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INSURANCE REGULATION
Docketed by: AS

OFFICE OF INSURANCE REGULATION

MICHAEL YAWORSKY
COMMISSIONER

IN THE MATTER OF:

CITIZENS PROPERTY
INSURANCE CORPORATION

CASE NO.: 314719-23

FINAL ORDER

TO: Timothy Cerio, President
2101 Maryland Circle
Tallahassee, Florida 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 Personal Property Rate Filing Nos. FCP 23-015789, FCP 23-015790, FCP 23-016018, FCP 23-016021, FCP 23-016253, FCP 23-016256, FCP 23-016410, and FCP 23-016411 (collectively “Rate Filings”).

The OFFICE held a public rate hearing to receive public comment on the filings on June 8, 2023, in Room 412K Knott Building, Tallahassee, Florida, which was also streamed virtually. 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 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 must be actuarially sound pursuant to section 627.062, Florida Statutes, and not competitive with approved rates charged in the admitted voluntary market so that the corporation functions as a residual market mechanism to provide insurance only when insurance cannot be procured in the voluntary market, 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 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 section 624.509, Florida Statutes, to augment the financial resources of the corporation.
3. After the public hurricane loss-projection model under section 627.06281, Florida Statutes, 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 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 CITIZENS, excluding coverage changes and surcharges:
 - a. Twelve percent for 2023.
 - b. Thirteen percent for 2024.
 - c. Fourteen percent for 2025.
 - d. Fifteen percent for 2026 and all subsequent years.
6. The corporation may also implement an increase to reflect the effect on CITIZENS' cash buildup factor pursuant to s. 215.555(5)(b), Florida Statutes.
7. The corporation's implementation of rates as prescribed in subparagraphs 5. And 8. 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 that is not competitive with approved rates in the admitted voluntary market for each commercial and personal line of business the corporation writes.
8. The following new or renewal personal lines policies written on or after November 1, 2023, not subject to the rate increase limitations in subparagraph 5., but may not be charged more than 50 percent above, nor less than, the prior year's established rate for the corporation:
 - a. Policies that do not cover a primary residence.
 - b. New policies under which the coverage for the insured risk, before the date of application with the corporation, was last provided by an insurer determined by the office to be unsound or an insurer placed in receivership under chapter 631, Florida Statutes, or:
 - c. Subsequent renewals of those policies, including the new policies in sub-subparagraph b., under which the coverage for the insured risk, before the date of application with the corporation, was last provided by an insurer determined by the office to be unsound or an insurer placed in receivership under chapter 631, Florida Statutes.

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. To expedite future rate filings, the OFFICE will provide CITIZENS guidance within 60 days of the issuance of this ORDER regarding submission of its annual rate filings.

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

- FCP 23-015789 Homeowners Multi-Peril (PLA & CA)
- FCP 23-015790 Homeowners Wind-Only (CA)
- FCP 23-016018 Dwelling Fire (PLA & CA)
- FCP 23-016021 Dwelling Fire Wind-Only (CA)
- FCP 23-016253 Mobile Homeowners Multi-Peril (PLA & CA)
- FCP 23-016256 Mobile Homeowners Wind Only (CA)
- FCP 23-016410 Mobile Homeowners Physical Damage (PLA & CA)
- FCP 23-016411 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 public rate hearing or via electronic mail through June 22, 2023. The OFFICE received and reviewed approximately 724 written comments from the public on the CITIZENS proposed rate increases.

7. **CONSUMER ADVOCATE:** Tasha Carter, Florida's Insurance Consumer Advocate, spoke at the hearing and posed several questions to CITIZENS.

FINDINGS AND MODIFICATIONS

The Rate Filings contained several proposed modifications to the rating methodology CITIZENS has historically used to calculate its rates and 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 (RQE). Deviating from last year's methodology on selecting the wind indication toward the two highest values, CITIZENS ultimately reverted to using the long-established methodology in selecting the median of the range of the indications from the four models for purposes of projecting hurricane losses on a statewide basis. By territory, the median of the wind indications from the four models are balanced to the median statewide indication for each model.

9. **CONSIDERATION OF NON-COMPETITIVE IN PERSONAL PROPERTY RATES:** For personal property rates, CITIZENS requested and received specific data to examine the difference in the average premium in the consideration of determining non-competitive rates. Based on the limitations in the rating examples within the requested data, and CITIZENS own admission at the public rate hearing on the limitations of the data used, the OFFICE was unable to make a sufficient finding to support the request. The OFFICE therefore directs CITIZENS to develop actuarially sound methodology to determine its competitiveness within its territories in its next rate filing that would demonstrate that it is non-competitive in the voluntary market.

10. **CAP ALL RATE INCREASES AT 12%:** Emphasizing overall actuarial soundness instead of individual actuarial soundness, CITIZENS recommended increasing rates

by a statewide average of 12% in 2023 for all personal lines accounts and for all policyholders, regardless of their indicated rate. Sinkhole rates and the impact of FHCF Build-Up are not included in the 12% increase. The rate indication for these Rate Filings predominately exceeded the 12% statutorily prescribed cap pursuant to section 627.351(6)(n)5.a., Florida Statutes. The OFFICE finds that due to the inadequate support as it relates to CITIZENS being non-competitive as noted in paragraph 9 above, rates should be subject to a modified policyholder capping methodology with the lower cap of 0% and an upper cap of +12%, until such time that CITIZENS can provide support in a subsequent rate filing.

11. NON-PRIMARY DWELLING PERSONAL LINES FACTOR: Section 627.315(6)(n)1., Florida Statutes permits for any new or renewal personal lines policy written on or after November 1, 2023, which does not cover a primary residence, the rate to be applied in calculating premium is not subject to the rate increase limitations outlined in paragraph 10. The Primary Residence, as defined in SB 2A, means the dwelling that is the policyholder's home or is a rental property occupied by the tenant for more than 9 months of each year. CITIZENS filing falls within the statutory limits, with the policyholder not charged more than 50 percent above, and may not be charged less than, the established rate for the corporation which was in effect 1 year before the date of the application. Given the large rate differential, CITIZENS should establish a robust process for determining primary and non-primary dwellings.

12. INCLUSION OF THE COST OF REINSURANCE UP TO A 1 IN 100-YEAR PROBABLE MAXIMUM LOSS: CITIZENS' recommended rates include the cost of reinsurance up to a 1 in 100-year probable maximum loss in its rate calculations as permitted pursuant to section 627.351(6)(c)9., Florida Statutes.

13. **REFLECTION OF LEGISLATIVE REFORMS:** CITIZENS adjusted its indications in the rate filing to demonstrate the impact of the elimination of Assignment of Benefits and one-way attorney fees associated with higher loss costs related to these issues addressed by the Florida Legislature in Senate Bill 7052.

14. **UNSOUND OR INSOLVENT INSURER FACTOR:** CITIZENS submission of the factor to apply rate up to 50 percent more than the established rate for the corporation for policyholders if coming to the corporation from an unsound or insolvent insurer is not accepted, as the filing does not contain actuarial support to show that the application of premium among such risks bear a reasonable relationship to the expected loss and expense experience among the various risks.

15. **EFFECTIVE DATE:** On or about August 1, 2023, CITIZENS requested to amend the original proposed effective dates on the Rate Filings from of November 1, 2023, for its new business and renewal business, to December 9, 2023, to allow for system implementation of the established rate changes. The OFFICE agrees with the amendments of effective dates.

RATES ESTABLISHED

HOMEOWNERS

16. CITIZENS filed with the OFFICE Rate Filings FCP 23-015789 and FCP 23-015790 for its Homeowners Multi-Peril (PLA & CA) and Wind-Only (CA) programs, respectively. CITIZENS proposed an overall average statewide rate increase of 12.5% for the multi-peril program and 14.6% for the wind-only program with an effective date of November 1, 2023, for new and renewal business. These overall average statewide rate increases must be adjusted consistent with paragraphs 8 through 15 of this Final Order.

DWELLING FIRE

17. CITIZENS filed with the OFFICE Rate Filings FCP 23-016018 and FCP 23-016021 for its Dwelling Fire Multi-Peril (PLA & CA) and Wind-Only (CA) programs, respectively. CITIZENS proposed an overall average statewide rate increase of 12.3% for the multi-peril program and 17.2% for the wind-only program with an effective date of November 1, 2023, for new and renewal business. These overall average statewide rate increases must be adjusted consistent with paragraphs 8 through 15 of this Final Order.

MOBILE HOME (MOBILE HOMEOWNERS)

18. CITIZENS filed with the OFFICE Rate Filings FCP 23-016253 and FCP 23-016256 for its Mobile Home Multi-Peril (PLA & CA) and Wind-Only (CA) programs, respectively. CITIZENS proposed an overall average statewide rate increase of 22.1% for the multi-peril program and 24.2% for the wind-only program with an effective date of November 1, 2023, for new and renewal business. These overall average statewide rate increases must be adjusted consistent with paragraphs 8 through 15 of this Final Order.

MOBILE HOME PHYSICAL DAMAGE (MOBILE HOME DWELLING FIRE)

19. CITIZENS filed with the OFFICE Rate Filings FCP 23-016410 and FCP 23-016411 for its Mobile Home Physical Damage Multi-Peril (PLA & CA) and Wind-Only (CA) programs, respectively. CITIZENS proposed an overall average statewide rate increase of 19.1% for the multi-peril program and 17.6% for the wind-only program with an effective date of November 1, 2023, for new and renewal business. These overall average statewide rate increases must be adjusted consistent with paragraphs 8 through 15 of this Final Order.

GENERAL PROVISIONS APPLICABLE TO ALL POLICIES AND CITIZENS

20. 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 Final 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 Personal Property Rate Collection System information must reflect the per policy capping.

21. 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 filings is given or implied.

22. 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.

23. Within 15 days of this ORDER, CITIZENS shall provide a monthly report on the status of its interim Clearinghouse Program, including its current and projected operational status.

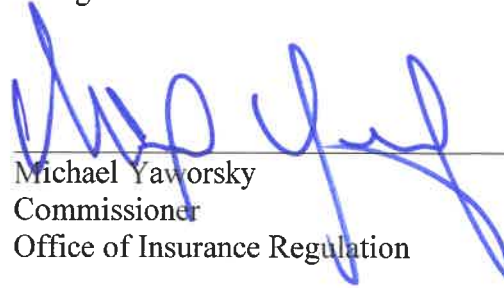
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THEREFORE, rates as detailed herein are **ESTABLISHED** for Rate Filings Nos. FCP 23-015789, FCP 23-015790, FCP 23-016018, FCP 23-016021, FCP 23-016253, FCP 23-016256, FCP 23-016410, and FCP 23-016411.

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

DONE AND ORDERED this 18 day of August 2023.





Michael Yaworsky
Commissioner
Office of Insurance Regulation

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of this FINAL ORDER was sent by Electronic Mail to: Timothy Cerio, President, Citizens Property Insurance Corporation, Tim.Cerio@citizensfla.com, on this 18th day of August 2023.



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