# Insurance & Banking Subcommittee

**Wednesday, October 13, 2021**
**9:00 AM - 10:30 AM**
**Morris Hall (17 HOB)**

# Meeting Packet

**Chris Sprowls**
**Speaker**

**Nick DiCeglie**
**Chair**

# The Florida House of Representatives

**Commerce Committee**

**Insurance & Banking Subcommittee**

**Chris Sprowls**
**Speaker**

**Nick DiCeglie**
**Chair**

# Meeting Agenda

Wednesday, October 13, 2021
9:00 AM – 10:30 AM
Morris Hall (17 HOB)

I. Call to Order

II. Roll Call

III. Welcome and Opening Remarks

IV. Citizens Property Insurance Presentation regarding the state of the property insurance marketplace in Florida

V. Closing Remarks

VI. Adjournment

**Citizens Property Insurance**

# House Insurance and Banking Subcommittee

Barry Gilway, President/CEO and Executive Director

October 13, 2021

CITIZENS
PROPERTY INSURANCE CORPORATION

# Top 10 Florida Domestic Insurers Net Income

| | Direct Premiums Written ($000) | Net Income ($000) | | | | |
|---|---|---|---|---|---|---|
| Company | 2020 | 2Q 2021 | 2020 | 2019 | 2018 | 2017 |
| 1 | $1,507,073 | ($2,987) | ($100,317) | ($50,169) | $3,587 | $36,226 |
| 2 | $1,337,257 | ($45,628) | ($37,082) | ($29,879) | $27,543 | ($6,962) |
| 3 | $1,165,255 | ($68,331) | ($59,575) | ($19,408) | ($47,465) | ($22,712) |
| 4 | $791,785 | ($44,481) | ($13,329) | ($20,828) | ($13,167) | ($17,178) |
| 5 | $633,523 | ($16,616) | ($32,616) | ($23,453) | ($64,998) | $7,587 |
| 6 | $618,575 | ($59,859) | ($35,392) | ($18,174) | $10,218 | ($13,874) |
| 7 | $529,271 | $3,446 | ($4,695) | ($11,649) | ($1,448) | $5,017 |
| 8 | $450,045 | $4,779 | ($3,988) | ($1,270) | $710 | ($9,092) |
| 9 | $410,739 | $590 | ($27,492) | ($22,111) | ($9,519) | ($5,812) |
| 10 | $406,326 | ($12,202) | ($21,748) | ($17,551) | ($11,843) | $2,579 |

Source: S&P Global Market Intelligence where top 10 is based on 2020 Direct Premiums Written



CITIZENS PROPERTY INSURANCE CORPORATION

# Florida Domestic Insurers Net Income

| | Direct Premiums Written ($000) | Net Income ($000) | | | | |
|---|---|---|---|---|---|---|
| Company | 2020 | 2Q 2021 | 2020 | 2019 | 2018 | 2017 |
| 11 | $369,788 | ($7,455) | ($30,349) | $2,706 | $4,598 | ($2,209) |
| 12 | $362,695 | $2,895 | ($1,099) | $3,515 | $1,152 | $2,560 |
| 13 | $357,650 | $1,475 | ($28,779) | $18,443 | $20,758 | ($10,511) |
| 14 | $348,560 | ($76,290) | ($119,191) | ($22,617) | ($1,904) | ($109) |
| 15 | $336,268 | ($32,977) | ($8,666) | ($17,433) | $20,903 | $17,682 |
| 16 | $278,475 | $2,226 | ($21,135) | ($2,806) | $15,386 | $9,877 |
| 17* | $264,140 | ($16,440) | ($6,159) | ($5,837) | ($6,832) | ($1,369) |
| 18 | $244,266 | ($2,904) | ($19,273) | $10,829 | $18,632 | ($26,463) |
| 19 | $238,663 | $103 | $235 | $297 | $325 | $463 |
| 20* | $233,942 | $1,995 | $4,491 | $5,569 | $4,278 | $2,213 |

Source: S&P Global Market Intelligence
*Company is not a Florida domestic but is either part of a company group that is or has a high volume of FL business



CITIZENS PROPERTY INSURANCE CORPORATION

# Florida Domestic Insurers Net Income

| | Direct Premiums Written ($000) | Net Income ($000) | | | | |
|---|---|---|---|---|---|---|
| Company | 2020 | 2Q 2021 | 2020 | 2019 | 2018 | 2017 |
| 21 | $219,430 | ($8,665) | ($2,698) | ($2,674) | ($5,257) | ($4,096) |
| 22* | $213,957 | ($31,023) | ($71,625) | ($20,304) | ($3,523) | ($2,709) |
| 23 | $209,891 | $6,994 | ($3,131) | $4,549 | $109 | ($1,033) |
| 24 | $147,346 | $1,156 | $116 | ($6,220) | ($10,618) | ($5,281) |
| 25 | $145,081 | ($4,783) | ($10,581) | ($350) | ($7,187) | ($2,117) |
| 26 | $143,235 | ($118) | ($5,654) | ($6,812) | ($9,175) | ($1,482) |
| 27 | $139,898 | ($1,442) | ($1,783) | ($1,985) | ($735) | ($2,030) |
| 28 | $137,027 | ($127) | ($1,861) | $598 | ($4,833) | $355 |
| 29 | $127,220 | $3,602 | ($6,853) | ($4,554) | ($3,854) | ($2,244) |
| 30 | $125,663 | $675 | $1,731 | ($2,109) | $682 | ($2,493) |

Source: S&P Global Market Intelligence
*Company is not a Florida domestic but is either part of a company group that is or has a high volume of FL business

# Florida Domestic Insurers Net Income

| | Direct Premiums Written ($000) | Net Income ($000) | | | | |
|---|---|---|---|---|---|---|
| Company | 2020 | 2Q 2021 | 2020 | 2019 | 2018 | 2017 |
| 31 | $122,654 | - | ($22,552) | ($4,120) | $86 | ($2,090) |
| 32 | $120,058 | ($5,305) | ($5,410) | ($13,347) | ($435) | $605 |
| 33 | $105,816 | ($8,656) | ($10,893) | ($5,164) | $2,034 | ($797) |
| 34 | $105,383 | ($10,018) | ($21,577) | $1,442 | ($2,996) | $1,680 |
| 35 | $101,497 | ($860) | ($2,631) | ($3,710) | $230 | ($246) |
| 36 | $98,436 | ($21,913) | ($35,955) | $1,456 | ($1,303) | $67 |
| 37* | $98,254 | ($27,126) | ($14,551) | ($15,085) | ($2,825) | ($2,309) |
| 38 | $91,107 | ($2,943) | ($5,129) | ($1,495) | $1,839 | ($2,466) |
| 39 | $81,817 | ($23,560) | ($8,555) | ($6,059) | ($6,473) | ($16,978) |
| 40 | $71,849 | - | $2,169 | ($3,846) | ($1,026) | ($1,644) |

Source: S&P Global Market Intelligence
*Company is not a Florida domestic but is either part of a company group that is or has a high volume of FL business



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# Florida Domestic Insurers Net Income

| | Direct Premiums Written ($000) | Net Income ($000) | | | | |
|---|---|---|---|---|---|---|
| Company | 2020 | 2Q 2021 | 2020 | 2019 | 2018 | 2017 |
| 41* | $70,456 | ($42) | ($2,577) | ($241) | ($1,307) | $1,139 |
| 42 | $63,308 | ($5,767) | ($7,507) | ($2,323) | ($4,579) | $4,314 |
| 43 | $57,848 | $2,795 | $4,127 | $2,540 | $1,550 | ($2,731) |
| 44 | $28,608 | ($257) | ($778) | ($1,192) | $65 | $57 |
| 45 | $24,420 | ($105) | ($7,332) | $392 | ($1,119) | ($2,379) |
| 46 | $20,820 | ($792) | ($7,532) | ($3,535) | ($7,325) | ($5,738) |
| 47 | $19,434 | ($12,819) | ($8,613) | ($644) | - | - |
| 48 | $18,634 | ($262) | ($843) | ($8) | ($825) | ($749) |
| 49 | $16,109 | ($297) | $105 | $3,868 | ($10,308) | ($2,885) |
| 50 | $13,645 | ($3,552) | ($1,253) | ($429) | ($568) | $246 |

Source: S&P Global Market Intelligence
*Company is not a Florida domestic but is either part of a company group that is or has a high volume of FL business



CITIZENS PROPERTY INSURANCE CORPORATION

# Florida Domestic Insurers Net Income

| | Direct Premiums Written ($000) | Net Income ($000) | | | | |
|---|---|---|---|---|---|---|
| Company | 2020 | 2Q 2021 | 2020 | 2019 | 2018 | 2017 |
| 51 | $11,798 | ($3,421) | $1,237 | $898 | $312 | - |
| 52 | $10,406 | $4,167 | ($4,022) | $252 | ($469) | ($576) |
| **TOTAL** | **$13,845,399** | **($523,123)** | **($828,571)** | **($312,039)** | **($108,922)** | **($88,697)** |

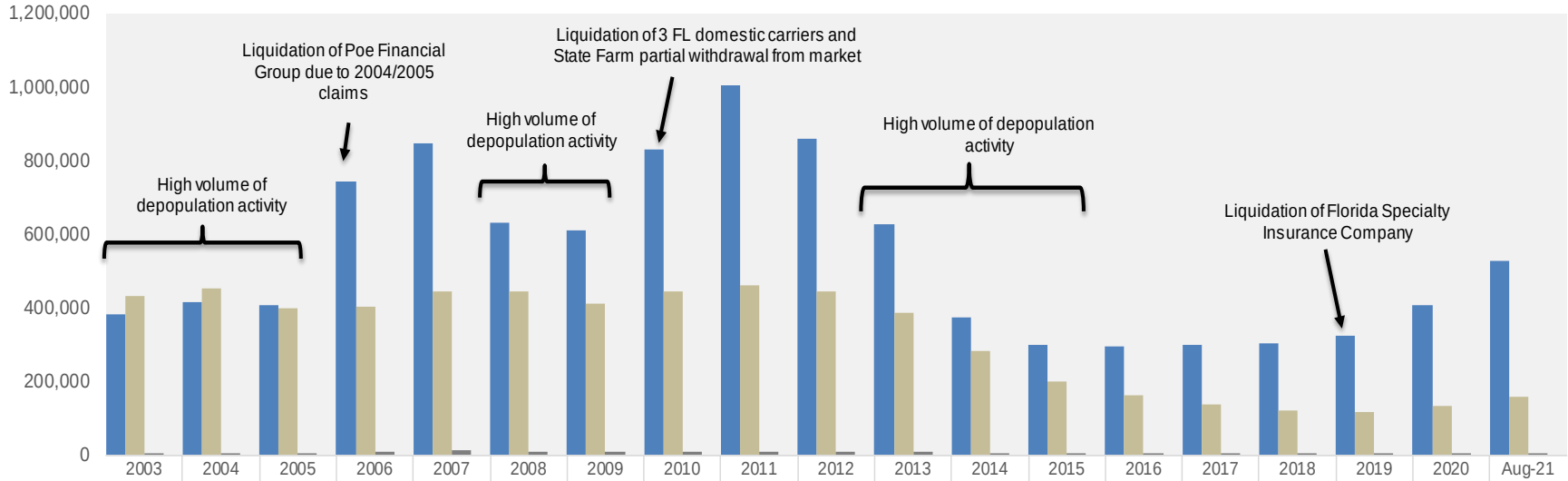
Source: S&P Global Market Intelligence

## Insurer Options:

- Replace lost capital
- Reduce overall writings
- Raise rates

# Market Conditions

## Policies in Force by Year and Account

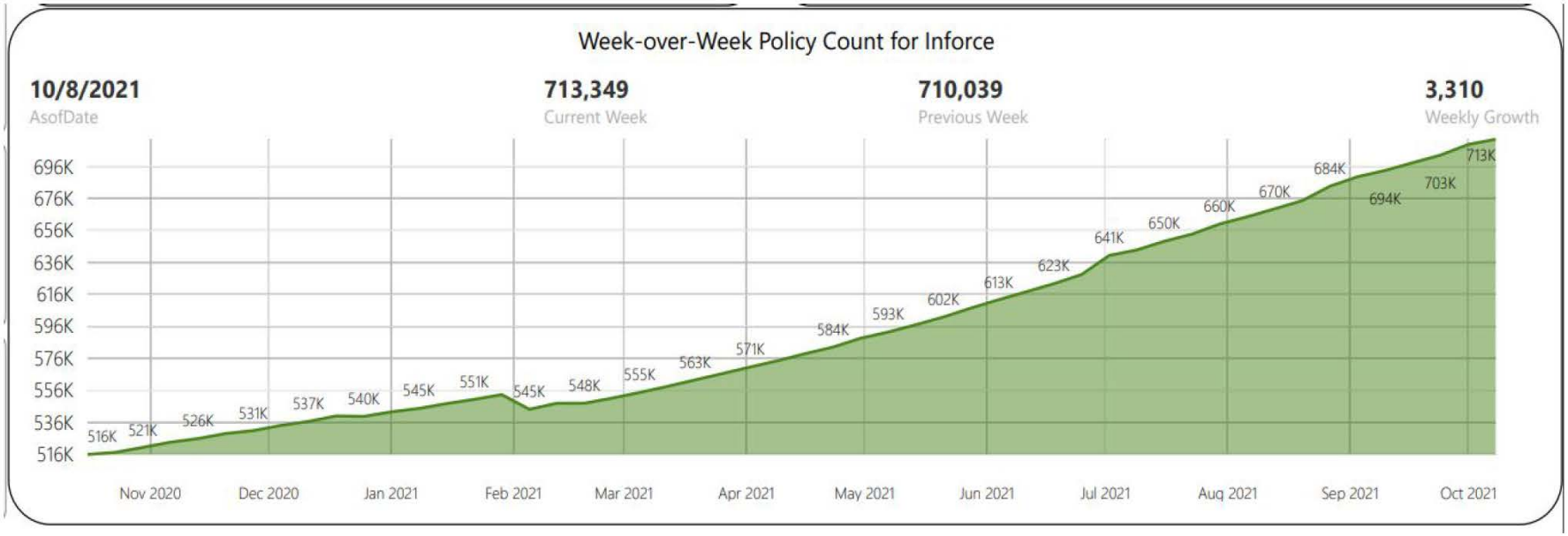



| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Aug-21 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PLA | 383,283 | 416,529 | 407,387 | 743,592 | 845,857 | 629,467 | 609,652 | 829,406 | 1,003,856 | 860,502 | 627,391 | 373,617 | 299,902 | 293,118 | 300,507 | 304,507 | 322,792 | 407,325 | 528,125 |
| COASTAL | 433,077 | 453,755 | 399,418 | 403,509 | 446,181 | 445,200 | 410,436 | 445,679 | 460,161 | 446,163 | 386,688 | 282,863 | 200,842 | 160,834 | 138,591 | 121,971 | 118,673 | 134,687 | 158,246 |
| CLA | 3,863 | 3,702 | 3,212 | 8,841 | 12,911 | 9,570 | 9,126 | 8,453 | 8,374 | 8,146 | 7,615 | 4,681 | 3,121 | 1,891 | 1,308 | 919 | 738 | 727 | 708 |
| Total | 820,223 | 873,986 | 810,017 | 1,298,922 | 1,304,949 | 1,084,237 | 1,029,214 | 1,283,538 | 1,472,391 | 1,314,811 | 1,021,694 | 661,161 | 503,865 | 455,843 | 440,406 | 427,397 | 442,203 | 542,739 | 687,079 |
| Tri-County % | 59% | 52% | 49% | 45% | 45% | 40% | 40% | 43% | 43% | 44% | 45% | 47% | 50% | 51% | 50% | 51% | 50% | 54% | 53% |
| Take-Out Policies Serviced | | | | | | | | 12,130 | 32,048 | 203,771 | 248,108 | 288,519 | 121,301 | 43,494 | 23,601 | 13,822 | 4,962 | 5,892 | 1,443 |

Citizens is currently growing by a net of 5,000 policies per week

Note: Historical data by County prior to 2003 and for Take-Out Policies Serviced prior to 2010 are not available.

# Market Conditions



# Private Market Guideline Changes

- Increasing minimum and maximum Coverage A (dwelling) limits
  - Minimums as high as $500,000+, particularly in SOLO and tri-county
  - Maximums have increased to $2M+
- Restricting new business and cancelling/non-renewing business, particularly in SOLO and tri-county
  - Some carriers have stopped writing new business completely
- Tighter requirements for New business:
  - Roof age as low as 10 years for shingle roofs
  - Age of home 10-20 years or newer
  - Filing for 5 years roof age limitation was disapproved by OIR
- Restricting water coverage
  - $10,000 limit still the norm on older homes
  - Newer homes require inspection for full water coverage in some counties
- Higher and more frequent rate increases
  - Some carriers have taken 3-4 increases a year, 20% + not uncommon

*SOLO = Orlando –area counties of Seminole, Osceola, Lake, Orange*

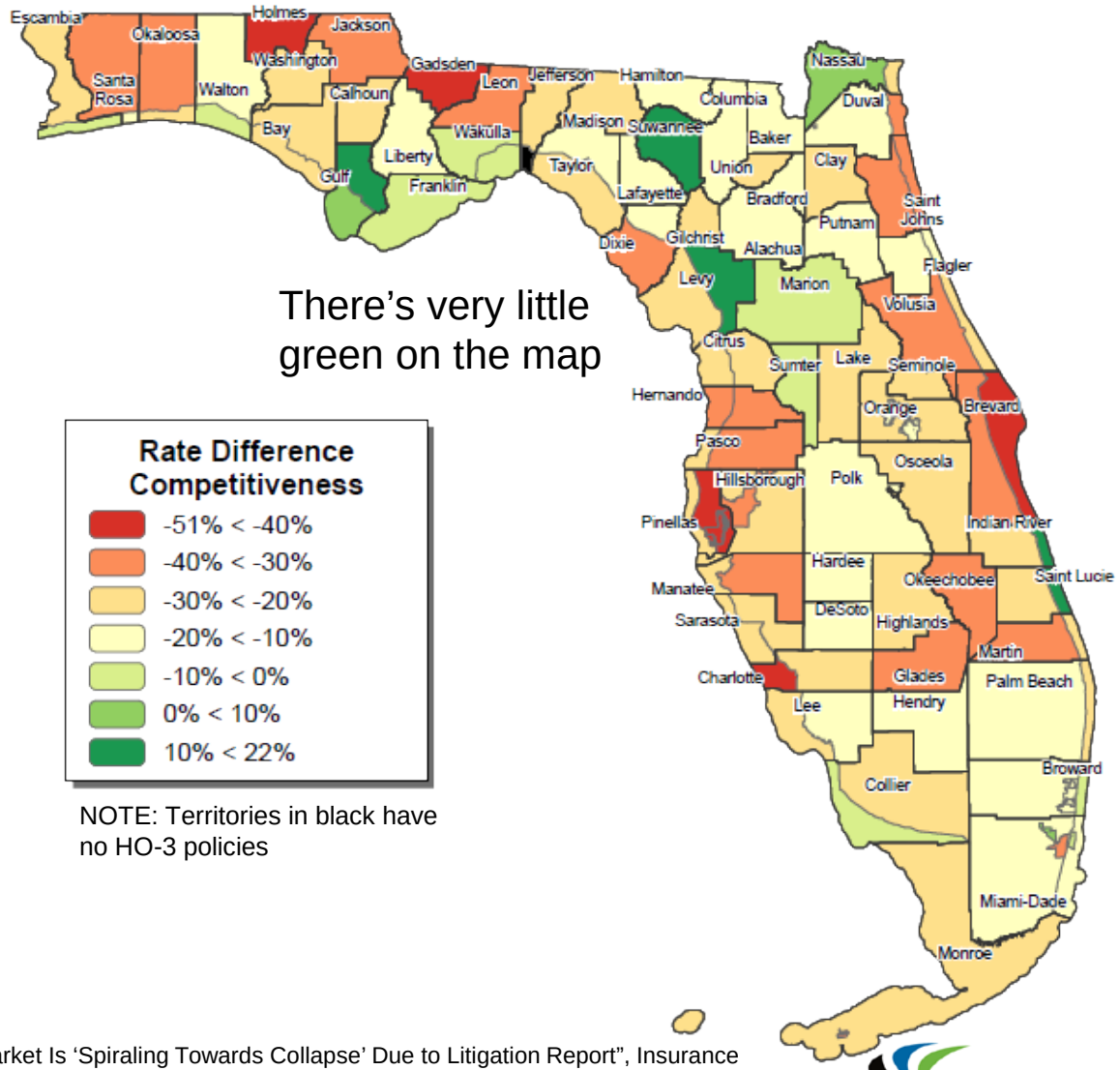
# Market Impacts

- Market Capacity - Rate increases & eligibility changes
- Insolvencies and consent orders – policies written by Citizens
  - Weston – 58 of 391 commercial policies
  - American Capital insolvency – 19 of 1700 commercial policies
  - 45-day cancelations – Gulf Stream, Universal Insurance Company of North America, Southern Fidelity – 6,280 of 29,800 policies
  - Gulfstream insolvency – 4,801 of 32,324 policies
- Commercial Condo Collapse (Commercial Lines & Personal Lines)

# Citizens' HO-3 Competitive Position

**91%** of Citizens' HO-3 policies are **LESS** than the average competitor's approved rates as of 10/1/20 using Citizens' in force data as of 9/30/20

In 2020, **105** rate filings for increases of **10% or more** have been made with the Office of Insurance Regulation[1]




NOTE: Territories in black have no HO-3 policies

Source: [1] O'Connor, Amy, "Florida's Property Insurance Market Is 'Spiraling Towards Collapse' Due to Litigation Report", Insurance Journal, Web January 20, 2021. <https://www.insurancejournal.com/news/southeast/2021/01/20/598034.htm>

# Citizens' Competitive Position Percent Differences by Territory

| Territory | Policy Count | % Difference to Competitors |
|---|---|---|
| Suwannee (933) | 14 | 22% |
| Levy - Remainder (734) | 14 | 21% |
| Gulf - Remainder (722) | 2 | 18% |
| St. Lucie - Coastal (183) | 59 | 11% |
| Indian River - Coastal (181) | 13 | 10% |
| Gulf - Coastal (604) | 11 | 4% |
| Nassau - Remainder (892) | 27 | 3% |
| **Dade - Hialeah (33)** | **3,425** | **3%** |
| Escambia - Coastal (602) | 7 | (0%) |
| Walton - Coastal (609) | 26 | (1%) |
| Dade - Miami Beach (30) | 242 | (1%) |
| Wakulla - Coastal (608) | 13 | (3%) |
| Wakulla - Remainder (725) | 35 | (4%) |
| Sumter (921) | 51 | (4%) |
| Broward - Coastal (361) | 192 | (4%) |
| Franklin (603) | 39 | (5%) |
| Marion (792) | 304 | (6%) |
| Collier - Coastal (541) | 129 | (9%) |
| Dixie - Remainder (732) | 10 | (10%) |
| Flagler - Remainder (701) | 71 | (10%) |
| Dade - Coastal (31) | 264 | (10%) |
| Walton - Remainder (726) | 32 | (11%) |
| Liberty (931) | 6 | (11%) |
| Polk (50) | 659 | (11%) |
| Santa Rosa - Coastal (607) | 3 | (12%) |
| **Broward - Hlwd & Ft Laud (35)** | **7,732** | **(12%)** |
| Lafayette (893) | 3 | (12%) |
| Alachua (192) | 147 | (12%) |
| Columbia (293) | 29 | (12%) |
| **Broward - Remainder (37)** | **32,520** | **(13%)** |
| Lee - Remainder (554) | 1,159 | (13%) |
| Baker (292) | 14 | (14%) |
| **Dade - Remainder (34)** | **53,504** | **(14%)** |
| Hardee (713) | 13 | (15%) |
| Hamilton (493) | 5 | (15%) |
| Bradford (392) | 14 | (16%) |

| Territory | Policy Count | % Difference to Competitors |
|---|---|---|
| Desoto (712) | 36 | (16%) |
| Hendry (553) | 84 | (17%) |
| Orange - Orlando (49) | 226 | (17%) |
| **Palm Beach - Remainder (38)** | **16,141** | **(18%)** |
| Flagler - Coastal (531) | 32 | (19%) |
| Duval - Jacksonville (39) | 698 | (19%) |
| Taylor - Remainder (737) | 4 | (20%) |
| Putnam (992) | 63 | (20%) |
| Jefferson - Remainder (793) | 16 | (20%) |
| Orange - Remainder (90) | 1,748 | (20%) |
| Martin - Coastal (182) | 3 | (20%) |
| Madison (932) | 6 | (21%) |
| Gilchrist (923) | 24 | (21%) |
| Pasco - Coastal (595) | 1,004 | (21%) |
| Highlands (714) | 111 | (21%) |
| Lee - Coastal (542) | 196 | (21%) |
| Pinellas - Coastal (42) | 709 | (21%) |
| Palm Beach - Coastal (362) | 389 | (22%) |
| Volusia - Coastal (62) | 252 | (22%) |
| Manatee - Coastal (582) | 121 | (22%) |
| Duval - Remainder (40) | 1 | (22%) |
| Washington (934) | 30 | (23%) |
| Bay - Coastal (601) | 81 | (24%) |
| Taylor - Coastal (596) | 79 | (25%) |
| Citrus - Coastal (591) | 137 | (25%) |
| Escambia - Remainder (43) | 413 | (25%) |
| Collier - Remainder (551) | 599 | (25%) |
| **Hillsborough - Excl Tampa (80)** | **8,457** | **(26%)** |
| Clay (492) | 183 | (26%) |
| Okaloossa - Coastal (606) | 19 | (26%) |
| Charlotte - Remainder (711) | 658 | (26%) |
| Citrus - Remainder (731) | 538 | (27%) |
| Union (922) | 4 | (27%) |
| Calhoun (193) | 5 | (27%) |
| Nassau - Coastal (532) | 72 | (27%) |
| Osceola (511) | 813 | (27%) |

| Territory | Policy Count | % Difference to Competitors |
|---|---|---|
| Lake (692) | 391 | (27%) |
| Monroe - Remainder (5) | 724 | (27%) |
| Indian River - Remainder (561) | 426 | (28%) |
| St. Lucie - Remainder (562) | 1,059 | (28%) |
| Seminole (512) | 740 | (29%) |
| Sarasota - Remainder (715) | 1,322 | (29%) |
| Sarasota - Coastal (583) | 803 | (29%) |
| Levy - Coastal (594) | 64 | (30%) |
| Bay - Remainder (721) | 212 | (30%) |
| Hernando - Coastal (159) | 1,162 | (30%) |
| Duval - Coastal (41) | 110 | (30%) |
| **Dade - Miami (32)** | **5,846** | **(30%)** |
| Dixie - Coastal (592) | 24 | (30%) |
| Volusia - Remainder (63) | 1,200 | (30%) |
| St Johns - Remainder (702) | 197 | (32%) |
| Martin - Remainder (10) | 422 | (33%) |
| St Johns - Coastal (533) | 153 | (34%) |
| Santa Rosa - Remainder (724) | 174 | (34%) |
| Okeechobee (555) | 61 | (35%) |
| Monroe - Key West (7) | 64 | (36%) |
| Leon (993) | 229 | (36%) |
| Glades (552) | 21 | (36%) |
| **Pasco - Remainder (736)** | **7,802** | **(36%)** |
| **Hillsborough -Tampa (47)** | **4,759** | **(36%)** |
| Manatee - Remainder (735) | 1,278 | (37%) |
| **Hernando - Remainder (733)** | **8,878** | **(38%)** |
| Jackson (693) | 85 | (39%) |
| Okaloossa - Remainder (723) | 221 | (39%) |
| Brevard - Remainder (64) | 1,662 | (40%) |
| Holmes (593) | 30 | (42%) |
| Brevard - Coastal (57) | 1,357 | (42%) |
| Charlotte - Coastal (581) | 558 | (42%) |
| Gadsden (393) | 142 | (43%) |
| **Pinellas - Remainder (81)** | **19,350** | **(45%)** |
| **Pinellas - St Petersburg (46)** | **11,001** | **(51%)** |

Source Data: Rate comparison using competitors approved rates as of 10/1/20 using Citizens' data as of 9/30/20



CITIZENS PROPERTY INSURANCE CORPORATION

# Industry Homeowner Rate Filings

| Company Name | Direct Written Premium in millions | Approved Rate Change % | | Cumulative Rate Change % |
|---|---|---|---|---|
| | 2020 | 2020 | 2021 | 2020-2021 |
| Universal Property & Casualty Insurance | $ 1,159.4 | 13% | 16% | 31% |
| State Farm Florida Insurance Company | $ 671.0 | 0% | 5% | 5% |
| Heritage Property & Casualty Insurance Company | $ 409.4 | 15% | 8% | 24% |
| First Protective Insurance Company | $ 357.8 | 5% | 10% | 16% |
| FedNat Ins Co | $ 356.0 | 8% | 16% | 25% |
| ASI Preferred Insurance Corporation | $ 353.7 | 35% | 0% | 35% |
| Homeowners Choice Property & Casualty Insurance Company | $ 316.7 | 11% | 3% | 15% |
| Tower Hill Signature Ins Company | $ 305.3 | 14% | 0% | 14% |
| Federal Insurance Company | $ 260.8 | 9% | 4% | 12% |
| United Services Automobile Association (USAA) | $ 249.1 | 0% | 0% | 0% |
| Family Security Insurance Company | $ 242.5 | 65% | 0% | 65% |
| United Property & Casualty Insurance Company Inc. | $ 189.5 | 12% | 0% | 12% |
| Tower Hill Prime Insurance Company | $ 165.2 | 26% | 0% | 26% |
| Tower Hill Preferred Insurance Company | $ 135.9 | 14% | 0% | 14% |
| USAA Casualty Insurance Company | $ 129.0 | 0% | 0% | 0% |
| Castle Key Indemnity Company | $ 102.3 | 0% | 15% | 15% |
| Castle Key Insurance Company | $ 91.0 | 0% | 13% | 13% |
| TypTap Insurance Company | $ 90.2 | 14% | 0% | 14% |
| American Strategic Insurance Corporation | $ 71.1 | 28% | 0% | 28% |

Source Data: S&P Global Market Intelligence using homeowner rate filings reported through 9/6/2021



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# Citizens' Homeowner Rate Filings

| Year | Actuarially Sound Rate Change | Approved Rate Change | Difference |
|---|---|---|---|
| 2019 | 24.7% | 5.2% | (19.5%) |
| 2020 | 10.5% | 3.1% | (7.4%) |
| 2021 | 21.9% | 6.2% | (15.7%) |

Includes HO-3 multi peril and HW-2 wind-only policies



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# Citizens' Senate Bill 76 Homeowner Rate Change

| Year | Initial Rate Change | | Indicated Additional Rate Due to SB 76 | Approved Total Rate Change |
|---|---|---|---|---|
| | Indicated | Approved | | |
| 2021 | 21.9% | 3.2% | 2.9% | 6.2% |

Includes HO-3 multi peril and HW-2 wind-only policies
Indicated additional rate due to SB 76 is effective 2/1/2022

- SB 76 requires that Citizens price for the cost of reinsurance to cover the projected 100-year PML and include in its rate calculations even when it is not purchased.

- SB 76 amended Citizens' rate glidepath from 10% per year as follows:
  - 11% for 2022.
  - 12% for 2023.
  - 13% for 2024.
  - 14% for 2025.
  - 15% for 2026 and thereafter.

# Existing Carrier Participation

| Company \ Policy Type | Homeowners (Multiperil) | Homeowners (Wind-Only) | Dwelling | Condo | Mobile Home |
|---|---|---|---|---|---|
| American Traditions | X | | | | |
| Safe Harbor / Cabrillo | X | | X | X | X |
| Edison | X | | | X | |
| FedNat | X | | X | X | |
| Florida Peninsula | X | | | X | |
| Heritage | X | | | | |
| Monarch | X | | | | |
| Southern Oak | X | X | X | X | |
| UPC | X | | | | |
| Weston | | X | | | |

# SB 76 – 20% Eligibility Change

| Total New Business Policies Receiving Offers of Coverage<br>New 120% Threshold Results Compared to Prior 115% Threshold | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Results within 120% of Citizens' premium** | | | | **Results within 115% of Citizens' premium** | | | |
| | **Eligible** | **Ineligible** | **Grand Total** | | **Eligible** | **Ineligible** | **Grand Total** |
| **New Business** | 23,736 | 11,838 | 35,574 | **New Business** | 24,664 | 10,910 | 35,574 |

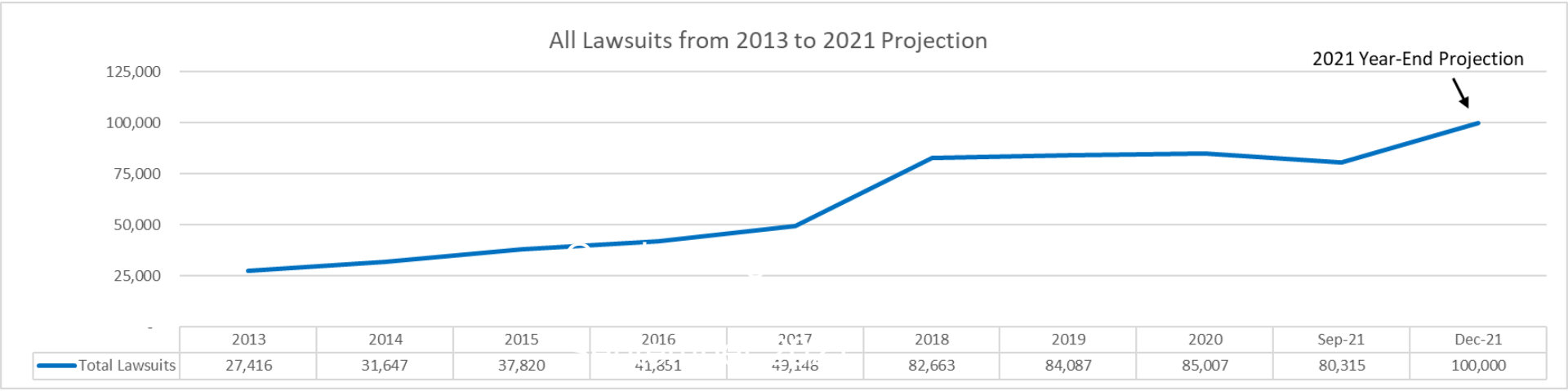
Data from 7/1/21 – 9/30/21

**Net impact:** An additional 928 New Business risks deemed ineligible to be written by Citizens (that would not have been rendered ineligible under the old 115% rule).



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# Carrier Litigation Experience 2013 – September 2021




| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Sep-21 | Dec-21 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Lawsuits | 27,416 | 31,647 | 37,820 | 41,851 | 49,146 | 82,663 | 84,087 | 85,007 | 80,315 | 100,000 |

**Jan – Sep 2020 vs Jan – Sep 2021 Notes:**

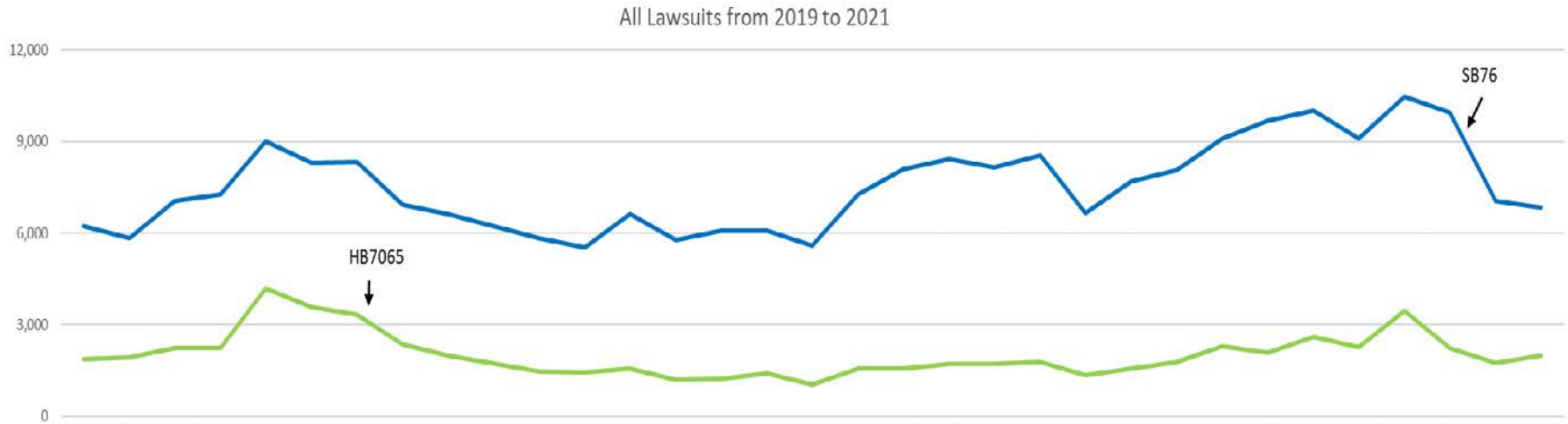
1. Total Lawsuits Overall Litigation increased by 29% (62,102 to 80,315)
2. Projected 2021 Year-End Litigation (100,000) would reflect a 25% increase from 2020.

**Data source – DFS LSOP 2013 – September 2021**



CITIZENS PROPERTY INSURANCE CORPORATION

# Carrier Litigation Experience 2019 – September 2021




| | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Nov-19 | Dec-19 | Jan-20 | Feb-20 | Mar-20 | Apr-20 | May-20 | Jun-20 | Jul-20 | Aug-20 | Sep-20 | Oct-20 | Nov-20 | Dec-20 | Jan-21 | Feb-21 | Mar-21 | Apr-21 | May-21 | Jun-21 | Jul-21 | Aug-21 | Sep-21 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Lawsuits | 6,233 | 5,847 | 7,069 | 7,279 | 8,993 | 8,315 | 8,349 | 6,926 | 6,612 | 5,829 | 5,527 | 6,630 | 5,775 | 6,068 | 6,089 | 5,602 | 7,281 | 8,079 | 8,418 | 8,160 | 8,545 | 6,653 | 7,707 | 8,066 | 9,110 | 9,678 | 10,012 | 9,101 | 10,466 | 9,968 | 7,063 | 6,851 |
| Total AOB Lawsuits | 1,870 | 1,912 | 2,245 | 2,230 | 4,191 | 3,575 | 3,338 | 2,365 | 1,995 | 1,469 | 1,438 | 1,552 | 1,208 | 1,228 | 1,400 | 1,044 | 1,569 | 1,567 | 1,724 | 1,720 | 1,767 | 1,337 | 1,567 | 1,759 | 2,287 | 2,081 | 2,583 | 2,272 | 3,464 | 2,219 | 1,752 | 1,974 |

**2019 vs Sep 2021 Notes:**

1. HB7065 was enacted July 1, 2019, to address rising AOB litigation.
2. SB76 was enacted July 1, 2021, to address overall litigation.
3. The majority of Citizens AOB litigation is from pre-HB 7065

# Carrier Litigation Experience 2013 – September 2021

| 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% |
| 2021 | 8,098 | 2,202 | 27.2% | 72,217 | 18,189 | 25.2% | 80,315 | 20,391 | 25.4% |
| **Total** | **83,200** | **20,858** | **25.1%** | **436,754** | **107,798** | **24.7%** | **519,954** | **128,656** | **24.7%** |

**Jan – Sep 2020 vs Jan – Sep 2021 Notes:**

1. Total Lawsuits AOB Litigation increased by 57% (13,012 to 20,391)
2. Total Lawsuits Overall Litigation increased by 29% (62,102 to 80,315)
3. The majority of Citizens AOB litigation is from pre-HB 7065

**Data source – DFS LSOP 2013 – September 2021**

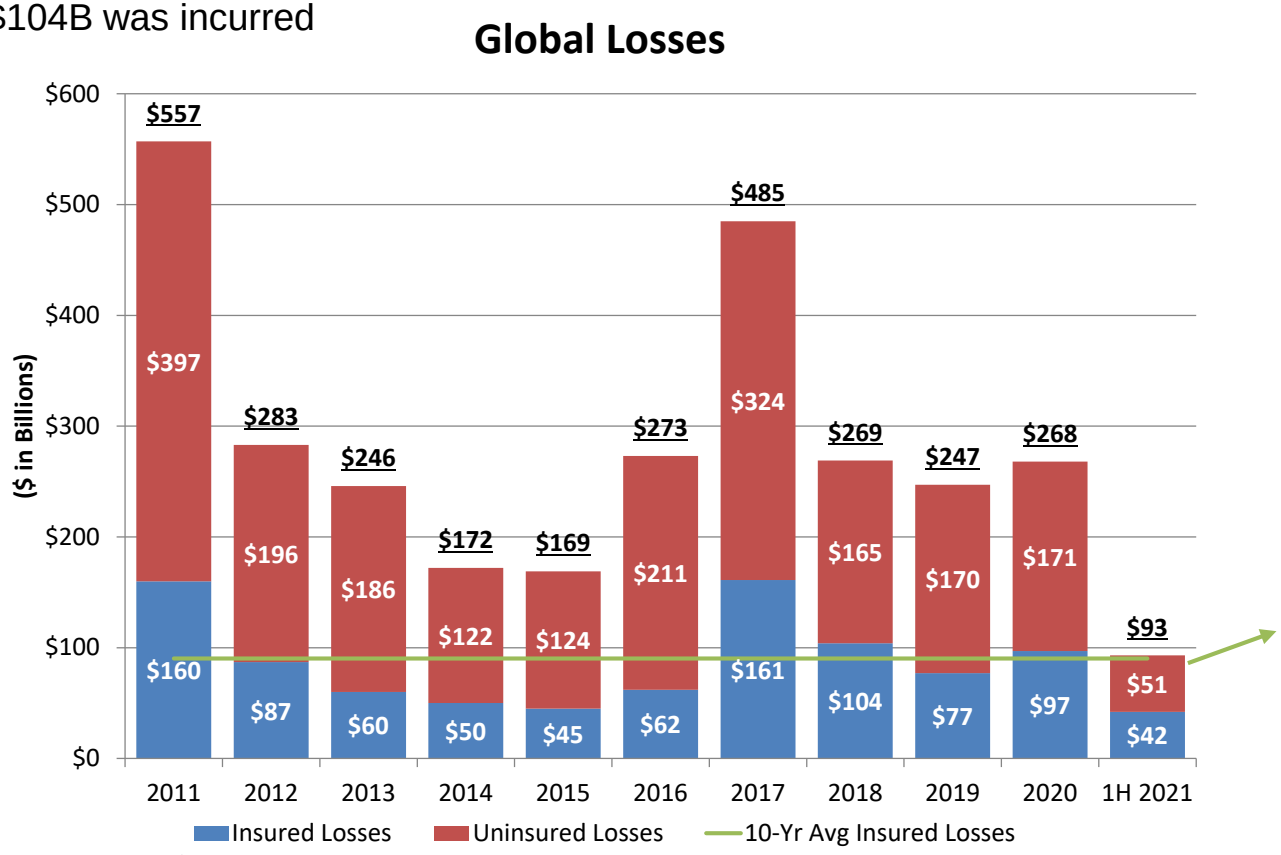


CITIZENS PROPERTY INSURANCE CORPORATION

# Global Insured Losses

In 2020, there were $97B of insured losses globally, which was mostly driven by smaller events as no single event incurred more than $3B of insured losses

For the first half of 2021, insured losses were approximately $42B globally, which is above the 10-year average of $33B for first half of the year and is the second highest first half of the year after 2011 where $104B was incurred




*Source: Aon Benfield*

The estimated 2021 data does not include Hurricane Ida' estimated losses, which is estimated to be approximately $30-$45B bringing the global insured losses thus far to approximately $90B.

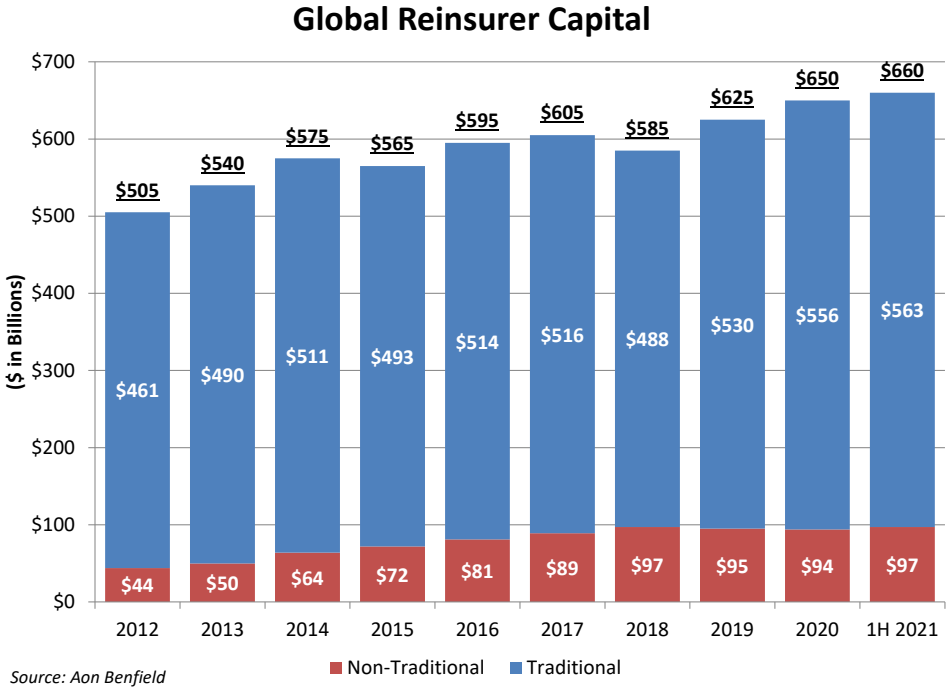
This is greater than all years since 2012 except for 2017 when the losses were $161 billion, 2018 when the losses were $104 billion, and 2020 when the losses were $97 billion

# Reinsurance Market Capital

There is $650B of global reinsurer capital after the first half of 2021, however U.S. property risk transfer ROL is up by approximately 30% since 2015

Even though global risk has exponentially increased over the last decade, risk transfer capital has only increased by $155B and therefore reinsurance rates are expected to continue its upward trajectory to account for additional risk

In 2022, global reinsurance capital is expected to remain unchanged based on the insured losses thus far in 2021



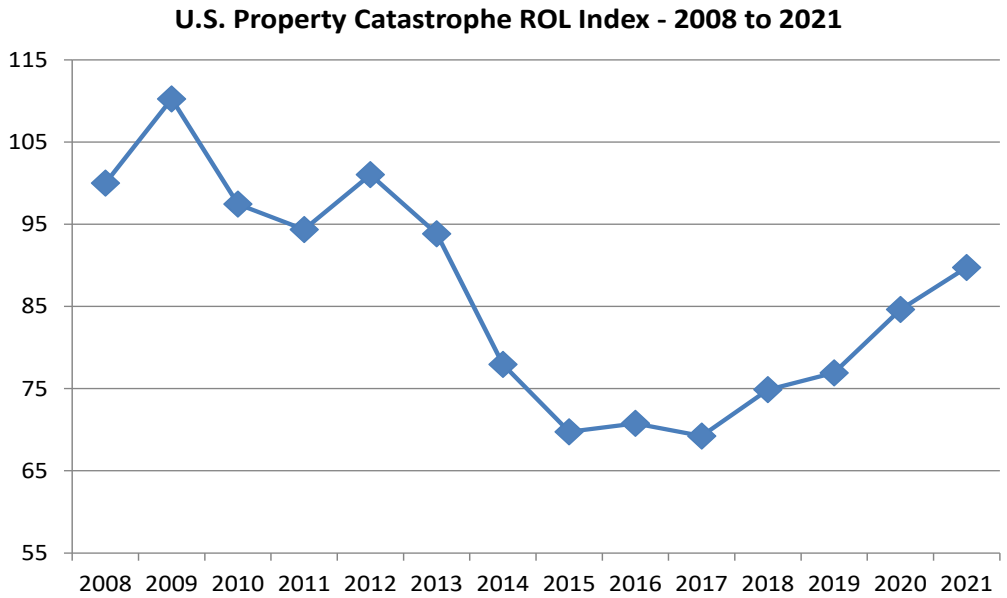

*Source: Aon Benfield*

| Global Reinsurer Capital | | | | | | |
|---|---|---|---|---|---|---|
| | Traditional | | Non-Traditional | | Total | |
| Year | Amount ($B) | YoY% Change | Amount ($B) | YoY% Change | Amount ($B) | YoY% Change |
| 2012 | $461 | 8% | $44 | 57% | $505 | 11% |
| 2013 | $490 | 6% | $50 | 14% | $540 | 7% |
| 2014 | $511 | 4% | $64 | 28% | $575 | 6% |
| 2015 | $493 | -4% | $72 | 13% | $565 | -2% |
| 2016 | $514 | 4% | $81 | 13% | $595 | 5% |
| 2017 | $516 | 0% | $89 | 10% | $605 | 2% |
| 2018 | $488 | -5% | $97 | 9% | $585 | -3% |
| 2019 | $530 | 9% | $95 | -2% | $625 | 7% |
| 2020 | $556 | 5% | $94 | -1% | $650 | 4% |
| 1H 2021 | $563 | 1% | $97 | 3% | $660 | 2% |
| **10-Yr CAGR** | | **2%** | | **8%** | | **3%** |

*Source: Aon Benfield*

# Risk Transfer Market Pricing

- While the global markets are improving, the Florida market is still experiencing dislocation due to litigation and social inflation as well as continued adverse loss development
- There was increased capacity in the risk transfer markets in 2021 versus 2020
- In 2021, the traditional reinsurance market did not experience as great of a rebound as the capital markets, capital market pricing was lower in 2021 than in 2020 and traditional reinsurance pricing was either unchanged or experiencing minimal increases in the non-loss layers
- The overall pricing for U.S. Property Catastrophe risks in 2021 is near the risk transfer pricing levels in 2013
- U.S. property catastrophe rates were on the decline from 2012 to 2015 and remained relatively flat until global events including Hurricane Irma led to significant losses from 2017 to 2019, which combined with adverse loss development and COVID-19 have contributed to continued price increases each year from 2017 through 2021
- For 2022, rate increases of up to 10% with most insurers in the 5%-10% range is expected while Citizens' rates are expected to be unchanged to up to 5% higher




*Source: Guy Carpenter*

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