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LITIGATION, AOB CONTINUE TO DRIVE RATES

MAITLAND, FL – Litigation costs continue to sap the ability of Citizens Property Insurance Corporation to control costs, which are being passed on to policyholders forced to pay higher rates, according to data presented Wednesday to Citizens Board of Governors.

Litigation and higher rates are being fueled by costs associated with assignment of benefits, under which policyholders authorize a third party, such as a contractor, to work directly with the insurance company following a loss.

“Citizens is required to charge rates that adequately cover losses without having to expend surplus,” said Chris Gardner, Chairman of Citizens Board of Governors. “Regrettably, litigation and AOB costs, therefore, must be passed on to our policyholders, who without significant reforms may be forced to pay higher rates for years to come.”

Litigation continues to concentrate in South Florida, especially in Miami-Dade County, where 65 percent of lawsuits filed against Citizens originate. Combined with Broward and Palm Beach Counties, the region has produced 95 percent of lawsuits filed against Citizens during the first seven months of 2016.

Litigation has a particular impact on Citizens, which as the state’s insurer of last resort increasingly provides coverage for riskier homes and properties located in South Florida. Through July, Citizens is the defendant in more than 45 percent of cases filed against all Florida domestic insurers in 2016.

[The data presented Wednesday](#) also highlighted the link between AOB and litigation. Nearly 88 percent of AOB cases received by Citizens in 2016 went to litigation, which increases costs by 300 percent.

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

Water losses are the most likely claims to go to litigation. In 2015, 34 percent of all water claims led to litigation. The number is significant as the cost of the average litigated water claim in 2015 was \$33,918 compared to \$5,867 for water claims settled without litigation.

Such costs are directly affecting rates. Were it not for water loss, more than two out of three Citizens' homeowners' policyholders would have seen a rate reduction in 2017. In contrast, Citizens' 2017 approved rates will provide decreases to only 23,000 out of 142,000 homeowners multiperil policyholders.

“It’s clear that the ability to settle claims quickly and satisfactorily leads to a major savings for Citizens and its policyholders,” said Jay Adams, Citizens Chief of Claims. “Whatever we can do to steer claims away from litigation will provide a direct benefit to our policyholders.”

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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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