

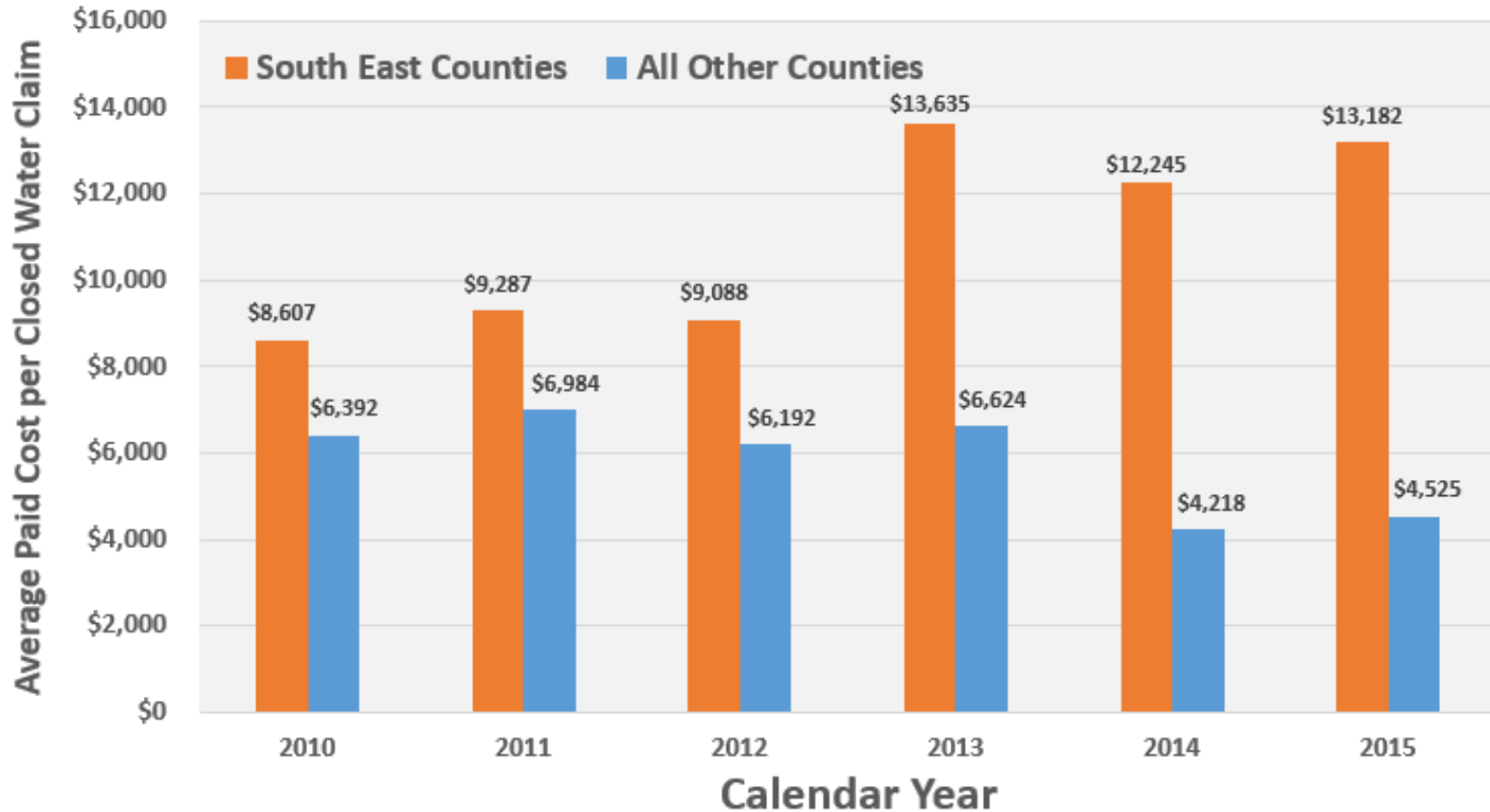
ICA Forum: Finding a Balanced Approach to Florida's Water Loss Crisis

June 2016

Barry Gilway, President/CEO



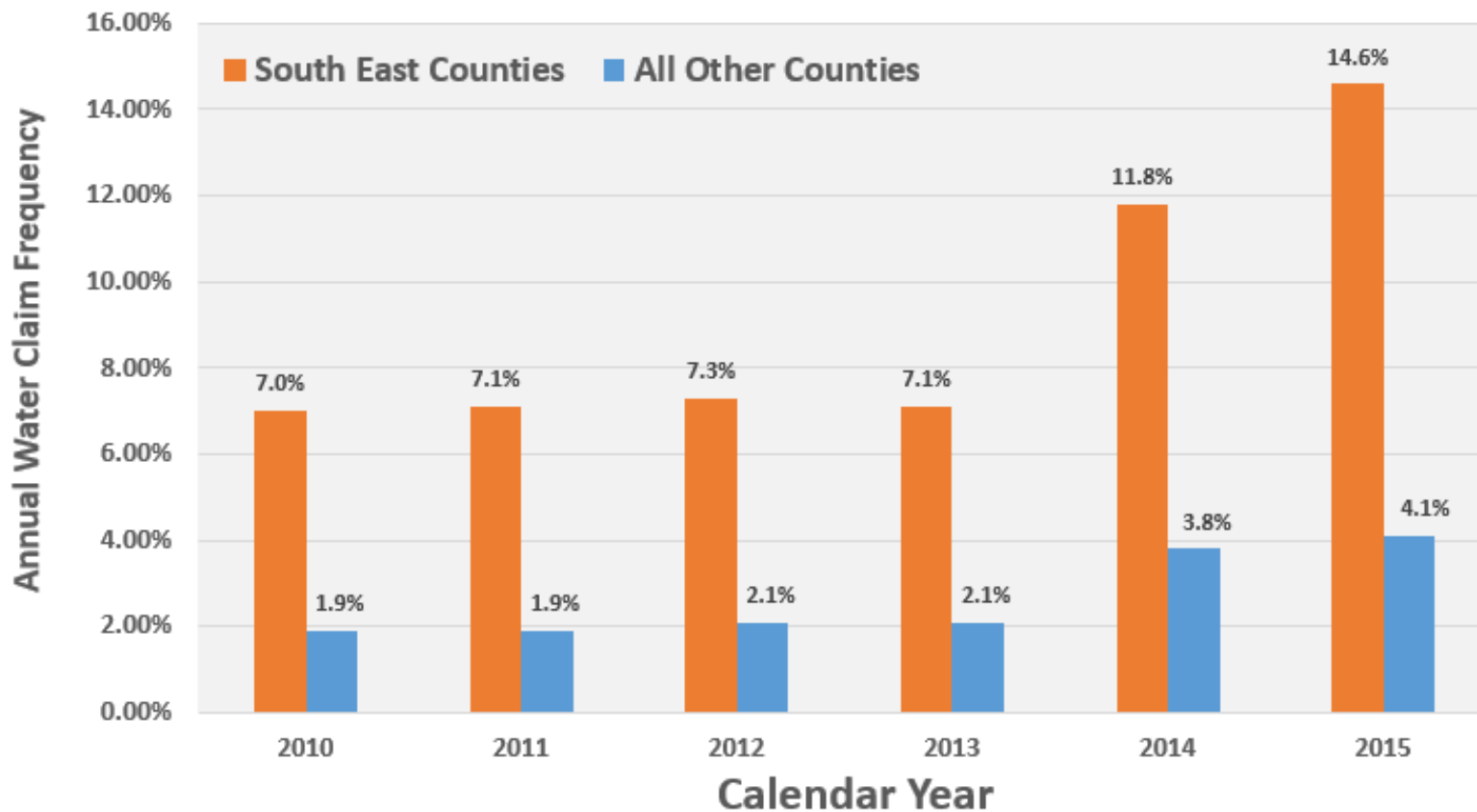
The Average Cost of Water Claims Is Increasing in the South East Region



NOTES:

- 1) Figure above shows calendar year trends based on paid water losses and water claims closed in the calendar period for Homeowners policies
- 2) **South East Counties** include Palm Beach, Broward, and Miami-Dade counties

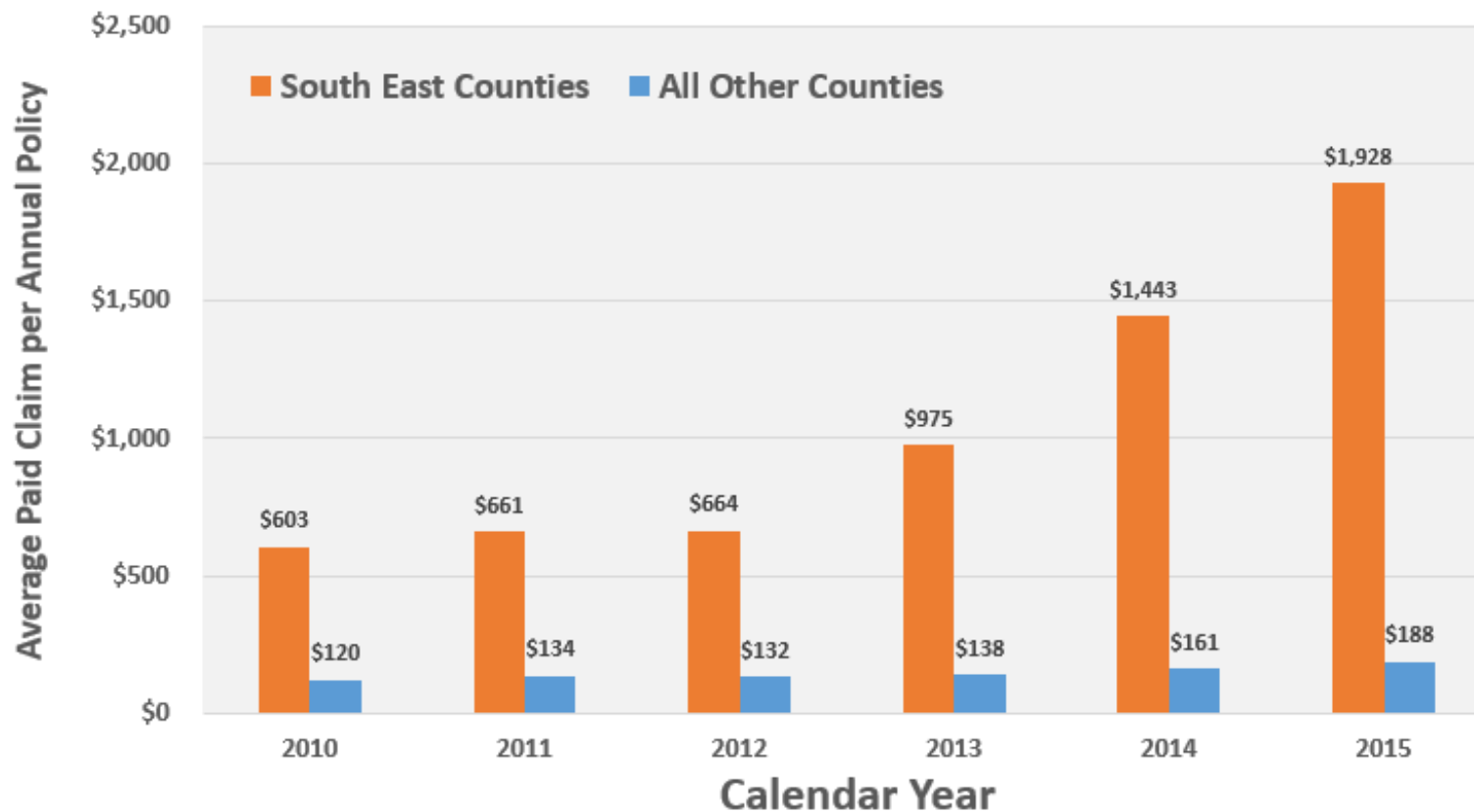
Water Claim Frequency Has Increased in Recent Years



NOTES:

- 1) Figure above shows calendar year trends based on paid water losses and water claims closed in the calendar period for Homeowners policies
- 2) **South East Counties** include Palm Beach, Broward, and Miami-Dade counties

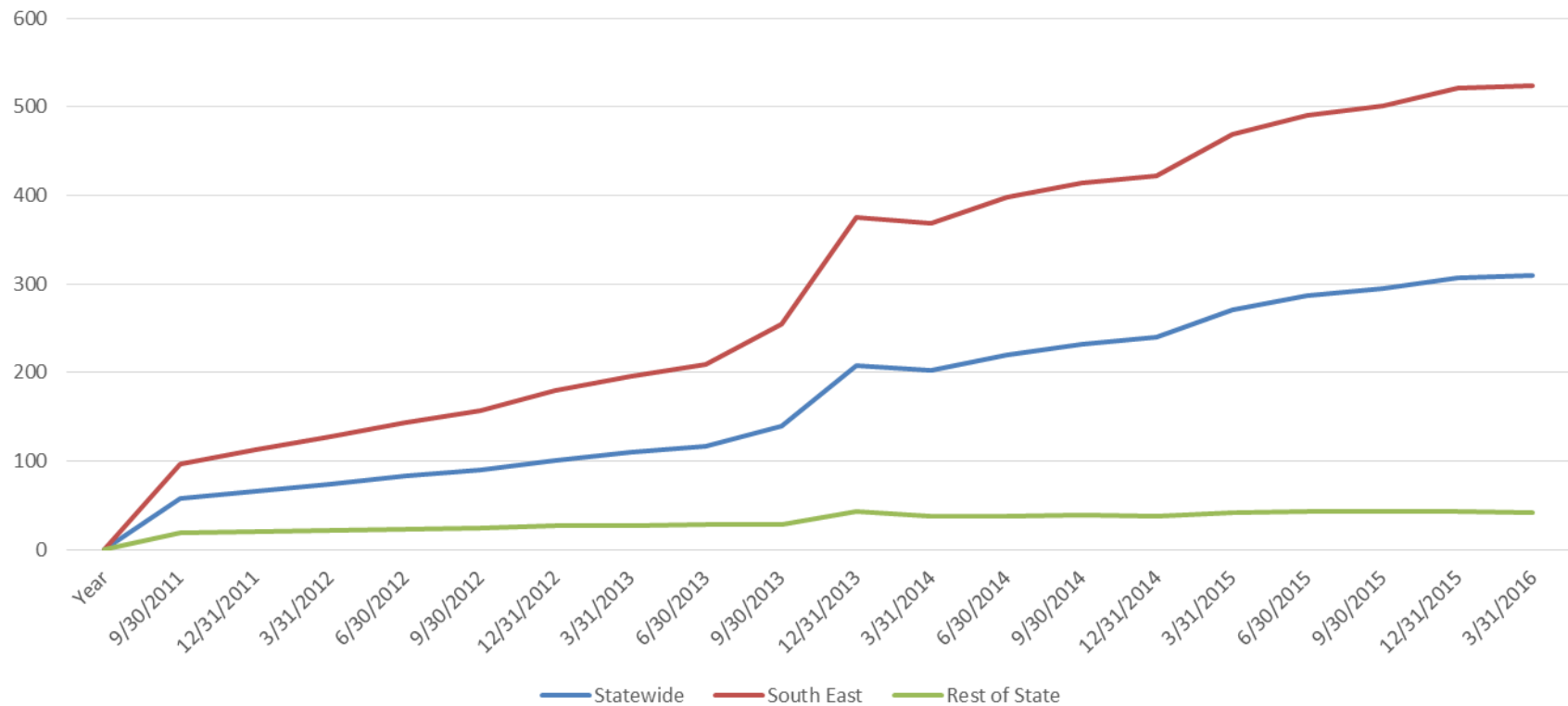
Water Losses: A Significant Cost Driver



NOTES:

- 1) Figure above shows calendar year trends based on paid water losses and water claims closed in the calendar period for Homeowners policies
- 2) **South East Counties** include Palm Beach, Broward, and Miami-Dade counties

Average Water Loss Adjusting Expenses are Increasing

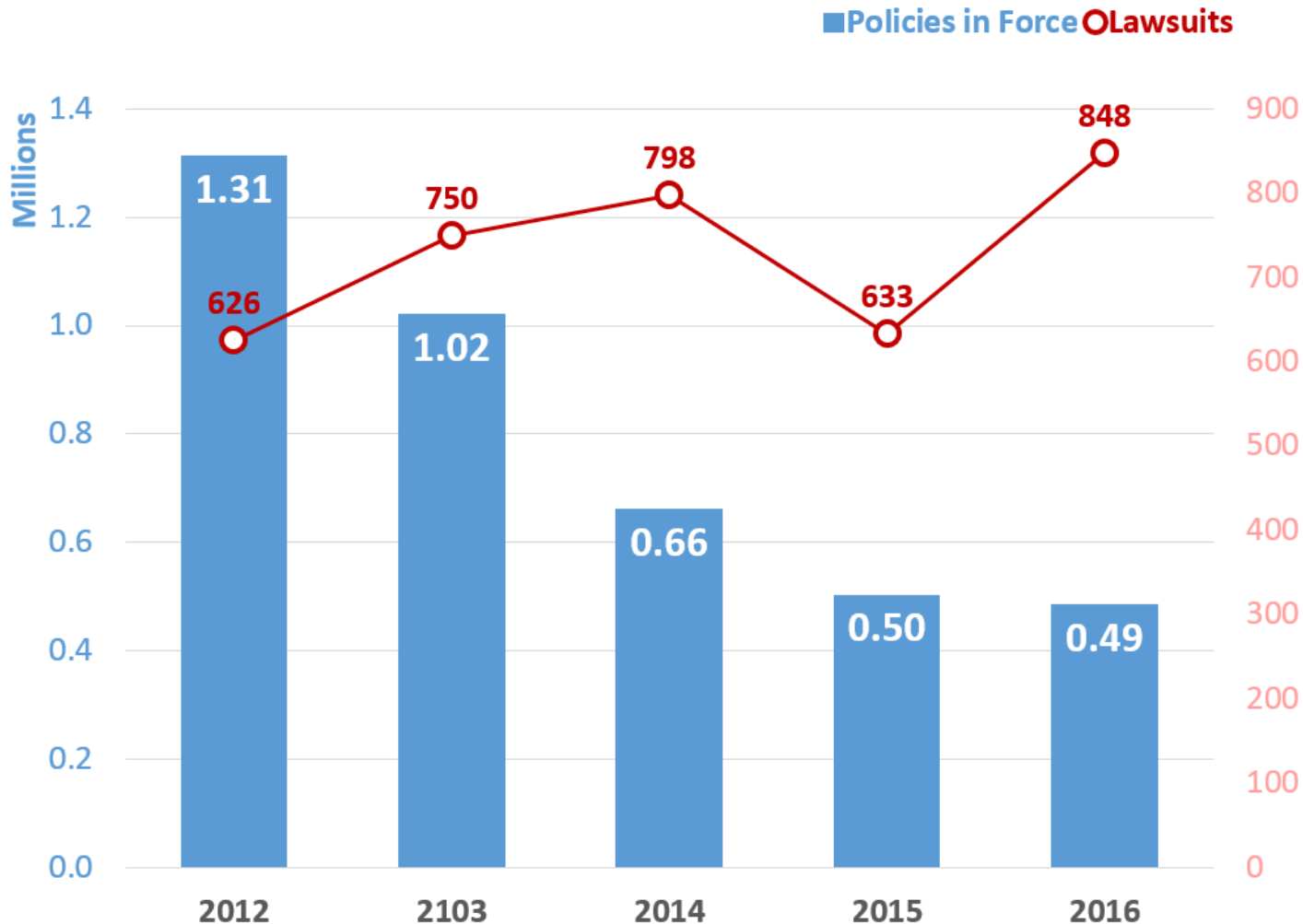


NOTES:

- 1) Figure above shows average loss adjustment expenses for Homeowners policies for water only.
- 2) **South East Counties** include Palm Beach, Broward, and Miami-Dade counties

Calendar Year Loss Adjustment Expense Cost

Calendar Year End	Statewide LAE Cost	South East LAE Cost	Rest of State LAE Cost
2011	\$66	\$112	\$20
2012	\$101	\$179	\$26
2013	\$207	\$375	\$43
2014	\$240	\$422	\$38
2015	\$307	\$521	\$43
Mar 2016	\$309	\$523	\$41



In March Citizens received over 1,000 lawsuits – **the highest in our history.**

Water Lawsuits by Opposing Counsel

WATER LAWSUITS

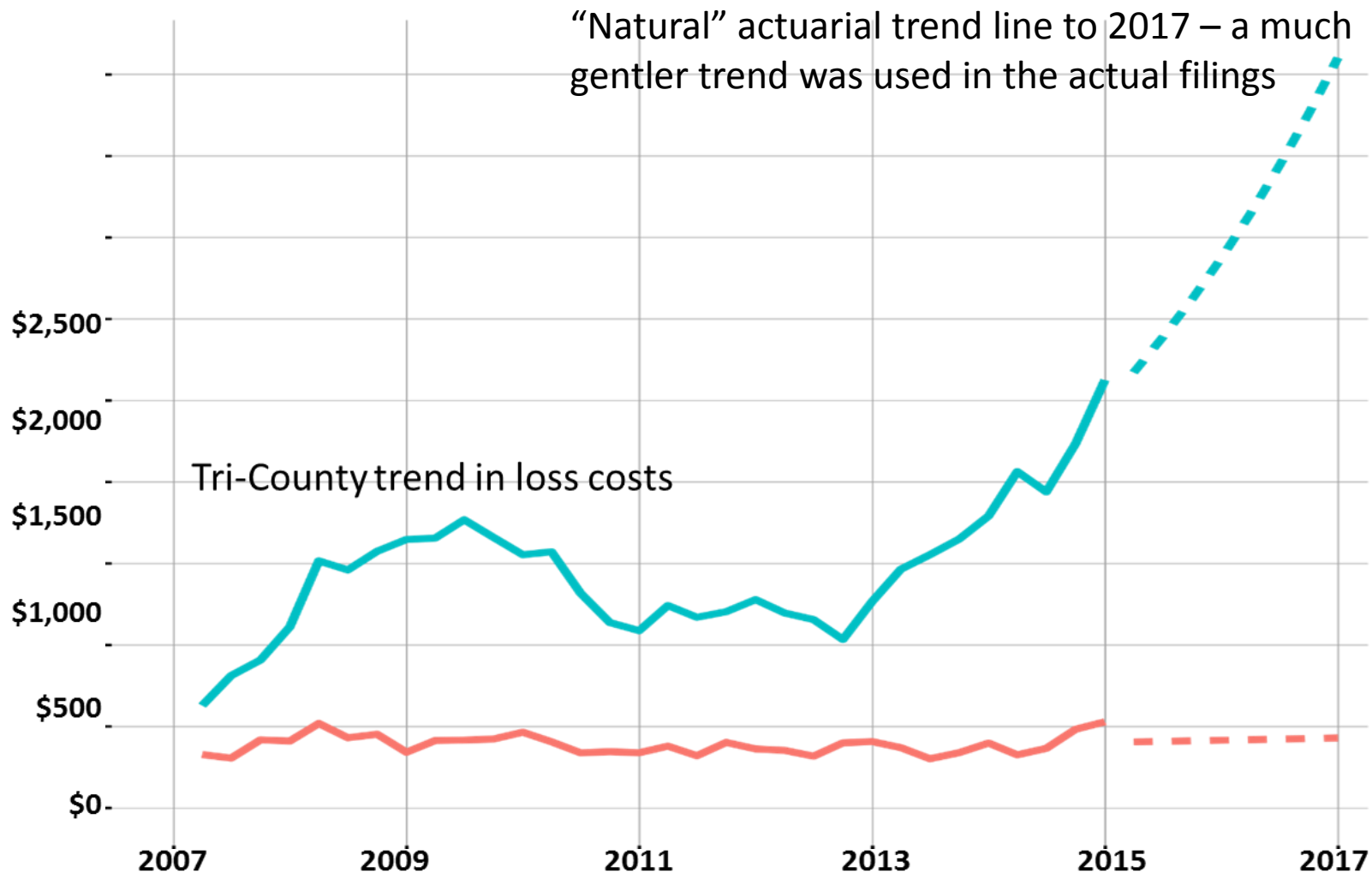
	2014	2015	2016	Grand Total	% of Grand Total
Strems Law Firm, P.A.	768	528	261	1,557	10%
Morgan Law Group, P.A.	382	307	140	829	5%
Militzok & Levy, P.A.	305	254	144	703	5%
Marin, Eljaiek & Lopez, PL	317	229	95	641	4%
Trujillo Vargas Ortiz & Gonzalez, LLP	278	259	87	624	4%
Kenneth R. Duboff, P.A. (Duboff Law Firm)	273	170	127	570	4%
The Cardenas Law Group, P.A.	271	167	72	510	3%
Cohen Battisti & Grossman, P.A.	201	201	57	459	3%
Mineo Salcedo Law Firm, P.A.	172	120	104	396	3%
Law Offices of Leo A. Manzanilla, P.A.	258	123	4	385	3%
Tabares Law, P.A.	101	147	65	313	2%
Law Offices of Michael Biberman, P.A.	178	127		305	2%
Law Offices of Marcote & Marcote De Moya, PLLC	60	140	38	238	2%
The Diener Firm, P.A.	48	89	83	220	1%
Ligman Martin, P.L.	1	143	71	215	1%
Greenberg, Stone & Urbano, P.A.	105	77	20	202	1%
Rogatinsky & Matthews, P.A.	92	68	22	182	1%
Joseph W. Ligman, P.A.	163	18		181	1%
Benjamin Legal Group, P.A.	60	91	29	180	1%
Cernitz & Shanbron, P.A.	89	62	25	176	1%
Grand Total	6,540	5,713	3,123	15,376	100%

AOB Lawsuits by Opposing Counsel

AOB LAWSUITS					
	2014	2015	2016	Grand Total	% of Grand Total
Cohen Battisti & Grossman, P.A.	252	240	63	555	16%
Trujillo Vargas Ortiz & Gonzalez, LLP	105	89	42	236	7%
Mineo Salcedo Law Firm, P.A.	57	84	83	224	6%
MAS Collections, LLC	27	106	47	180	5%
Marin, Eljaiek & Lopez, PL	118	26	30	174	5%
Militzok & Levy, P.A.	22	60	52	134	4%
The Diener Firm, P.A.	17	46	71	134	4%
Consumer Law Office, P.A.	54	15	64	133	4%
Law Offices of Michael Biberman, P.A.	55	64	1	120	3%
The Cardenas Law Group, P.A.	87	15	6	108	3%
The Gilchrist Law Firm P.A.		50	41	91	3%
Regueyra & Llerandi P.L	1	21	32	54	2%
Malik Law, P.A.	28	14	12	54	2%
David Low, P.A.	7	14	31	52	1%
Morgan Law Group, P.A.		21	31	52	1%
Mario Serralta & Associates		17	28	45	1%
Florida Professional Law Group, PLLC	10	27	7	44	1%
Perkins Law Offices, P.A.	17	15	9	41	1%
Insurance Litigation Group, PA		6	32	38	1%
The Hernandez Legal Group	4	13	18	35	1%
Grand Total	1,066	1,264	1,238	3,568	100%

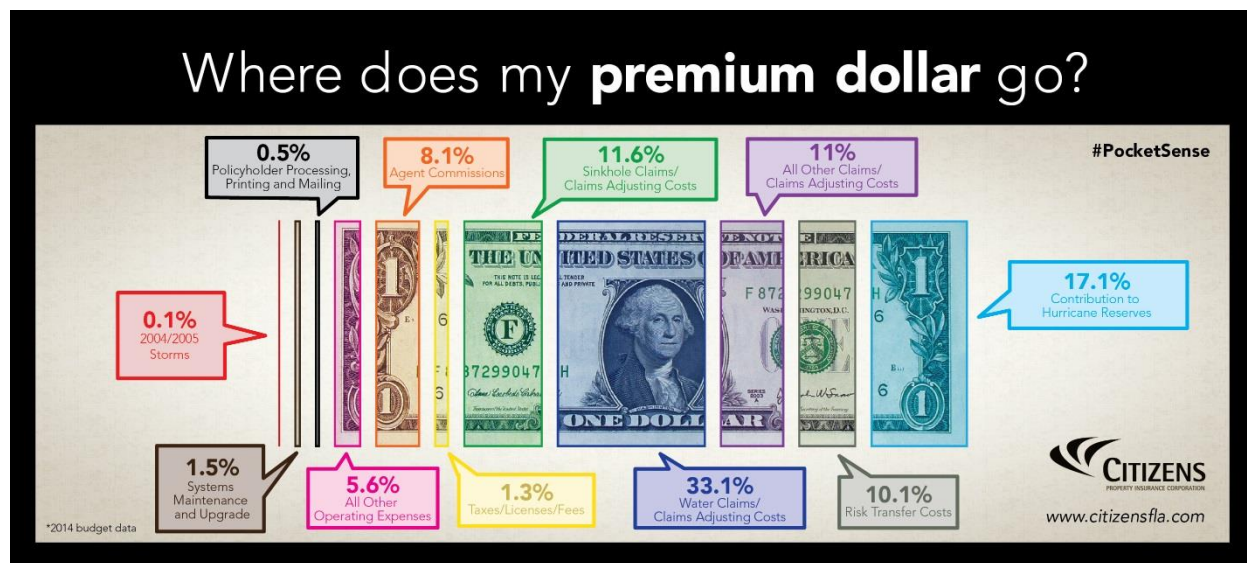
- Percentage of litigated claims with AOB 46.9% (in 2015) up from 9.6% in 2012
- AOB doubles the severity of non-litigated claims
- Litigation then doubles the severity of already inflated non-litigated claims
- Litigation triples the severity of non-AOB claims
- Tri-County non-litigated claims with AOB cost 74% more than with no AOB; 116% more in the rest of the state
- Percentage of claims reported with representation at First Notice of Loss (FNOL) Tri-County 90%; rest of the state 27.3%
- Percentage of claims in litigation with representation at FNOL – Tri-County 90%; rest of the state 27.3%
- Average water claim reported 33 days after event
- A recent ARTSSI report showed that AOB utilization was more prevalent on claims from newer homes than from older homes.

AOB Frequency and Severity Impact on Loss Costs

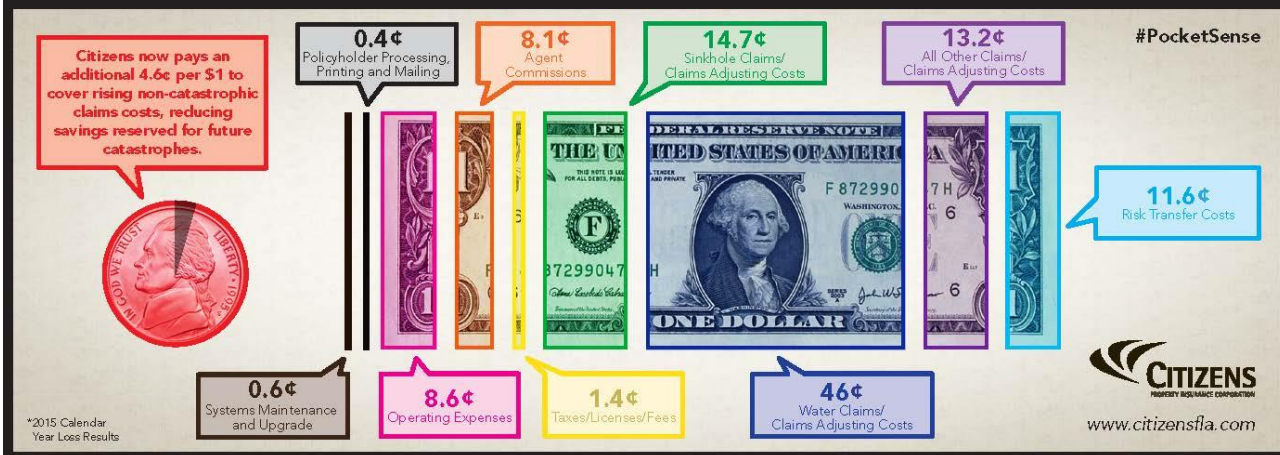


Threats to Financial Strength – Statewide

2014



Where does my premium dollar go?



2015

Threats to Financial Strength – Miami-Dade

2014

Miami-Dade: Where does my premium dollar go?



Miami-Dade: Where does my premium dollar go?



2015

- Educate Consumers and Stakeholders
 - Call Citizens First Campaign
 - Messaging at committee and board meetings, business events, agent associations, legislative meetings, direct mail campaign, FPERN co-sponsor for 2016 hurricane season
- Claims Center of Excellence
 - Dedicated to AOB and water damage
 - Three in-house teams assigned to South Florida
- Optimize the Product
 - Policy language to encourage appraisal
 - Policy form changes which address prompt reporting of loss/reasonable emergency measures and requirements for permanent repair
- Contractor Repair Program
- SIU strengthened to 33 staff
- Water mitigation bill review for conformity with IICRC standards

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- Fires
- Broken Pipe
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- Water Damage
- Loss by Collapse
- Bathroom Leaks
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Questions and Answers