Palm Beach Counties along with an overall figure for the rest of the state.

Preliminary 2017 indicated non-wind, non-sinkhole rate changes:

| <u>Region</u> | <u>Indication</u> |
|----------------------|-------------------|
| Broward | 186.5% |
| Palm Beach | 165.8% |
| Miami Dade | 189.6% |
| <u>Rest of State</u> | <u>-10.1%</u> |

Chris Gardner, Chairman, Orange County • Gary Aubuchon, Lee County
Bette Brown, Monroe County • Juan Cocuy, Palm Beach County • Don Glisson, Jr., St. Johns County
Jim Henderson, Seminole County • James Holton, Pinellas County • Freddie Schinz, Okaloosa County
Barry Gilway, President/CEO and Executive Director

“This is a true crisis,” said Barry Gilway, Citizens President, CEO and Executive Director. “I’m not sure people are fully aware of that. The impact of these numbers will be the maximum increases allowed by statute for the foreseeable future.”

In many cases, Citizens is not informed of the loss until after repairs are made. On average, Citizens now receives the first notice of loss on non-catastrophic water losses 30.3 days after the loss occurs. Such delay is accelerating litigation. Citizens is now adding an average of 650 new suits a month.

Citizens supports keeping policyholders in charge of their claims by limiting the ability of third parties to assume control. To help control costs, customers need to report losses in a reasonable timeframe so that Citizens can inspect damage before permanent repairs are made. Citizens supports legislative initiatives to ensure this occurs in the future. Additionally, Citizens joins other insurers in calling for reforms to how attorney’s fees are paid when there is an assignment on a claim.

This is not just a Citizens issue. There is strong evidence of companies withdrawing support from the Tri-County area with an intent to apply across the board rate increases.

“Without reform we will be making it harder for many Floridians to pay the increased premiums that will have to be charged,” Gilway said. “The current average premium in Miami-Dade is \$2,800 and this could easily grow to over \$4,000 over the next five years even with the glide path limitations in place.”

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In 2002, the Florida Legislature created Citizens Property Insurance Corporation (Citizens), a not-for-profit alternative insurer, whose public purpose is to provide insurance to, and serve the needs of, property owners who cannot find coverage in the private insurance market.

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