

**FILED**

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INSURANCE REGULATION  
Docketed by: *JH*



OFFICE OF INSURANCE REGULATION

**DAVID ALTMAIER**  
COMMISSIONER

IN THE MATTER OF:

CITIZENS PROPERTY  
INSURANCE CORPORATION  
\_\_\_\_\_ /

CASE NO.: 279215-21

**FINAL ORDER**

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

THIS CAUSE came before the Florida Office of Insurance Regulation upon the filing by Citizens Property Insurance Corporation (“CITIZENS”) of Rate Filing Nos. FCP 21-003137, FCP 21-003138, FCP 21-003730, FCP 21-003742, FCP 21-003743, FCP 21-003751, FCP 21-003976, and FCP 21-003977 (collectively “Rate Filings”).

The OFFICE held a virtual public rate hearing to receive public comment on the Rate Filings on March 15, 2021, that was recorded. At the hearing, CITIZENS offered testimony in support of its rate recommendations and members of the public provided comments on the effects of the Rate Filings. The OFFICE, now having considered the complete record for the above-referenced Rate Filings and being otherwise fully advised in the premises, hereby finds as follows:

1. The OFFICE has jurisdiction over the subject matter and 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 rate filings for the corporation which were approved by the office and took effect January 1, 2007, are rescinded, except for those rates that were lowered. As soon as possible, the corporation shall begin using the lower rates that were in effect on December 31, 2006, and provide refunds to policyholders who paid higher rates as a result of that rate filing. The rates in effect on December 31, 2006, remain in effect for the 2007 and 2008 calendar years except for any rate change that results in a lower rate. The next rate change that may increase rates shall take effect pursuant to a new rate filing recommended by the corporation and established by the office, subject to this paragraph.

5. Beginning on July 15, 2009, and annually thereafter, the corporation must make a recommended actuarially sound rate filing for each personal and commercial line of business it writes, to be effective no earlier than January 1, 2010.

6. Beginning on or after January 1, 2010, and 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 10 percent for any single policy issued by the corporation, excluding coverage changes and surcharges.

7. 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).

8. The corporation's implementation of rates as prescribed in subparagraph 6. 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 Final Order are for new and renewal rates to be effective no earlier than August 1, 2021.

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

- FCP 21-003137 Homeowners Multi-Peril Personal Lines Account (PLA)
- FCP 21-003138 Homeowners Multi-Peril and Wind-Only Coastal Account (CA)
- FCP 21-003730 Dwelling Fire Multi-Peril (PLA)
- FCP 21-003742 Dwelling Fire Multi-Peril and Wind-Only (CA)
- FCP 21-003743 Mobile Homeowners Multi-Peril (PLA)
- FCP 21-003751 Mobile Homeowners Multi-Peril and Wind Only (CA)

- FCP 21-003976 Mobile Homeowners Physical Damage Multi-Peril and Wind-Only (CA)
- FCP 21-003977 Mobile Homeowners Physical Damage Multi-Peril (PLA)

6. CITIZENS submitted additional rate filings for Commercial Property; however, they will be the subject of a separate order.

7. **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 March 26, 2021. 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.

8. Tasha Carter, Florida's Insurance Consumer Advocate, participated in the virtual rate hearing and posed several questions to CITIZENS.

### **FINDINGS AND MODIFICATIONS**

9. CITIZENS' Rate Filings contain a number of proposed modifications to the rating methodology CITIZENS has historically used to calculate its rates, as well as significant revisions to its rating factors and wind mitigation credits. The proposed modifications to the rating methodology are separately identified and discussed below if the OFFICE required a change to the proposal.

10. **CAP ALL INDICATED POLICY LEVEL DECREASES AT 0.0%:** CITIZENS' recommended rates include no decreases in charged premiums, with the exception of sinkhole premium decreases and the decrease of the FHCF Build-Up Factor. The OFFICE finds that rates should continue to be subject to similar capping methodology used in prior rate filings.

This capping included caps of +/-10% when the indication was positive or a larger negative lower cap when the indication was negative.

11. **INCLUSION OF A RISK FACTOR:** CITIZENS' recommended rates include a provision described in the Rate Filings as an estimate of the amount extra CITIZENS should charge for the cost of catastrophic risk that CITIZENS is assuming. The OFFICE finds the justification for this provision to be insufficient and that it should be removed from the rate determination.

12. **NEW VS. RENEWAL RATES:** CITIZENS' recommended rates include a provision requiring that new business policyholders be charged the actuarially indicated rates, while renewing policyholders would be subject to the 10% statutory glidepath. The proposal also includes a provision requiring that any indicated decreases for new business policyholders be capped at 0% and that new business rates in Monroe County be capped at 10% above the approved rates. The OFFICE finds the justification for this provision to be insufficient and that all policies, whether new or renewal, should be subject to the same capping under Section 627.351(6)(n)6. Florida Statutes. Further, the OFFICE finds that when the glidepath was initially recommended by the Citizens Property Insurance Corporation Mission Review Task Force ("Task Force") in 2009, there was no distinction between new and renewal rates in the Final Report of the Task Force.

13. **MONROE COUNTY:** CITIZENS' recommended rates include a different capping mechanism and new business rate for Monroe County. The OFFICE considered testimony and documents from Fair Insurance Rates in Monroe as well as other public testimony and comments from residents of Monroe County in evaluating the appropriate rates for Monroe County. Over the past several rate filings, the OFFICE has held Monroe County's rates at current levels pending the completion by CITIZENS of several studies. The last study to be completed was an evaluation and study of the models accepted by the Florida Commission on Hurricane Loss

Projection Methodology using the 2017 standards, which includes the requirement that county building codes be reflected in the model results. With the conclusion of this last study, the OFFICE finds that rates for policies in Monroe County should be subject to the same rating methodology and statutory glidepath as for all other counties.

14. **SINKHOLE:** CITIZENS' recommended rates include revisions to its sinkhole rates. CITIZENS has not revised sinkhole rates for several years, pending the results of several significant court cases. Since sinkhole losses are infrequent and large, they are difficult to accurately price. With infrequent events, the credibility of the data is low, and the indications can be volatile based on the underlying assumptions. This is seen especially in the DP-3 and DP-1 territorial sinkhole indications. For this reason, the OFFICE finds that DP-3 and DP-1 sinkhole rates should remain unchanged. The OFFICE recommends that CITIZENS re-examine its sinkhole ratemaking methodology for Dwelling Fire to reduce volatility at the territorial level in its next set of annual filings.

### **HOMEOWNERS**

15. On or about February 11, 2021, CITIZENS filed with the OFFICE Rate Filing Nos. FCP 21-003137 and 21-003138 for its Homeowners Multi-Peril PLA and Multi-Peril and Wind-Only CA programs, respectively. CITIZENS proposed an overall average statewide rate increase of 6.2% for the Multi-Peril PLA program and 7.0% for the Multi-Peril and Wind-Only CA program with an effective date of August 1, 2021, for new and renewal business. These overall average statewide rate increases must be adjusted consistent with paragraphs 10 through 14 of this Final Order.

## **DWELLING FIRE**

16. On or about February 17, 2021, CITIZENS filed with the OFFICE Rate Filing Nos. FCP 21-003730 and FCP 21-003742 for its Multi-Peril PLA and Multi-Peril and Wind-Only CA Dwelling Fire programs, respectively. CITIZENS proposed an overall average statewide rate increase of 9.5% for the Multi-Peril PLA program and 8.7% for the Multi-Peril and Wind-Only CA program with an effective date of August 1, 2021, for new and renewal business. These overall average statewide rate increases must be adjusted consistent with paragraphs 10 through 14 of this Final Order.

## **MOBILE HOME (MOBILE HOMEOWNERS)**

17. On or about February 18, 2021, CITIZENS filed with the OFFICE Rate Filing Nos. FCP 21-003743 and FCP 21-003751 for its Mobile Home Multi-Peril PLA and Multi-Peril and Wind-Only CA programs, respectively. CITIZENS proposed an overall average statewide rate increase of 9.3% for the Multi-Peril PLA program and 9.4% for the Multi-Peril and Wind-Only CA program with an effective date of August 1, 2021, for new and renewal business. These overall average statewide rate increases must be adjusted consistent with paragraphs 10 through 14 of this Final Order.

## **MOBILE HOME PHYSICAL DAMAGE (MOBILE HOME DWELLING FIRE)**

18. On or about February 19, 2021, CITIZENS filed with the OFFICE Rate Filing Nos. FCP 21-003976 and FCP 21-003977 for its Mobile Home Physical Damage Dwelling Fire Multi-Peril and Wind-Only CA and Multi-Peril PLA programs, respectively. CITIZENS proposed an overall average statewide rate increase of 7.7% for the Multi-Peril PLA program and 9.4% for the Wind-Only and Multi-Peril CA program with an effective date of August 1, 2021, for new and

renewal business. These overall average statewide rate increases must be adjusted consistent with paragraphs 10 through 14 of this Final Order.

**GENERAL PROVISIONS APPLICABLE TO ALL POLICIES**

19. The modifications directed to be made to these Rate Filings, and the application of the statutory glidepath, will require CITIZENS to calculate new, reduced, overall average statewide rate increases for the Rate Filings governed by this Final Order. CITIZENS shall, therefore, submit to the OFFICE its revised indications to effectuate the changes required by this Final Order by April 6, 2021.

20. No deviations from these rates are approved, authorized, or established by entry of this Final Order.

**THEREFORE**, rates as modified herein are **ESTABLISHED** for Rate Filing Nos. FCP 21-003137, FCP 21-003138, FCP 21-003730, FCP 21-003742, FCP 21-003743, FCP 21-003751, FCP 21-003976 and FCP 21-003977.

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

DONE AND ORDERED this 2nd day of April 2021.



*David Altmaier*

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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  
Certified Mail to: Citizens Property Insurance Corporation, care of Barry Gilway, President,  
2101 Maryland Circle, Tallahassee, FL 32303 on this 2nd day of April 2021

 (Sarah Berner)

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