

Commerce Committee

Thursday, January 14, 2021
9:00 AM – 10:00 AM
Webster Hall (212 Knott)

Meeting Packet

Chris Sprowls
Speaker

Blaise Ingoglia
Chair

The Florida House of Representatives

Commerce Committee

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Meeting Agenda

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I. Call to Order

II. Roll Call

III. Welcome and Opening Remarks

IV. Overview of Property Insurance Cost Drivers in Florida:
- Cost Drivers in Recent Private Insurer Rate Filings
- Cost Drivers in Citizens Property Insurance Rates
- Cost Drivers as Reported by Insurance Agents

V. Closing Remarks

VI. Adjournment

303 House Office Building, 402 South Monroe Street, Tallahassee, FL 32399-1300
(850) 717-4870

Citizens Property Insurance Corporation

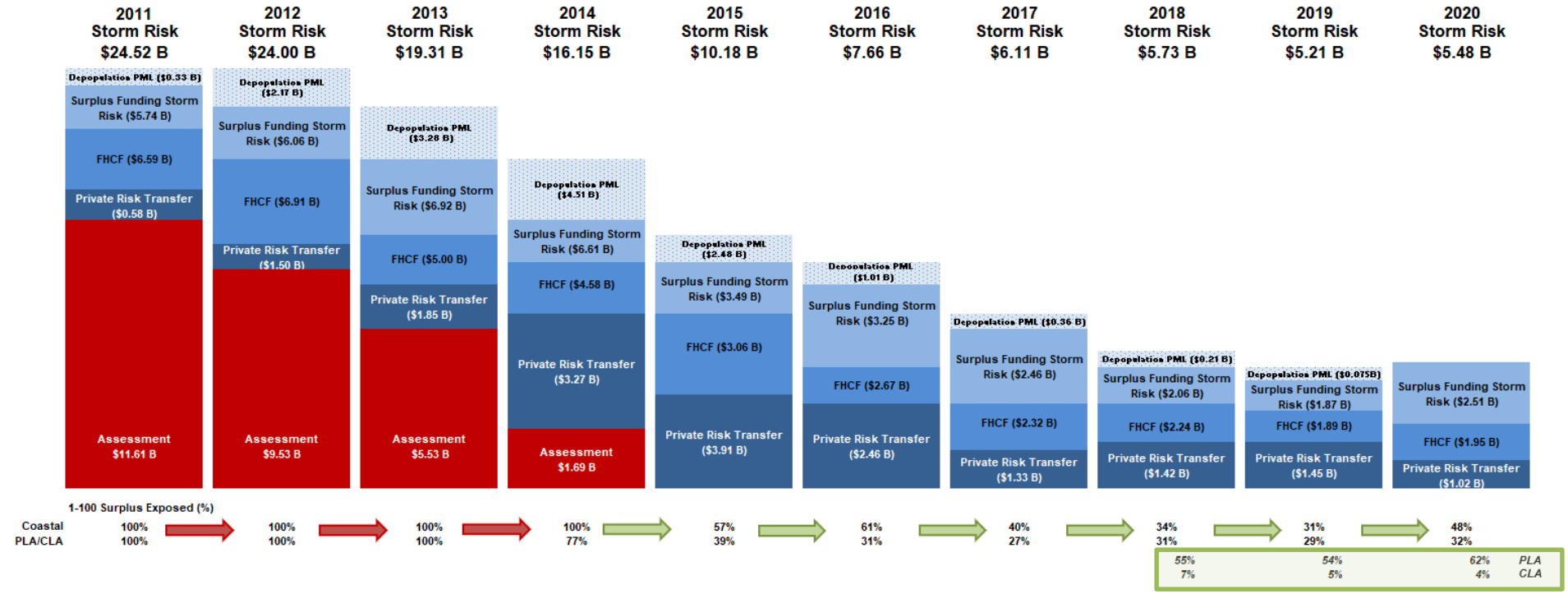
Barry Gilway, President/CEO and Executive Director

House Commerce Committee

January 14, 2021

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Risk and Assessment Reductions



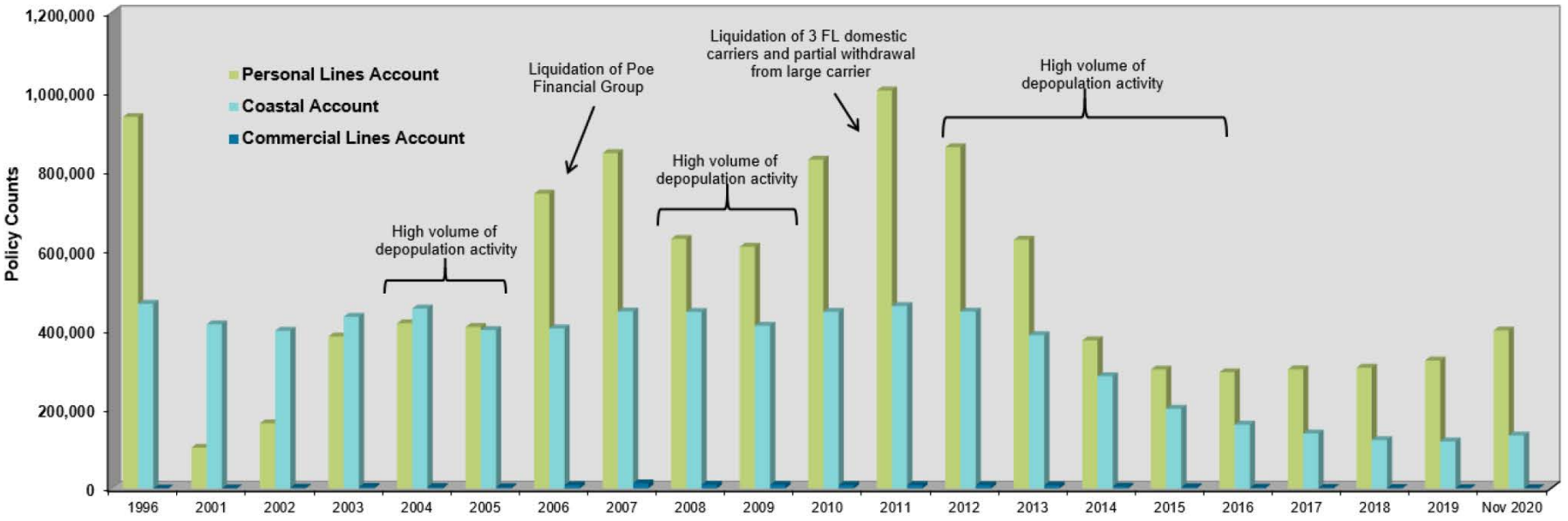
Notes:

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 August 31, 2017.
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 - 2020, not all surplus in PLA/CLA and the Coastal Account is needed to fund storm risk. Remaining surplus is available to fund a second event.
3. Florida Hurricane Catastrophe Fund (FHCF) is as projected at beginning of storm season; with the exception of 2017 and 2018 which are Citizens' initial data submission to the FHCF.
4. Depopulation PMLs are not included in storm risk totals and are presented as year end totals. 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 - 2019 PMLs reflect only SSST event catalog. 2020 Depopulation PMLs are not yet available for inclusion in this exhibit.

VALUES ARE NOT DRAWN TO SCALE

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History of Policies In-Force



	Personal Lines Account	Coastal Account	Commercial Lines Account	Total
1996	936,837	465,739	0	**1,402,576**
2001	102,792	414,123	198	**517,113**
2002	164,274	397,676	2,157	**564,107**
2003	383,283	433,077	3,863	**820,223**
2004	416,521	453,765	3,650	**873,936**
2005	407,387	399,417	3,145	**809,949**
2006[(2)]	743,592	403,509	8,347	**1,298,428**
2007	845,857	446,184	12,908	**1,304,949**
2008	629,467	445,200	9,570	**1,084,237**
2009	609,652	410,436	9,126	**1,029,214**
2010	829,406	445,679	8,453	**1,283,538**

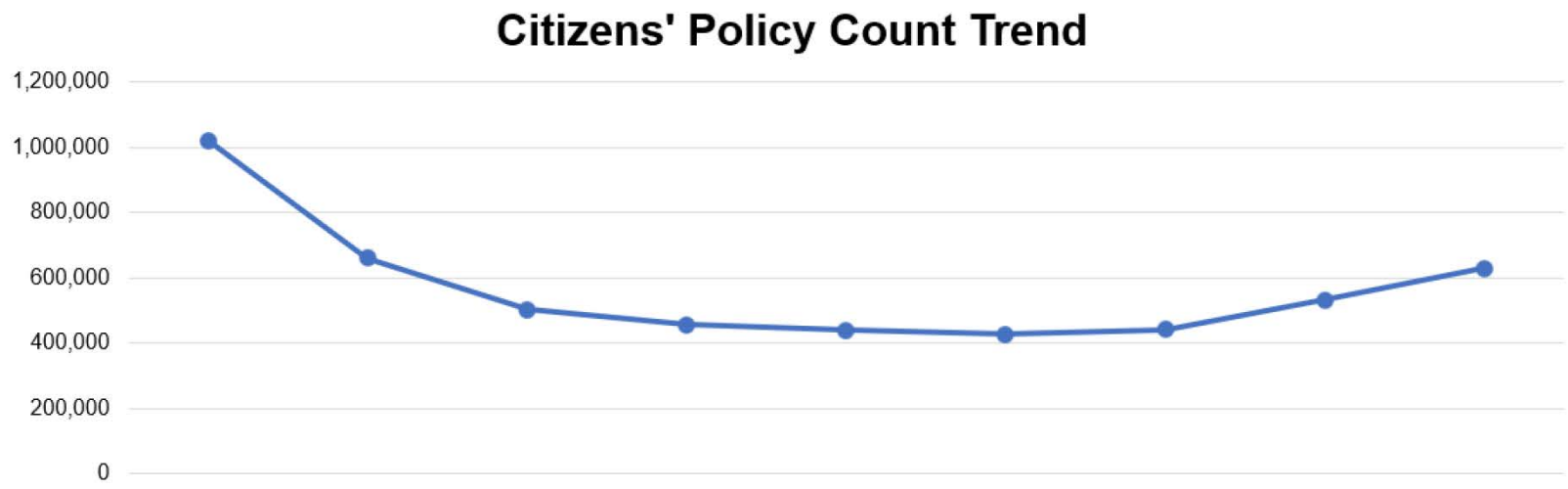
	Personal Lines Account	Coastal Account	Commercial Lines Account	Total
2011	1,003,856	460,161	8,374	**1,472,391**
2012	860,502	446,163	8,146	**1,314,811**
2013	627,391	386,688	7,615	**1,021,694**
2014	373,617	282,863	4,681	**661,161**
2015	299,902	200,842	3,121	**503,865**
2016	293,118	160,834	1,891	**455,843**
2017	300,507	138,591	1,308	**440,406**
2018	304,507	121,971	919	**427,397**
2019	322,792	118,673	738	**442,203**
Nov 2020	398,462	133,603	723	**532,788**

Notes:

1) Excludes takeout policies
2) In 2006, there were 142,980 policies assumed from the Poe Financial Group included in Citizens' total policy count. As these policies remained on the Poe system at the end of that calendar year, they are not allocated at the account level.

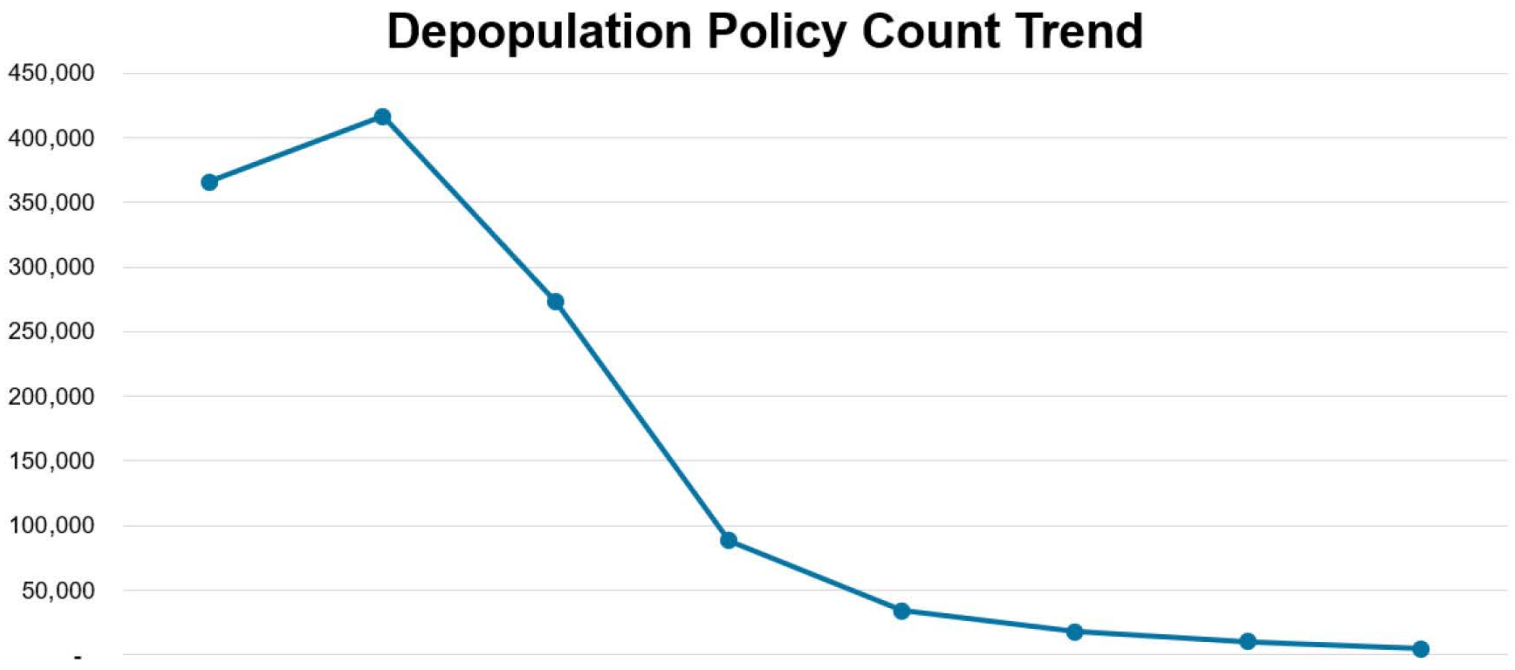
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Policy Count Trend



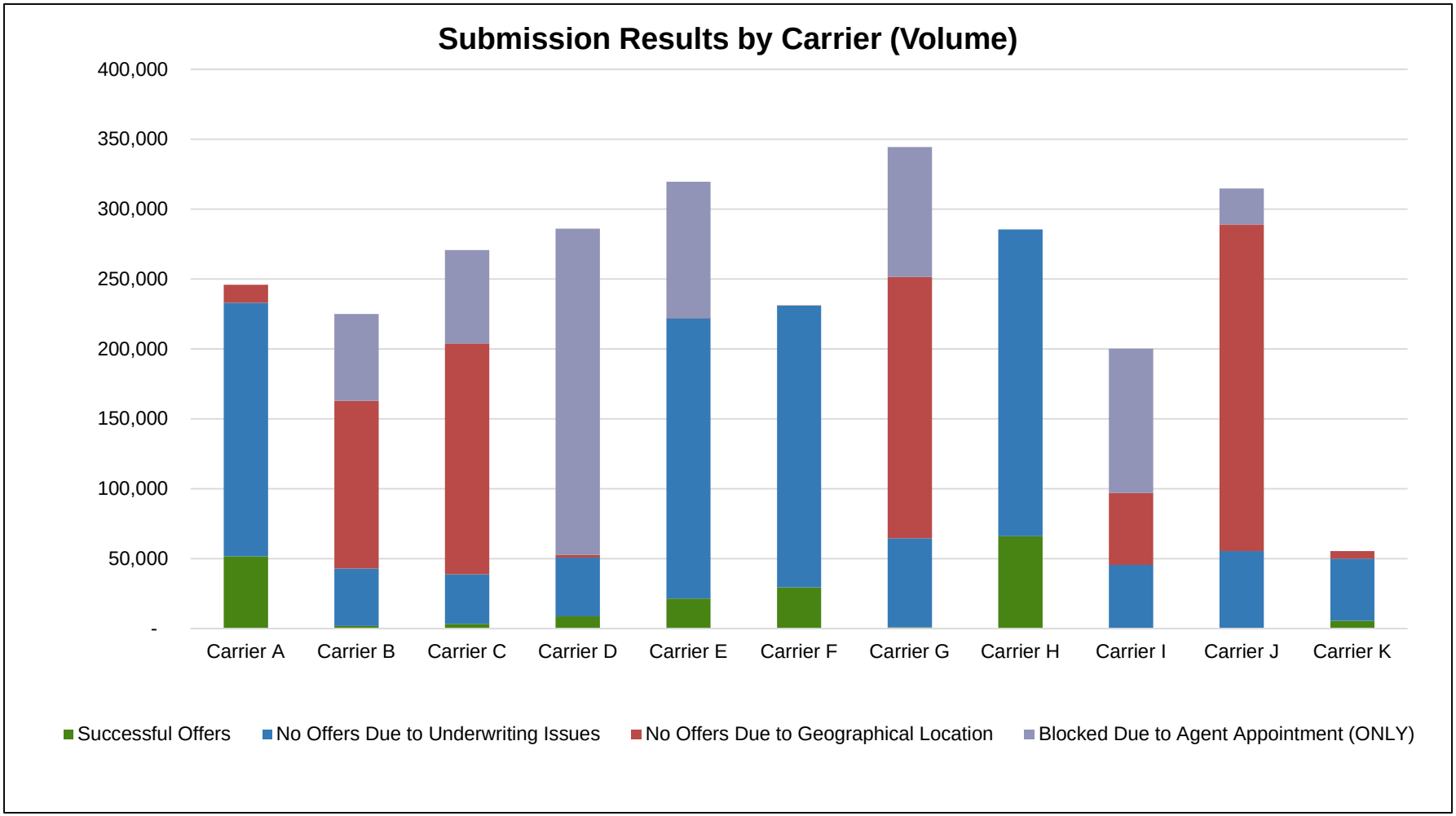
	2013	2014	2015	2016	2017	2018	2019	2020 Projected	2021 Projected
Citizens' Policy Count	1,021,694	661,161	503,865	455,843	440,406	427,397	442,203	532,135	630,257

Depopulation Policy Count Trend

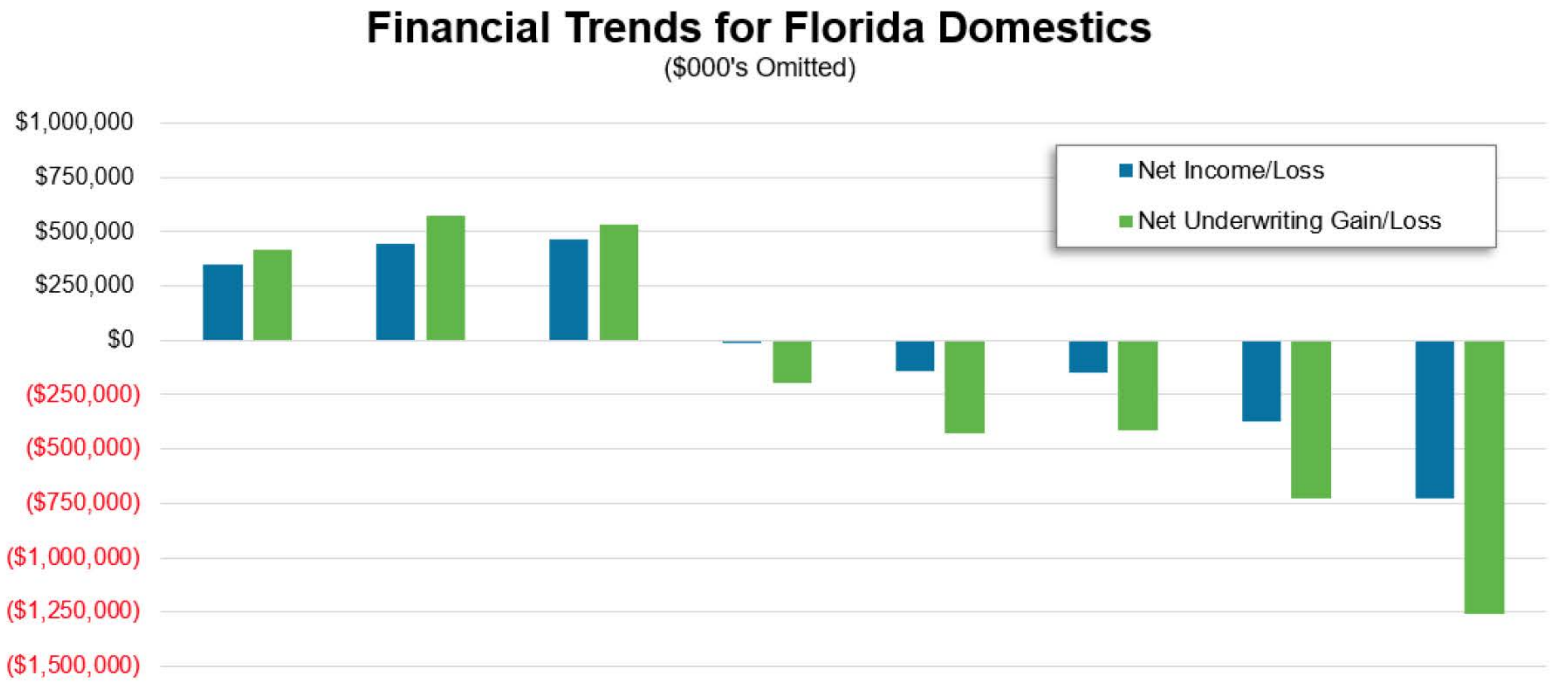


	2013	2014	2015	2016	2017	2018	2019	2020 (Oct.)
Depopulation Policy Count	365,833	416,453	272,596	88,000	34,008	17,902	10,084	4,653

Clearinghouse Submission and Outcome (Jan – Sept 2020)



Financial Trends for Florida Domestic Insurers

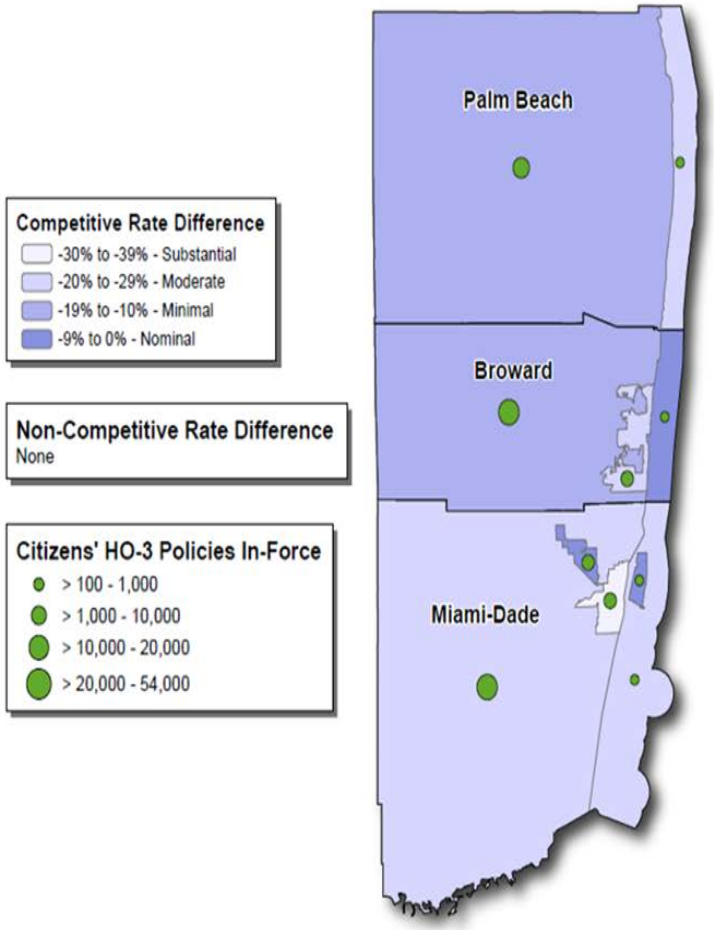


	2013	2014	2015	2016	2017	2018	2019	2020 YTD
Net Income/Loss	$347,337	$447,159	$462,668	($13,772)	($142,445)	($150,696)	($372,269)	($727,361)
Net Underwriting Gain/Loss	$416,010	$577,643	$532,630	($194,112)	($426,472)	($414,266)	($725,099)	($1,260,208)

Citizens Homeowners Rates Compared to Industry

Tri-County Percent Difference to HO-3 Average Premium by Citizens' Territories

	Palm Beach	Broward	Miami-Dade	Tri-County
Citizens' Policy Count	*16,530*	*40,444*	*63,281*	*120,255*
Citizens P&C	**$3,404**	**$3,894**	**$4,149**	**$3,961**
Company 1	$4,298	$4,508	$4,747	$4,605
Company 2	$5,039	$4,168	$4,698	$4,567
Company 3	$5,008	$5,317	$5,592	$5,419
Company 4	$3,418	$4,348	$4,935	$4,529
Company 5	$2,698	$3,636	$4,427	$3,924
Company 6	$4,694	$5,009	$5,140	$5,035
Company 7	$4,123	$4,234	$5,015	$4,630
Company 8	$5,189	$5,014	$5,359	$5,219
Company 9	$5,134	$8,200	$7,969	$7,657
Company 10	$3,995	$4,782	$5,421	$5,010
Company 11	$3,474	$4,969	$5,058	$4,810
Company 12	$3,514	$4,876	$5,757	$5,153
Company 13	$2,977	$3,505	$3,684	$3,526
Company 14	$6,078	$5,494	$6,851	$6,288
Competitor Average	**$4,260**	**$4,861**	**$5,332**	**$5,027**
% Difference	**(20%)**	**(20%)**	**(22%)**	**(21%)**



91% of Citizens' HO-3 policies are charged **LESS** than the average competitor's rate.

Citizens Rates

Prior to 2007, rates were required to be non-competitive with the private market.

Rates for personal and commercial residential policies were frozen by statute from January 1, 2007 through December 31, 2009.

Rates are now required to be actuarily sound, but not to exceed 10% increase annually per policy, excluding the Florida Hurricane Catastrophe Fund Rapid Cash Build-Up Factor.

Citizens Board makes annual recommended rate changes to the Office of Insurance Regulation (OIR) and they establish rates for Citizens.

Citizens is not required to purchase reinsurance at the same level as the private market is required. Citizens provision for reinsurance is much lower than the private market, thus leading to a lower rate need for Citizens. If Citizens needed the same level of reinsurance as a typical private insurer then its Homeowners multiperil and wind-only indication would nearly triple.

Citizens' Premium Drivers for Homeowners and Homeowners Wind-Only

Projected HO3/HW2 Cost Categories for 2021		
	Projected Dollar Amount	% of Total
Fund Future Hurricanes	$208,989,500	31.7%
Cost of Litigated Water Claims	$133,918,208	20.3%
Cost of Non-Litigated Water Claims	$60,251,336	9.1%
Cost of Sinkhole Claims	$5,547,127	0.8%
Cost of All Other Perils (Fire, Liability, etc)	$33,191,728	5.0%
Commission to Agents	$47,550,602	7.2%
Administration Costs	$102,081,294	15.5%
Premium Taxes	$11,245,075	1.7%
Net Cost of Reinsurance (including FHCF BU)	$57,128,463	8.7%
Total Needed HO3/HW2 Premium	$659,903,332	100.0%

Projected premium need for each cost driver of HO3/HW2 policy forms for 2021

Carrier Litigation Experience 2013 – 2020

Year	Citizens Lawsuits	Citizens AOB Lawsuits	Citizens AOB %	Lawsuits All Others	AOB All Others	All Other AOB %	Total Lawsuits	Total AOB	Total AOB %
2013	9,146	860	9.4%	18,270	4,613	25.2%	27,416	5,473	20.0%
2014	9,525	1,062	11.1%	22,122	4,820	21.8%	31,647	5,882	18.6%
2015	7,653	1,250	16.3%	30,167	6,645	22.0%	37,820	7,895	20.9%
2016	10,061	3,242	32.2%	31,790	5,968	18.8%	41,851	9,210	22.0%
2017	7,624	2,718	35.7%	41,524	9,772	23.5%	49,148	12,490	25.4%
2018	13,363	3,631	27.2%	69,300	17,421	25.1%	82,663	21,052	25.5%
2019	9,877	3,886	39.3%	74,210	24,694	33.3%	84,087	28,580	34.0%
2020	7,853	2,007	25.6%	77,154	15,676	20.3%	85,007	17,683	20.8%
Total	**75,102**	**18,656**	**24.8%**	**364,537**	**89,609**	**24.6%**	**439,639**	**108,265**	**24.6%**

2019 vs 2020 Notes:

1. Citizens AOB Litigation decreased by 48% (3,886 to 2,007)
2. Citizens Overall Litigation decreased by 20% (9,877 to 7,853)
3. All Other Carriers AOB Litigation decreased by 37% (24,694 to 15,676)
4. All Other Carriers Overall Litigation increased by less than 1% (84,087 to 85,007)

Data source – DFS LSOP 2013 – 2020

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Citizens Litigated vs Non-Litigated Water Claim Costs

HO3*

Closed Water Claims as of 3/31/2020

Litigated Claims

Close Year	Loss Severity	ALAE** Severity	Loss/ALAE
2012	$18,904	$4,941	$23,845
2013	$20,174	$6,787	$26,961
2014	$22,609	$6,348	$28,956
2015	$25,892	$6,182	$32,073
2016	$29,157	$7,034	$36,191
2017	$27,547	$9,439	$36,986
2018	$29,089	$12,255	$41,343
2019	$31,653	$14,338	$45,990
2020	$33,591	$15,223	$48,814
Grand Total	$26,281	$8,687	$34,969

HO3*

Closed Water Claims as of 3/31/2020

Non - Litigated Claims

Close Year	Loss Severity	ALAE** Severity	Loss/ALAE
2012	$7,016	$860	$7,876
2013	$8,391	$1,032	$9,423
2014	$8,684	$1,087	$9,771
2015	$8,705	$928	$9,633
2016	$5,143	$866	$6,009
2017	$6,167	$1,245	$7,412
2018	$7,504	$1,640	$9,144
2019	$10,169	$1,933	$12,102
2020	$8,281	$1,816	$10,097
Grand Total	$7,833	$1,116	$8,950

HO3*

Closed Water Claims as of 3/31/2020

Total - Litigated and Non-Litigated

Close Year	Loss Severity	ALAE** Severity	Loss/ALAE
2012	$7,670	$1,084	$8,754
2013	$10,270	$1,950	$12,220
2014	$14,075	$3,123	$17,198
2015	$16,538	$3,322	$19,860
2016	$17,429	$4,021	$21,450
2017	$14,024	$4,256	$18,280
2018	$17,942	$6,773	$24,715
2019	$17,872	$6,381	$24,254
2020	$15,540	$5,662	$21,202
Grand Total	$13,029	$3,248	$16,277

*Homeowners

**Allocated Loss Adjustment Expense

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