

CitizensAdvisor



Citizens responding to market challenges

TALLAHASSEE, FL – Facing out-of-control litigation, rising reinsurance costs and higher than expected losses from Hurricanes Irma and Michael, Florida's property insurers are raising rates, nonrenewing policies and pulling out of high-risk areas.

This perfect storm is forcing policyholders back into Citizens Property Insurance Corporation, which is seeing its policy count rise by nearly 3,000 a week. The steady flow of new and renewing business is expected to continue through 2021 and push Citizens policy count to more than 625,000, up from a low of 420,000 in 2019.

"Our growth depends on the health of the private market," Barry Gilway, Citizens President/CEO and Executive Director. "Right now, the private market is under stress and we are seeing the fallout."

New Citizens business has increased from 7,770 per month to 17,691 per month over the past twelve months, Gilway told Citizens Board of Governors in September. The increase in new business combines with a significantly higher renewal rate that has risen from 83% last year to 90% in 2020.

Driving this market change are two main components - underwriting losses and reinsurance rates. Florida domestic carriers have posted net losses for the past three years. The trend continues. For the first half of 2020, Florida domestic companies experienced a net underwriting loss of \$502 million and \$227 million in negative net income.

Decreased reinsurance capacity has forced many companies to restructure their portfolios with at least six major companies shutting down of new business in Tri-County, Tampa Bay, and the "SOLO" Counties of Seminole, Orange Lake and Osceola.

Such losses are prompting across the board rate increases. The largest five companies representing 1.5 million policyholders have had a cumulative rate increase from 12.4% to 28.3%. Other companies have raised rates by as high as 33.5%. Such increases make Citizens even more competitive as Citizens' annual rate increases are capped at 10%. Last year, Citizens was the most competitive company 85% of the time. Citizens analysts expect the percentage to increase to more than 90%.

Barring a significant catastrophic event or actions taken by regulators or rating agencies, Citizens analysts do not anticipate further deterioration in the market. That said, market conditions are not expected to improve significantly until at least the middle of 2021 when reinsurance capacity will be reevaluated, and current rate increases show up in industry financials.

"The bottom line is we are building in the flexibility into our operations that will respond to the growth efficiently in the short term and then allow us to consider all options to return Citizens Property Insurance to an appropriate size for a residual market carrier over the next few years," Gilway said.

October 22, 2020

Events

December 8 @ 10 a.m.
[Information Systems Advisory Committee](#)
Zoom Webinar

December 8 @ 1 p.m.
[Claims Committee](#)
Zoom Webinar

December 9 @ 11 a.m.
[Market Accountability Advisory Committee](#)
Zoom Webinar

December 10 @ 10 a.m.
[Consumer Services Committee](#)
Zoom Webinar

December 15 @ 9 a.m.
[Audit Committee](#)
Zoom Webinar

December 15 @ 11 a.m.
[Finance and Investment Committee](#)
Zoom Webinar

December 15 @ 1 p.m.
[Actuarial and Underwriting Committee](#)
Zoom Webinar

December 16 @ 9 a.m.
[Citizens Board of Governors](#)
Zoom Webinar

December 16, Immediately following Board of Governors
[FMAP Board of Governors](#)
Zoom Webinar

Hurricane Michael: By the Numbers

TALLAHASSEE, FL – Two years after Hurricane Michael slammed into the Florida Panhandle on October 10, 2018, Citizens has paid or set aside \$131.2 million following the catastrophic storm.

Hurricane Michael: By the Numbers

3,669
TOTAL CLAIMS REPORTED

97%
CLAIMS CLOSED

3,543
TOTAL CLAIMS CLOSED

\$36,490
AVERAGE CLAIM PAYMENT

6%
CLAIMS WITH ASSIGNMENT OF BENEFITS

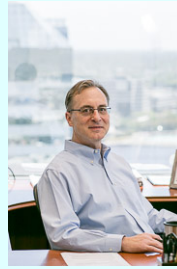
INCURRED LOSSES: \$131.2M
(paid and reserves)

INDEMNITY PAID: \$122.2M

CITIZENS
PROPERTY INSURANCE CORPORATION

Data as of 10.01.20

Spotlight



Brian Donovan
Senior Director - Chief Actuary

Policies in Force

516,444
as of October 16, 2020

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