Florida Office of Insurance Regulation

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Insurance Commissioner

Market Conduct Final Examination Report
of
Citizens Property Insurance Corporation

NAIC COMPANY CODE: 10064

Issued:

January 11, 2021

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EXECUTIVE SUMMARY

The Florida Office of Insurance Regulation ("Office"), Property and Casualty Market Regulation staff and INS Regulatory Insurance Services, Inc. performed a market conduct examination of Citizens Property Insurance Corporation ("Citizens") pursuant to Section 627.351(6)(l), Florida Statutes ("F.S."). The scope period of this examination was July 1, 2018 through June 30, 2020. The examination began September 14, 2020 and ended November 19, 2020.

The purpose of this market conduct examination was to determine Citizens' compliance with its plan of operation and its internal operational procedures. A detailed review of Citizens' procedures, operations, activities and records showed few deficiencies. Information relating to these findings is reported herein.

Pursuant to Section 627.351(6)(l), F.S., this report is being prepared for submission to the President of the Senate and the Speaker of the House of Representatives of the Florida Legislature.

SCOPE OF EXAMINATION

A review of Citizens' plan of operation was performed to include the evaluation of current processes and procedures, corporate records, general operations, internal audits, underwriting and rating, clearinghouse and depopulation, agent practices, and claims.

The documentation utilized in this report was provided by Citizens and includes pertinent documentation of its internal controls and numerous reports generated during the scope period. Citizens' records were examined remotely by the examiners due to the COVID-19 pandemic. This report relied upon and incorporates the reviews performed by the Citizens' Office of the Internal Auditor.

This report is based on information obtained during the examination, research conducted by the Office, and additional information provided by Citizens. The files examined were randomly selected from data files provided by Citizens. Procedures and conduct of the examination were in accordance with the *Market Regulation Handbook* produced by the National Association of Insurance Commissioners (NAIC).

The examination included a review of Citizens' operations in the following areas:

- Plan of Operation;
- Office of the Internal Auditor;
- Emergency Procurement Program;
- Underwriting and Rating;
- Agent Practices; and
- Claims

CORPORATE RECORDS

Citizens was established on August 1, 2002, pursuant to Section 627.351(6), F. S., as amended in 2002 by Senate Bill 1418 and House Bill 385 (the Act), to provide certain property insurance coverage to qualified risks in the state of Florida. The intent of the legislation was that property insurance be provided through Citizens to applicants who are unable to procure insurance through the voluntary market. Citizens was formed from a combination of the Florida Residential Property and Casualty Joint Underwriting Association and the Florida Windstorm Underwriting Association. The Florida Residential Property and Casualty Joint Underwriting Association was renamed Citizens Property Insurance Corporation. The rights, obligations, assets, liabilities and all insurance policies under the Florida Windstorm Underwriting Association were transferred to Citizens. Citizens is not required to have a Certificate of Authority issued by the Office.

Citizens operates under the supervision of a nine-member Board of Governors. Pursuant to its Plan of Operation, Florida's Governor appoints three members, while the Chief Financial Officer, Speaker of the House and President of the Senate each appoint two individuals as members of the Board. Each Board member serves at the pleasure of his or her appointing officer. All board members must be appointed for three-year terms beginning annually on a date designated by the plan. However, for the first term beginning on or after July 1, 2009, each appointing officer shall appoint one member of the board for a two-year term and one member for a three-year term.

Members of the current Board of Governors are:

Carlos Beruff, Chairman	James Holton
Bette Brown	William Kastroll
Marc Dunbar	Carlos Lopez-Cantera
Lazaro Fields	M. Scott Thomas
Reynolds Henderson	

Total Direct Premiums Written in Florida was as follows:

Year	Total Direct Written Premium in Florida (Per Schedule T of the Annual Statement)
2018	$868,417,110
2019	$876,559,612
2020 thru June	$552,557,633

CITIZENS OPERATIONS

Citizens is a statutorily created governmental entity whose purpose is to provide property insurance coverage to applicants who are in good faith entitled to procure insurance through the voluntary market but are unable to do so. As a consequence, Citizens does not employ a system to actively seek business. Citizens focuses on communications, training, and compliance to facilitate its agents' customer service efforts. Citizens utilizes a mix of independent and captive agents appointed to do business in Florida. As of August 2020, 7,085 licensed and appointed insurance agents served its policyholders. Agents must hold an active 2-20 or 20-44 Florida Resident Agent License or an active 9-20 or 90-44 Non-Resident Agent license. Section 627.351(6)(c)14., F.S., provides that an agent must also be appointed by at least one other insurer writing certain types of property insurance coverage. Prior to appointment, Citizens requires the completion of at least two training modules.

Citizens assists Florida consumers with obtaining property insurance coverage when they are unable to obtain it from an authorized insurer. Under Florida law, Citizens may write new personal residential insurance policies if a property meets one of the following eligibility criteria:

- Coverage is not otherwise available from an authorized insurer licensed to conduct business in Florida; or
- The premiums offered for coverage by an authorized insurer licensed to conduct business in Florida are 15% greater than the premiums offered by Citizens for comparable coverage.

PERSONAL LINES

Citizens' personal residential property coverage consists of the types of coverage provided to homeowners, mobile homeowners, tenants, condominium unit owners, and similar policies. The policies provide coverage for perils covered under standard personal residential policy forms, subject to certain underwriting requirements, policy conditions, limitations and exclusions. Such policies may exclude windstorm coverage on property within eligible areas.

COMMERCIAL LINES

Citizens' commercial residential coverage (i.e. coverage for condominium associations, apartment buildings and homeowner associations) provides coverage to organizations unable to obtain such coverage from authorized insurers.

COASTAL

Citizens' coastal insurance coverage consists of personal and commercial residential coverage and wind-only insurance for personal and commercial risks located within the eligible areas that are unable to obtain such coverage from authorized insurers.

PLAN OF OPERATION

Citizens' Plan of Operation ("Plan") was adopted effective August 1, 2002, to establish the structure, function, procedures, and powers of Citizens. The Plan was amended October 10, 2013, to incorporate legislative changes.

An Operational Compliance Governance Framework ("Framework") was implemented by Citizens to foster full compliance with all relevant laws, rules, and regulations, including the Plan. Citizens' Framework uses a systematic, documented, enterprise approach in order to retain operational flexibility which includes:

- Identification of all relevant laws, rules, and regulations;
- Documentation of integration of all relevant laws, rules and regulations into work processes, procedures, and corporate policies;
- Education and training of staff;
- Monitoring for adherence to laws, rules, and regulations;
- Updating as requirements change;
- Communicating changes to the appropriate staff, when they occur; and
- Address areas of noncompliance in a strategic based fashion.

Citizens coordinates a compliance certification process annually to:

- Identify and review all relevant laws, rules, and regulations;
- Documents the methods of:
    - Implementing laws, rules, and regulations;
    - Monitoring for adherence to laws, rules, and regulations; and
    - Training and communicating laws, rules, and regulations.
- Certify compliance with laws, rules, and regulations; and
- Identify areas of monitoring for compliance improvement.

The results of each annual compliance certification process are presented to Citizens' Risk Steering Committee and the Board of Governors Audit Committee.

Based on a detailed analysis of the Plan of Operation and the review of the annual certification documents presented to the Risk Steering Committee during the examination's scope period, Citizens was determined to be in compliance with the Plan of Operation.

No exceptions were noted.

OFFICE OF THE INTERNAL AUDITOR

In May 2006, Senate Bill 1980 required Citizens to establish the Office of the Internal Auditor to coordinate and be responsible for activities promoting accountability, integrity, and efficiency to the policyholders and taxpayers of the state of Florida. Citizens' Office of the Internal Auditor provides direction for, supervises, conducts, and coordinates audits, investigations, and management reviews relating to the programs and corporate operations.

During the examination, a review was completed for the following areas of the Office of the Internal Auditor:

- Policies and Procedures;
- Annual Reports;
- Management Reporting of Activities; and,
- Open Items Process.

The Florida Statutes require the Chief of Internal Audit to submit an annual report summarizing the activities of the Office of the Internal Auditor during the preceding fiscal year. The report includes:

- Summary of the Office of the Internal Auditor background, duties, organizational structure, training and certifications;
- Overview of the Internal Audit process;
- Summaries of audits, reviews and investigations conducted by the Office of the Internal Auditor;
- An evaluation of the effectiveness of Citizens' internal controls;
- Recommendations for corrective action, if necessary; and,
- Other information as necessary.

The Report is presented to the Board of Governors, the Executive Director, the members of the Financial Services Commission, the President of the Senate, and the Speaker of the House of Representatives. Confirmation of the presentation of these annual reports for 2018 and 2019 was verified by reviewing the Board of Governors' meeting minutes.

On a quarterly basis, the Office of the Internal Auditor prepares a Dashboard Status Report. The report consists of an audit plan status review, open items status, and details on plan updates. The reports are issued to Citizens' Management and the Audit Committee.

The Office of the Internal Auditor has policies and procedures in place to monitor the open audit items. It is the responsibility of management to remediate all open items. The Office of the Internal Auditor is responsible for communicating the status and aging of open items to management and the Audit Committee on a quarterly basis.

Based on the review of the reports, board and committee meeting minutes, and the actions of the Office of the Internal Auditor, Citizens timely reviews, prioritizes and acts on findings and recommendations appropriately for both internal and external audits.

No exceptions were noted.

UNDERWRITNG AND RATING

NEW AND RENEWAL POLICY ELIGIBILITY

The examiners reviewed rating, underwriting and policy guidelines used to issue new and renewal personal residential, commercial residential, commercial, wind only and A-Rated policy types during the scope period. Also reviewed, were changes to underwriting guidelines implemented as a result of COVID-19, and the suspension of or the flexibility applied to underwriting guidelines by Citizens as specific needs occur and under the supervision of the Office. The examiners reviewed samples of newly issued and renewed policies during the examination scope period to verify compliance with implemented rating and underwriting changes. In addition, cancellation and nonrenewal files were examined for compliance with Florida Statutes as well as internal policies and procedures.

On June 19, 2019, Citizens announced that the Board of Governors had approved revised rates for personal and commercial property policies to reflect the projected impact of Assignment of Benefits (AOB) reforms enacted during the 2019 Legislative Session. The Office reviewed the filings and considered comments and testimony received from policyholders and other interested parties, both by email and during a public rate hearing that was held on March 14, 2019, before establishing the rates. The proposed rate changes went into effect for new and renewal policies effective dates on or after December 1, 2019. The chart below provides the overall estimated statewide average rate changes established for each line of business.

Personal Lines (PLA) Commercial Lines (CLA) Coastal (CA)	**Estimated Rate Established***
Homeowners Multi-Peril (PLA) #19-123770	2.6% increase
Homeowners Wind Only (CA) #19-123769	7.0% increase
Property/Personal (Dwelling Fire) (PLA) #19-123899	8.4% increase
Property/Personal (Dwelling Fire) Wind Only (CA) #19-123901	5.6% increase

Mobile Homeowners Multi-Peril (PLA) #19-123930	0.8% increase
Mobile Homeowners Wind Only (CA) #19-123932	9.8% increase
Mobile Homeowners (Dwelling Fire) (PLA) #19-123951	8.0% increase
Mobile Homeowners (Dwelling Fire) Wind Only (CA) #19-123952	9.6% increase
Commercial Property Residential Multi-Peril (Condo Assn.) (CLA) #19-123233	5.3% increase
Commercial Property Residential Multi-Peril (Ex. Condo Assn.) (CLA) #19-123232	5.0% increase
Commercial Property Non-Residential Multi-Peril (CLA) #19-123238	4.8% increase
Commercial Property Residential Wind Only (Condo Assn.) (CA) #19-123239	10.5% increase
Commercial Property Residential Wind Only (Ex. Condo Assn.) (CA) #19-123240	10.0% increase
Commercial Property Non-Residential Wind Only (CA) #19-123271	10.0% increase

*This is an estimate of the rate effect on earned premiums determined using selected changes from the in-force policy distributions and the rates.

Citizens issued a general moratorium on cancellations and nonrenewals due to the COVID-19 pandemic that began in March 2020 and later extended the moratorium until year-end 2020 in

support of its policyholders. Other changes included a revision of the underwriting rules for properties fifty years old or older and the removal of the $60,000 limit applied to Dwelling, Coverage A for mobile home dwelling policies.

The ability of Citizens to be flexible and adapt to extraordinary circumstances for the benefit of policyholders in the state is demonstrated by Citizens' ability to absorb policies from another insurer during the examination scope period. The Office approved the termination of 23,800 personal lines policies including homeowners, renters, and condominium policies in 2020 and Citizens implemented procedural changes that waived certain signature requirements, prepopulated policies into the automated PolicyCenter® in order for agents to obtain quick quotes, allowed the early submission of required documentation and issued underwriting guidelines applicable to policyholders with prior claims histories. Of the 23,800 cancelled policies, 22,000, or 92.4%, were placed in the private market. Citizens issued coverage for the remaining 1,800 policies that did not otherwise qualify for coverage in the private market.

No exceptions with respect to eligibility were noted.

PERSONAL LINES POLICY REVIEW

Citizens provided a list, or universe, of 518,427 personal lines policies consisting of homeowners, mobile home, dwelling and wind only policies that were newly issued or renewed during the examination scope period. A proportional and random sample of 116 policies was selected and reviewed.

Citizens' premium calculations for personal lines policies are generally performed through an automated system. The use of an automated system reduces the likelihood of error from a manual rating process. The examiners selected a random sample of 20 personal lines policies from the full sample of 116 policies to test the accuracy of premiums charged to policyholders.

No exceptions were noted.

A proportional and random sample of 116 policies was selected and reviewed to test the accuracy of the underwriting guidelines applied to each policy.

Finding 1: In one instance out of 116 policies reviewed, for an error percentage of 0.86%, Citizens did not apply the "No Prior Insurance" surcharge when no proof of prior insurance was provided with the application, as required by the Personal Residential Multi-Peril Guidelines-Rule 300.

Citizens' Response: Citizens does take certain mitigating measures to reasonably ensure the application of a "No Prior Insurance" surcharge is applied in balance with the cost efficiencies of auto approved application submissions. Citizens' Quality Improvement department evaluates a sampling of new business submissions through a quality control (QC) process. Under this process, a static number of randomly selected new business submission policies are evaluated each month. The QC process evaluates the quality of an agent's application completion and validates that supporting documents submitted met requirement expectations for premium accuracy and insurability. Where such requirement expectations are not met, Citizens follows up with the

submitting agent and agency management to avoid a future recurrence. Based on prior evaluations, Citizens has seen a low average error rate of 1.4% in this segment of the QC evaluations. While this error rate is low and while Citizens believes that the cost benefits of auto approvals far exceeds the limited cases where a "No Prior Insurance" surcharge is not assessed, Citizens' Quality Improvement department is currently working with Citizens Agency and Market Services, Personal Lines Underwriting, and Corporate Analytics departments to assess ways to improve our No Prior Insurance premium accuracy. In addition, technology solutions are being pursued to detect documents that do meet requirements from being uploaded at the time of submission.

Recommendation: Citizens should ensure its "auto underwritten" systems comply with its written underwriting requirements.

CANCELLATION AND NONRENEWAL REVIEW

Citizens provided a list, or universe, of 193,635 personal lines policies that were either cancelled or nonrenewed during the examination scope period. A proportional random sample of 116 policies was selected and reviewed to determine whether the cancellation or nonrenewal was effectuated in compliance with statutory requirements and internal processes.

No exceptions were noted.

COMMERCIAL LINES POLICY REVIEW

Citizens provided a list, or universe, of 26,174 commercial lines policies consisting of commercial residential and commercial nonresidential policies that were newly issued or renewed during the examination scope period.

Citizens' premium calculations for commercial lines policies are generally performed through an automated system. The use of an automated system reduces the likelihood of error from a manual rating process. The examiners selected a random sample of 20 personal lines policies from the full sample of 116 policies to test the accuracy of premiums charged to policyholders.

No exceptions were noted.

A proportional and random sample of 116 policies was selected and reviewed to test the accuracy of the underwriting guidelines applied to each policy.

No exceptions were noted.

A-RATED COMMERCIAL POLICY REVIEW

The vast majority of policies written and issued by Citizens fall into classes that have rates filed with and approved by the Office. However, Citizens also utilizes a system of rating commonly known in the industry as individual risk rating (A-rates) for commercial residential wind policies (CR-W) and commercial residential multi-peril policies (CR-M) for buildings with a replacement

cost that exceeds $10 million. In general, the majority of these risks are large, high-rise condominium buildings located in proximity to the coast.

Section 627.062(3)(a), F.S. requires Citizens to maintain the reasons for risks to be A-rated and justification for the individual rate. All buildings insured in the CR-W and CR-M programs in excess of $10 million are A-rated. These A-rates reflect yearly reviews of the base rates (including territory) for these risks including past and future premiums, losses, expenses and other such factors. Other than the base rates, these policies apply the other class rated factors.

Due to market competition, Citizens market share for these large risks has trended downward from hundreds of policies in past years to the existing ten policies in force at the time of the examination. All ten files were requested and reviewed to test the accuracy of the underwriting and rating.

No exceptions were noted.

CLEARINGHOUSE

In 2013, the Florida Legislature enacted Section 627.3518, F.S., establishing the Property Insurance Clearinghouse ("Clearinghouse"). The Clearinghouse seeks comparable offers of coverage from participating private-market insurance companies before placing or renewing personal lines coverages issued by Citizens. The Clearinghouse assists Citizens' agents with finding private-market insurance coverage for consumers.

Eleven private market insurers presently participate in the Clearinghouse. All new and renewal personal lines insurance policies designated as HO3, HW2, HO6, HW6, DP1, DP3; and new business MH03 & MDP1 policies are entered into the Clearinghouse.

The Clearinghouse begins when the agent enters policy information into the Clearinghouse system. For new policies, the system determines if an offer of comparable coverage from a private market carrier within 115% of Citizens' premium is available. If such coverage is available, coverage with Citizens is denied and the agent must place the coverage with the private market carrier that made the offer or seek coverage elsewhere. For renewals, the premium for comparable coverage from a private market carrier must be equal to or less than the renewal premium offered by Citizens to render the renewing policyholder ineligible for continued coverage with Citizens.

No changes occurred in the Clearinghouse processes during the examination period.

No exceptions were noted.

DEPOPULATION

The guidelines for depopulation were established by the Florida Legislature in Section 627.3511, F.S. The purpose of the legislation is to reduce the number of property owners who have insurance through Citizens by encouraging new or existing authorized insurance companies to take out policies from Citizens. Policyholders can opt-out of an assumption offer from a private carrier

except for commercial nonresidential insureds who must accept the depopulation offer or rewrite coverage with another company.

The following table shows the number of take-out policies ceded, the amount of insurance ceded, the number of in-force policies, and amount of insurance in-force:

Year	Number of Policies Ceded	Amount of Insurance Ceded	Citizens In-force Policy Count	Citizens In-force Coverage Amount
2018	17,905	$4,307,930,768	427,397	$108,896,296,069
2019	10,084	$2,180,766,592	420,467	$107,243,002,192
Q2 2020	2,899	$964,997,376	474,630	$121,755,342,207

No changes occurred in the depopulation processes during the examination period.

No exceptions were noted.

AGENT PRACTICES

Citizens sells its products through duly licensed and appointed agents. Agents must hold an active 0220 or 20-44 Florida Resident Agent's License or an active 0920 or 90-44 Non-Resident Agent's License. Section 627.351(6)(c)14., F.S., provides that an agent must also be appointed by at least one other insurer writing certain types of property coverage.

Pursuant to Section 627.351(6)(c)4.b., F.S., and Citizens Property Insurance Corporation's Plan of Operation, the Board of Governors created the Market Accountability Advisory Committee ("MAAC") to assist the corporation in developing awareness of its rates and its customer and agent service levels in relationship to the voluntary market insurers writing similar coverage. On March 26, 2019, MAAC adopted a committee charter which generally mirrors the provisions of the statute. The Committee meets at least twice per year and reports to the Board of Governors on insurance market issues which may include rates and rate competition with the voluntary market; service, including policy issuance, claims processing, and general responsiveness to policyholders, applicants, and agents; and matters relating to depopulation. The examiners reviewed all published documentation of the Board of Governors meetings occurring during the examination period, including agendas, minutes of the meetings, and reports and data presented at the meetings.

On October 2, 2019, Florida Specialty Insurance Company was ordered into receivership, resulting in approximately 90,000 Florida Specialty policyholders facing a loss of coverage during hurricane season. The minutes of the December 5, 2019 MAAC meeting stated that Citizens developed a process where it would provide an offer of coverage for one year to any Florida Specialty policyholder unable to secure coverage outside of Citizens. As a part of that process, Citizens added 122 agents via an expedited appointment process to allow agents without an existing relationship with Citizens to accept that offer of coverage and remain as the agent of record. The examiners reviewed the licenses and appointments of these agents.

No exceptions were noted.

EMERGENCY PROCUREMENT PROGRAM

The Vendor Management Office prepares for possible emergency purchases during the annual hurricane season through its VMO Catastrophic Response which was originally known as the Emergency Purchase Procedure. Since the original version in 2018, Citizens has modified the procedure to include suggestions from the claims department, reformatting to better align with processes within Citizens and other changes for more seamless operations. Functions within the plan include assignments to monitor purchases, triage of needs, contracting responsibilities, vendor inquiries, vendor demonstrations, scheduling of meetings and management of the program. Citizens did not identify any changes to the program during the examination scope period that are directly attributed to catastrophe claims or the COVID-19 pandemic with the exception of transitioning all processes to virtual operation in response to the pandemic.

No exceptions were noted.

CLAIMS

CLAIM PROCESSING AND PROCEDURES

Citizens provided written policies and procedures covering claims handling, including claims processing and settlement, and supervisory review processes that monitor claims processing practices for review by the examiners. The examiners reviewed Citizens' claims handling practices for compliance with certain Florida Statutes and its own internal policies and procedures.

NON-WEATHER-RELATED WATER CLAIMS

Non-weather-related water claims, or claims resulting from leaking pipes, water heaters, or other appliances may cause long-term, unseen water and mold damage. Citizens reported receiving a total of 20,487 personal lines non-weather-related water damage claims during the examination scope period. Of those, 15,203, or 74%, of the reported claims, were closed during the examination scope period. A proportional random sample of 109 claims was selected and reviewed.

Finding 2: In one instance out of 109 claims reviewed, for an error percentage of 0.92%, Citizens' external adjuster did not timely respond to a phone call from the insured or insured's representative within one calendar day, as required by the Customer Service Section of Citizens' Best Claims Practices and Estimating Guidelines.

Citizens' Response: Citizens agreed with the finding.

Recommendation: Citizens should implement procedures to ensure that its adjusters respond to telephone calls as required by established policies and procedures.

Finding 3: In two instances out of 109 claims reviewed, for an error percentage of 1.83%, Citizens' external adjusters did not hold a settlement conversation with the insured prior to closing the claim, as required by the File Management Section of Citizens' Best Claims Practices and Estimating Guidelines.

Citizens' Response: Citizens agreed with the finding.

Recommendation: Citizens should implement procedures to ensure that settlement conversations with the insured occur as required by established policies and procedures.

Finding 4: In four instances out of 109 claims reviewed, for an error percentage of 3.67%, three of Citizens' external adjusters and one internal adjuster failed to complete initial voice-to-voice (V2V) contact with the insured within one calendar day of the loss, as required by the Customer Service Section of Citizens' Best Claims Practices & Estimating Guidelines.

Citizens' Response: Citizens agreed with the finding.

Recommendation: Citizens should implement procedures to ensure that it completes voice-to-voice contact in accordance with the timelines established by policies and procedures.

IMPACT OF ASSIGNMENT OF BENEFITS LEGISLATION

An Assignment of Benefit ("AOB") is a document signed by a policyholder that transfers the right or benefits afforded under an insurance policy to a third party, such as a water extraction company, roofer, or a plumber. An AOB gives the third-party authority to file a claim, make repair decisions, and collect claim payment from an insurer without the involvement of the insured or policyholder.

The increased use of AOBs has resulted in widespread abuse such as unnecessary claim delays, exaggerated claim costs, and litigation. The abuse has also caused insures to increase premium rates in recent years. On July 1, 2019, the Florida Legislature enacted House Bill 7065 ("HB 7065") that allowed insurers to restrict the use of AOB's if certain conditions were met. After the passage of HB 7065, Citizens' actuaries estimated the reforms would reduce the statewide average rate need from 25.2% to 10.1% for homeowners policies. Citizens determined that AOBs are overwhelmingly used in claims where the homeowner resides at the property or when a property is rented to a tenant. As such, the rate calculations for the impact of assignment of benefits are only reflected in these homeowner type policies.

Citizens provided the following statistics for non-weather-related water claims:

Number of Non-Weather Water Claims Filed Between 07/01/2018 and 06/30/2020		
Claims:	Number	Percentage
with AOB	5,187	25%
without AOB	15,300	75%
Total	20,487	100%

	Pre HB 7065 Rate Indication		Post HB 7065 Rate Indication	
Policy Types	Indicated Rate Change	Capped Rate Change	Indicated Rate Change	Capped Rate Change
Homeowners (HO-3/HW-2)	25.6%	8.7%	10.5%	3.5%
Dwelling (DP-3/DW-2)	36.6%	9.0%	25.5%	8.7%

Since 2019, Citizens has been studying its actuarially based rate indications and the impact of HB 7065. Citizens reports that savings have materialized from the restrictions on AOBs as a result of HB 7065 primarily by reducing litigation which has also significantly reduced the severity of claims.

Much of the impact of HB 7065 has been found in non-weather-related water claims. In addition, rate calculations are effective statewide and based on state-wide averages except in Monroe county. Citizens' rates have been frozen by the Office in that county for various reasons including that much of the business line in that county consists of wind only products rather than water damage coverage.

MANAGED REPAIR PROGRAM

Another factor noted by Citizens that reduces the severity of claims is its Managed Repair Program ("MRP") which was initiated in June 2017. The purpose and goals of MRP are to:

- Reduce the frequency of AOB and litigation costs;
- Better control claim costs;
- Return the customer to a pre-loss condition; and,
- Facilitate the timely completion of repairs.

The MRP was suspended in September 2017 due to Hurricane Irma and restarted on January 1, 2018. In April 2018, Citizens amended and submitted to the Office for review its HO-3 and DP-3 "Emergency Water Removal Services" and the "Managed Repair Contractor Network Program" endorsements. Effective August 1, 2018, Citizens relaunched the MRP and offered the Program to all new and renewal HO-3 (Homeowner Special Form) and DP-3 (Dwelling Fire Special Form) policies.

The MRP offers services to qualified HO-3 and DP-3 customers whose homes have been damaged by water not related to weather. It consists of two parts: Emergency Water Removal Services and a Managed Repair Contractor Network. At the time a covered non-weather-related water loss is reported, an insured is given the option to utilize MRP or opt out. If an insured chooses to use the MRP emergency water removal services provided by water remediation companies that are contracted with Citizens, the services are covered with no out-of-pocket costs charged to the policyholder. For the Managed Repair Contractor Network, Citizens uses a network of preapproved licensed and insured contractors to make permanent repairs to the home. Citizens will pay up to the policy limits for repairs, less the All Other Perils deductible. Repairs are guaranteed by Citizens for three years.

Should the insured choose to opt out of MRP, emergency water removal services are limited to $3,000, and permanent cosmetic repairs are limited to $10,000, less any costs of Water Removal Services.

Consumer Outreach

With the relaunch of the MRP on August 1, 2018, Citizens provide consumers with MRP program information in new business welcome letters and renewal letters sent through direct mail and email. Citizens also educates agents to promote the program using the Citizens' Managed Repair Program Brochure. Information about the program is also available on Citizens' website.

Citizens conducts monthly surveys for consumers who use the program and reports the feedback from consumers about the MRP is generally positive. The following table shows the number of claims that utilized the Managed Repair Program from January 1, 2018 through June 30, 2020:

Period	Eligible Claims	Offered Water Mitigation Services	Accepted Water Mitigation Services	Accepted Repair from Contractor Network
1/1/18 to 12/31/18	3,037	2,761	744	173
1/1/19 to 21/31/19	7,886	7,311	2,649	1,778
1/1/20 to 6/30/20	4,274	3,936	1,528	1,279
Total	15,197	14,008	4,921	3,230

Agent Outreach

In 2018 and 2019, Citizens provided outreach to agents in a number of formats including live webinars, in person meetings and trainings, agent roundtables and on demand online modules. In 2020, since the COVID-19 pandemic, training opportunities have included on demand modules, recorded webinars, web conferences and live presentations, when necessary.

HURRICANE IRMA CLAIMS

On September 10, 2017, Hurricane Irma made landfall in Florida as a Category 4 storm that affected a large area of the state. On November 9, 2020, in response to a new Catastrophe Reporting data call, Citizens reported receiving a total of 80,787 Hurricane Irma claims, an increase of 3,976 claims from the January 10, 2020 reporting. Of the 80,787 total claims reported, Citizens recorded that 74,847 claims, or 92.6%, were closed and 5,940 claims, or 7.4%, remain open as of the reporting date. Of the 74,847 closed claims, 46,786 claims, or 62.5%, were closed with payment, and 28,061 claims, or 37.5%, were closed without payment.

HURRICANE MICHAEL CLAIMS

On October 10, 2018, Hurricane Michael, a Category 5 storm, made landfall in the Florida Panhandle near Tyndall Air Force Base. Since Hurricane Michael made landfall and as of October 2019, the Office has completed 44 data calls, and conducted analyses of the claims data reported

by 400 insurance companies.

On October 10, 2019, the Office released a report entitled One Year Later: Hurricane Michael's Impact on Florida. The report stated that as of that date, Hurricane Michael had resulted in the filing of more than 149,448 claims by policyholders at an estimated cost of $6.7 billion. As of the September 27, 2019 reporting date, insurers classified the status of those claims as follows:

- 110,979 claims closed with payment;
- 21,122 claims closed without payment; and
- 17,347 claims remained open at the time of the reporting.

Approximately 12,000 of the open claims reported were claims for damage to personal and commercial residential properties, with the majority of the remaining claims, or approximately 5,000 claims, for damage to commercial properties.

On December 19, 2018 and on July 25, 2019, the Office issued two Informational Memorandums, OIR-18-01M (attached as Addendum B) and OIR-19-04M (attached as Addendum C), directing insurers adjusting Hurricane Michael claims "to do everything possible to respond to the needs of affected Floridians, restore a sense of normalcy, and facilitate restoration and recovery of impacted communities." All insurers were instructed to redouble efforts to resolve all open claims, using whatever resources necessary, to provide policyholders with the tools to rebuild their lives and property. Insurers were also reminded that policyholders have the right to expect prompt, efficient and fair claims adjustment service, especially after a catastrophic loss. Insurers were urged to concentrate their resources and energy on reaching out to policyholders with open Hurricane Michael claims and take all actions necessary to bring the claims to closure as quickly as possible.

This section of the examination was initiated in the wake of Hurricane Michael to review and evaluate Citizens' handling of Hurricane Michael claims reported by policyholders during the examination's scope period and focused on Citizens' compliance with the following specific key claims handling standards which directly impact policyholders and claimants:

- Timely communication with respect to claims;
- Timely payment of claims;
- Payment of statutory interest if instances of untimely payments occurred;
- Adjustment and payment of claims in accordance with the terms and conditions of the policy contract;
- Fair claim settlement practices;
- Use of licensed and appointed claims adjusters;
- Maintaining reasonable claims records; and
- Adherence to internal claims processing standards

As of October 25, 2019, in response to the Catastrophe Reporting data call, Citizens reported receiving a total of 3,884 Hurricane Michael claims or 2.59% of the total number of Hurricane Michael

claims reported by all insurers as of that reporting date. As of October 13, 2019, the Florida Department of Financial Services' Division of Consumer Services ("DFS") reported receiving a total of 46 complaints related to Hurricane Michael from Citizens consumers. This represents 2.57% of the total number of complaints received from all consumers reporting Hurricane Michael complaints.

TOTAL REPORTED CLAIMS AND COMPLAINTS AS OF OCTOBER 2019			
Citizens Claims	**Total Claims**	**Citizens Complaints**	**Total Complaints**
3,884	149,773	46	1,791

An analysis comparing the total number of Hurricane Michael complaints received by DFS to the total number of Hurricane Michael claims reported by all insurers determined that the average complaint to claims percentage was 1.44%, as of the October 2019 reporting. Citizens' complaint to claims comparison percentage was 1.18%.

A review of Citizens' consumer complaints by reason category, as assigned by DFS, reflects that:

- 16 complaints, or 33.33% of all complaints, were reported by consumers experiencing a claim handling delay;

- 16 complaints, or 33.33% of all complaints, were made by consumers who reportedly:
  - Believed their claims were inappropriately denied;
  - Were issued claim underpayments;
  - Received unsatisfactory settlement offers;
  - Believed a misrepresentation occurred;
  - Were concerned with the amount of the deductible applied to their claim;
  - Were concerned about an adjusters handling of the claim; or
  - Experienced an unspecified claims issue.

- 14 complaints, or 33.33% of all complaints, were attributed to requests made by Citizens or a policyholder to participate in mediation due to unresolved claim issues.

DFS defines:

- Claim Underpayment as an issue involving a claim that has been paid, but in an amount that is less than deemed appropriate by the person receiving the payment or on whose behalf payment is made.

- Unsatisfactory Settlement Offer as a complaint that an adjuster's or company's offer to settle a claim is in an amount which is less than the insured thinks should be paid.

- Misrepresentation as matters related to willful intent to deceive, conceal, or distort insurance policy provisions or benefits.

CONSUMER COMPLAINTS BY REASON	
Claim Handling Delay	16
Mediation	14
Claim Denial	6
Claim Underpayment	4
Unsatisfactory Settlement Offer	2
Misrepresentation	1
Deductible Issue	1
Adjuster Handling	1
Other Claim Issue	1
Total	**46**

At the time of the October 2019 reporting by DFS:

- 2 complaints were open pending resolution;
- 29 complaints were closed:
    - After DFS explained Citizens' or the agent's position to the consumer;
    - Because DFS determined the claim was settled;
    - After Citizens reopened the claim;
    - Because Citizens extended coverage to the consumer; or
    - When DFS found the policyholders' issue to be regulated by a provision of the insurance contract.
- 2 complaints were closed because DFS determined that a question of fact existed wherein DFS was unable to make a determination in favor of either the policyholder or Citizens; and
- 1 consumer complaint was referred to mediation.

The remaining 12 mediation complaints were resolved in accordance with DFS' mediation program.

No notices were issued to the Office of alleged violations of the Florida Insurance Code after the consumers' issues were satisfactorily resolved by Citizens.

CITIZENS COMPLAINT RESOLUTION CATEGORIES	
Open – Pending Resolution	2
Company Position Explained	20
Resolved Through DFS' Mediation Program	12
Claim Settled	5
Question of Fact	2
Agent Position Explained	1
Claim Reopened	1
Contractual Provision	1
Referred to Mediation	1
Coverage Extended	1
Total	**46**

This portion of the examination was designed to analyze the adherence of Citizens to specific key claims handling standards and the adherence of Citizens to its own claims processing standards.

On November 2, 2020, in response to a new Catastrophe Reporting data call, Citizens reported receiving a total of 3,957 Hurricane Michael claims, an increase of 73 claims from the October 25, 2019 data call. Of the 3,957 total claims reported, Citizens recorded that 3,841 claims, or 97.1%, were closed and 116 claims, or 2.9%, remain open as of the reporting date. Of the 3,841 closed claims, 3,032 claims, or 78.9%, were closed with payment, and 809 claims, or 21.1%, were closed without payment.

In preparation for this portion of the examination, Citizens was requested to provide the total number, or universe, of Hurricane Michael claims reported with a Florida exposure during the period of October 10, 2018 to August 30, 2019. Citizens reported receiving a total of 3,494 Hurricane Michael claims during that period. To facilitate a thorough review of Citizens' claims files and to address with particularity the specific key claims handling standards discussed previously in this report, the claims universe was divided into four categories: claims closed with payment, claims closed without payment, reopened claims, and claims open as of August 30, 2019. Each of the four categories were evaluated for compliance with the specific key claims handling standards.

Citizens reported the universe of claims for each category as follows:

- 2,746 claims closed with payment;
- 406 claims closed without payment;
- 308 reopened claims; and
- 34 claims open as of August 30, 2019.

For purposes of this section, the selection of claims reviewed for each of the four categories was defined as follows:

- Claims Closed With Payment: The first or initial Hurricane Michael claim filed by the named insured, policyholder, or legal representative during the scope period due to a loss occurring to a personal residential or commercial residential risk that was closed with payment during the examination's scope period.

- Claims Closed Without Payment: The first or initial Hurricane Michael claim filed by the named insured, policyholder, or legal representative during the scope period due to a loss occurring to a personal residential or commercial residential risk that was closed without payment for any reason during the examination's scope period. Reasons for closing a claim without payment could include but are not limited to claims valued at less than the policy's hurricane deductible, claims determined not to be covered by the policy, or claims that were voluntarily withdrawn by the named insured or policyholder.

- Reopened Claims: The first or initial Hurricane Michael claim filed by the named insured, policyholder, or legal representative during the scope period due to a loss occurring to a personal residential or commercial residential risk that was closed for any reason and subsequently reopened upon receipt of the first supplemental claim. Section 627.70132, F.S. defines the term "supplemental claim" or "reopened claim" as any additional claim for recovery from the insurer for losses from the same hurricane or windstorm which the insurer has previously adjusted pursuant to the initial claim.

- Claims Open as of August 30, 2019: A claim filed during the scope period by the named insured, policyholder, or legal representative due to a loss occurring to a personal residential or commercial residential risk that was in an "open" status as of August 30, 2019.

The examiners reviewed a total of 307 randomly selected Hurricane Michael claims. The number of randomly selected claims in each sample is consistent with the recommended sample size for claims in the NAIC's *Market Regulation Handbook's* Acceptance Samples Table. Examination results with a 95% confidence level permit those results to be extrapolated to the population of claims in each of the four claim categories. Based on the total universe of Citizens claims subject to this examination, the total sample size required to achieve a 95% confidence level for all four categories was determined to be 307 claims.

The 380 randomly selected claims consisted of:

- 108 claims closed with payment;
- 83 claims closed without payment;
- 82 reopened claims; and
- 34 claims open as of August 30, 2019.

In reviewing materials for this report, the examiners relied on records provided by Citizens, including catastrophe claims information provided to the Office in its Catastrophe Reporting data calls.

REVIEW FOR COMPLIANCE WITH SECTION 627.70131, F.S.

This portion of the examination focused on Citizens' compliance, with respect to its Hurricane Michael claims, with statutory requirements and timeframes found in Section 627.70131, F.S. The review evaluated the specific key claims handling standards of timely payment of claims; timely communication with respect to a filed claim; and payment of statutory interest, if required. Other specific key claims handling standards which were evaluated are discussed in the Findings section, below.

Section 627.70131, F. S., provides in pertinent part:

> *(5)(a) Within 90 days after an insurer receives notice of an initial, reopened, or supplemental property insurance claim from a policyholder, the insurer shall pay or deny such claim or a portion of the claim unless the failure to pay is caused by factors beyond the control of the insurer which reasonably prevent such payment. Any payment of an initial or supplemental claim or portion of such claim made 90 days after the insurer receives notice of the claim, or made more than 15 days after there are no longer factors beyond the control of the insurer which reasonably prevented such payment, whichever is later, bears interest at the rate set forth in s. 55.03. Interest begins to accrue from the date the insurer receives notice of the claim. The provisions of this subsection may not be waived, voided, or nullified by the terms of the insurance policy. If there is a right to prejudgment interest, the insured shall select whether to receive prejudgment interest or interest under this subsection. Interest is payable when the claim or portion of the claim is paid. Failure to comply with this subsection constitutes a violation of this code. However, failure to comply with this subsection does not form the sole basis for a private cause of action.*

To determine Citizens' adherence to these statutory requirements and timeframes, the examiners conducted detailed analyses of 307 claims. The examiners reviewed and analyzed each of the claims to determine if the claims were paid or denied within 90 days after Citizens received notice of the initial, reopened, or supplemental claim. In accordance with the statute, the examiners also analyzed whether factors reasonably beyond the control of Citizens may have prevented payment of that claim within 90 days. In instances where factors reasonably beyond the control of Citizens existed, the claims were determined to have met the 90-day standard, as provided in Section 627.70131(5)(a), F.S. The examiners applied those statutory requirements and timeframes to each of the 380 randomly selected Hurricane Michael claims by category: 108 claims closed with payment; 83 claims closed without payment; 82 reopened claims; and 34 open claims as of August 30, 2019.

After reviewing 108 **Claims Closed with Payment**, the examiners determined that when measuring from the date Citizens received notice of the first or the initial claim to the date the claim payment was made to the policyholder, Citizens paid 108 claims, or 100% of the claims closed with payment, in 90 days or less, in accordance with Section 627.70131(5)(a), F.S.

CLAIMS CLOSED WITH PAYMENT	
Paid Within	**Number of Claims**
0-30 days	87
31-60 days	21
61-90 days	0
Over 90 days	0
Total Claims Reviewed	**108**

The results of the examination determined that 108 of the 108 claims reviewed, or 100% of the claims closed with payment, complied with Section 627.70131(5)(a), F.S.

After reviewing 83 **Claims Closed Without Payment**, the examiners determined that when measuring from the date Citizens received notice of the first or the initial claim to the date the claim was denied, Citizens denied 82 claims, or 98.8% of the claims closed without payment, in 90 days or less, in accordance with Section 627.70131(5)(a), F.S. One claim was denied after 90 days.

CLAIMS CLOSED WITHOUT PAYMENT	
Closed Within	**Number of Claims**
0-30 days	72
31-60 days	10
61-90 days	0
Over 90 days	1
Total Claims Reviewed	**83**

The examiners determined the one claim in the over 90 days category was not in violation of Section 627.70131(5)(a), F.S. because Citizens was pending receipt of documentation or communication needed from the policyholder or the policyholder's representative to resolve the claim. These factors were reasonably beyond the control of Citizens and the claim was determined to have met the 90-day standard.

The results of the examination determined that 83 of the 83 claims reviewed, or 100% of the claims closed without payment, complied with Section 627.70131(5)(a), F.S.

After reviewing 82 **Reopened Claims**, the examiners determined that when measuring from the date Citizens received the first or initial reopened or supplemental claim to the date the claim was paid or denied, Citizens paid or denied 27 claims, or 32.9% of the reopened claims, in 90 days or less, in accordance with Section 627.70131(5)(a), F.S. Fifty-five claims were paid or denied after 90 days.

REOPENED CLAIMS	
Paid Within	**Number of Claims**
0-30 days	18
31-60 days	7
61-90 days	2
Over 90 days	55
Total Claims Reviewed	**82**

The examiners determined the remaining 55 claims in the over 90 days category were not in violation of Section 627.70131(5)(a), F.S. because Citizens was pending receipt of documentation or communication needed from the policyholder or the policyholder's representative to resolve the claim or the claim was in litigation or participating in the appraisal process. These factors were reasonably beyond the control of Citizens and the claims were determined to have met the 90-day standard.

The results of the examination determined that 82 of the 82 claims reviewed, or 100% of the reopened claims, complied with Section 627.70131(5)(a), F.S.

After reviewing 34 **Open Claims as of August 30, 2019**, the examiners determined that when calculating from the date Citizens received notice of the initial, reopened, or supplemental claim to the date the claim was paid or denied, Citizens paid or denied eight claims, or 23.5% of the claims in an "open" status as of August 30, 2019, in 90 days or less, in accordance with Section 627.70131(5)(a), F.S. Twenty-six claims were paid or denied after 90 days.

OPEN CLAIMS AS OF AUGUST 30, 2019	
Paid Within	**Number of Claims**
0-30 days	4
31-60 days	3
61-90 days	1
Over 90 days	26
Total Claims Reviewed	**34**

The examiners determined that one of the 26 claims in the over 90 days category is in violation of Section 627.70131(5)(a), F.S. because no factors existed beyond the control of Citizens to reasonably prevent paying or denying the claim within 90 days.

The remaining 25 claims in the over 90 days category were determined not to be in violation of Section 627.70131(5)(a), F.S. because Citizens was pending receipt of documentation or communication needed from the policyholder or the policyholder's representative to resolve the

claim or the claim was in litigation or participating in the appraisal process. These factors were reasonably beyond the control of Citizens and the claims were determined to have met the 90-day standard.

The results of the examination determined that 33 of the 34 claims reviewed, or 97.1% of the claims open as of August 30, 2019, complied with Section 627.70131(5)(a), F.S.

ADHERENCE REVIEW

In addition to reviewing Citizens' claims practices to determine compliance with specific key claims handling standards, the examiners evaluated Citizens' compliance with its own internal claims procedures.

To determine Citizens' adherence to its own claims processing standards, the examiners reviewed materials and information provided by Citizens and compared them to the information and data contained within the claims files. The full review is contained in Addendum A of this report.

The results of the adherence review determined that three areas deviated from Citizens' internal standards. Citizens' written procedures, Best Claims Practices & Estimating Guidelines, required adjusters to issue settlement letters when closing claims, to make voice-to-voice communications with policyholders within three calendar days and to return insured communications within one calendar day. Findings attributed to the adherence review are located under the Findings From The Hurricane Michael Adherence Review section of this report.

FINDINGS FROM THE HURRICANE MICHAEL CLAIMS REVIEW

The following Findings, or violations, are compiled from the contracted examiners' analysis of Citizens' adherence to specific key claims handling standards and Citizens' adherence to its own claims processing standards. Each Finding includes Citizens' response to each violation, and, in certain cases, additional conclusions made, when necessary.

The statutory standards that were reviewed are Section 627.70131(1)(a), F.S., requiring the timely acknowledgement of claims communications, Section 626.112, F.S., requiring the use of licensed and appointed claims adjusters, Section 626.877, F.S., requiring the adjustment of claims in accordance with the terms and conditions of the insurance contract, and Section 626.9541, F.S., that defines unfair trade practices.

HURRICANE MICHAEL CLAIMS CLOSED WITH PAYMENT

Citizens reported a universe of 2,746 Hurricane Michael claims that were closed with payment during the period of October 10, 2018 to August 30, 2019. A random sample of 108 claims was selected for review and the findings of the review are as follows:

Finding 5: In two instances out of 108 claims reviewed, an error percentage of 1.85%, two external Citizens adjusters did not timely acknowledge receipt of claims communications within 14 calendar days, in violation of Section 627.70131(1)(a), F.S.

Citizens' Response: Citizens agreed with the finding.

HURRICANE MICHAEL CLAIMS CLOSED WITHOUT PAYMENT

Citizens reported a universe of 406 Hurricane Michael claims that were closed without payment during the period of October 10, 2018 to August 30, 2019. A random sample of 83 claims was selected for review.

No exceptions were noted.

HURRICANE MICHAEL REOPENED CLAIMS

Citizens reported a universe of 308 Hurricane Michael claims that were reopened as an additional claim that had previously been adjusted pursuant to the initial claim during the period of October 10, 2018 to August 30, 2019. A random sample of 82 claims was selected for review.

No exceptions were noted.

HURRICANE MICHAEL CLAIMS OPEN AS OF AUGUST 30, 2019

Citizens identified a universe of 34 claims arising out of Hurricane Michael that were in an open status as of August 31, 2019. All 34 claims were reviewed.

No exceptions were noted.

FINDINGS FROM THE HURRICANE MICHAEL ADHERENCE REVIEW

The results of the adherence review determined that three areas deviated from Citizens' internal standards. Citizens' written procedures, Best Claims Practices & Estimating Guidelines, required adjusters to issue settlement letters when closing claims, to make voice-to-voice communications with policyholders within three calendar days and return insured communications within one calendar day.

HURRICANE MICHAEL CLAIMS CLOSED WITH PAYMENT

Finding 6: In eight instances out of 108 claims reviewed, an error percentage of 7.41%, both internal and external adjusters did not complete initial voice-to-voice contact with the insured within three calendar days, as required by Citizens' Best Claims Practices & Estimating Guidelines.

Citizens' Response: Citizens stated that initial contacts were attempted within three calendar days, however the adjusters were unable to make contact with the insured.

HURRICANE MICHAEL CLAIMS CLOSED WITHOUT PAYMENT

Finding 7: In two instances out of 83 claims reviewed, an error percentage of 2.41%, external adjusters did not send a settlement letter, as required by Citizens' Best Claims Practices & Estimating Guidelines.

Citizens' Response: Citizens agreed with the finding.

Finding 8: In five instances out of 83 claims reviewed, an error percentage of 6.02%, internal adjusters did not complete did not complete initial voice-to-voice contact with the insured within three calendar days, as required by Citizens' Best Claims Practices & Estimating Guidelines.

Citizens' Response: Citizens agreed with the finding.

HURRICANE MICHAEL REOPENED CLAIMS

No exceptions were noted.

HURRICANE MICHAEL CLAIMS OPEN AS OF AUGUST 30, 2019

Finding 9: In one instance out of 34 claims reviewed, for an error percentage of 2.94%, an external adjuster did not respond to a telephone call within one business days, as required by Citizens' Best Claims Practices & Estimating Guidelines.

Citizens' Response: Citizens agreed with the finding.

HURRICANE MICHAEL CLAIMS REVIEW RECOMMENDATIONS

The following Recommendations were compiled from the Findings contained within the Hurricane Michael claims section of this report. Citizens is to provide a written report to the Office of actions taken on each Recommendation within 60 days of Citizens' receipt of the Office's Final Examination Report.

It is recommended that Citizens:

- Ensure that the acknowledgement of all claims communications will occur within statutorily mandated timeframes; and
- Ensure internal and external adjusters consistently adhere to Citizens' own claims processing standards as required by the Best Claims Practices & Estimating Guidelines.

CONCLUSION FROM HURRICANE MICHAEL CLAIMS REVIEW

This portion of the examination was designed to review and evaluate whether Citizens' handling of Hurricane Michael claims was in compliance with the specific key claims handling standards required by statute, by provisions of the insurance policy issued by Citizens, or Citizens' own claims processing standards. The examination identified no improper general business practices

related to claims and determined that Citizens was diligent when investigating Hurricane Michael claims and when accurately paying such claims.

EXAMINATION FINAL REPORT SUBMISSION

This examination report and the Findings contained therein are the result of factual, data-driven analysis of Citizens' current processes and procedures, corporate records, general operations, internal audits, underwriting and rating, clearinghouse and depopulation, agent practices, and claims. This report contains a number of recommendations for improvement and remediation that should be implemented by Citizens. The Office hereby issues this final report based upon information from the examiner's draft report, additional research conducted by the Office, and additional information provided by Citizens.

ADDENDUM A

HURRICANE MICHAL CLAIMS OVERVIEW

The examiners were requested to analyze the insurer's CAT preparedness and response to Hurricane Michael, claims adjustment and claims handling practices, customer service standards, adherence to statutory time frames, and adherence to internal catastrophe policies and procedures.

The examination reviewed Citizens' adherence to the standards outlined in internal policies and procedures related to catastrophe preparedness and response including:

- The use and oversight of contracted independent adjusting firms and reimbursement rates;
- The adequacy, completeness and use of integrated claims systems, claims files, claims records, and communications between adjusters, managers, and claims staff;
- Meeting or exceeding claims related timeframes, call center, or customer service standards;
- The review of claims processing flows and noting weaknesses in controls, including deficiency in personnel resources;
- The review of the presence, adequacy, and consistency of the training programs provided to internal and external claims adjusters; and
- The review of the number of adjusters assigned to each claim, noting if multiple adjusters caused errors or delays during the overall claims process.

Catastrophe Claims Handling

Citizens provided numerous documents relating to its catastrophe claim handling procedures, including the Best Claims Practices & Estimating Guidelines ("Guidelines"), which were reviewed by the examiners. The Guidelines provide direction in the following areas:

- Adjustment and investigation of claims in accordance with the terms and conditions of the insurance contract;
- Timely acknowledgement and responsiveness of claims communications;
- Timely investigation of claims;
- Timely tender of payment of claims after a written settlement agreement;
- Payment of statutorily required interest, when due;
- Adjustment of claims based on replacement cost;
- Payment of claims for dual interest property; and
- Proper maintenance of claims records.

In certain cases, Citizens incorporated more stringent requirements into the Guidelines, to include:

- Use of settlement letters when closing claims;
- Use of Voice to voice communications with policyholders within three days in catastrophic losses; and
- Return of insured communications within one calendar day.

Citizens provided screenshots of its ClaimsCenter® job aid for adjusters from its intracompany website. The job aid describes, in addition to other requirements, the statutory requirements for the payment of interest, when owed.

Citizens provides policyholders with the proper notice of the right to attend mediation in its policies, claim settlement letters, and a policyholder informational pamphlet.

Citizens provided a number of documents related to the use of independent adjusters during catastrophic hurricane events for both personal and commercial lines policies. The documents included agreements for fast track adjusting services and field adjusting services. The agreements not only include provisions requiring the use of licensed and appointed adjusters, but also deployment requirements and compensation schedules.

Catastrophe Preparedness and Response

Citizens was requested to document adherence to standards outlined in internal policies and procedures related to catastrophe preparedness and response.

Citizens provided extensive preparation documents including hundreds of pages contained in the Catastrophe Response Master Plan with Functional CAT Plans, Master CAT Plan with Functional CAT Plans and the Catastrophe Response Master Plan with Functional Tabs. The use, oversight and reimbursement rates were determined to be adequately described in the documentation provided.

Citizens provided a number of documents related to the integration of processes for handling catastrophic losses as well as job aids for use by the adjusters for completing tasks. Citizens documents were determined to provide an adequate picture of integration of corporate functions for effective catastrophic claim handling.

Citizens utilizes a number of tools in use to ensure compliance with claims related timeframes and call center or customer service standards. Citizens utilizes a dashboard tool that is able to take a snapshot of claim activity at any particular time that ensures claims are closed within the required timeframes. Citizens provided call center statistics that measured the number of calls answered, the time it taken to answer calls, the time length of calls and other related statistics. Metrics were also provided that tie vendor call center performance to contractual requirements. Citizens maintains customer service surveys to measure customer satisfaction with claims processing.

Citizens maintains training material that is posted on the public website and available for access by adjusters 24 hours per day. Training materials are reviewed by staff from the claims, communication and legal departments, as necessary. In preparation for every storm season, the Human Resources Department meets with Operations to assess and conduct appropriate training to ensure catastrophic preparedness. Annual “Train the Trainer” courses are conducted, as well as specialized training tailored to personnel for their individual roles. Supervisors also undergo specific training.

While multiple adjusters were found to be assigned to Hurricane Michael claims, no delays or complaints were noted by the examiners due to these assignments.

ADDENDUM B

INFORMATIONAL
MEMORANDUM OIR-18-01M
ISSUED
December 19, 2018
Florida Office of Insurance Regulation
David Altmaier, Commissioner

TO ALL PROPERTY AND CASUALTY INSURERS AUTHORIZED TO DO BUSINESS IN FLORIDA

HURRICANE MICHAEL CLAIMS RESPONSE

Hurricane Michael made landfall in the Florida Panhandle on October 10, 2018, causing estimated total insured losses of $4.5 billion and generating more than 133,000 claims as of December 17, 2018. According to data filed with the Florida Office of Insurance Regulation, more than 90,000 claims have been closed. However, there are more than 42,000 claims that remain open. Insurers are reminded of Section 626.9541(1)(i)4., Florida Statutes, which requires that property insurers must pay:

> …undisputed amounts of partial or full benefits owed under first-party property insurance policies within 90 days after an insurer receives notice of a residential property insurance claim, determines the amounts of partial or full benefits, and agrees to coverage, unless payment of the undisputed benefits is prevented by an act of God, prevented by the impossibility of performance, or due to actions by the insured or claimant that constitute fraud, lack of cooperation, or intentional misrepresentation regarding the claim for which benefits are owed.

To facilitate the payment of Hurricane Michael claims, it is important that insurers have sufficient claim adjustment and consumer service resources to provide policyholders with access to effective customer service. Insurers may need to augment available claim or customer service resources, establish mobile claims offices in the Florida Panhandle, initiate outbound calls to claimants, or take other action to provide quality policyholder service. The Office expects insurers not only to comply with the provisions of Florida law but also to do everything possible to respond to the needs of affected Floridians, restore a sense of normalcy, and facilitate restoration and recovery in impacted communities.

If you have any questions regarding this memorandum, please contact Virginia Christy at Virginia.Christy@floir.com or (850) 413-5019.

ADDENDUM C

INFORMATIONAL MEMORANDUM OIR-19-04M ISSUED JULY 25, 2019
Florida Office of Insurance Regulation
David Altmaier, Commissioner

TO ALL PROPERTY AND CASUALTY INSURERS AUTHORIZED TO DO BUSINESS IN FLORIDA

HURRICANE MICHAEL CLAIMS RESPONSE

This Hurricane Michael Informational Memorandum supplements Informational Memorandum OIR-18-01M, which was issued on December 19, 2018. That Informational Memorandum directed insurers adjusting Hurricane Michael claims to not only comply with required provisions of Florida law but also "to do everything possible to respond to the needs of affected Floridians, restore a sense of normalcy, and facilitate restoration and recovery in impacted communities."

As of June 28, 2019, insurers reported that a total of 147,877 Hurricane Michael claims had been filed. While 126,208 claims were reported closed, 21,669 claims remained open.

More than 20,000 Floridians with open claims need assistance. Insurers should redouble efforts to resolve all open claims, using whatever resources are necessary, to provide policyholders with the tools to rebuild their lives and property.

The Office of Insurance Regulation (Office) will be issuing an enhanced data call to collect additional information from insurers regarding open Hurricane Michael claims. This information will assist the Office in evaluating claim payment trends and identifying potential impediments to the prompt closure of claims.

Policyholders have the right to expect prompt, efficient and fair claims adjustment service, especially after a catastrophic loss. The Office demands nothing less. Insurers should therefore concentrate their resources and energy on reaching out to policyholders with open Hurricane Michael claims and taking all actions necessary to bring the claim to closure as quickly as possible.

If you have any questions regarding this memorandum, please contact Susanne Murphy at Susanne.Murphy@floir.com or (850) 413-5083.

Florida Office of Insurance Regulation

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