



Press Release

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Citizens posts 2016 net loss, citing water claims, assignment of benefits and litigation costs

Maitland, FL. – Citizens Property Insurance Corporation will post a net loss for 2016, its first loss in more than a decade, as water loss claims, assignment of benefit (AOB) abuse and litigation costs increasingly impact the company's bottom line.

The Citizens Board of Governors was told Wednesday the state's insurer of last resort will post a \$27.1 million net loss for 2016, its first since 2005. The loss comes despite minimal damage from Hurricane Matthew, the first major hurricane to impact Florida in 11 years.

Without significant statutory reforms, Citizens will be forced to pass those higher costs on to its customers in the form of higher rates for the foreseeable future, said Citizens Board of Governors Chairman Chris Gardner.

"Every year, we rely on standardized, accepted actuarial principles to set our rates," Gardner said "Last year, the same principles that provided rate decreases to our customers in recent years translated into hikes for 84 percent of our policyholders. Without legislative changes, that trend will continue."

The percentage of nonweather-related water claims – burst pipes, sudden dishwasher leaks, etc. – that move to litigation has skyrocketed. Each litigated claim raises the average claim cost by \$20,000 or more. These costs must be passed on to Citizens policyholders.

Another factor driving rate increases is assignment of benefits, in which policyholders sign over policy rights to a third party, such as a repair company, who then controls their claim and deals directly with Citizens. These contractors assume all the benefits afforded the policyholders but bear few of the responsibilities, including cooperating with Citizens adjusters and reporting losses before repairs are made.

The Office of Insurance Regulation has indicated that private insurance companies are facing similar trends. In February, the rating agency Demotech warned that AOB issues could adversely affect its ratings of Florida's private insurance companies.

“The tragedy here is that the ultimate loser is the policyholder,” Gardner said. “Higher insurance costs simply make it more difficult for more Floridians to own a home.”

Citizens is doing what it can to control these costs by educating customers through its Call Citizens First campaign and working with other stakeholders, including the [Consumer Protection Coalition](#), to advocate for statutory reforms.

The Florida Legislature currently is considering bills that address the AOB issue as part of the 2017 Legislative Session. These include [SB 1038](#) and [HB 1421](#), which would bolster consumer protections and clarify attorney fee provisions. The 2017 Legislative Session ends May 5, 2017.

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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.
