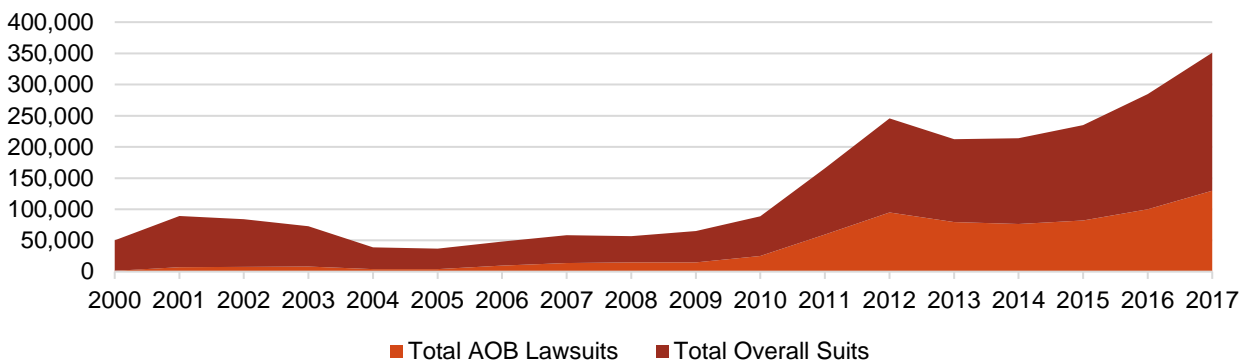




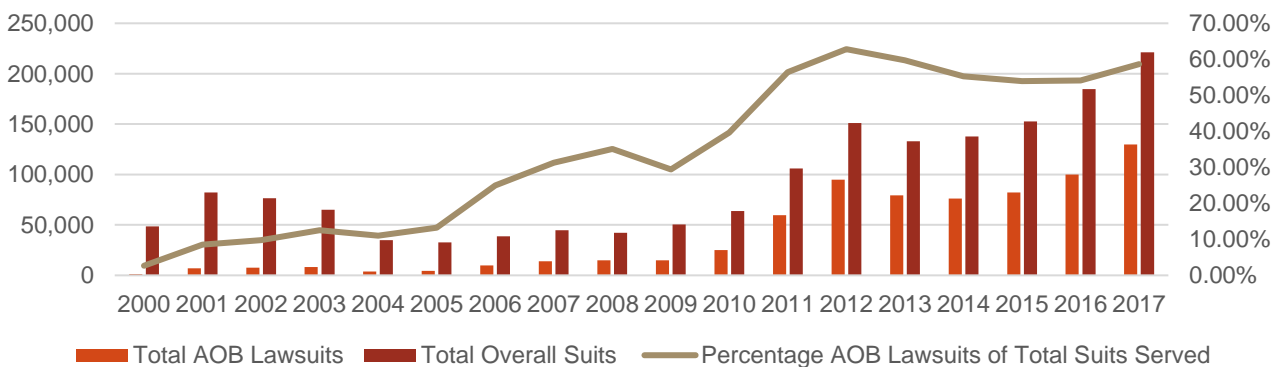
OVERALL AOB LITIGATION

- AOB litigation continues to increase. The dip post-2012 is attributable to a decline in the number of PIP AOB cases that were brought after legislative reforms; however, those have started to climb again.
- In addition, post-2012, attorneys and vendors exported the PIP template to other coverages—property and auto glass, specifically—which have also contributed to the increase in the number of AOB lawsuits.
- For over 5 years, more lawsuits have been brought by assignees than have been brought by policyholders or those injured by policyholders. More than half of all insurance litigation in the state of Florida is attributable to AOB.

All Lawsuits in Service of Process Database vs. Total AOB Lawsuits



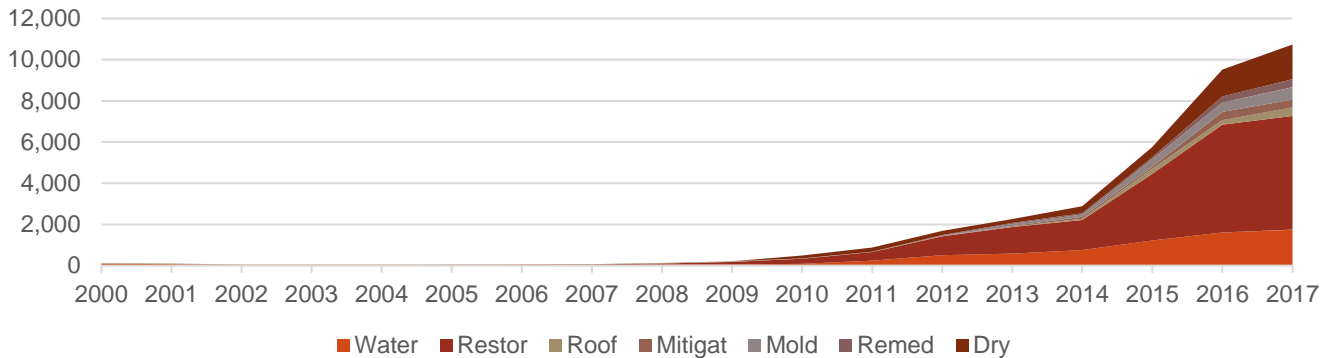
AOB Litigation as a % of Total Insurance Litigation



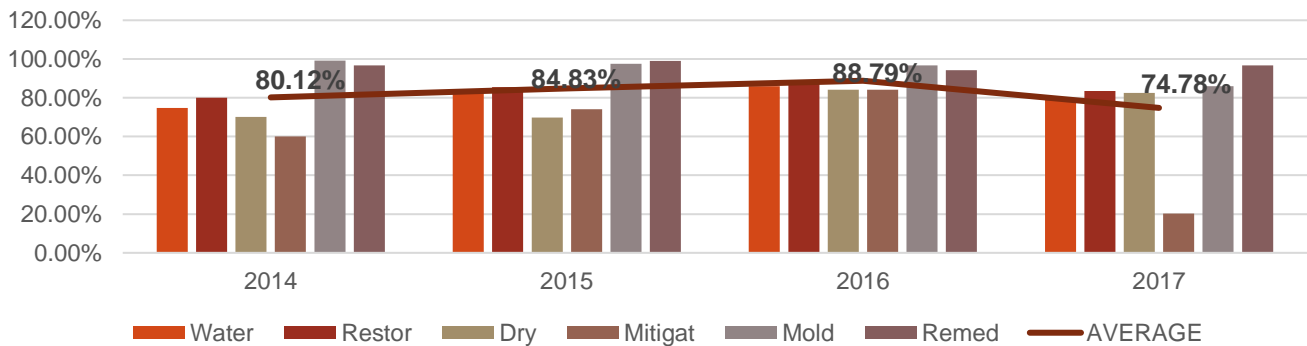
PROPERTY AOB LITIGATION

- Property AOB litigation really took off after the 2012 PIP reforms, as certain lawyers who had profited off the PIP coverage used it as a template to sue on other coverages. It has continued to increase unabated.
- Property AOB lawsuits are often brought by vendors whose names include words such as water, restoration, roof, mitigation, mold, remediation, and dry. When those words are used, it becomes clear that the suit is no longer being brought by a policyholder, but instead by a third party who has received a transfer of the policyholder's rights.
- Property AOB litigation has been overwhelmingly concentrated in Tri-County for a number of years. However, 2017 saw that diminish somewhat. This is most likely attributable to factors such as more firms and vendors catching onto this litigation trend and mirroring it in other places. It could also be attributed to the fact that Citizens Property Insurance Corporation has introduced coverage limitations for water claims and has announced intentions to utilize a managed repair model, which may have caused vendors and attorneys to focus on non-Citizens policyholders, and thus, outside of the Tri-County area where Citizens' business is most concentrated.

Property AOB Litigation: plaintiff name includes property identifier



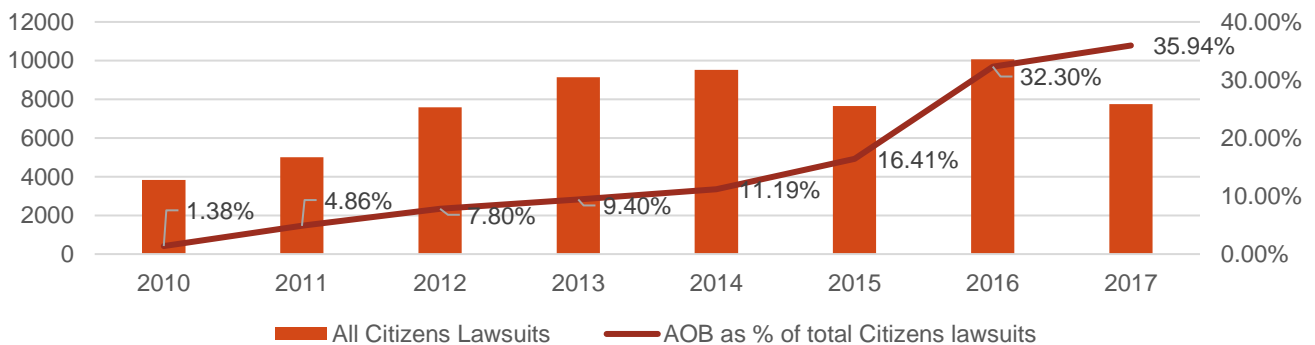
Percent of Property AOB Litigation in Tri-County



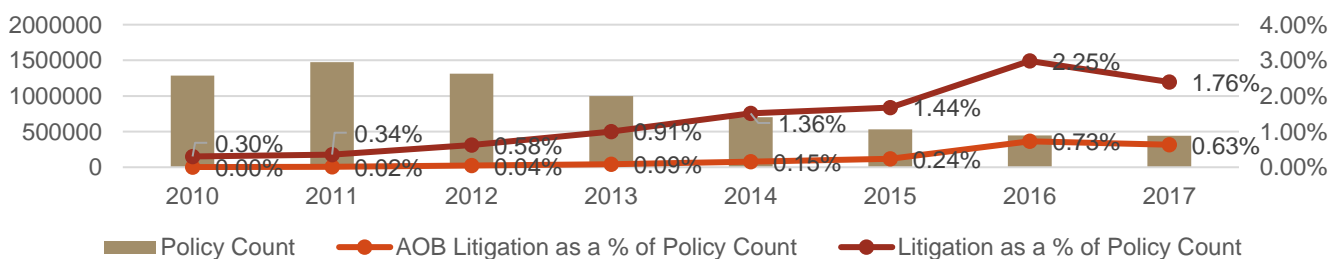
A CLOSER LOOK: CITIZENS PROPERTY INSURANCE CORPORATION

- Citizens is unique in that its policy count has likely experienced some of most expansion and contraction of any company in recent years. Therefore, any examination of that company's litigation trends must be viewed in context of its policy count. Further, it should be noted that in 2017, Citizens observed that in order to be actuarially sound, it would need a 97% rate increase; however, Florida law does not allow it to raise rates more than 10% per year. The difference in rates charged and rate needed is spread across the rest of the state in the form of assessment potential in the event a shortfall is realized.
- Of all the lawsuits filed against Citizens, the percentage that are AOBs continues to grow. According to OIR and Citizens, AOBs are also associated with much greater severity than true first party lawsuits.
- While total lawsuits as a percentage of policy count decreased by .5%, AOB lawsuits as a percentage of policy count only decreased by .1%. This seems to support the theory that property AOB litigation is becoming more diversified statewide, since the overall statewide number continues to increase. This also gives credence to anecdotal evidence that vendors and attorneys are looking elsewhere in light of recent Citizens' cost control measures.
- Total number of all lawsuits, total number of AOB lawsuits, and AOB litigation as percentage of both lawsuits and policy counts are *all* still significantly more than they were just two years ago, despite a decrease of nearly 100,000 policies during that same time.

*Citizens Property Insurance Corporation:
Lawsuits & AOB*



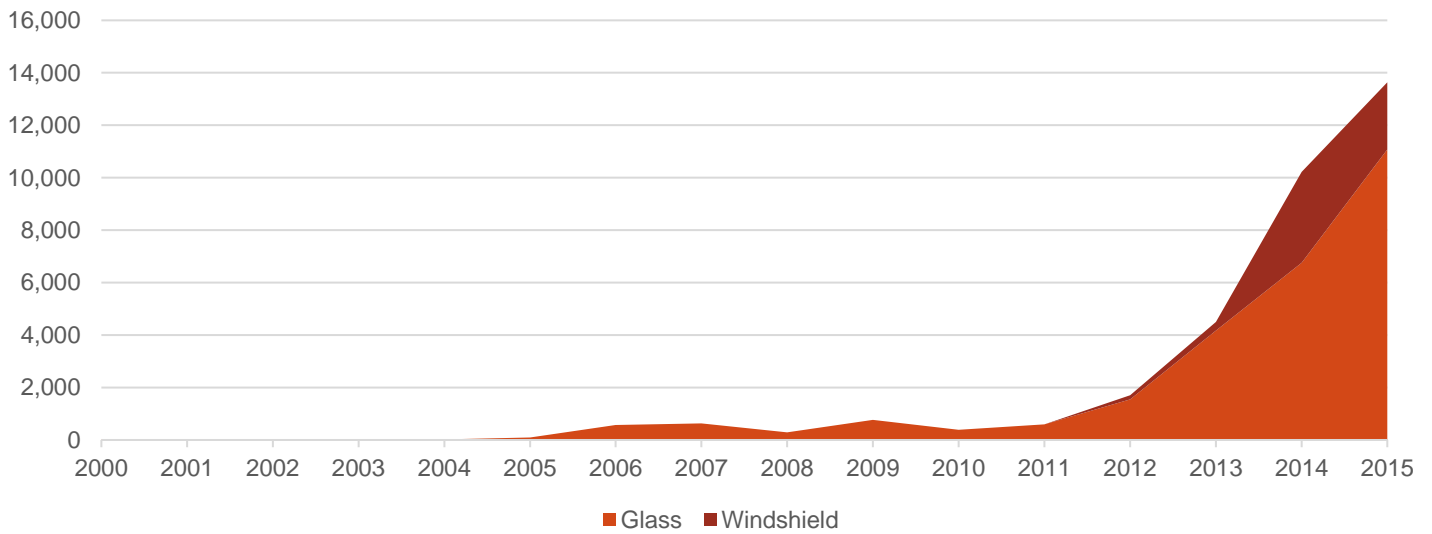
Citizens Litigation as a % of Policy Count



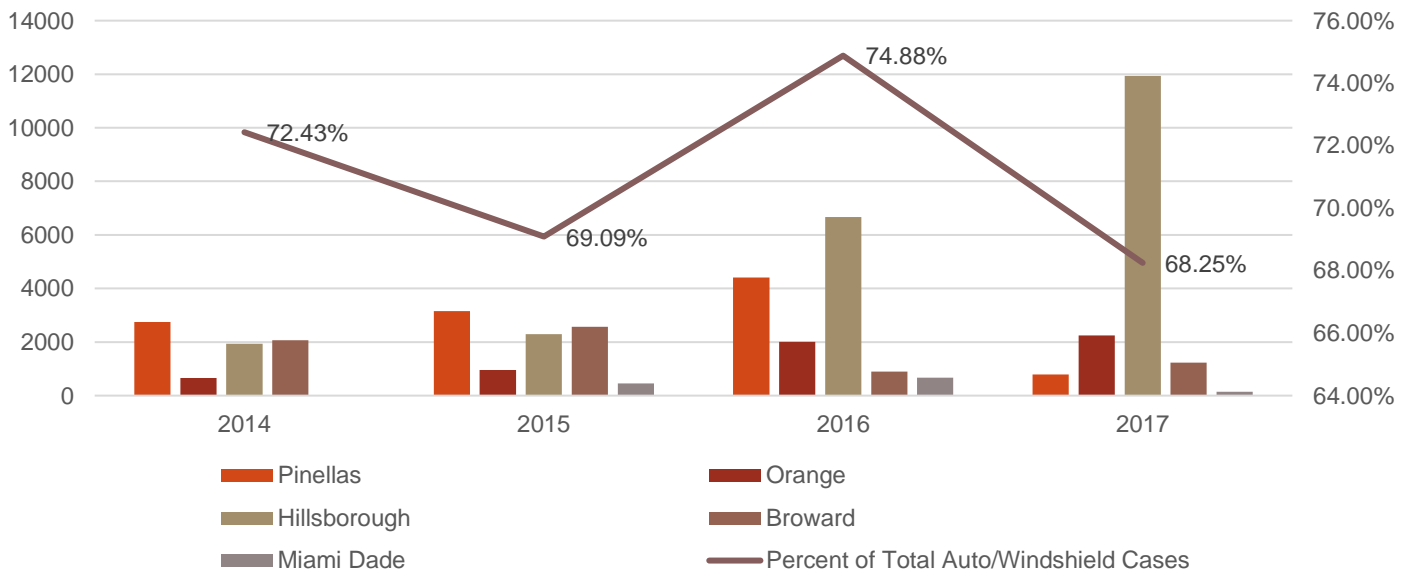
AUTO GLASS AOB LITIGATION

- Auto glass AOB litigation is also on the rise, and from a frequency standpoint, is far outpacing property AOB litigation.
- Auto glass AOB also has very regional specific characteristics but, like property AOB, is becoming more diversified as more vendors and attorneys “catch on” to the trend and start mimicking it in other places.

Plaintiffs named "Glass" or "Windshield"



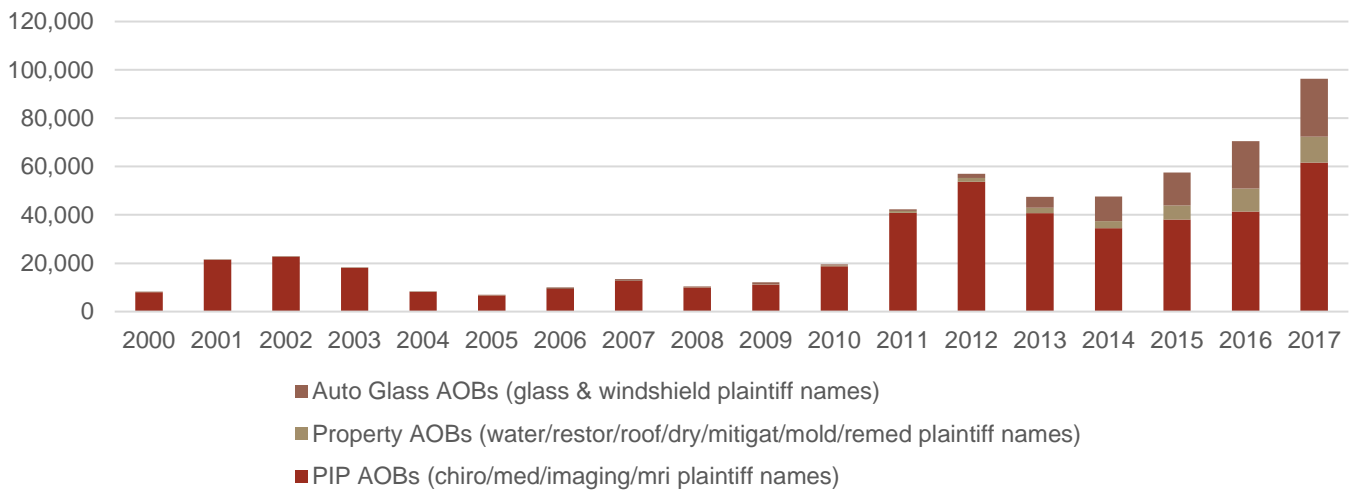
Auto Glass Litigation: Specific Counties



PIP LITIGATION

- The 2012 legislative reforms were effective, even despite the trial bar’s aggressive attempt to block the law in court, resulting in a 2-year protracted legal battle. Unfortunately, and as detailed in an actuarial study commissioned by OIR, vendors and plaintiff’s attorneys have found workarounds to the PIP law, including classifying nearly every injury as an “emergency” to access enhanced benefits.
- Data shows that lawsuits brought by chiropractors, medical entities, imaging centers, and MRI vendors were a decreasing share of AOB litigation for approximately 2 years after the reforms become effective, but then started to grow again. Property and auto glass litigation have continued to grow with it, meaning loss costs for all three coverages are increasing as a result of AOB litigation.

AOBs Lawsuits by Type of AOB



BOTTOM LINE

As long as the one-way attorney fee exists, attorneys will find ways to flood courts with litigation to access easy money and will be able to lure vendors into this scheme by promising “no-risk” lawsuits. This is clearly evident from the many “coaching materials” that are circulating on the internet and elsewhere encouraging vendors to sign up with law firms. This was not the intention of one-way attorney’s fees, as is evident by the text of both ss. 627.428 and 626.9373, F.S.

In 2007, there were 4,986 lawsuits. In 2017, there were 129,781. That is an increase of 829%, while population has only grown by 12%. Assuming *just* \$2,000 in one-way attorney’s fees were spent on each of these lawsuits, each person in the state of Florida—man, woman, and child—pays an AOB tax of \$12.59.