

CitizensAdvisor



Litigated water claims, AOB to top Citizens 2017 priorities

TALLAHASSEE, FL – Rising water claims and “out of control” litigation threaten the Citizens Property Insurance Corporation’s long-term financial stability and will stifle efforts by Citizens to offer premium breaks to policyholders in 2017, Citizens leaders stressed during a governing board meeting in December 2016.

Barring significant changes, including possible legislative action on assignment of benefits, non-hurricane losses will continue to chip away at Citizens’ reserves and could result in policies returning to the state’s insurer of last resort as private insurers face similar challenges.

“Without significant reform, litigation, water claims and AOB pose a serious threat to the financial position of Citizens,” said Chris Gardner, Chairman of the Board of Governors. “This is not a sustainable situation.”

The percentage of nonweather-related water claims – burst pipes, sudden dishwasher leaks, etc. – that head toward litigation has skyrocketed in recent years. Each litigated case raises the average claim cost by at least \$20,000. These costs must be passed on to Citizens policyholders.

A total of 8,097 new lawsuits were filed against Citizens between January and November 2016, a 30 percent increase from the same period in 2015. Meanwhile, Citizens’ policy count dropped by 26.3 percent between January 2015 and November 2016.

“While less than 15 percent of water-related claims resulted in litigation in 2011, nearly 50 percent did so in 2016,” said Barry Gilway, Citizens President, CEO and Executive Director. “The situation is really out of control.”

Contributing to this sharp increase is the fact that, in many cases, Citizens is made aware of a loss only after repairs are made or the policyholder has hired an attorney or a public adjuster to represent them.

Another factor is the use of [assignment of benefits](#), in which policyholders who suffer a loss sign over policy rights to a third party, such as a contractor, who then has control of the claim and deals directly with Citizens. On average, AOB claims are more expensive and more likely to lead to litigation. Under current conditions, contractors assume all the benefits afforded the policyholders but bear few of the responsibilities, such as cooperating with Citizens adjusters.

These losses are driving Citizens’ 2017 budget request, which was approved during the December 2016 board meeting. For 2017, Citizens has estimated net operating losses of \$100 million in its inland residential policy lines, with losses concentrated in Miami-Dade and Broward Counties, where the bulk of litigated and AOB claims originate.

January 9, 2017

Events

January 10 @ 10 a.m.
[Senate Banking and Insurance Committee](#)
110 Senate Office Building

January 11 @ 3:30 p.m.
[House Insurance and Banking Subcommittee](#)
404 House Office Building

January 12 @ 1:30 p.m.
[Senate Appropriations Committee](#)
412 Knott Building


March 29 @ 9 a.m.
[Citizens Board of Governors](#)
Sheraton Orlando North

Spotlight



Christine Ashburn
VP - Communications,
Legislative & External
Affairs

Assignment of Benefits: What You Need to Know



What Is Assignment of Benefits?

An assignment of benefits (AOB) is a contract between you and a third party – typically a contractor, roofer or water mitigation company – giving them the right to deal directly with your insurance company and receive payment for your claim.

The Pitch

You are most likely to be offered an AOB when requesting emergency repairs or when companies go door-to-door soliciting business.

The Pitfalls

You're told repairs can't begin until you sign an AOB contract allowing the repair company to submit your claim and be paid directly by your insurer.

The Costs

At Citizens, the percentage of homeowners claims involving AOB has doubled since 2014. This trend is industrywide.

CITIZENS
FLORIDA HOMEOWNERS ASSOCIATION

Spotlight



Candace Bunker
Manager - Legislative & Cabinet Affairs

Policies in Force

455,787

as of December 30, 2016

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Homeowners/Condo unit limits lowered to \$700,000

TALLAHASSEE, FL – On January 1, 2017, Citizens lowered policy limits on homeowners and condominium unit policies to \$700,000 in compliance with legislation (SB 1770) passed in 2013 aimed at reducing Citizens' exposure by transferring more expensive homes back to the private market. This is the final step-down in the reduction of Coverage A limits.

Effective for new business and renewals, the following personal residential risks no longer are eligible for coverage under Florida law:

- A structure that has a dwelling replacement cost (Coverage A) of \$700,000 or more
- A single condominium unit with a combined dwelling and contents replacement cost Coverage A and C) of \$700,000 or more
- A tenant contents policy with a Coverage C limit of \$700,000 or more

The law requires Citizens to reduce policy limits on homeowners and condominium owners unless "a reasonable degree of competition" is not available to consumers within a particular county. The Office of Insurance Regulation has determined such competition does not exist in Miami-Dade and Monroe Counties. As a result, Citizens will continue to make coverage available to these policyholders in Miami-Dade and Monroe Counties for up to \$1 million.

Citizens Governing Board reflects broad stakeholder interests

TALLAHASSEE, FL – Recognizing the various stakeholders in the Florida property insurance market, Citizens' Board of Governors reflects the cooperative interaction of both the executive and legislative branches of state government. As dictated by statute, the board makeup represents a geographical cross-section of the state, along with a minimum number of members with insurance expertise. Board members serve without compensation.

The Governor appoints three members to the board, including the consumer representative. The Senate President and the Speaker of the House each appoint two members.

Florida's Chief Financial Officer, whose responsibilities include oversight of the state's property insurance market, appoints two members. The CFO is also responsible for appointing the board's chairman.

Board of Governors



Christopher B. Gardner
Orange County
Chairman



Don Glisson
St. Johns County
Vice Chair



Gary Aubuchon
Lee County



Bette Brown
Monroe County



Juan Cocuy
Palm Beach County



Jim Henderson
Seminole County



James Holton
Pinellas County



Freddie Schinz
Okaloosa County

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