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Citizens Board seeks to bring 2021 rates more in line with private market

TALLAHASSEE, FL – Citizens Property Insurance Corporation’s Board of Governors on Wednesday postponed final action on proposed 2021 rates and directed staff to work with the Florida Office of Insurance Regulation (OIR) to seek ways to bring Citizens rates more in line with private market carriers while staying within the statutory glidepath for current policyholders.

Board members will return January 26 to approve a final package of 2021 rates that take into account any additional adjustments OIR will allow to move Citizens closer to actuarially sound rates

Citing a flood of new policies entering Citizens and a growing disparity between Citizens’ rates and the higher rates generally charged by private companies, a unanimous board said Citizens’ growth is unsustainable and steps need to be taken now to ensure that Citizens maintains its role as the state’s insurer of last resort.

“Over the past 18 months, Citizens has become the insurer of first resort,” said Chairman Carlos Beruff, who was appointed to the position in November by Florida CFO Jimmy Patronis. “This is not its statutory mission and we must take steps immediately to reverse this trend and protect Floridians who are ultimately on the hook if Citizens is unable to pay claims.”

Since May 2019, Citizens’ policy count has increased from 420,000 to 537,000. During that time, private companies have returned to OIR with multiple requests for rate increases in an effort to shore up their financial positions after suffering losses over the past five years, including a \$1.2 billion operating loss for the industry through the third quarter of 2020.

Unlike private companies, Citizens is prohibited by statute from increasing rates by more than 10 percent annually for any individual policy. In recent years, the result has been a widening gap between Citizens rates and those private companies need to charge for comparable coverage. As a result, Citizens rates in any given region are lower 91 percent of the time, up from 80 percent in 2019.

Carlos Beruff, Chairman, Manatee County • Bette Brown, Monroe County • Marc W. Dunbar, Leon County
Lazaro Fields, Leon County • Reynolds Henderson, Walton County • James Holton, Pinellas County
William Kastroll, Collier County • Carlos Lopez-Cantera, Miami-Dade County • M. Scott Thomas, St. Johns County
Barry Gilway, President/CEO and Executive Director

Citizens actuaries had proposed a package of 2021 rates that called for an average increase of 3.7 percent for personal lines policies – multiperil coverage for homeowners, renters, condominium unit, dwellings, and mobile homes. Instead, the board approved the 2021 rate package for informational purposes only, directing staff to meet with OIR to determine if additional options are available to raise rates further.

“We’ve become the 800-pound gorilla,” Beruff said. “That is not what we are supposed to be, but that has happened.”

Among potential options available to Citizens is a list of recommendations included in a [Florida State University study](#) looking at ways Citizens exposure could be reduced. Among those recommendations is a suggestion also raised by Senator Jeff Brandes, R-St. Petersburg, that Citizens charge new customers actuarially sound rates instead of glidepath-capped rates available to renewal policyholders.

Citizens has prepared a [2021 Rate Kit](#), which provides information about its 2021 rate filing, including [county-by-county estimates](#) for specific policy types and frequently asked questions.

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In 2002, the Florida Legislature created Citizens Property Insurance Corporation (Citizens), a not-for-profit alternative insurer, whose public purpose is to provide insurance to, and serve the needs of, property owners who cannot find coverage in the private insurance market.

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