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Citizens Board approves recommendations to stem water losses

MAITLAND, FL – Citizens Property Insurance Corporation’s Board of Governors on Wednesday approved a slate of recommendations designed to reduce the impact of skyrocketing water-loss claims that are threatening to reverse years of progress in returning Citizens to the state’s insurer of last resort.

Among a handful of recommendations approved by the Board are offering premium discounts to policyholders who choose managed repair agreements so that repairs can be completed by a Citizens-vetted qualified contractor and placing sublimits on water loss claims if other incentives are not sufficient to reduce claims costs. Any changes would have to be approved by the Office of Insurance Regulation.

The changes are needed following recent unsuccessful attempts to pass significant legislative reforms aimed at curbing abuses involving assignment of benefit (AOB), under which policyholders give third party vendors the ability to control their claims following a loss.

Water-loss trends connected to runaway AOB-based litigation threaten to reverse Citizens’ depopulation efforts as private insurance companies begin raising rates or dropping policyholders, forcing them to return to Citizens.

“The unfortunate impact on Citizens policyholders will be premium increases in affected regions in 2017 and beyond, as well as potentially fewer private-market insurance options as private carriers reduce their exposure in the hardest hit areas,” said Barry Gilway, Citizens President, CEO and Executive Director.

Due largely to water-related losses, Citizens’ policyholders in South Florida can expect to see annual rate hikes approaching 10 percent in 2017 and years to come. Estimated rates in those counties would have to nearly triple to pay for non-wind related losses. Under the 10 percent glide path, Miami-Dade policyholders could see average premiums climb from \$2,800 to \$4,000 in just five years.

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

Policyholders in other parts of the state, who were expected to enjoy rate decreases in 2017, also may be subjected to higher rates based on higher water claims and increased AOB-related litigation.

2017 Indicated Rates

Using rates approved by the Office of Insurance Regulation for 2015, Citizens actuaries calculated current non-wind loss trends and determined the indicated rate need for Miami-Dade, Broward and Palm Beach Counties along with an overall figure for the rest of the state.

Region	Indication
Broward	186.5%
Palm Beach	165.8%
Miami Dade	189.6%
Rest of state	-10.1%

Citizens is working with the Office of Insurance Regulation to identify and implement policy changes to improve the claims process and avoid the need for across-the-board sublimits.

“For the past four years, we have worked hard to return Citizens to its role as a true residual insurer,” said Chris Gardner, Chairman of Citizens Board of Governors. “Citizens remains committed to protecting surplus for the benefit of its policyholders when they need it. These loss trends, however, raise serious concerns.”

To ensure that repairs are made correctly and timely, customers [Call Citizens First](#) to report a loss as soon as they know there might be damage so that Citizens can promptly inspect any damages before permanent repairs are made. Currently, however, Citizens is receiving first notice of loss for non-weather water losses an average of more than 30 days after the loss occurs and, in many cases, is not informed of the loss until after repairs have been made. This delay is accelerating litigation; Citizens now receives an average of 620 new lawsuits a month.

Citizens supports keeping policyholders in charge of their claims by limiting the ability of third parties to assume control and promote litigation and supports legislative initiatives to ensure this occurs in the future.

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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.