

CITIZENS PROPERTY INSURANCE CORPORATION 2012 RATE HEARING

September 20, 2012

Miami, Florida

Appointed by
JEFF ATWATER
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA



OFFICE OF THE
INSURANCE
CONSUMER ADVOCATE

3 MAIN TOPICS

- ▣ SINKHOLE RATES
- ▣ APPLICATION OF RATE CAPS
- ▣ THE GLIDE PATH TO ACTUARIAL SOUND RATES

SINKHOLE RATES

- ▣ INDICATED 263% STATEWIDE AVERAGE SINKHOLE RATE INCREASE

- ▣ 50% CAPS FOR 3 COUNTIES
 - HERNANDO
 - HILLSBOROUGH
 - PASCO

Citizens Proposed Increases in Average Sinkhole Premiums (Excluding Risk Load)

Territory	HO3			DP3		
	Current	% Increase	Proposed	Current	% Increase	Proposed
Hernando, Coastal	1,392	50.0%	2,088	728	50.0%	1,092
Hernando, Remainder	1,379	50.0%	2,069	638	50.0%	957
Hillsborough, Tampa	263	50.0%	395	117	50.0%	176
Hillsborough, Excl. Tampa	265	50.0%	398	119	50.0%	179
Pasco, Coastal	1,382	50.0%	2,073	644	50.0%	966
Pasco, Remainder	1,494	50.0%	2,241	623	50.0%	935
Pinellas, Coastal	46	-13.8%	40	58	-50.8%	29
Pinellas, St Petersburg	101	-16.1%	85	120	-26.3%	88
Pinellas, Rem. Excl. St. Petersburg	266	-11.7%	235	119	31.7%	157
All Others	24	162.0%	62	11	61.7%	19
Total	172	49.1%	256	64	43.0%	92
Number of Policies	360,055			151,182		

Sinkhole Rate Filing Homeowners (HO- 3)

Hernando County

Current Average Sinkhole Premium: \$1,380

Proposed Rate Increase (50%): + \$680

Proposed Sinkhole Premium: \$2,070

Pasco County

Current Average Sinkhole Premium: \$1,483

Proposed Rate Increase (50%): + \$741

Proposed Sinkhole Premium: \$2,224

WHAT IS THE RIGHT RATE FOR SINKHOLE COVERAGE ?

▣ ISO STUDY

- Senate Bill 408 will reduce Citizens' sinkhole losses by 54.7% in 2013.
- Primary Impact – Definition of Structural Damage
- 106 Closed Claims
 - ▣ 7 claims met the new definition of structural damage
 - ▣ 99 claims did not meet the new definition

OLD LAW VS. NEW LAW

What makes a difference?

OLD LAW	SB 408
GEOLOGICAL TEST FIRST AVERAGE COST (PER STUDY) \$10,585	ENGINEERING TEST FIRST AVERAGE COST (PER STUDY) \$3,500
COST OF TESTING - INSURER	COST OF TESTING - INSURED
NO REQUIREMENT TO REPAIR	LOSS PAYMENTS FOR REPAIR
BROAD COVERAGE - DRIVEWAYS, PATIOS, ETC.	LIMITED COVERAGE FOR MAIN STRUCTURE

Citizens Property Insurance Corporation Personal Residential Multiperil Policies Number of Reported Sinkhole Claims



As of July 31, 2012, **280** sinkhole claims have been reported in 2012 subject to the provisions of SB 408.

APPLICATION OF THE RATE CAP

What Consumers should know!!!

- ▣ HOMEOWNERS RATE INDICATION

Statewide Average **19.3%**

- ▣ CITIZENS STATEWIDE AVERAGE

Proposed Increase **8.3%**

BY TERRITORY:

Citizens would not give credit for indicated decrease.

OIR traditionally recognized up to **-10%** indicated decrease.

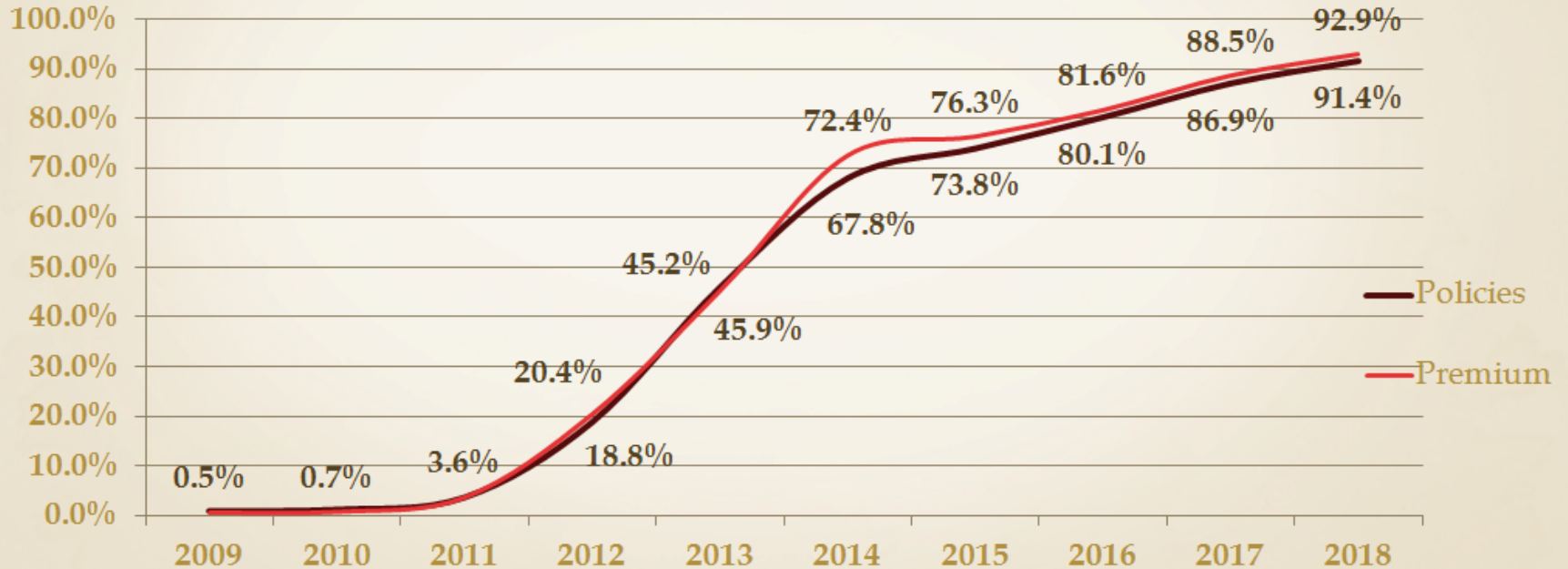
PRACTICAL EFFECT FOR SOME CONSUMERS

- ▣ Broward, Hollywood, & Ft. Lauderdale (Ter. 35)
 - Indicated rate: -11.0% (Proposed rate: 0%)
- ▣ Lee, Remainder (Ter. 554)
 - Indicated rate: -4.0% (Proposed rate: +10%)
- ▣ Sarasota, Remainder (Ter. 715)
 - Indicated rate: -3.8% (Proposed rate: +10%)
- ▣ Manatee, Remainder (Ter. 735)
 - Indicated rate: -1.7% (Proposed rate: +10%)
- ▣ Charlotte, Remainder (Ter. 711)
 - Indicated rate: -5.6% (Proposed rate: +10%)

*Homeowners Rates (Negative Rate Indications)
with Greatest Premium Volume

GLIDE PATH TO ACTUARIAL SOUND RATES

Citizens Property Insurance Corporation
HO3 & HW2 Policies
Estimated Percentage at Actuarially Sound Rates



Based on non-sinkhole indicated rate change, without risk load, from OIR filing # 12-13992, Exhibit 7, Col (9). For each year beginning with 2009, assumes the estimated percentage of policies and premium at actuarially sound rates equals the estimated percentage of policies and premium for all territories that have an indicated rate change that is less than: -30% (2009), -20% (2010), -10% (2011), 0% (2012), +10% (2013), +20% (2014), (etc.) Assumes: 1) premium trend equals loss trend both retrospectively and prospectively from 2012; 2) one earned house year equals one policy; 3) earned house years by territory is maximum of all other perils and wind peril earned house years; and 4) no change in expense, profit, contingency and risk loads per Exhibit 7. **NO INFLATION/NO SINKHOLE/FILED RATE INDICATION**

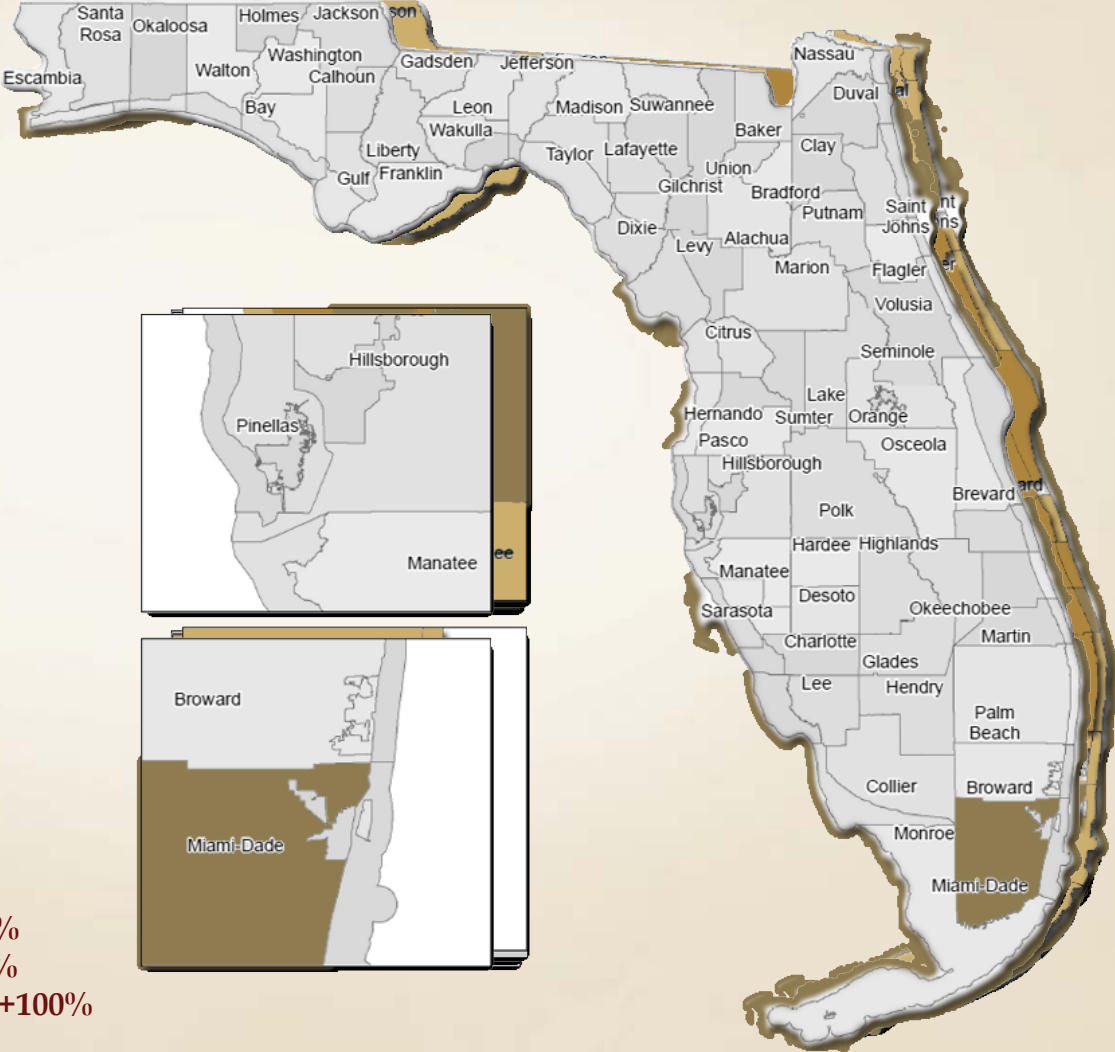
Homeowners Rate Filing

44 of 159 Rating Territories (20.4% of Total Premium) have **negative** rate indications.

52 of 159 Rating Territories (24.9% of Total Premium) have **positive** rate indications of less than 10%.

63 of 159 Rating Territories (54.8% of Total Premium) have **positive** rate indications of greater than 10%.

- 21 have rate indication of +40% to +60%
- 6 have rate indications of +60% to +90%
- 3 have rate indications of greater than +100%



Concluding Comments

Florida Office of the
Insurance Consumer Advocate
Committed to...

Finding solutions for Florida's insurance consumers through research and study focusing on good public policy and practical solutions for the insurance buying public.