

Citizens Property Insurance Corporation: General Overview and Recent Issues

Barry Gilway

President, CEO and Executive Director





Introduction and Overview

About Us: Vision, Mission, Values

Our Vision

As a government entity fulfilling a public purpose, Citizens aspires to provide insurance products and services that meet the needs of Florida property owners who are, in good faith, entitled to obtain coverage through the private market but are unable to do so. We strive to reduce the financial burden on all Floridians by being good stewards of the premium funds entrusted to us. In all that we do, we will conduct ourselves with the highest level of ethical behavior.

Our Mission

Citizens' mission is to efficiently provide property insurance protection in Florida to those who are, in good faith, entitled to obtain coverage through the private market but are unable to do so, while also providing levels of customer service that are comparable to the standards of the private market.

Our Values

In accomplishing our mission, we embrace the following values:

- **Public Service:** We support the private marketplace, providing quality service to our customers and being there when Florida policyholders need us.
- **Integrity:** We embrace our values and code of ethics with pride.
- **Respect:** We are polite, courteous and respect one another and those we serve.
- **Responsiveness:** We provide quality service that meets the needs of our customers.
- **Sound Judgement:** In every situation, we strive to do the right thing.



Introduction and Overview

About Us: History and Account Structure

Creation

In 2002, the Florida Legislature created Citizens Property Insurance Corporation (Citizens) as the insurer of last resort, combining the Florida Windstorm Underwriting Association (FWUA) and the Florida Residential Property and Casualty Joint Underwriting Association (FRPCJUA). The merger allowed Citizens to become tax exempt, resulting in millions of dollars in annual savings. Citizens was designed to realize additional administrative and economic efficiencies over its predecessor organizations.

Overview of Accounts

When Citizens was created, each of the predecessor organizations had slightly different coverage offerings and outstanding indebtedness, requiring the premium associated with each to remain aligned.

Each of the three accounts are separate statutory accounts and have separate calculations of surplus, plan-year deficit and assessment bases. Assets in one account may not be commingled or used to fund losses in another account. The three accounts are listed below with the types of policies written in each.

Personal Lines Account (PLA)

- Personal Residential Multiperil policies, including homeowners, dwelling fire, mobile home, tenants and condominium unit owners

Coastal Account (Formerly High Risk Account (HRA))

- Wind-only and multiperil policies for personal residential, commercial residential and commercial nonresidential risks located in eligible coastal high risk areas

Commercial Lines Account (CLA)

- Commercial Residential Multiperil policies, including condominium associations, apartment buildings and homeowners association policies
- Commercial Nonresidential Multiperil (required to include wind coverage) policies (e.g., office buildings, retail, etc.) located outside of the coastal (HRA) eligible areas



Introduction and Overview

About Us: Policy Eligibility Requirements – New Business

Citizens Eligibility Requirements

Under Florida law, only appointed Citizens agents can write a Citizens policy for property that meets one of the following eligibility criteria:

- Coverage is not available from a Florida-authorized insurance company
- Premiums for coverage from Florida-authorized insurance companies are more than 20% higher than the premiums for comparable coverage from Citizens

Clearinghouse

All new applicants for the following policy types must be entered into the clearinghouse before a Citizens policy can be purchased:

- Multiperil and wind-only homeowners (HO-3 and HW-2)
- Multiperil and wind-only condominium-unit owners (HO-6 and HW-6)
- Dwelling Property 1 and 3 (DP-1 and DP-3)
 - Excludes DP-1 and DP-3 tenant contents and condominium-unit policies
- Mobile Homeowners 3 (MHO-3)
- Mobilehome Dwelling Property 1 (MDP-1 D)

Eligibility

You are *eligible** for a Citizens policy if:

- No comparable private-market coverage offers are received, or
- Comparable private-market coverage offers are received, but the premiums are more than 20 percent higher than a comparable Citizens policy.

Ineligibility

You are *ineligible** for a Citizens policy if:

- At least one comparable private-market coverage offer is received with a premium that is within 20 percent of a comparable Citizens policy

If you are ineligible, you may pursue any private-market offer through the clearinghouse.

About Us: Policy Eligibility Requirements - Renewals

Renewals

At least 60 days before policy renewal, policies are shopped with the clearinghouse for offers from participating private-market insurance companies.

Eligible Renewals

You are *eligible** to renew your Citizens policy if:

- No comparable private-market coverage offers are received
- Comparable private-market coverage offers are received, but the premiums are higher than your Citizens renewal premium

Ineligible Renewals

You are *ineligible** to renew your Citizens policy if:

- At least one comparable private-market offer of coverage is received with a premium equal to or less than your Citizens renewal premium

Returning to Citizens

You may apply to return to Citizens under eligibility requirements for renewing policyholders if the following conditions are met:

- You have been declared ineligible for renewal with Citizens in the previous 36 months due to a private-market offer of coverage extended through the Property Insurance Clearinghouse
- You accepted the offer
- You remain with the participating insurance company
- The rate on your policy has increased by more than 10% on an annual basis

** All risks are subject to approval by Underwriting and must meet all Citizens Underwriting eligibility guidelines, as outlined in Citizens' Underwriting Manuals.*



Introduction and Overview

About Us: Policy Eligibility Requirements - Depopulation

Depopulation

If one or more private market companies select the policy for depopulation, policyholders will receive a Policyholder Choice Offer letter from Citizens informing them of the companies that are offering to remove the policy from Citizens and assume coverage of their property.

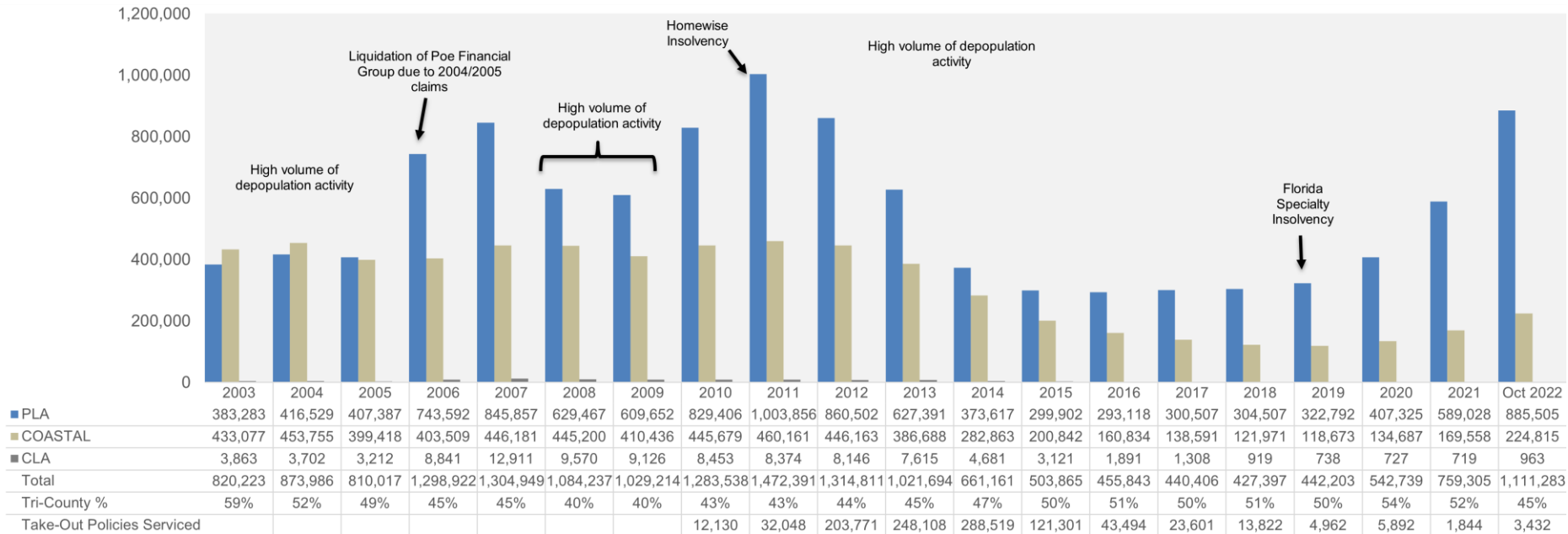
Accepting a Private-Market Offer

Once the policyholder's choice to accept a private-market coverage offer is registered, the policy is assigned to the company selected, and, in most cases, assumed on the assumption date indicated. If the policy is assumed, a *Notice of Assumption and Nonrenewal and Certificate of Assumption* is mailed from Citizens. Once the assumption occurs, the policy transfer is final.

Remaining with Citizens

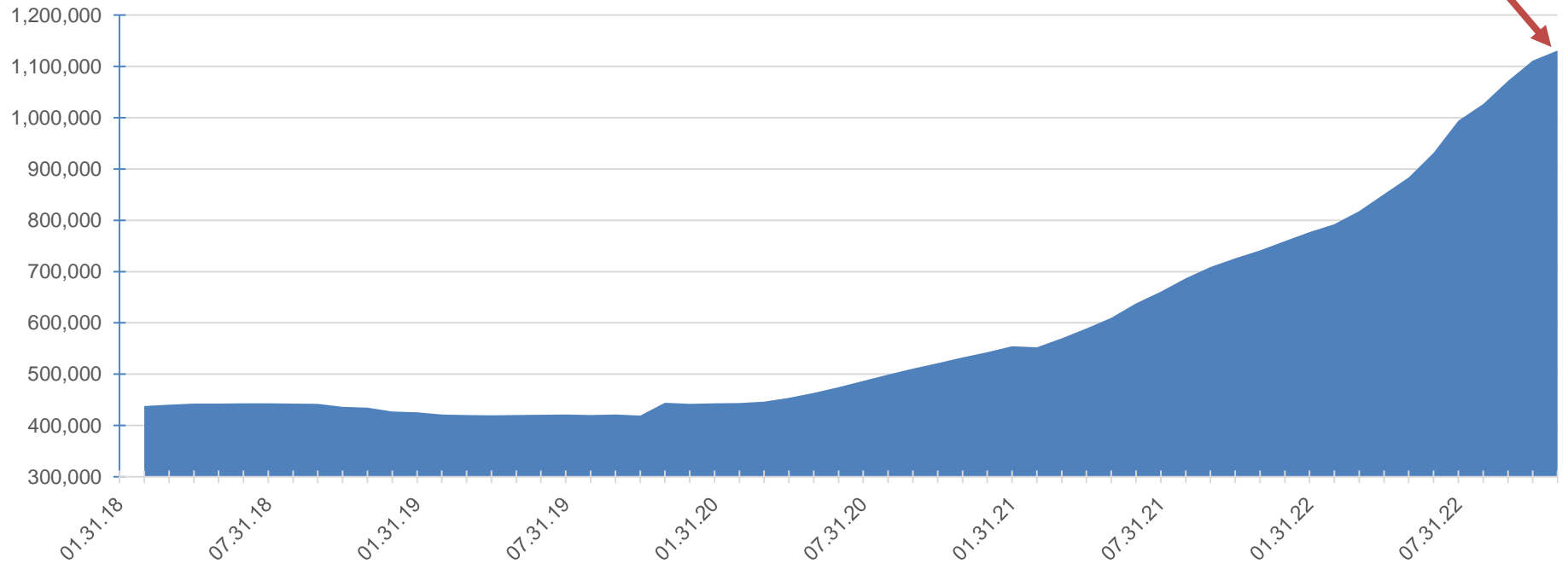
If a policyholder chooses to remain with Citizens and the choice is registered, a letter confirming the policy will remain with Citizens is sent. Policyholders may receive future assumption offers and must respond to all offers if they wish to remain with Citizens.

Policies in Force by Year and Account



Monthly Policies in Force
2018-2022

December 2, 2022
1,131,003



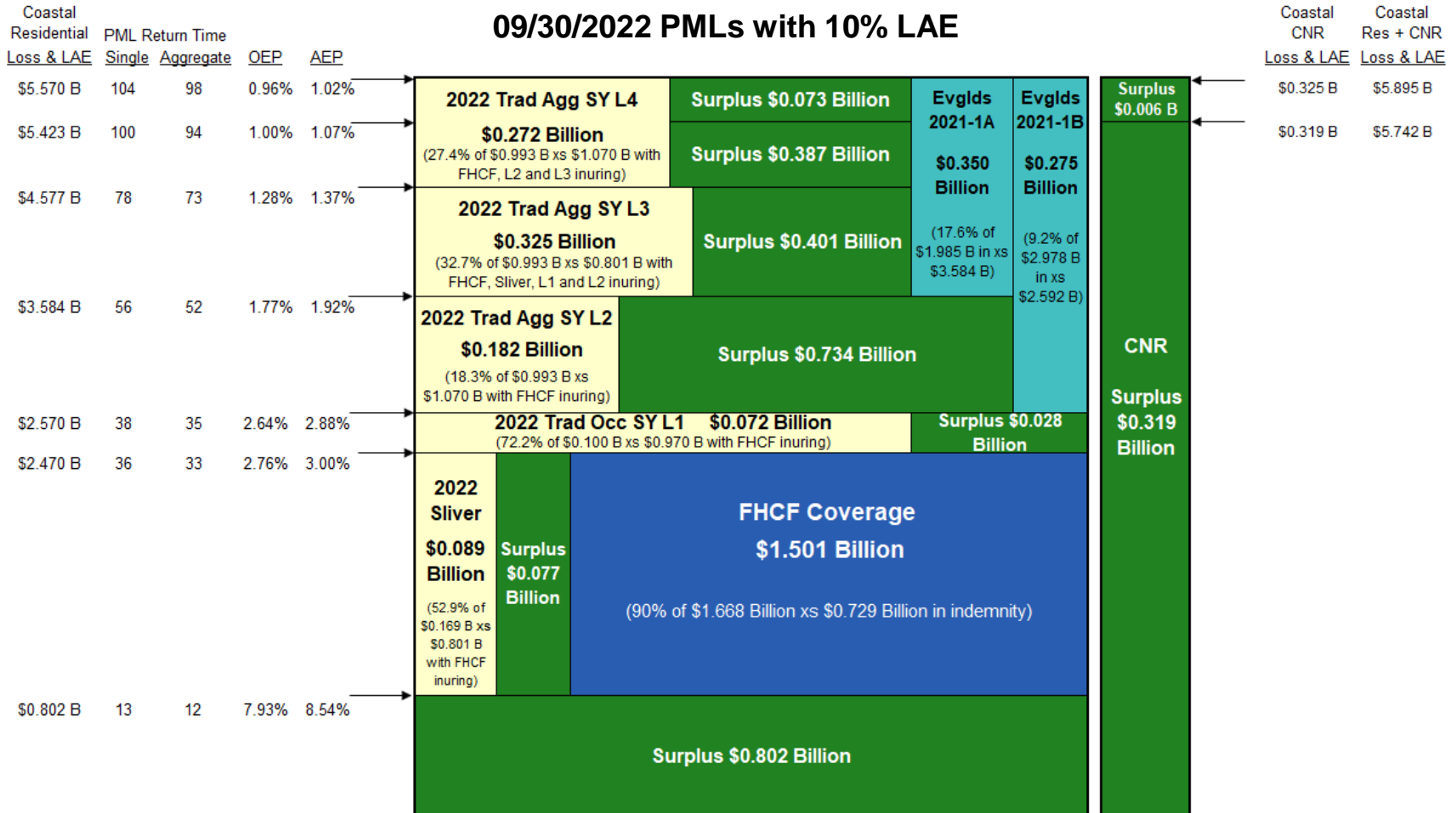
Fiscal Year Comparison – 2019 versus 2023

(\$ in millions)	2019	2020	2021	2022 (Projected)	2023 Budget	Increase from 2019
Policies inforce	447,400	531,200	759,300	1,153,200	1,681,000	→ 276%
Direct written premium	\$ 876.6	\$ 1,182.1	\$ 1,814.1	\$ 3,219.0	\$ 5,136.1	→ 486%
Administrative expenses	\$ 124.0	\$ 124.5	\$ 130.4	\$ 143.0	\$ 185.8	
Employee count	1,065	1,081	1,154	1,401	1,577	
Contingent employees (ex-Claims)	23	27	40	45	51	
Contingent employees (Claims)	361	360	421	845	706	
Expense ratio	24.3%	20.3%	16.6%	14.5%	13.5%	
Exposure	\$ 111,248.6	\$ 144,798.3	\$ 232,502.3	\$ 421,738.0	\$ 654,262.1	→ 488%



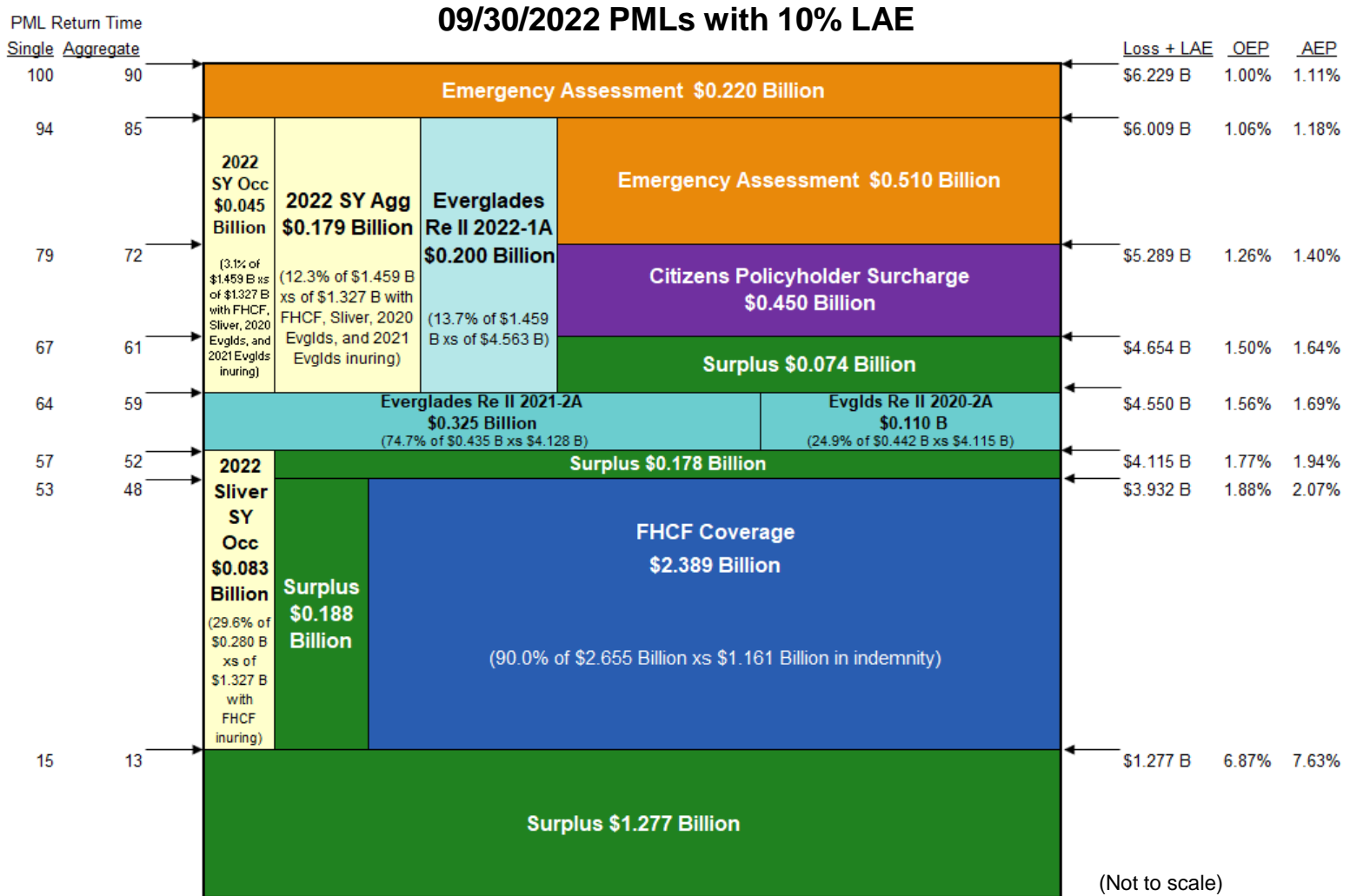
2022 Coastal Account Layer Chart

Residential (Personal and Commercial) and Commercial Non-Residential (CNR)



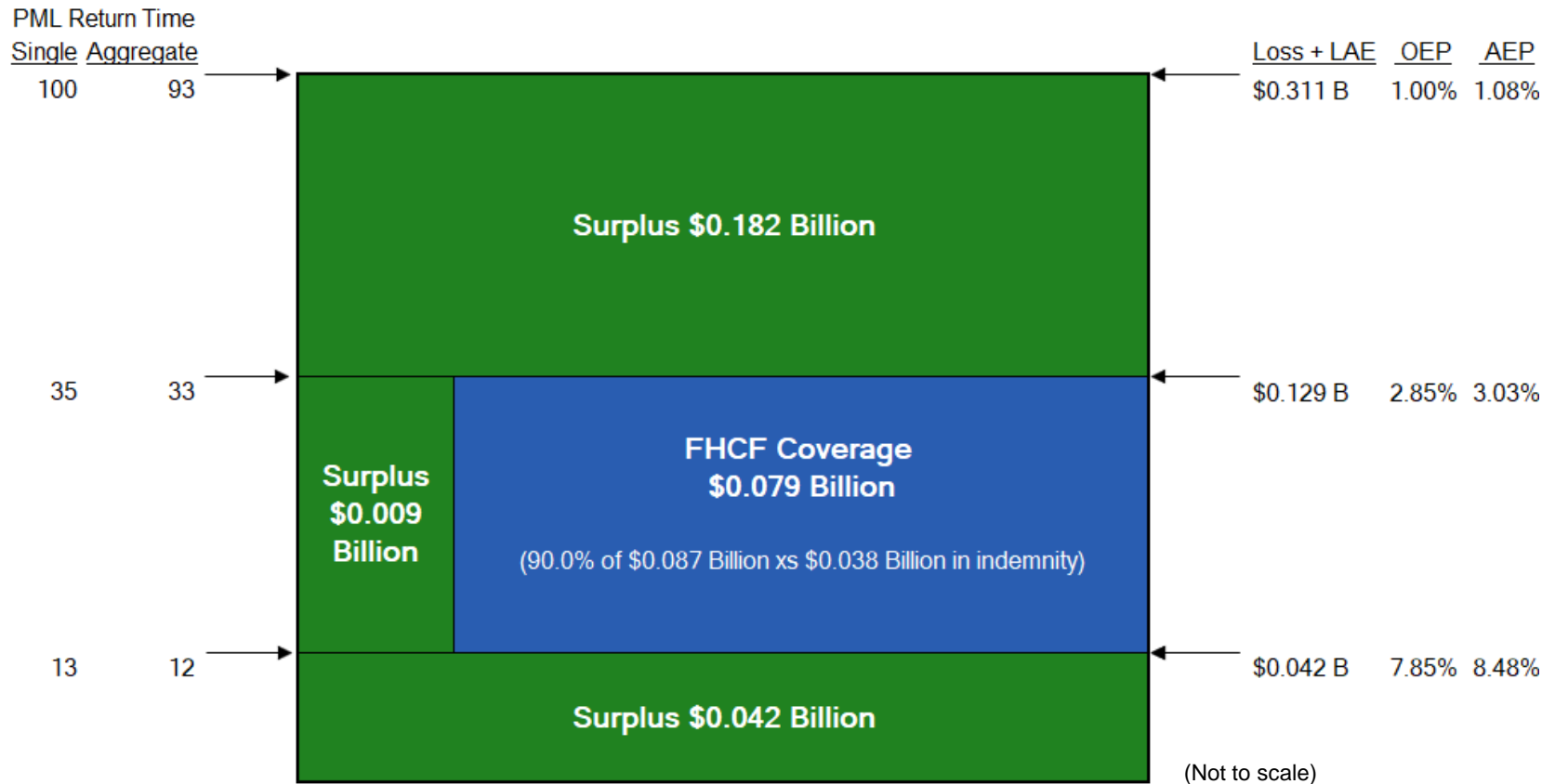
(Not to scale)

Approximately 88% of Coastal Account surplus is exposed in a 1-in-100-year event. Surplus remaining after a 1-in-100-year storm is projected to fund a 1-in-7-year event, additional LAEs, or multiple smaller storms in this or subsequent years.



Approximately 100% of PLA surplus is exposed in 1-in-100-year event.

09/30/2022 PMLs with 10% LAE



Approximately 12% of CLA surplus is exposed in 1-in-100-year event.

Historical and Projected Claims Paying Resources

	PLA/CLA (\$ billions)											PLA	CLA
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2022	2022
Year-end surplus	\$ 3.15	\$ 3.78	\$ 4.05	\$ 4.16	\$ 4.14	\$ 4.08	\$ 3.51	\$ 3.54	\$ 3.61	\$ 3.56	\$ 2.27	\$ 0.32	\$ 1.95
FHCF coverage	2.91	2.10	1.71	1.05	1.02	1.03	1.10	0.97	1.07	1.62	2.47	2.39	0.08
Risk transfer (traditional/capital markets)	-	-	-	-	-	-	-	0.18	0.22	1.00	0.94	0.94	-
Pre-event liquidity	1.50	1.30	1.30	1.03	0.90	0.77	0.64	0.48	0.32	0.16	-	-	-
Total claims paying sources	\$ 7.56	\$ 7.19	\$ 7.06	\$ 6.24	\$ 6.06	\$ 5.88	\$ 5.24	\$ 5.17	\$ 5.21	\$ 6.34	\$ 5.68	\$ 3.65	\$ 2.03
1-100 year PML + LAE	\$ 9.19	\$ 6.79	\$ 4.94	\$ 2.66	\$ 2.30	\$ 2.15	\$ 2.22	\$ 2.15	\$ 2.97	\$ 4.04	\$ 6.54	\$ 6.23	\$ 0.31
		\$ 0.39	\$ 2.11	\$ 3.57	\$ 3.76	\$ 3.73	\$ 3.02	\$ 3.02	\$ 2.24	\$ 2.30		\$ (2.58)	\$ 1.72

	Coastal (\$ billions)										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Year-end surplus	\$ 2.91	\$ 3.14	\$ 3.34	\$ 3.31	\$ 3.26	\$ 3.31	\$ 2.72	\$ 2.77	\$ 2.88	\$ 2.93	\$ 2.23
FHCF coverage	4.00	2.90	2.87	2.02	1.66	1.30	1.14	0.92	0.94	1.20	1.50
Risk transfer (traditional/capital markets)	1.50	1.85	3.27	3.91	2.46	1.33	1.42	1.27	0.80	1.71	1.57
Pre-event liquidity	3.60	3.05	2.63	3.14	2.37	1.48	1.00	0.83	0.50	0.50	0.28
Total claims paying sources	\$ 12.01	\$ 10.94	\$ 12.11	\$ 12.37	\$ 9.75	\$ 7.41	\$ 6.29	\$ 5.79	\$ 5.12	\$ 6.34	\$ 5.57
1-100 year PML + LAE	\$ 14.80	\$ 12.51	\$ 11.20	\$ 7.52	\$ 5.36	\$ 3.96	\$ 3.51	\$ 3.06	\$ 3.55	\$ 4.22	\$ 5.74
		\$ 0.90	\$ 4.86	\$ 4.40	\$ 3.45	\$ 2.78	\$ 2.74	\$ 1.57	\$ 2.12	\$ (0.17)	

Excess resources to meet over 1-100 year claims obligations

Projected 2022 year-end surplus shown above includes budgeted net income. PML is as of 09/30/2022. Pre-event liquidity consists of proceeds from tax-exempt debt instruments issued by Citizens. For purposes of this analysis, Citizens' PLA/CLA pre-event bonds are reflected in PLA's available liquidity resources.

Assessments are charges that Citizens and non-Citizens policyholders can be required to pay, in addition to their regular policy premiums. Assessments are charged in three tiers, beginning with the Citizens Policyholder Surcharge. Each additional tier is charged only if the level before is insufficient to eliminate Citizens' deficit.

Assessment Tiers*

1. Citizens Policyholder Surcharge

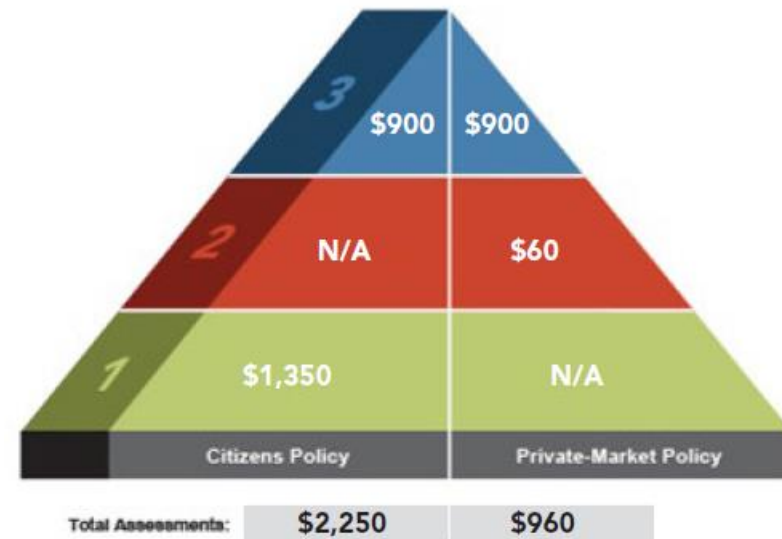
- One-time assessment
- Citizens policyholders only
- Up to 45% of premium (15% per account)

2. Regular Assessment**

- One-time assessment
- Private-market policyholders, including but not limited to homeowners, auto, and specialty and surplus lines policies
- Up to 2% of premium

3. Emergency Assessment

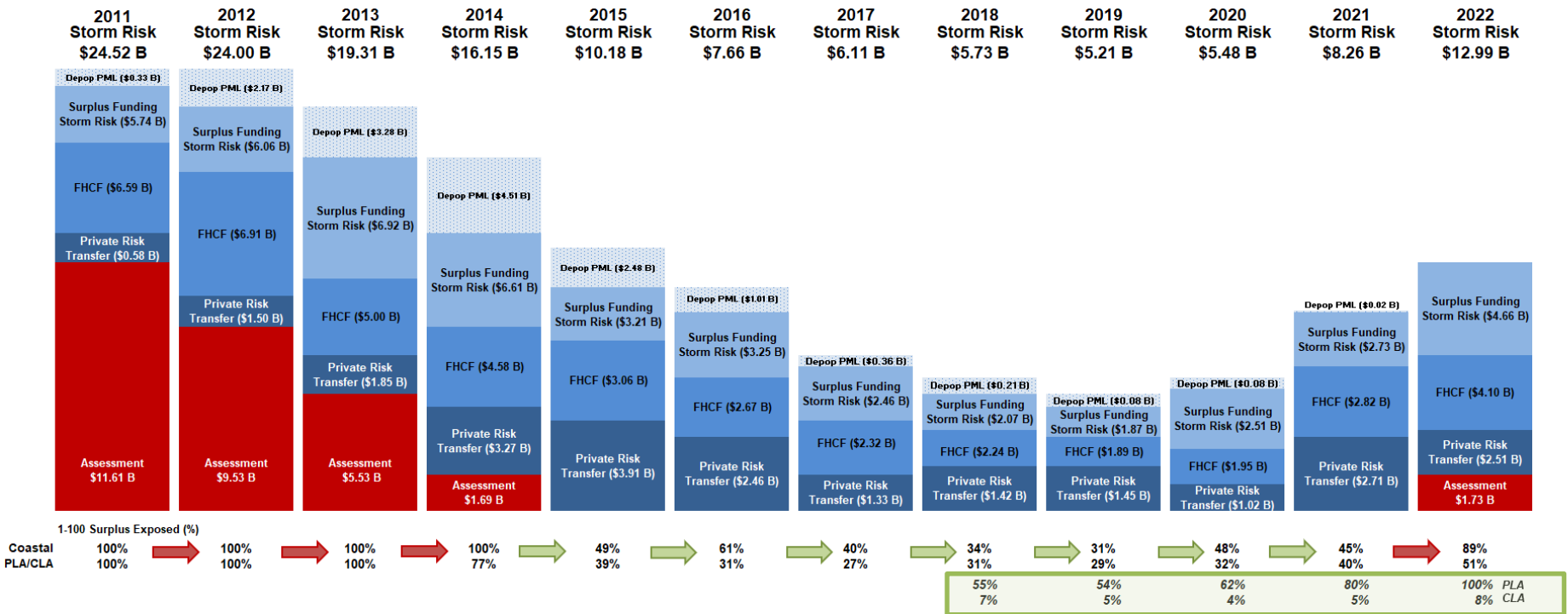
- Single- or multi-year assessment
- Citizens and private-market policyholders
- Up to 30% of premium per year until any remaining deficit is eliminated (10% per account)



*\$3,000 annual premium

** Coastal Account only

Risk and Assessment Trend



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 month end and 2021 which is as of September month 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. 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 - 2019 which are Citizens' initial data submission to the FHCF and 2021 which is an estimate based on June, 30 2021 month end inforce policies.
- 4) Depop PMLs are not included in storm risk totals and are presented as year-end totals.
- 5) 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 - 2022 PMLs reflect only SSST event catalog.

VALUES ARE NOT
DRAWN TO SCALE

Insolvencies and *Downgrade		
Carrier	Date	# Policies
FL Specialty	11/1/2019	90,059
Gulfstream	8/27/2021	32,324
Avatar	4/13/2022	36,569
St. Johns	2/25/2022	147,000
Lighthouse	5/28/2022	27,244
*FedNat	6/29/2022	65,442
Southern Fidelity	7/15/2022	78,000
Weston	8/8/2022	19,460

Information available as of 8/17/2022

New Business Closed (Statewide/Partial)
Carrier
American Traditions
ASI
Bankers/First Community
Capacity
Centauri
First Floridian (Travelers)

Restricted Rules on Age of Roof
Carrier
American Integrity
Cypress
Frontline
Safepoint

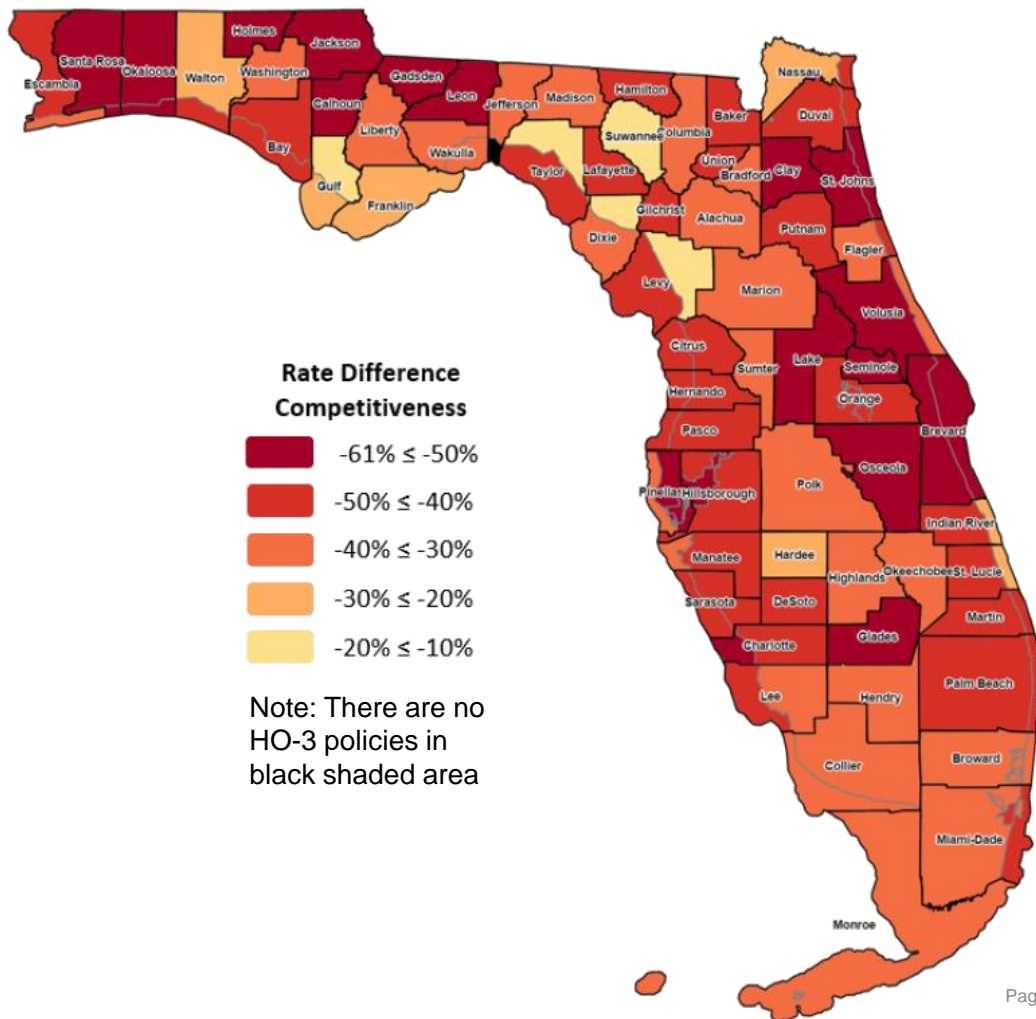
New Business Restriction (Statewide/Partial)	
Carrier	
American Modern	People's Trust
American Platinum	Progressive Home
Castle Key (Allstate)	Southern Oak
Chubb	Spinnaker
Florida Family	TypTap (HCI Group)
Florida Farm Bureau	United P&C
Great American (E&S)	Universal North America
Heritage	Universal P&C
Monarch	

Restriction information available as of 12/5/2022

Percent Difference to Competitors Average Premium 2022 HO-3 Rate Comparison

In **2021**, Citizens' statewide average premium for HO-3 policies was \$3,226, which was **31% below** the competitors' average premium of \$4,675.

In **2022**, Citizens' statewide average premium for HO-3 policies was \$3,227, which is **44% below** the competitors' average premium of \$5,788.





State Comparison Premium, PIF, Exposure, Loss

Twelve months ending December 2021 (Personal and Commercial)

State	Premiums Written (\$000)	Policies Issued*	Exposure (\$000)**	Claims***	Combined Ratio
California	475,987	232,067	160,401,838	4,629	124.9%
Florida (CPIC)	1,814,135	813,404	232,502,324	31,921	124%
Louisiana	75,859	47,093	8,583,728	15,418	1549.2%
Massachusetts	296,276	~172,000	85,505,084	7,981	86.8%
NC CPIP Plan	390,512	199,403	83,906,545	4,250	50.9%
NC FAIR Plan	128,425	192,423	29,087,267	8,705	100.5%
Texas Wind Assoc	395,112	202,435	59,543,596	13,302	42.5%
Texas FAIR Plan	75,648	72,520	11,471,201	7,693	108.9%

* Policies Issued may reflect Policies in Force, based on plan reporting

** Exposure” is the estimate of the aggregate value of all insurance in force on all lines (except Crime and Liability where applicable) on the last day of the period as defined in the heading above.

*** Habitational & Commercial combined (Texas Commercial N/A)

Combined Ratio – taken from PIPSO Reports June 2022

Source: PIPSO and State Plans



State Comparison Premium, PIF, Exposure, Loss

June 2022 Personal and Commercial (unless otherwise noted)

State	Premium (\$000)	PIF	% Increase PIF Compared to Year End 2021	Exposure (\$000)
California	300,925	264,081	14%	195,811,729
Florida (CPIC)	1,494,035	931,357	15%	318,849,647
Louisiana	154,662	75,149	60%	20,444,812
Massachusetts	315,923	(@9/22)172,680	~0%	(@9/22)112,485,852
NC CPIP Plan	222,193	204,474	2%	84,744,216
NC FAIR Plan	74,512	195,502	2%	30,983,059
Texas Wind (TWIA)	225,575	197,474	-2%	63,155,926
Texas FAIR Plan	39,159	62,871	-13%	11,091,251

“Exposure” is the estimate of the aggregate value of all insurance in force on all lines (except Crime and Liability where applicable) on the last day of the period as defined in the heading above.

Source: PIPSO and State Plans



State Comparison - Litigation

State	Residual Market Litigation		Statewide Litigation	
	Litigation Rate per 100 Claims	# of Lawsuits (2021)	2021 Annual Total Residential P&C Claim Litigation	ONE Lawsuit per X# Residents
California	0.0006	3	3,959	9,986
Florida (CPIC)	0.3159	10,085	107,585	205
Louisiana (LCPIC)	0.0126	194	623	7,478
Massachusetts	0.0070	56	535	13,143
North Carolina	0.0002	41	87	15,561
Texas Wind (TWIA)	0.0017	15	2,589	11,257
Texas FAIR Plan	0.0011	14		

Source: *The Demotech Difference Summer 2022* and information provided by state plans

Selected Florida Insurers Monitored (\$000)

	YTD 3Q 2022	2021	2020	2019	2018
Underwriting Gain/(Loss)	(\$1,110,766)	(\$1,094,530)	(\$1,035,719)	(\$482,451)	(\$314,717)
Net Income	(\$875,760)	(\$777,466)	(\$498,411)	(\$198,926)	(\$94,007)
Surplus	\$3,718,848	\$3,712,731	\$3,534,027	\$3,661,441	\$3,609,079
Direct Premium Written	\$11,796,542	\$13,394,496	\$11,752,579	\$10,282,390	\$9,457,158
Contributed Capital & Surplus	\$980,710	\$836,152	\$424,597	\$213,254	\$346,419

Selected Florida Insurers Monitored Including Insolvent Carriers (\$000)

	YTD 3Q 2022	2021	2020	2019	2018
Underwriting Gain/(Loss)	(\$1,216,262)	(\$1,502,715)	(\$1,439,908)	(\$629,827)	(\$358,788)
Net Income	(\$1,031,241)	(\$1,164,759)	(\$786,624)	(\$306,071)	(\$114,582)
Surplus	\$3,718,848	\$3,854,545	\$3,838,940	\$3,983,940	\$3,987,178
Direct Premium Written	\$11,796,542	\$14,525,726	\$13,625,036	\$11,907,789	\$10,929,346
Contributed Capital & Surplus	\$980,710	\$1,093,270	\$621,164	\$264,436	\$358,387