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INSURANCE REGULATION
Docketed by: AB



OFFICE OF INSURANCE REGULATION

DAVID ALTMAIER
COMMISSIONER

IN THE MATTER OF:

CITIZENS PROPERTY
INSURANCE CORPORATION
_____ /

CASE NO.: 293112-22

FINAL ORDER

TO: Barry Gilway, President
2101 Maryland Circle
Tallahassee, FL 32303

THIS CAUSE came on for consideration upon the filing by CITIZENS PROPERTY INSURANCE CORPORATION (“CITIZENS”) with the FLORIDA OFFICE OF INSURANCE REGULATION (“OFFICE”) of its Rate Filing Nos. FCP 22-002005, FCP 22-002027, FCP 22-002262, FCP 22-002263, FCP 22-002504, FCP 22-002505, FCP 22-002899 and FCP 22-002900. (“Rate Filings”).

The OFFICE held a recorded virtual public rate hearing to receive public comment on the filings on March 31, 2022. At the hearing, CITIZENS offered testimony in support of its rate recommendations and members of the public provided comments in writing on the effects of the rate filings. The OFFICE, now having considered the complete record for the above-referenced filings and being otherwise fully advised in the premises, hereby finds as follows:

1. The OFFICE has jurisdiction over the subject matter and of the parties herein.

2. CITIZENS was created by statute with the public purpose to ensure the existence of an orderly market for property insurance for Floridians and Florida businesses.

3. In accordance with section 627.351(6)(n), Florida Statutes, CITIZENS' rates must meet the following requirements:

1. Rates for coverage provided by the corporation shall be actuarially sound and subject to the requirements of s. 627.062, except as otherwise provided in this paragraph. The corporation shall file its recommended rates with the office at least annually. The corporation shall provide any additional information regarding the rates which the office requires. The office shall consider the recommendations of the board and issue a final order establishing the rates for the corporation within 45 days after the recommended rates are filed. The corporation may not pursue an administrative challenge or judicial review of the final order of the office.

2. In addition to the rates otherwise determined pursuant to this paragraph, the corporation shall impose and collect an amount equal to the premium tax provided for in s. 624.509 to augment the financial resources of the corporation.

3. After the public hurricane loss-projection model under s. 627.06281 has been found to be accurate and reliable by the Florida Commission on Hurricane Loss Projection Methodology, the model shall be considered when establishing the windstorm portion of the corporation's rates. The corporation may use the public model results in combination with the results of private models to calculate rates for the windstorm portion of the corporation's rates. This subparagraph does not require or allow the corporation to adopt rates lower than the rates otherwise required or allowed by this paragraph.

4. The corporation must make a recommended actuarially sound rate filing for each personal and commercial line of business it writes.

5. Notwithstanding the board's recommended rates and the office's final order regarding the corporation's filed rates under subparagraph 1., the corporation shall annually implement a rate increase which, except for sinkhole coverage, does not exceed the following for any single policy issued by the corporation, excluding coverage changes and surcharges:

- a. Eleven percent for 2022.
- b. Twelve percent for 2023.

- c. Thirteen percent for 2024.
- d. Fourteen percent for 2025.
- e. Fifteen percent for 2026 and all subsequent years.

6. The corporation may also implement an increase to reflect the effect on the corporation of the cash buildup factor pursuant to s. 215.555(5)(b).

7. The corporation's implementation of rates as prescribed in subparagraph 5. shall cease for any line of business written by the corporation upon the corporation's implementation of actuarially sound rates. Thereafter, the corporation shall annually make a recommended actuarially sound rate filing for each commercial and personal line of business the corporation writes.

4. The process described in the above-referenced statutory provisions requires CITIZENS to file rate recommendations with the OFFICE. The OFFICE then establishes the rates for CITIZENS by final order. The rate filings governed by this Order are for new and renewal rates to be effective no earlier than September 1, 2022.

5. CITIZENS submitted the following rate filings to the OFFICE, which are the subject of this Order:

- FCP 22-002005 Homeowners Multi-Peril (PLA & CA)
- FCP 22-002027 Homeowners Wind-Only (CA)
- FCP 22-002262 Dwelling Fire (PLA & CA)
- FCP 22-002263 Dwelling Fire Wind-Only (CA)
- FCP 22-002505 Mobile Homeowners Multi-Peril (PLA & CA)
- FCP 22-002504 Mobile Homeowners Wind Only (CA)
- FCP 22-002899 Mobile Homeowners Physical Damage (PLA & CA)
- FCP 22-002900 Mobile Homeowners Physical Damage Wind-Only (CA),

where PLA refers to the Personal Lines Account and CA refers to the Coastal Account.

6. **PUBLIC COMMENT:** The OFFICE invited members of the public to comment on the proposed rate changes contained within the Rate Filings during the virtual rate hearing or via electronic mail through April 14, 2022. The OFFICE received and reviewed comments from

members of the public who provided input on the rate increase, including a number of comments from residents of Monroe County.

7. **CONSUMER ADVOCATE:** Tasha Carter, Florida's Insurance Consumer Advocate, asked questions of CITIZENS at the hearing along with retained actuary, Katie Koch. The questions related to the competitive comparisons used in the filing, the selected non-catastrophe wind loss trends, and premium increases. Several questions were asked regarding types of litigated claims, litigated claim rates and the increased cost of litigated claims versus non-litigated claims.

FINDINGS AND MODIFICATIONS

These Rate Filings contained a number of proposed modifications to the rating methodology Citizens has historically used to calculate its rates. Several proposed modifications to the rating methodology are separately identified and discussed below.

8. **HURRICANE LOSS ESTIMATES:** CITIZENS' recommended rates are based on projected hurricane losses estimated by multiple hurricane loss models, including the Florida Public Model (FPM) and models by AIR Worldwide Corporation (AIR), Risk Management Solutions (RMS), and CoreLogic (EQE). Using a revised methodology, the selected wind indication is a value toward the highest two indications for purposes of projecting hurricane losses on a statewide basis. By territory, an adjustment was made to select wind indications consistent with the selected statewide wind indication. The revised hurricane loss estimate methodology used in this filing produces rates that are not excessive, inadequate or unfairly discriminatory.

9. **INCLUSION OF THE COST OF REINSURANCE UP TO A 1 IN 100 YEAR PROBABLE MAXIMUM LOSS, EVEN IF NOT PURCHASED:** In a change this year, CITIZENS' recommended rates include a provision allowed by section 627.351(6)(c)9., Florida

Statutes, that allows CITIZENS to include the cost of reinsurance up to a 1 in 100 year probable maximum loss in its rate calculations even if it does not purchase catastrophe reinsurance.

Section 627.351(6)(c)9., Florida Statutes states:

Must provide that the corporation make its best efforts to procure catastrophe reinsurance at reasonable rates, to cover its projected 100-year probable maximum loss as determined by the board of governors. If catastrophe reinsurance is not available at reasonable rates, the corporation need not purchase it, but the corporation shall include the costs of reinsurance to cover its projected 100-year probable maximum loss in its rate calculations even if it does not purchase catastrophe reinsurance.

The OFFICE finds that the revised reinsurance expense determination used in this filing produces rates that are not excessive, inadequate or unfairly discriminatory.

10. **CAP ALL RATE INCREASES AT 11%:** Emphasizing overall actuarial soundness instead of individual actuarial soundness, CITIZENS' recommended rates include all policyholders receiving an 11% increase, regardless of their indicated rate, with the exception of the impact of the FHCF Build-Up. The OFFICE finds that rates should continue to be subject to a similar per policyholder capping methodology as used in prior filings, which would be the use of a lower cap of -10% and an upper cap of +11%. As initially filed, no policyholder premium decreases were proposed.

11. **EFFECTIVE DATE CHANGE:** On or about April 12, 2022, CITIZENS requested to amend the original proposed effective dates on the Rate Filings from August 1, 2022, to September 1, 2022, to implement the proposed rates.

HOMEOWNERS

12. CITIZENS filed with the OFFICE Rate Filing Nos. FCP 22-002005 and 22-002027 for its Homeowners multi-peril (PLA & CA) and wind-only (CA) programs, respectively. CITIZENS proposed an overall average statewide rate increase of 10.7% for the multi-peril

program and 10.0% for the wind-only program with an effective date of September 1, 2022, for new and renewal business.

DWELLING FIRE

13. CITIZENS filed with the OFFICE Rate Filing Nos. FCP 22-002262 and FCP 22-002263 for its multi-peril (PLA & CA) and wind-only (CA) Dwelling Fire programs, respectively. CITIZENS proposed an overall average statewide rate increase of 10.8% for the multi-peril program and 10.4% for the wind-only program with an effective date of September 1, 2022, for new and renewal business.

MOBILE HOME (MOBILE HOMEOWNERS)

14. CITIZENS filed with the OFFICE Rate Filing Nos. FCP 22-002505 and FCP 22-002504 for its Mobile Home multi-peril (PLA & CA) and wind-only (CA) programs, respectively. CITIZENS proposed an overall average statewide rate increase of 10.7% for the multi-peril program and 10.6% for the wind-only program with an effective date of September 1, 2022, for new and renewal business.

MOBILE HOME PHYSICAL DAMAGE (MOBILE HOME DWELLING FIRE)

15. CITIZENS filed with the OFFICE Rate Filing Nos. FCP 22-002899 and FCP 22-002900 for its Mobile Home Physical Damage Dwelling Fire multi-peril (PLA & CA) and wind-only (CA) programs, respectively. CITIZENS proposed an overall average statewide rate increase of 10.8% for the multi-peril program and 10.7% for the wind-only program with an effective date of September 1, 2022, for new and renewal business.

GENERAL PROVISIONS APPLICABLE TO ALL POLICIES

16. The application of the statutory per policyholder capping methodology referred to in Paragraph 10 above and provided for in Section 627.351(6)(n)5, Florida Statutes, will require

CITIZENS to calculate new, reduced, overall average statewide rate increases for the Rate Filings governed by this Order. CITIZENS shall therefore submit to the OFFICE its revised indications and Rate Collection System data to effectuate the changes required by this Order within thirty (30) days of the date of this Order. The final rate level effects included in the Rate Collection System must reflect the per-policy capping.

17. No deviations from these rates are approved, authorized, or established by entry of this Order, and no approval of the methodology used by CITIZENS in these rate filings is given or implied. The Florida Hurricane Catastrophe Fund Cash Build-Up Factors are approved consistent with the provisions of this Order.

18. Within thirty (30) days of the date of this Order, CITIZENS shall submit to the OFFICE final manual pages and any necessary revisions to the Rate Collection System information.

THEREFORE, rates as modified herein are **ESTABLISHED** for Rate Filing Nos. FCP 22-002005, FCP 22-002027, FCP 22-002262, FCP 22-002263, FCP 22-002504, FCP 22-002505, FCP 22-002899 and FCP 22-002900.

FURTHER, all terms and conditions contained herein are hereby **ORDERED**.

DONE AND ORDERED this 24th day of June 2022.



David Altmaier

David Altmaier
Commissioner
Office of Insurance Regulation

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of this FINAL ORDER was sent by e-mail to Barry Gilway, President, Citizens Property Insurance Corporation, at Barry.Gilway@citizensfla.com on this 24th day of June 2022.


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