

Executive Summary

Actuarial & Underwriting Committee Meeting, September 10, 2019

Board of Governors Meeting, September 25, 2019

2019 Rate Filing Update

As discussed at the June 2019 Board of Governors' meeting, Citizens' staff refiled the 2019 rate recommendation with the Office of Insurance Regulation (OIR) to reflect the anticipated savings of the Assignment of Benefits reforms due to House Bill 7065. Citizens received both the Personal Lines (PL) and Commercial Lines (CL) rate order on July 29, 2019, for the rate changes to be effective December 1, 2019.

With one notable exception, the OIR approved the rates as filed.

The overall PL recommended statewide rate change was **+4.7%**. The approved overall statewide change is **+4.3%**. The difference between the recommended and approved rates is due to an adjustment to the HO3 and DP rates (multi-peril and wind-only) in Monroe County.

For homeowners and dwelling wind-only policies, Citizens filed a recommended rate change of 7.6% and 5.8%, respectively in Monroe. The OIR approved an overall base rate change of 0% for both of these lines. Further it stated that the rates for these policies should remain at current levels until "Citizens has completed an evaluation and study of the models accepted by the Florida Commission on Hurricane Loss Projection Methodology using the 2017 standards, which includes the requirement that the county building codes be reflected in the model results, as specified in the prior rate order". The prior rate order (Order No. 211627-17) also froze Monroe rates and included the following four directives concerning future changes to rate levels in Monroe:

1. An evaluation and study of appropriate rating territories for Monroe County for wind-only and multi-peril policies. Currently Citizens has one wind-only rating territory and two multi-peril rating territories. The OIR is asking if these rating territories are refined enough.
2. Review of a study authored by Applied Research Associates, Inc., which evaluated the effectiveness of plywood (Class C shutters), and consideration by Citizens of providing a credit for this wind mitigation feature.
3. Collaboration with Monroe County on the completion of its detailed study to evaluate the effect of building code standards in Monroe County and the impact of those standards on wind mitigation credits.
4. An evaluation and study of the models accepted by the Florida Commission on Hurricane Loss Projection Methodology using the 2017 standards, which includes the requirement that the county codes be reflected in the model results.

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Citizens' staff was able to directly address the first three of these directives. The fourth directive requires the incorporation of the most recently approved hurricane models into Citizens rate indication process. These models were not approved and available in time for these rate filings.

They will be incorporated in the next rate filings made in 2020. It is our belief that the use of these models will satisfy this requirement.

Note that all approved rate changes are average changes for each line of business. Individual policyholder changes may range between -10% and 10% for all lines of business.

The overall CL recommended rate statewide change is **8.9%**. The approved overall statewide change is **+8.9%**. In the aggregate, there were no significant differences between the recommended and approved rates for CL.

Across all lines of business combined, the recommended rate change was **5.1%** and the approved rate change is **4.8%**.

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RECOMMENDED AND ESTABLISHED RATE CHANGES					
PERSONAL LINES					
			Original	Post	
		Indicated	Recommended	AOB Reform	Established
<u>Account</u>	<u>Filing</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
	<u>Number</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>
Homeowners Multi-Peril	19-123770	8.4%	8.5%	2.6%	2.6%
Homeowners Wind-Only	19-123769	25.3%	8.7%	8.5%	7.0%
Homeowners Combined		11.6%	8.6%	3.5%	3.2%
Dwelling Fire Multi-Peril	19-123899	22.8%	8.7%	8.5%	8.4%
Dwelling Fire Wind-Only	19-123901	28.0%	8.2%	8.0%	5.6%
Dwelling Fire Combined		23.5%	8.6%	8.4%	8.0%
Mobile Homeowners Multi-Peril	19-123930	2.0%	1.6%	0.8%	0.8%
Mobile Homeowners Wind-Only	19-123932	29.9%	9.8%	9.8%	9.8%
Mobile Homeowners Combined		5.1%	2.5%	1.8%	1.8%
Mobile Home Dwelling Multi-Fire	19-123951	16.1%	8.0%	8.0%	8.0%
Mobile Home Dwelling Wind-Only	19-123952	43.8%	9.6%	9.6%	9.6%
Mobile Home Dwelling Combined		16.7%	8.0%	8.0%	8.0%
Average Personal Lines		14.2%	8.3%	4.7%	4.3%
RECOMMENDED AND ESTABLISHED RATE CHANGES					
COMMERCIAL LINES					
			Original	Post	
		Indicated	Recommended	AOB Reform	Established
<u>Account</u>	<u>Filing</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
	<u>Number</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>
Commercial Residential Multi-Peril (Condo Assn.)	19-123233	31.9%	5.3%	5.3%	5.3%
Commercial Residential Multi-Peril (Excl. Condo Assn.)	19-123232	47.1%	5.0%	5.0%	5.0%
Commercial Residential Multi-Peril Combined		37.6%	5.2%	5.2%	5.2%
Commercial Residential Wind-Peril (Condo Assn.)	19-123239	108.9%	10.5%	10.5%	10.5%
Commercial Residential Wind-Peril (Excl. Condo Assn.)	19-123240	85.5%	10.0%	10.0%	10.0%
Commercial Residential Wind-Peril Combined		102.0%	10.3%	10.3%	10.4%
Commercial Non-Residential Multi-Peril	19-123238	5.0%	5.0%	5.0%	4.8%
Commercial Non-Residential Wind-Only	19-123271	25.0%	10.0%	10.0%	10.0%
Commercial Non-Residential Combined		23.8%	9.7%	9.7%	9.7%
Average Commercial Lines		54.2%	8.9%	8.9%	8.9%
Average Commercial & Personal Lines Combined		18.1%	8.4%	5.1%	4.8%

All approved rates are effective 12/1/2019.