



FLORIDA OFFICE OF
**Insurance
Regulation**

Public Rate Hearing

Citizens Property Insurance Corporation

JUNE 8, 2023

Public Rate Hearing Citizens Property Insurance Corporation



AGENDA

June 8, 2023, 3:00 p.m. ET

1. Opening Remarks (OIR)
2. Presentation (Citizens Property Ins Corp)
3. Attending (Florida Insurance Consumer Advocate)
4. Public Comment
5. Adjourn

Florida Office of Insurance Regulation (OIR)

Michael Yaworsky, Insurance Commissioner

Virginia Christy, Deputy Commissioner of Property and Casualty

Peggy Cheng, Actuary, Property & Casualty Product Review

Robert Lee, Actuary, Property & Casualty Product Review

Bill Oglo, Assistant General Counsel

Citizens Property Insurance Corporation

Tim Cerio, Chief Executive Officer

Brian Donovan, Chief Actuary

Paul Kutter, Director, Actuarial Data Science

Florida Insurance Consumer Advocate

Tasha Carter

Public Rate Hearing Citizens Property Insurance Corporation



Citizens Property Insurance Corporation Presentation

Company Representatives

Tim Cerio, Chief Executive Officer

Brian Donovan, Chief Actuary

Paul Kutter, Director, Actuarial Data Science

OIR Public Rate Hearing on Recommended Rates

Tim Cerio, President/CEO and Executive Director

June 8, 2023



Market Conditions and Impact to Citizens

Excess litigation has decimated the capacity of Florida's private insurance market.

This has caused Citizens' policy count to double in two years, from 610K to over 1.2M.

Additional policies increased losses from hurricanes, resulting in a 33% decrease to Citizens' reserves and a likely assessment should a moderately size storm hit this season.

Florida's statutory glidepath prevented Citizens from increasing rates as fast as costs, creating large rate deficiencies and premium far less than the private market.

Senate Bill 2-A [(n)1.]:

(n)1. Rates for coverage provided by the corporation MUST be actuarially sound pursuant to s. 627.062 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 [a reference to the glidepath].

Market Conditions and Impact to Citizens

For the economic wellbeing of the people of Florida, as well as the good of Florida's insurance market, Citizens must:

- a. Return to truly being the state's insurer of last resort
- b. Charge actuarially sound rates
- c. Not be competitive with the private market

The larger Citizens grows, the greater its exposure; and the greater its exposure, the greater the potential for implementation of emergency assessments.

Emergency assessments would place a financial burden on the taxpayers of Florida, many of whom are not even Citizens' customers.

Citizens must work to depopulate in order to help minimize the risk of emergency assessments on the people of Florida.

The greatest driver of Citizens' policy depopulation is a healthy and robust private market. And the greatest driver of growth in the number of Citizens' policies is a weak market.

Market Conditions and Impact to Citizens

Being able to charge actuarially sound rates is critical to market recovery and promoting depopulation.

Citizens' rates are artificially low because of the glidepath, and that throws off the private market and distorts competition.

A residual insurer should never compete with the private market. That is fundamentally unfair to policyholders in the private market.

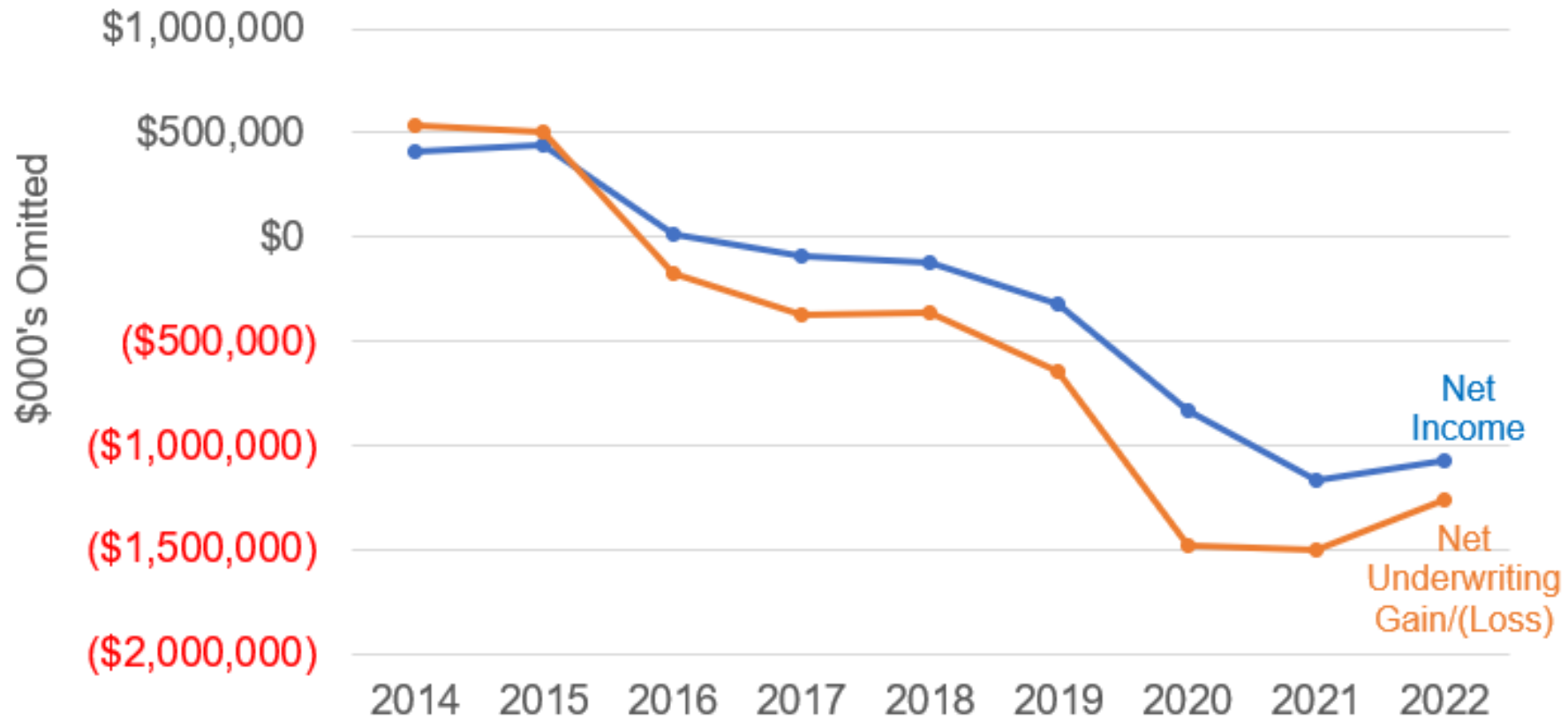
Even if the OIR approves Citizens' requested rate increase for homeowners, which is on average around 13.3%, our policyholders will still be paying on average about 44% below the rest of the Florida market.

SB 2-A, and other legislative reforms will remedy underlying causes of market problems, but not immediately. Governor Ron DeSantis has said the insurance market will improve at some point but is cautioning those changes wouldn't "happen overnight." *

Due to this residual rate inadequacy, and competitive position within the private market, Citizens is requesting the maximum rate increase allowed under the glidepath.

* Gancarski, A. G. (2023, May 9). *Gov. DeSantis says insurance market improvements won't 'happen overnight.'* Florida Politics. <https://floridapolitics.com/archives/610906-ron-desantis-insurance/>

Financial Trends for Selected Florida Insurers (\$000)



Source: S&P Global Market Intelligence, FL domestic and foreign companies with large homeowners FL business

6 residential P&C insurers went insolvent last year.

Companies Continue to Halt Business in Florida

Restricting new business and cancelling/non-renewing business

Companies continue to file stronger restrictive underwriting guidelines such as:

- Limits on new business/renewals based on location
- Age of home
- Age of roof
- Required minimum Coverage A limit
- Limited water loss coverage

Higher and more frequent rate increases

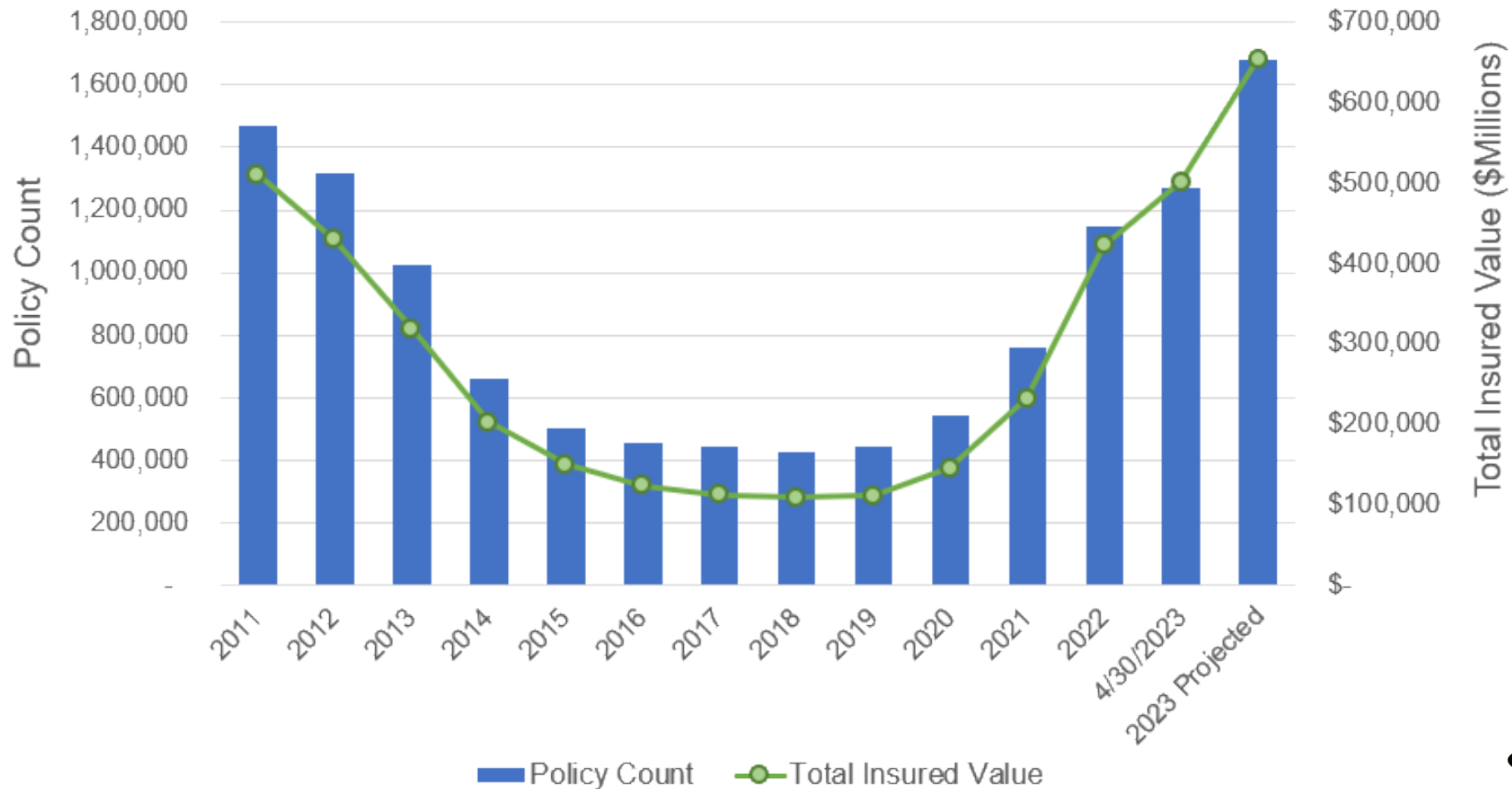
Clearinghouse results continue to significantly decline:

In 2017, companies quoted 36% of new business declined to only 10% in 2022

In 2017, companies quoted 9% of renewal business declined to only 0.3% in 2022

Policies in Force and Total Insured Value

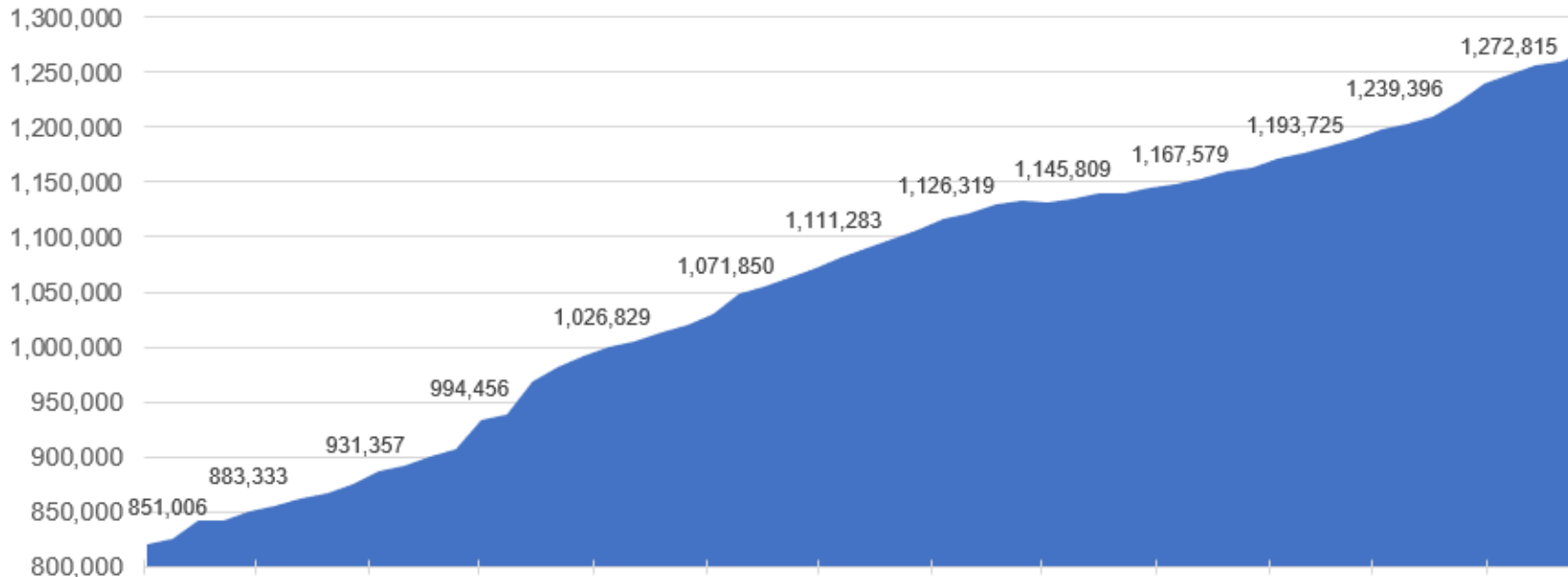
Budgeted policy count at year end is 1.7M with \$654B in total insured value



Continued Policy Count Growth

- In 2020, the latest 12-month new business average was 15K policies per month
- In 2021, the latest 12-month new business average was 32K policies per month
- In 2022, the latest 12-month new business average was 49K policies per month

Monthly In Force Policy Count

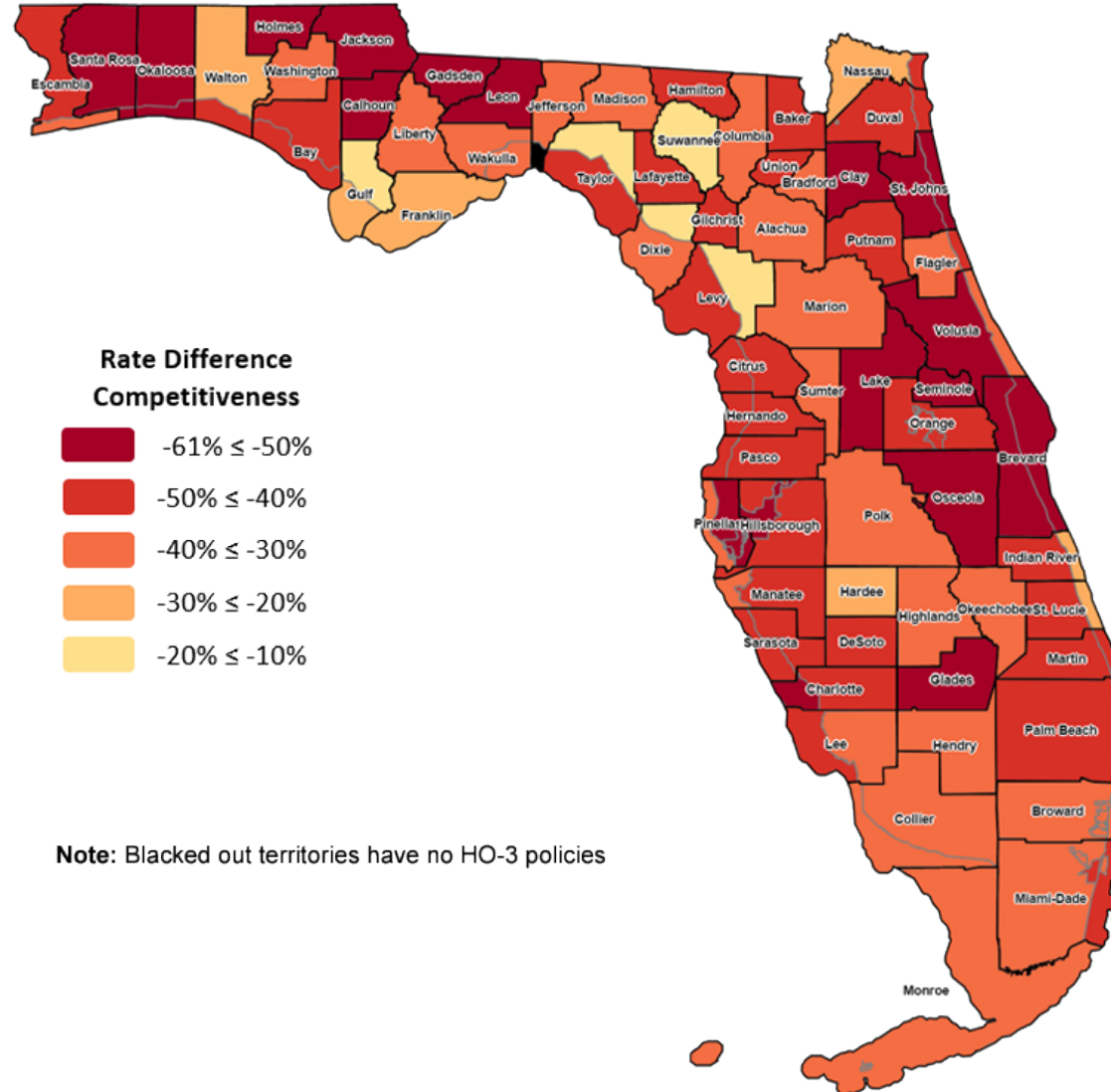


	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23
New Business	53,820	49,671	65,562	76,241	49,896	56,689	43,378	35,283	39,642	35,097	38,190	54,479	47,858
Non-Renewals	(7,892)	(8,110)	(9,293)	(6,825)	(6,827)	(5,061)	(429)	(5,989)	(5,879)	(5,371)	(4,910)	(2,429)	(3,018)

Citizens' HO-3 Competitive Position

Citizens' average premium for HO-3 policies is **44%** below 9 competitors that make up 24% of the market. This study used approved rates effective 6/1/22 and Citizens' 7/31/22 policy data.

The industry continues the 3-year trend of filing large rate increases. This further exacerbates the gap between Citizens' rates and the industry.



FL Homeowners Insurance Approved Rate Filings

	Approved Rate Change			Cumulative Rate Change
	2020	2021	2022	2020 - 2022
Industry FL Homeowner Insurers	14%	10%	11%	39%
Citizens	2%	6%	6%	15%

Industry FL Homeowner Insurers make up 42% of the market based on 2022 direct written premium.

Surplus Depletion Scenario: 1.5M Policies

(\$ in millions)

	Coastal	CLA	PLA	Total
Policy Count	274,014	2,781	1,225,260	1,502,055
Surplus	\$2,432	\$2,063	\$406	\$4,901
Additional Claims Paying Resources	\$5,037	\$304	\$6,816	\$12,156

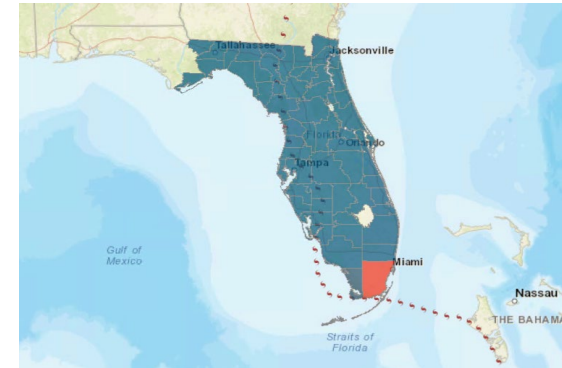
1st Storm: Pre-Landfall Potential Path for Irma *(Estimated Loss \$22.93 B)*

Surplus Remaining	\$0	\$1,379	\$0	\$0
Surplus Exposed	100%	33%	100%	N/A
Assessment	\$5,196	\$0	\$2,055	\$7,251

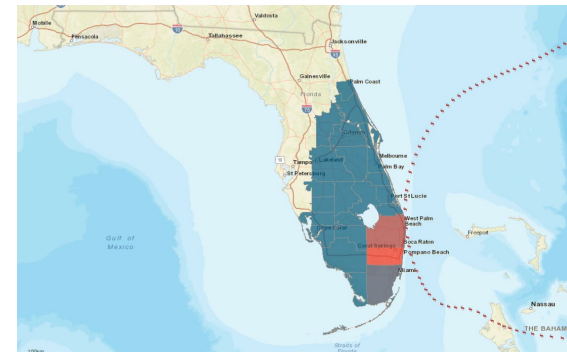
2nd Storm: Actual Path Great Miami Hurricane of 1926 *(Estimated Loss \$17.48 B)*

Surplus Remaining	\$0	\$579	\$0	\$0
Surplus Exposed	100%	58%	100%	N/A
Assessment	\$9,105	\$0	\$7,577	\$16,682

1st Storm Potential Path for Hurricane Irma



2nd Storm Actual Path for Great Miami Hurricane of 1926



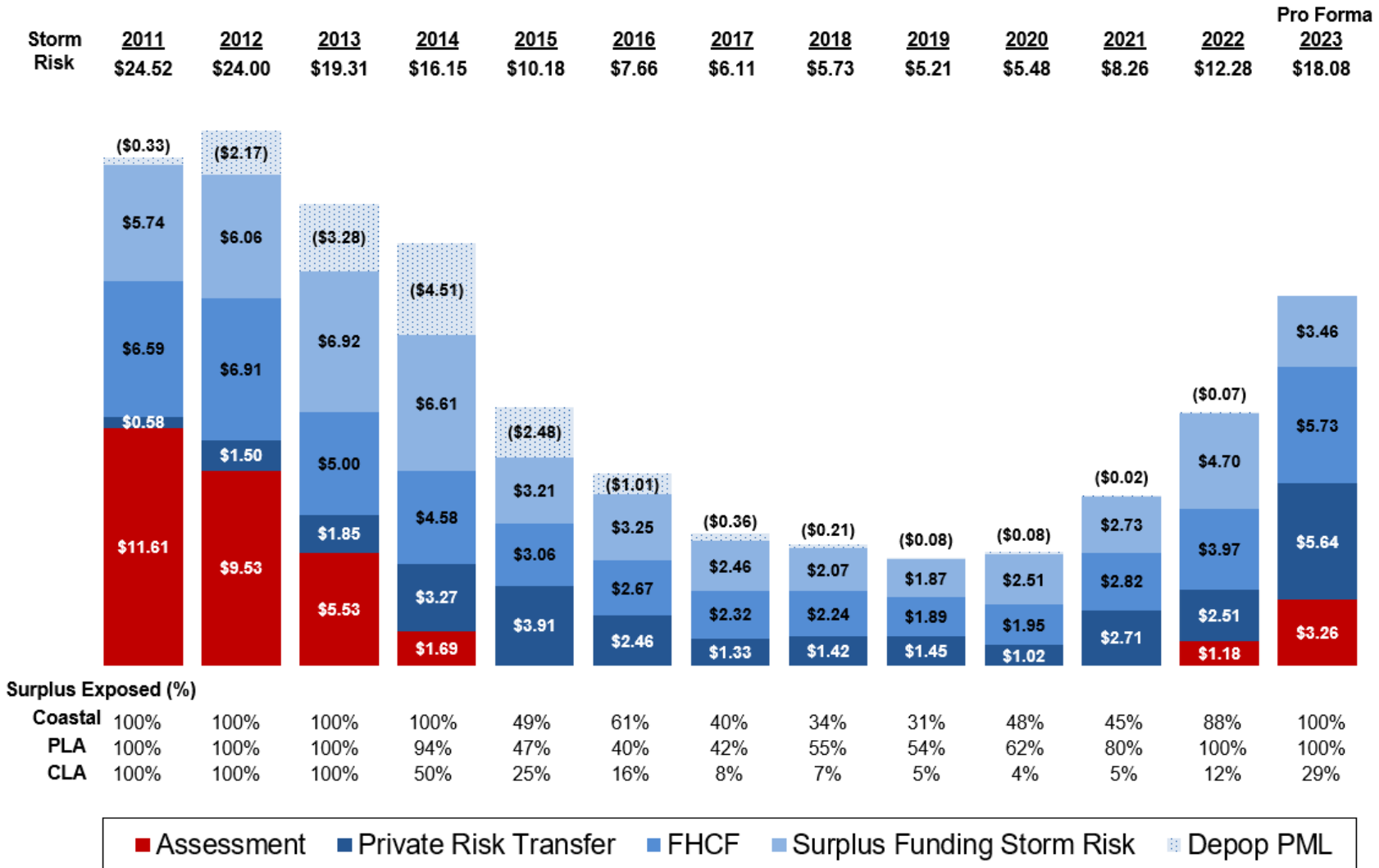
\$23.9 B in potential assessments resulting from 2 Category 4 storms

Declining Surplus, Increasing Risk

	In Billions			3 Year Change
	2020	2021	2022	
Surplus	\$6.4	\$6.5	\$4.3	(33%)
1-in-100 Year Probable Maximum Loss	\$5.9	\$7.7	\$11.4	93%
Total Insured Value	\$145	\$233	\$423	192%

- Surplus has declined due to Citizens' increased exposure combined with storms and litigation
- 1-in-100 Year Probable Maximum Loss continues to drastically increase
- Total Insured Value continues to alarmingly increase

Risk and Assessment Trend (in Billions)



See the Appendix for the underlying notes and assumptions

OIR Public Rate Hearing on Recommended Rates

Brian Donovan, Vice President – Chief Actuary



Proposed Rate Changes

	Premium	Rate Indication	Proposed Rate Change
Personal Lines	\$2,785,309,136	58.3%	13.4%
Commercial Lines	\$141,003,867	66.1%	11.7%
Total	\$2,926,313,003	58.6%	13.3%

The rate indication and proposed changes take the following into consideration:

- ❑ Actuarial Soundness
- ❑ A provision of reinsurance coverage for up to a 1-in-100 year storm
- ❑ Anticipated Savings due to SB 2-A
- ❑ Different capping for primary versus non-primary risks
- ❑ Competitiveness of Citizens' rates compared to the private market
- ❑ Application of applicable glide-path capping on the policy level

SB 2-A Savings to Policyholders

Excess litigation has been the primary cause of the poor health of the Florida property insurance market

In 2021, Florida comprised 9% of property claims countrywide but over 81% of the residential property insurance litigation suits*

SB 2-A directly addressed this issue of excessive litigation by eliminating the use of AOBs as well as the one-way attorney fee statute

These changes are expected to drastically reduce future litigation, reducing the crippling costs associated with the excessive number of lawsuits

This anticipated savings is included in the rate indication calculations, resulting in substantial savings

SB 2-A has lowered Citizens' premium need by over \$900M

* *Florida's insurance litigation problem stares deep into an abyss.* (2022b, September 16). Business Observer. <https://www.businessobserverfl.com/news/2022/sep/16/floridas-insurance-litigation-problem-stares-deep-into-an-abyss/>

SB 2-A Primary versus Non-Primary Risks

Personal Lines Only	In-Force Premium	Uncapped Rate Indication	Proposed Rate Change
Primary	\$2,630,369,621	57.3%	11.8%
Non-Primary	\$154,939,515	75.1%	40.2%
Total	\$2,785,309,136	58.3%	13.4%

A risk is “primary” if the occupant of the dwelling resides there for 9 months or more in a year

A risk is “non-primary” if the occupant of the dwelling resides there for less than 9 months in a year

All primary risks are subject to a 12% cap in 2023

All non-primary risks are subject to a 50% cap in 2023 (and beyond)

SB 2-A Competitiveness of Citizens' Rates

SB 2-A requires Citizens to consider the competitiveness of its rates relative to other carriers' rates in the state

A 2022 Citizens' report found Citizens' average premium for HO-3 policies was 44% lower than the insurers whose rate information was not trade secret

A study based on more recent data provided by the OIR also indicates that Citizens' rates are significantly less than the other major private insurers

For any county in the state where it was clear that Citizens' rates were much lower, Citizens recommends a 12% increase for all primary policies, regardless of the actuarial indication

For HO3, we recommend 12% increase for all primary policies

Conclusion

Since 2020:			
Citizens' surplus decreased 33%	Citizens' exposure increased 192%	Private market increased its HO3 rates 39%	Citizens increased its HO3 rates 15%

Even after the SB 2-A savings and the proposed rate increases, Citizens would still need an additional \$1.3B of premium to be actuarially sound.

Citizens' rates are highly competitive. Since SB 2-A mandates Citizens' rates be non-competitive, we recommend the maximum increase by law where appropriate.

Appendix

Slide 8: Industry Homeowner Insurance Rate Filing Data

Company Name	FL HO 2022 Direct Written Premium in millions	Approved Rate Change			Cumulative Rate Change
		2020	2021	2022	2020 - 2022
Universal Property & Casualty Insurance	\$1,416,832	13%	16%	17%	53%
State Farm Florida Insurance Company	\$963,435	0%	5%	6%	11%
First Protective Insurance Company	\$607,313	5%	10%	7%	24%
ASI Preferred Insurance Corporation	\$448,600	35%	11%	0%	50%
Heritage Property & Casualty Insurance Company	\$397,174	15%	8%	32%	64%
Castle Key Indemnity Company	\$355,525	0%	32%	13%	49%
Edison Insurance Company	\$329,055	28%	15%	20%	76%
Florida Peninsula Group	\$325,958	19%	0%	18%	40%
Homeowners Choice P&C Insurance Company	\$308,620	12%	0%	10%	23%
TypTap Insurance Company	\$236,705	14%	0%	12%	28%
Truck Insurance Exchange	\$155,572	12%	15%	0%	29%
American Strategic Insurance Corporation	\$116,029	28%	9%	0%	39%
Castle Key Insurance Company	\$108,180	0%	30%	0%	30%
Tower Hill Signature Ins Company	\$100,845	14%	0%	15%	32%
Tower Hill Preferred Insurance Company	\$65,307	14%	0%	0%	14%
Tower Hill Prime Insurance Company	\$64,309	26%	0%	16%	45%
Nationwide Mutual Insurance Company	\$60,261	3%	15%	19%	42%

Cumulative
3-year
rate
change
was **39%**

Source: S&P Global Market Intelligence, Rank is based on FL homeowner 2022 direct written premium

Slide 9: Surplus Depletion Scenario Notes and Assumptions

- 1) Surplus is projected as of 12/31/2023 with adjustments to account for reinsurance spend. It is assumed that any change to surplus resulting for the specific scenario reinsurance spend is offset by the change in net income resulting from a change in policy count.
- 2) In determining the storm impacts for each scenario, the Probable Maximum Loss (PML) is adjusted proportionally to project the increase in policy count. Initial PMLs for each storm are based on actual 03/31/2023 exposure.
- 3) In each scenario, Additional Claims Paying Resources reflect a risk transfer program consistent with that proposed in the budget for the 2023 storm season adjusted to cover 40% of the Coastal Account and 30% of the Personal Lines Account (PLA) scenario adjusted PML.
- 4) The estimated Loss for each storm is the PML with 10% Allocated Loss Expenses.
- 5) The pre-landfall potential path for Irma represents a simulated hurricane track obtained from the AIR hurricane model's stochastic catalog. This simulated track was selected to approximate the path of Irma based on its National Oceanic and Atmospheric Administration forecast track as of 09/06/2017, prior to Irma making landfall in Florida.

Slide 11: Risk and Assessment Trend Notes and Assumptions

- 1) Storm Risk is as measured by 1-in-100 year probable maximum loss (PML) plus estimated loss adjustment expenses using the Florida Hurricane Catastrophe Fund (FHCF) account allocation where PLA and CLA are combined. PLA/CLA combined PMLs are added to the Coastal PMLs to be consistent for surplus distribution. In general, the PMLs presented are as projected at the beginning of storm season; with the exception of 2017 which is as of 08/31/2017, 2021 is as of 09/30, 2022 is as of 9/30, and 2023 is projected to 09/30. PMLs shown in this exhibit are as of different time period from those shown in slide 13 which are all as of year end.
- 2) Surplus and Assessments are as projected at beginning of storm season. Not all PLA/CLA surplus is needed to fund storm risk in 2014. In 2015 - 2021, not all surplus in PLA/CLA and the Coastal Account is needed to fund storm risk. Any remaining surplus available within an account is available to fund a second event.
- 3) Florida Hurricane Catastrophe Fund (FHCF) is as projected at beginning of storm season; except for 2017, 2018, 2021 and 2022 which are Citizens' initial data submission to the FHCF.
- 4) Private Risk Transfer amounts presented in the graph reflect the full amount secured regardless of the attachment or exhaustion point. In both 2016 and 2022, coverage extended beyond the 1-in-100 year event level. In these cases, the sum of the components exceeds the Storm Risk.
- 5) Assessments are the sum of the Policyholder Surcharge, Regular Assessment (where applicable), and the Emergency Assessment.
- 6) Depopulation PMLs are not included in storm risk totals and are presented as year end totals unless otherwise noted. PMLs from 2011-2014 use a weighted average of 1/3 Standard Sea Surface Temperature (SSST) and 2/3 Warm Sea Surface Temperature (WSST). 2015 - 2021 PMLs reflect only SSST event catalog. Starting with year-end 2021, PML results displayed are 50K US Hurricane, Florida Regulatory (SSST) Event Set.

Public Rate Hearing Citizens Property Insurance Corporation



Personal Lines Rate Requests, effective 11/1/2023 new and renewal

FILE LOG NO.	PROGRAM	RATE REQUEST
23-015789	HOMEOWNERS (PLA & CA)	12.5%
23-015790	WIND-ONLY HOMEOWNERS (CA)	14.6%
23-016018	DWELLING (PLA & CA)	12.3%
23-016021	WIND-ONLY DWELLING (CA)	17.2%
23-016253	MOBILE HOME (PLA & CA)	22.1%
23-016256	WIND-ONLY MOBILE HOME (CA)	24.2%
23-016410	MOBILE HOME DWELLING (PLA & CA)	19.1%
23-016411	WIND-ONLY MOBILE HOME DWELLING (CA)	17.6%

PLA = Personal Lines Account

CA = Coastal Account

Public Rate Hearing Citizens Property Insurance Corporation



Commercial Lines Rate Requests, effective 10/1/2023 new and renewal

FILE LOG NO.	PROGRAM	RATE REQUEST
23-017031	COMM. RESIDENTIAL MULTI-PERIL – CONDO (CLA & CA)	9.2%
23-017033	COMM. RESIDENTIAL MULTI-PERIL - EXCL. CONDO (CLA & CA)	9.5%
23-017556	COMM. NON-RESIDENTIAL MULTI-PERIL (CLA & CA)	7.7%
23-017858	COMM. RESIDENTIAL WIND ONLY – CONDO (CA)	9.8%
23-017856	COMM. RESIDENTIAL WIND ONLY - EXCL. CONDO (CA)	10.6%
23-018154	COMMERCIAL NON-RESIDENTIAL WIND ONLY (CA)	12.0%

CLA = Commercial Lines Account

CA = Coastal Account

Public Rate Hearing Citizens Property Insurance Corporation



HO-3/HW-2 Indications and Proposed Rate Changes

HOMEOWNERS HO-3/HW-2 INDICATIONS SUMMARY (23-015789 & 23-015790)								
PERIL	PREMIUM (000s)	AIR HURR MODEL	CORELOGIC HURR MODEL	FL PUBLIC HURR MODEL	RMS HURR MODEL	SELECTED INDICATION	PROPOSED RATE CHANGE	PROPOSED RATE CHANGE BY ACCOUNT
WIND	1,249,608	103.6%	116.1%	77.2%		105.6%		
WATER	703,329	-22.6%	-22.6%	-22.6%	-22.6%	-22.6%		
ALL OTHER	134,225	-3.8%	-3.8%	-3.8%	-3.8%	-3.8%		
SINKHOLE	7,803	-23.4%	-23.4%	-23.4%	-23.4%	0.0%		12.6% PERSONAL LINES ACCT
TOTAL	2,094,966	53.8%	61.3%	38.1%		55.1%	12.8%	13.7% COASTAL ACCOUNT

HOMEOWNERS HO-3/HW-2 INDICATIONS SUMMARY (22-002005 AND 22-002027)								
PERIL	PREMIUM (000s)	AIR HURR MODEL	CORELOGIC HURR MODEL	FL PUBLIC HURR MODEL	RMS HURR MODEL	SELECTED INDICATION	APPROVED RATE CHANGE	APPROVED RATE CHANGE BY ACCOUNT
WIND	520,515	55.3%	27.1%	20.9%		56.5%		
WATER	399,020	-0.3%	-0.3%	-0.3%	1.7%	-0.3%		
ALL OTHER	66,066	7.7%	7.7%	7.7%	0.2%	7.7%		
SINKHOLE	7,221	-19.0%	-19.0%	-19.0%	-12.0%	0.0%		5.8% PERSONAL LINES ACCT
TOTAL	992,821	29.2%	14.5%	11.2%		30.0%	6.2%	9.7% COASTAL ACCOUNT

Public Rate Hearing Citizens Property Insurance Corporation



HO-4/HW-4 Indications and Proposed Rate Changes

RENTERS HO-4/HW-4 INDICATIONS SUMMARY (23-015789 & 23-015790)								
PERIL	PREMIUM (000s)	AIR HURR MODEL	CORELOGIC HURR MODEL	FL PUBLIC HURR MODEL	RMS HURR MODEL	SELECTED INDICATION	PROPOSED RATE CHANGE	PROPOSED RATE CHANGE BY ACCOUNT
WIND	1,419	70.1%	3.4%	85.6%		58.5%		
ALL OTHER	688	-6.6%	-6.6%	-6.6%	-6.6%	-6.6%		11.4% PERSONAL LINES ACCT
TOTAL	2,107	45.0%	0.1%	55.5%		37.3%	11.7%	16.5% COASTAL ACCOUNT

RENTERS HO-4/HW-4 INDICATIONS SUMMARY (22-002005 AND 22-002027)								
PERIL	PREMIUM (000s)	AIR HURR MODEL	CORELOGIC HURR MODEL	FL PUBLIC HURR MODEL	RMS HURR MODEL	SELECTED INDICATION	APPROVED RATE CHANGE	APPROVED RATE CHANGE BY ACCOUNT
WIND	1,117	32.5%	-39.3%	55.5%		38.0%		
ALL OTHER	674	-2.4%	-2.4%	-2.4%	-2.4%	-2.4%		8.1% PERSONAL LINES ACCT
TOTAL	1,790	19.3%	-25.4%	33.7%		22.8%	8.2%	10.6% COASTAL ACCOUNT

Public Rate Hearing Citizens Property Insurance Corporation



HO-6/HW-6 Indications and Proposed Rate Changes

CONDO UNIT-OWNERS HO-6/HW-6 INDICATIONS SUMMARY (23-015789 & 23-015790)								
PERIL	PREMIUM (000s)	AIR HURR MODEL	CORELOGIC HURR MODEL	FL PUBLIC HURR MODEL	RMS HURR MODEL	SELECTED INDICATION	PROPOSED RATE CHANGE	PROPOSED RATE CHANGE BY ACCOUNT
WIND	61,146	45.6%	39.5%	283.0%		63.8%		
ALL OTHER	67,350	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%		10.8% PERSONAL LINES ACCT
TOTAL	128,496	21.2%	18.3%	134.2%		29.9%	13.7%	24.8% COASTAL ACCOUNT

CONDO UNIT-OWNERS HO-6/HW-6 INDICATIONS SUMMARY (22-002005 AND 22-002027)								
PERIL	PREMIUM (000s)	AIR HURR MODEL	CORELOGIC HURR MODEL	FL PUBLIC HURR MODEL	RMS HURR MODEL	SELECTED INDICATION	APPROVED RATE CHANGE	APPROVED RATE CHANGE BY ACCOUNT
WIND	27,765	24.8%	-14.5%	192.2%		70.0%		
ALL OTHER	32,635	55.8%	55.8%	55.8%	55.8%	55.8%		10.9% PERSONAL LINES ACCT
TOTAL	60,400	41.5%	23.5%	118.5%		62.3%	10.8%	10.7% COASTAL ACCOUNT

Public Rate Hearing Citizens Property Insurance Corporation



DP-3/DW-2 Indications and Proposed Rate Changes

DWELLING FIRE DP-3/DW-2 INDICATIONS SUMMARY (23-016018 & 23-016021)								
PERIL	PREMIUM (000s)	AIR HURR MODEL	CORELOGIC HURR MODEL	FL PUBLIC HURR MODEL	RMS HURR MODEL	SELECTED INDICATION	PROPOSED RATE CHANGE	PROPOSED RATE CHANGE BY ACCOUNT
WIND	229,607	94.2%	89.1%	97.5%		95.8%		
WATER	119,756	-15.2%	-15.2%	-15.2%	-15.2%	-15.2%		
ALL OTHER	38,910	18.9%	18.9%	18.9%	18.9%	18.9%		
SINKHOLE	1,258	-7.3%	-7.3%	-7.3%	-7.3%	0.0%		12.3% PERSONAL LINES ACCT
TOTAL	389,531	52.7%	49.7%	54.6%		53.7%	12.8%	17.1% COASTAL ACCOUNT

DWELLING FIRE DP-3/DW-2 INDICATIONS SUMMARY (22-002262 AND 22-002263)								
PERIL	PREMIUM (000s)	AIR HURR MODEL	CORELOGIC HURR MODEL	FL PUBLIC HURR MODEL	RMS HURR MODEL	SELECTED INDICATION	APPROVED RATE CHANGE	APPROVED RATE CHANGE BY ACCOUNT
WIND	126,326	53.9%	12.4%	51.4%		57.0%		
WATER	77,542	14.9%	14.9%	14.9%	14.9%	14.9%		
ALL OTHER	24,328	22.6%	22.6%	22.6%	22.6%	22.6%		
SINKHOLE	1,261	-3.3%	-3.3%	-3.3%	-3.3%	0.0%		8.2% PERSONAL LINES ACCT
TOTAL	229,457	37.1%	14.3%	35.7%		38.8%	8.4%	10.1% COASTAL ACCOUNT

Public Rate Hearing Citizens Property Insurance Corporation



DP-1 Indications and Proposed Rate Changes

DWELLING FIRE DP-1 INDICATIONS SUMMARY (23-016018)								
PERIL	PREMIUM (000s)	AIR HURR MODEL	CORELOGIC HURR MODEL	FL PUBLIC HURR MODEL	RMS HURR MODEL	SELECTED INDICATION	PROPOSED RATE CHANGE	PROPOSED RATE CHANGE BY ACCOUNT
WIND	64,751	86.9%	118.1%	37.4%		102.5%		
ALL OTHER	12,841	18.6%	18.6%	18.6%	18.6%	18.6%		
SINKHOLE	394	-11.3%	-11.3%	-11.3%	-11.3%	0.0%		
TOTAL	77,987	75.1%	101.0%	34.0%		88.1%	12.4%	12.4% PERSONAL LINES ACCT

DWELLING FIRE DP-1 INDICATIONS SUMMARY (22-002262)								
PERIL	PREMIUM (000s)	AIR HURR MODEL	CORELOGIC HURR MODEL	FL PUBLIC HURR MODEL	RMS HURR MODEL	SELECTED INDICATION	APPROVED RATE CHANGE	APPROVED RATE CHANGE BY ACCOUNT
WIND	34,621	42.6%	26.0%	3.0%		52.0%		
ALL OTHER	12,002	-19.7%	-19.7%	-19.7%	-19.7%	-19.7%		
SINKHOLE	344	-2.8%	-2.8%	-2.8%	-2.8%	0.0%		
TOTAL	46,967	26.4%	14.1%	-2.8%		33.3%	8.7%	8.7% PERSONAL LINES ACCT

Public Rate Hearing

Citizens Property Insurance Corporation



MHO-3/MW-2 Indications and Proposed Rate Changes

MOBILE HOMEOWNERS MHO-3/MW-2 INDICATIONS SUMMARY (23-016253 & 23-016256)								
PERIL	PREMIUM (000s)	AIR HURR MODEL	CORELOGIC HURR MODEL	FL PUBLIC HURR MODEL	RMS HURR MODEL	SELECTED INDICATION	PROPOSED RATE CHANGE	PROPOSED RATE CHANGE BY ACCOUNT
WIND	62,973	204.8%	88.9%	203.2%		146.0%		
ALL OTHER	12,904	37.0%	37.0%	37.0%	37.0%	37.0%		22.1% PERSONAL LINES ACCT
TOTAL	75,877	176.3%	80.0%	174.9%		127.5%	22.2%	24.1% COASTAL ACCOUNT

MOBILE HOMEOWNERS MHO-3/MW-2 INDICATIONS SUMMARY (22-002504 AND 22-002505)								
PERIL	PREMIUM (000s)	AIR HURR MODEL	CORELOGIC HURR MODEL	FL PUBLIC HURR MODEL	RMS HURR MODEL	SELECTED INDICATION	APPROVED RATE CHANGE	APPROVED RATE CHANGE BY ACCOUNT
WIND	44,572	103.6%	3.9%	94.3%		99.0%		
ALL OTHER	10,922	44.1%	44.1%	44.1%	44.1%	44.1%		10.7% PERSONAL LINES ACCT
TOTAL	55,494	91.9%	11.8%	84.4%		88.2%	10.7%	10.6% COASTAL ACCOUNT

Public Rate Hearing Citizens Property Insurance Corporation



MDP-1/MD-1 Indications and Proposed Rate Changes

MOBILE HOMEOWNERS MDP-1/MD-1 INDICATIONS SUMMARY (23-016410 & 23-016411)								
PERIL	PREMIUM (000s)	AIR HURR MODEL	CORELOGIC HURR MODEL	FL PUBLIC HURR MODEL	RMS HURR MODEL	SELECTED INDICATION	PROPOSED RATE CHANGE	PROPOSED RATE CHANGE BY ACCOUNT
WIND	14,469	162.5%	62.5%	131.5%		97.0%		
ALL OTHER	1,877	50.6%	50.6%	50.6%	50.6%	50.6%		19% PERSONAL LINES ACCT
TOTAL	16,346	149.7%	61.1%	122.2%		91.7%	19.0%	18% COASTAL ACCOUNT

MOBILE HOMEOWNERS MDP-1/MD-1 INDICATIONS SUMMARY (22-002899 AND 22-002900)								
PERIL	PREMIUM (000s)	AIR HURR MODEL	CORELOGIC HURR MODEL	FL PUBLIC HURR MODEL	RMS HURR MODEL	SELECTED INDICATION	APPROVED RATE CHANGE	APPROVED RATE CHANGE BY ACCOUNT
WIND	13,062	88.4%	-2.7%	62.4%		75.0%		
ALL OTHER	2,770	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%		10.7% PERSONAL LINES ACCT
TOTAL	15,832	70.1%	-3.1%	49.2%		59.4%	10.7%	10.7% COASTAL ACCOUNT

Public Rate Hearing Citizens Property Insurance Corporation



Section 627.351, Florida Statutes

Section 627.351(6)(n)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.

Section 627.351(6)(n)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).

Public Rate Hearing Citizens Property Insurance Corporation



SB 2A: Primary vs. Non-Primary Personal Lines Residences

- 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 in subparagraph However, the policyholder may not be charged more than 50% 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.
- "**Primary Residence**" means the dwelling that is the policyholder's primary home or is a rental property this is the primary home of the tenant, and which the policyholder or tenant occupies for more than 9 months of each year.

Public Rate Hearing Citizens Property Insurance Corporation



SB 2A: Primary vs. Non-Primary Homeowners

		Earned House Years	Earned Prem. @ Current Rate (000s)	Proposed Rate Change	Range of Change *
HO-3 PLA	Primary	427,407	1,366,540	11.8%	0% to +12.6%
	<u>Non-Primary</u>	<u>13,381</u>	<u>40,604</u>	<u>41.2%</u>	0% to +50.2%
	Total	440,787	1,407,143	12.6%	
HW-2 CA	Primary	42,227	144,168	10.8%	+10.8% to +10.8%
	<u>Non-Primary</u>	<u>3,405</u>	<u>12,215</u>	<u>48.1%</u>	+46.5% to +48.8%
	Total	45,632	156,384	13.7%	
HO-4 PLA	Primary	9,357	1,874	10.9%	-10% to +12.2%
	<u>Non-Primary</u>	<u>196</u>	<u>46</u>	<u>31.8%</u>	0% to +49.9%
	Total	9,553	1,920	11.4%	
HW-4 CA	Primary	157	90	11.7%	0% to +11.8%
	<u>Non-Primary</u>	<u>17</u>	<u>13</u>	<u>49.7%</u>	0% to +49.7%
	Total	174	103	16.5%	
HO-6 PLA	Primary	45,281	60,865	9.0%	-10% to +12.0%
	<u>Non-Primary</u>	<u>11,610</u>	<u>17,494</u>	<u>17.1%</u>	0% to +49.3%
	Total	56,891	78,359	10.8%	
HW-6 CA	Primary	7,879	9,148	11.2%	0% to +11.2%
	<u>Non-Primary</u>	<u>4,291</u>	<u>5,380</u>	<u>48.0%</u>	0% to +48.9%
	Total	12,170	14,528	24.8%	

* Rate Changes included Cash Buildup which is outside of glidepath

Public Rate Hearing

Citizens Property Insurance Corporation



SB 2A: Primary vs. Non-Primary Dwelling Fire

		Earned House Years	Earned Prem. @ Current Rate (000s)	Proposed Rate Change	Range of Change *
DP-3 PLA	Primary	140,909	267,792	11.6%	-9.8% to +12.5%
	<u>Non-Primary</u>	<u>6,383</u>	<u>11,659</u>	<u>34.2%</u>	0% to +50%
	Total	147,292	279,451	12.3%	
DW-2 CA	Primary	8,069	27,487	11.5%	+11.5% to +11.5%
	<u>Non-Primary</u>	<u>1,456</u>	<u>5,479</u>	<u>47.9%</u>	0% to +49.4%
	Total	9,525	32,966	17.2%	
DP-1 PLA	Primary	33,964	63,012	11.6%	-9.4% to +12.1%
	<u>Non-Primary</u>	<u>814</u>	<u>1,477</u>	<u>45.3%</u>	0% to +50.2%
	Total	34,778	64,489	12.4%	

* Rate Changes included Cash Buildup which is outside of glidepath

Public Rate Hearing Citizens Property Insurance Corporation



SB 2A: Primary vs. Non-Primary Mobile Homeowner

		Earned House Years	Earned Prem. @ Current Rate (000s)	Proposed Rate Change	Range of Change *
MHO-3 PLA	Primary	35,492	47,012	11.7%	-6.7% to +12.3%
	<u>Non-Primary</u>	<u>13,209</u>	<u>18,552</u>	<u>48.8%</u>	0% to +50.4%
	Total	48,701	65,565	22.2%	
MW-2 CA	Primary	1,267	2,366	11.6%	0% to +11.6%
	<u>Non-Primary</u>	803	<u>1,181</u>	<u>49.4%</u>	0% to +49.4%
	Total	2,070	3,547	24.2%	
MDP-1 PLA	Primary	18,346	13,097	11.8%	-10% to +12.1%
	<u>Non-Primary</u>	<u>4,124</u>	<u>3,124</u>	<u>49.3%</u>	-0% to +50.1%
	Total	22,469	16,221	19.1%	
MD-1 CA	Primary	172	395,663	11.7%	0% to +11.8%
	<u>Non-Primary</u>	<u>42</u>	<u>72,663</u>	<u>49.8%</u>	0% to +49.8%
	Total	214	468,326	17.6%	

* Rate Changes included Cash Buildup which is outside of glidepath

Public Rate Hearing Citizens Property Insurance Corporation



SB 2A: Primary vs. Non-Primary

- **Explain how Citizens determines whether a dwelling is primary or non-primary?**
- **Explain what kind of notification will be sent to the non-primary policyholder by Citizens?**
- **What process will Citizens implement for a policyholder to appeal that the insured residence is misclassified as non-primary but is indeed primary?**

Public Rate Hearing Citizens Property Insurance Corporation



SB 2A: Non-Competitive Rates

(n) 1. Rates for coverage provided by Citizens must be actuarial sound pursuant to s. 627.062 and not competitive with approved rates charged in the admitted voluntary market so that Citizens functions as a residual market mechanism to provide insurance only when insurance cannot be procured in the voluntary market.

Public Rate Hearing Citizens Property Insurance Corporation



SB 2A: Non-Competitive Rates for HO-3 Policies

	150K NEW APPROVED ONLY		150K PRE-2001 APPROVED ONLY		300K NEW APPROVED ONLY		300K PRE-2001 APPROVED ONLY		Minimum Capping
	Wtd Avg based on Market Share to Citizens	Wtd Avg based on new policies written to Citizens	Wtd Avg based on Market Share to Citizens	Wtd Avg based on new policies written to Citizens	Wtd Avg based on Market Share to Citizens	Wtd Avg based on new policies written to Citizens	Wtd Avg based on Market Share to Citizens	Wtd Avg based on new policies written to Citizens	
Broward	40.3%	42.7%	110.2%	105.6%	31.1%	36.6%	101.1%	97.6%	12.0%
Dade	32.2%	40.8%	109.8%	109.5%	21.9%	32.8%	99.5%	101.3%	12.0%
Hillsborough	79.3%	72.2%	116.6%	107.7%	65.6%	65.7%	104.6%	102.2%	12.0%
Palm Beach	45.2%	33.6%	135.7%	117.0%	35.4%	26.0%	124.7%	108.3%	12.0%
Pinellas	67.1%	62.1%	105.2%	111.6%	54.5%	56.1%	92.7%	105.4%	12.0%

Public Rate Hearing Citizens Property Insurance Corporation



SB 2A: Non-Competitive Rates for HO-4 Policies

	NEW				PRE-2001				Minimum Capping
	APPROVED ONLY		w/PENDING		APPROVED ONLY		w/PENDING		
	Wtd Avg based on Market Share to Citizens	Wtd Avg based on new policies written to Citizens	Wtd Avg based on Market Share to Citizens	Wtd Avg based on new policies written to Citizens	Wtd Avg based on Market Share to Citizens	Wtd Avg based on new policies written to Citizens	% chg based on PIF market Share	% chg based on new business Market Share	
Broward	42.7%	38.3%	46.1%	40.9%	-33.0%	-33.6%	-30.4%	-31.9%	-10.0%
Dade	-25.6%	-27.5%	-24.2%	-26.5%	-50.7%	-51.0%	-49.4%	-49.9%	-10.0%
Hillsborough	60.7%	51.7%	64.9%	54.4%	29.0%	21.9%	32.7%	24.3%	12.0%
Palm Beach	53.3%	46.5%	56.4%	48.8%	-25.5%	-27.8%	-22.2%	-25.5%	-10.0%
Pinellas	45.1%	36.4%	48.8%	39.0%	-16.1%	-20.6%	-13.3%	-18.7%	-10.0%

Public Rate Hearing Citizens Property Insurance Corporation



SB 2A: Non-Competitive Rates for HO-6 Policies

	NEW				PRE-2001			
	APPROVED ONLY		w/PENDING		APPROVED ONLY		w/PENDING	
	Wtd Avg based on Market Share to Citizens	Wtd Avg based on new policies written to Citizens	Wtd Avg based on Market Share to Citizens	Wtd Avg based on new policies written to Citizens	Wtd Avg based on Market Share to Citizens	Wtd Avg based on new policies written to Citizens	Wtd Avg based on Market Share to Citizens	Wtd Avg based on new policies written to Citizens
Broward	-5.6%	-4.7%	-1.7%	-0.8%	-42.3%	-42.2%	-35.1%	-35.0%
Dade	-29.9%	-29.5%	-29.0%	-28.6%	-41.9%	-41.8%	-34.5%	-34.4%
Hillsborough	-26.8%	-21.7%	-22.6%	-17.2%	-30.5%	-31.3%	-24.1%	-25.5%
Palm Beach	-22.6%	-20.2%	-2.0%	1.2%	-31.1%	-30.9%	-21.6%	-21.7%
Pinellas	-33.4%	-31.9%	-27.5%	-25.8%	-46.9%	-47.0%	-42.1%	-42.3%

Public Rate Hearing Citizens Property Insurance Corporation



HO-3 Calculation of Non-Catastrophe Wind Loss Trend Factors

Litigated Other Wind Trend							
Beginning of Accident Year	End of Accident Year	Average Loss Date	Earned House Years	Developed Non-Cat Incurred Losses & ALAE	Pure Premium	Frequency	Severity
10/1/2017	9/30/2018	4/1/2018	197,213	2,640,515	13.39	0.02%	55,011
1/1/2018	12/31/2018	7/2/2018	196,438	3,853,855	19.62	0.04%	51,917
4/1/2018	3/31/2019	9/30/2018	195,024	5,067,195	25.98	0.05%	50,709
7/1/2018	6/30/2019	12/30/2018	192,713	6,280,536	32.59	0.06%	50,380
10/1/2018	9/30/2019	4/1/2019	190,749	7,493,876	39.29	0.08%	50,279
1/1/2019	12/31/2019	7/2/2019	190,639	10,722,324	56.24	0.11%	52,589
4/1/2019	3/31/2020	9/30/2019	193,064	13,950,773	72.26	0.14%	53,225
7/1/2019	6/30/2020	12/30/2019	197,213	17,179,221	87.11	0.16%	52,930
10/1/2019	9/30/2020	3/31/2020	205,910	20,407,669	99.11	0.19%	51,249
1/1/2020	12/31/2020	7/1/2020	218,828	23,743,561	108.50	0.21%	51,322
4/1/2020	3/31/2021	9/30/2020	235,461	27,079,453	115.01	0.23%	50,123
7/1/2020	6/30/2021	12/30/2020	259,616	30,415,344	117.16	0.25%	47,339
10/1/2020	9/30/2021	4/1/2021	292,075	33,751,236	115.56	0.27%	43,522
1/1/2021	12/31/2021	7/2/2021	330,362	52,460,760	158.80	0.35%	45,515
4/1/2021	3/31/2022	9/30/2021	371,943	71,170,283	191.35	0.43%	44,266
7/1/2021	6/30/2022	12/30/2021	419,798	89,879,807	214.10	0.52%	41,521
10/1/2021	9/30/2022	4/1/2022	480,609	108,589,330	225.94	0.60%	37,718

Litigated Other Wind Trend	Pure		
	Premium	Frequency	Severity
17 Point Fitted Annual Rate of Change:	92.7%	106.3%	-6.6%
13 Point Fitted Annual Rate of Change:	66.7%	84.1%	-9.4%
9 Point Fitted Annual Rate of Change:	55.9%	79.9%	-13.4%
5 Point Fitted Annual Rate of Change:	92.7%	124.2%	-14.0%

Public Rate Hearing Citizens Property Insurance Corporation



HO-3 Calculation of Non-Catastrophe Wind Loss Trend Factors

Non-Litigated Other Wind Trend							
Beginning of	End of	Average	Earned	Developed			
Accident	Accident	Loss	House	Non-Cat	Pure		
Year	Year	Date	Years	Losses & ALAE	Premium	Frequency	Severity
10/1/2017	9/30/2018	4/1/2018	197,213	2,159,726	10.95	0.15%	7,104
1/1/2018	12/31/2018	7/2/2018	196,438	4,382,653	22.31	0.25%	9,040
4/1/2018	3/31/2019	9/30/2018	195,024	6,605,581	33.87	0.34%	9,977
7/1/2018	6/30/2019	12/30/2018	192,713	8,828,509	45.81	0.43%	10,601
10/1/2018	9/30/2019	4/1/2019	190,749	11,051,437	57.94	0.52%	11,040
1/1/2019	12/31/2019	7/2/2019	190,639	11,307,270	59.31	0.54%	10,900
4/1/2019	3/31/2020	9/30/2019	193,064	11,563,104	59.89	0.56%	10,629
7/1/2019	6/30/2020	12/30/2019	197,213	11,818,938	59.93	0.58%	10,282
10/1/2019	9/30/2020	3/31/2020	205,910	12,074,772	58.64	0.60%	9,738
1/1/2020	12/31/2020	7/1/2020	218,828	14,691,639	67.14	0.61%	10,952
4/1/2020	3/31/2021	9/30/2020	235,461	17,308,507	73.51	0.62%	11,784
7/1/2020	6/30/2021	12/30/2020	259,616	19,925,374	76.75	0.63%	12,095
10/1/2020	9/30/2021	4/1/2021	292,075	22,542,242	77.18	0.65%	11,959
1/1/2021	12/31/2021	7/2/2021	330,362	36,806,170	111.41	0.78%	14,285
4/1/2021	3/31/2022	9/30/2021	371,943	51,070,098	137.31	0.91%	15,014
7/1/2021	6/30/2022	12/30/2021	419,798	65,334,026	155.63	1.05%	14,835
10/1/2021	9/30/2022	4/1/2022	480,609	79,597,954	165.62	1.18%	13,992

Non-Litigated Other Wind Trend			Pure		
			Premium	Frequency	Severity
17 Point Fitted Annual Rate of Change:			64.2%	43.6%	14.4%
13 Point Fitted Annual Rate of Change:			45.3%	27.8%	13.7%
9 Point Fitted Annual Rate of Change:			73.9%	42.3%	22.2%
5 Point Fitted Annual Rate of Change:			110.5%	82.9%	15.1%

Selected Annual Loss Trend (up to date):	64.2%
Selected Annual Loss Trend (projected):	40.0%

Last Filing Selected Annual Loss Trend (up to date):	74.9%
Last Filing Selected Annual Loss Trend (projected):	26.5%

Public Rate Hearing

Citizens Property Insurance Corporation



Filing Issues Discussion

1. How filing indications and rates reflect elimination of Assignment of Benefits in SB 2A?
2. How filing indications and rates reflect elimination of One-Way Attorney Fees in SB 2A?
3. Explain why ALAE in indication not reflect impact of SB 2A in litigated claims?
4. Explain why ULAE in indication not reflect impact of SB 2A in litigated claims?
5. Explain why hurricane territorial selected rate change applies percentile rather than median when statewide indication uses median?
6. Explain why Mobile Homeowners filings the impact of litigated claims on loss trends and loss development was not reflected using actual data unlike Homeowners and Dwelling Fire indications?
7. How commercial residential property rate indications reflecting the elimination of AOB and One-Way Attorney Fees in SB 2A?
8. Confirm reinsurance rate-on-line in filings are based on broker estimates and explain how they are determined.

Public Rate Hearing Citizens Property Insurance Corporation



Attending

Tasha Carter, Florida Insurance Consumer Advocate

Public Rate Hearing Citizens Property Insurance Corporation



Public Comment

Send Public Comments to: RateHearings@floir.com

Subject Line: Citizens Property Insurance Corp

Deadline for Public Comments: June 22, 2023, 5:00 p.m. ET



Public Rate Hearing – June 8, 2023

Florida Office of Insurance Regulation