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### **Citizens analysis shows increased costs from assignment of benefit**

TALLAHASSEE, FL – A detailed analysis conducted by Citizens Property Insurance Corporation for state insurance regulators concludes that water loss claims, exacerbated by assignment of benefits, are driving higher rates in South Florida and increasingly across the state.

Responding to a mandatory data call from the Florida Office of Insurance Regulation, the analysis further indicates that the frequency and severity of claims filed under an assignment of benefit is growing at a disturbing rate. Citizens' actuaries analyzed data for both litigated and non-litigated claims, with and without an assignment of benefits, or AOB, under which homeowners sign over control of their claim to water remediation companies, contractors and/or attorneys. The analysis can be found in the [Media Resources](#) section of Citizens' website.

The analysis found that cases in which customers assigned benefits to contractors or remediation companies were almost twice as expensive on average, and more likely to lead to litigation. The average litigated claim cost is more than double that of a non-litigated claim, showing that AOB and litigation work both separately and together to drive average claims costs more than four times higher than that of a simple non-assigned, non-litigated claim.

“Consumers are losing control of their claims by transferring their authority to contractors and attorneys under the current assignment of benefit system,” said Chris Gardner, Chairman of Citizens Board of Governors. “This analysis shows clearly that AOB is raising water claims losses. Those higher costs are paid by all policyholders. We have a dual obligation of protecting our policyholders while keeping premiums as affordable as possible.”

The analysis reaffirms earlier studies showing that water loss claims are the leading cause of higher insurance rates, especially in Palm Beach, Broward and Miami Dade counties. Water claims are being filed at double the rate of just two years ago in the Tri-County area and triple the rate of two years ago across the rest of the state.

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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  
John Wortman, St. Johns County • Barry Gilway, President/CEO and Executive Director

Age of home, the study concluded, was not a significant cost driver.

Recent claims are increasingly represented by third parties under an assignment of benefits, which indicates a likely spike in costs going forward. By Florida law, predicted costs must be fully reflected in the rates established for Citizens by the Office of Insurance Regulation.

“The skyrocketing frequency of claims both inside and outside the Tri-County region, coupled with the demonstrated effect of both AOB and litigation as massive cost drivers, is an ominous sign,” said John Rollins, Citizens Chief Risk Officer. “As a result, Citizens customers all over Florida can expect a round of rate hikes in 2017 unless we can work with the Legislature and the Office of Insurance Regulation to achieve reforms and changes that will lower predicted future non-weather claims costs”, he said.

Citizens has joined a coalition of consumer, business and agent groups to educate the public and other stakeholders about the need to make changes to state law regarding assignment of benefits. [The Consumer Protection Coalition](#) will work to educate consumers and lawmakers over the next several weeks as they address potential changes to the AOB process.

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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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