

Citizens Property Insurance Corporation

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Traditional Depopulation Overview

Depopulation Overview

Florida law requires Citizens Property Insurance Corporation to “adopt one or more programs subject to approval by the Office [of Insurance Regulation] for the reduction of both new and renewal writings in the corporation.”

At any point in time, a licensed authorized company may request, for purposes of depopulation and subject to an appropriate confidentiality agreement, a data file of policies from Citizens. All policies not currently pending cancellation, not set for non-renewal or tagged for another insurer as described below, will be included in the data file.

Companies begin the assumption process with the Office of Insurance Regulation (Office). Companies must meet or exceed Florida’s rigorous statutory requirements to attain a license from the Office to sell property insurance in the state. The Office will issue a Consent Order approving the company to participate. Citizens uses the Consent Order and approved takeout plan to facilitate the assumption process.

Depopulation Overview

At least 100 days
prior to
assumption date

- Takeout companies (TOCs) apply to the Office by submitting a Depopulation Plan
- Specific requirements are located at <http://www.floir.com/sections/pandc/takeoutcompanies.aspx>
- The Office review process can take up to 30 days

60 – 70 days *prior*
to assumption
date

- The Office will issue a Consent Order approving the company to participate in a specific assumption
- Consent Orders traditionally, require the following:
 - TOCs shall allow agents a minimum of 14 days to review solicitations
 - Agents must accept appointment from TOC prior to affected policyholders are notified
 - TOCs shall give at least 30 days advance notice to affected policyholders of pending assumption
 - Financial reporting to the Office
- TOCs execute an Assumption Agreement with Citizens
- TOCs submits a logo and signature block for Certificate of Assumption letters

Depopulation Overview

30 - 45 days *prior*
to assumption
date

- The TOCs policy selection must be submitted to Citizens. By submitting this selection file, the TOC is certifying that all associated agents have either been appointed by the assuming TOC or agreed to have their policies assumed under the provisions of “Consumer Choice.”
 - Citizens validates policy selection and if necessary runs algorithm to assign duplicate policy selections
 - Citizens returns the Opt Out Mailer list to TOCs
- TOCs mails Opt Out Letters and Forms to selected policyholders. The notification explains to the policyholder the 30-day pre assumption opt out timeframe and the 30-day post assumption opt out timeframe. The notice must be approved by the Office and Citizens and must be sent to every policyholder the TOC intends to assume. It is the TOCs responsibility to collect, retain and report responses from the notice.

- Per Consent Order 94539-08, TOCs must submit a list of policies associated with agents that have declined to participate or did not respond to the TOC (specific to assumption date).
 - Citizens mails Agent Decline Letter to affected policyholders.
- Citizens mails Encouragement Letters to selected policyholders.

Depopulation Overview

6 days *prior* to
assumption date

- The TOCs must provide the associated Citizens policy number for all policyholders that have chosen not to be assumed. Citizens will remove those policyholders from the TOCs policy selection file for that assumption date.
- Late Agent Agreements are policies where the declining agent decides to participate in the assumption after the policy selections have been submitted. These policyholders do *not* receive the Opt Out Mailer and Form mailed prior assumption.

Assumption Date

- Citizens processes the assumption and policies are 'tagged' as assumed. Successfully assumed policies are set to non-renew.
- TOCs become liable for losses that occur on or after the assumption date
- Citizens mails the Notice of Nonrenewal and Assumption and Certificate of Assumption
- Citizens provides a list of policies to the TOCs including successfully and unsuccessfully assumed policies
- Citizens provides a list of policies to the affected agents including successfully assumed policies

Depopulation Overview

5 – 7 days *post*
assumption

- Citizens sends a Results Extract file to the TOCs (includes detailed policy level information of successfully assumed policies)

post assumption

- TOCs will continue to receive Opt Out Forms and will send to Citizens a spreadsheet on a monthly basis. Citizens will 'untag' eligible policies.
- Agents are notified via email of the successful/unsuccessful untags.
- Successfully untagged policyholders receive an Opt Out Confirmation Letter.
- Citizens releases Month End Extracts to TOCs for 14 months with updated policy information.

Depopulation Overview

Notes

- Citizens services assumed policies until the expiration date and the policy is renewed on the TOCs paper
- Agents are notified via email of the successful/unsuccessful untags.
- Successfully untagged policyholders receive an Opt Out Confirmation Letter.
- For 14 months after an assumption, Citizens releases Month End Extracts (reports) to TOCs which include the most current policy information.

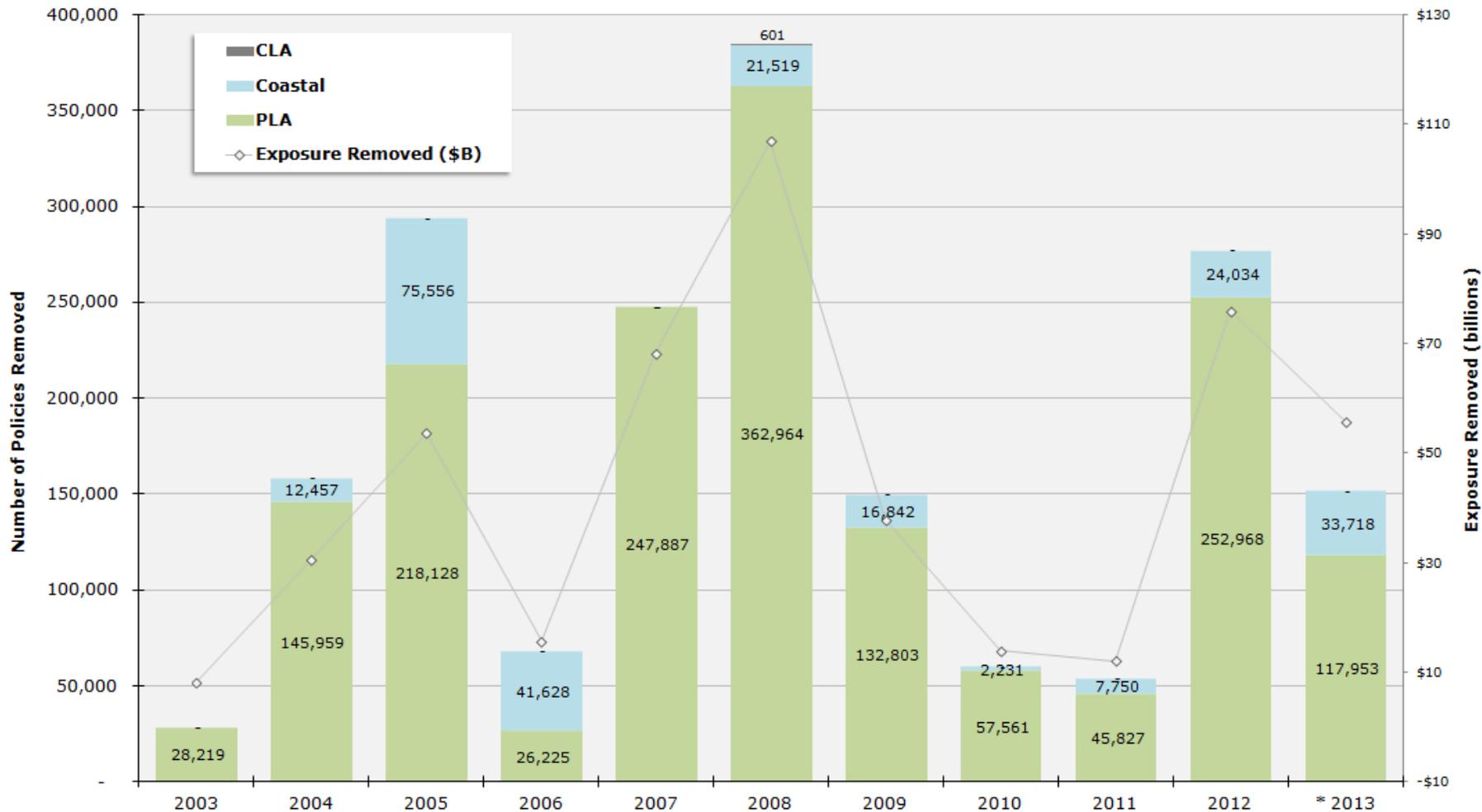
Citizens Depopulation Website

- Frequently Asked Questions
- Sample Letters and Documents
- Calendars
- Statistics
- Non-Bonus Takeout Plans

www.citizensfla.com/about/depopinfo.cfm

Historical Depopulation Activity (2003-2013)

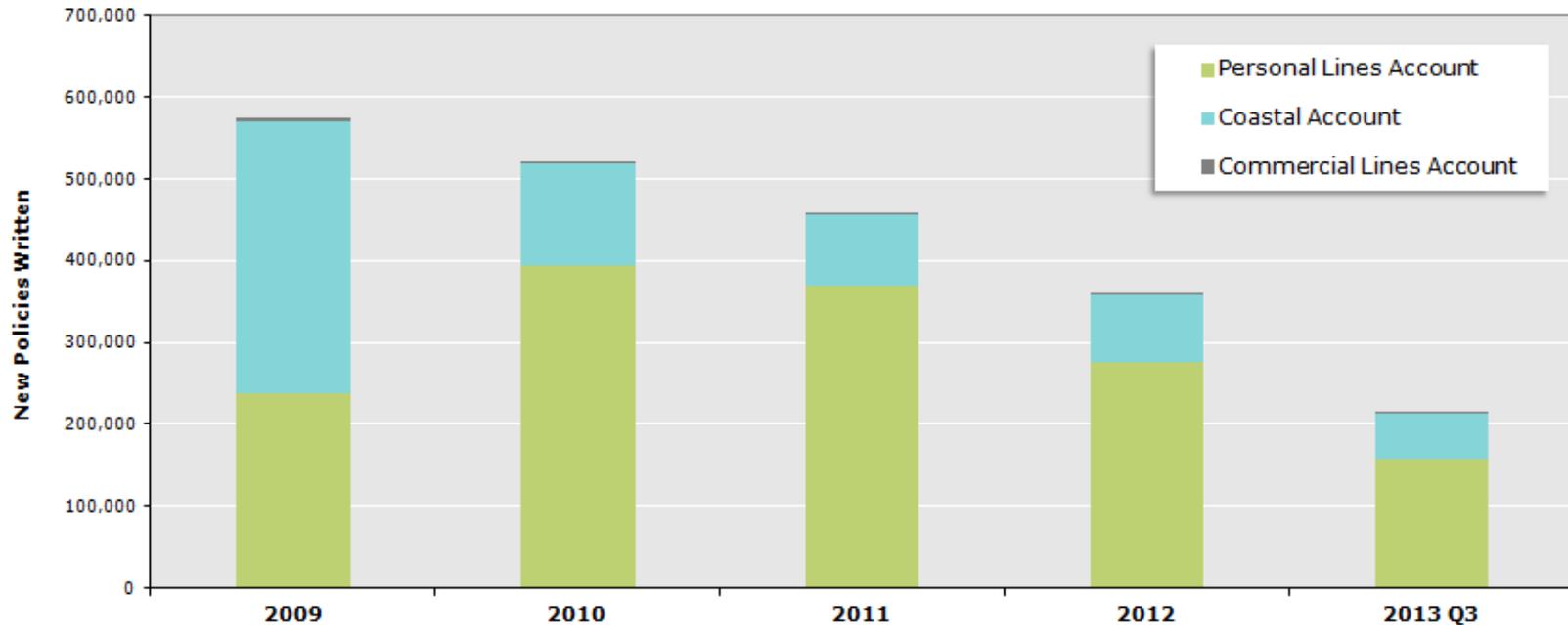
Depopulation Activity by Account and Year



Notes:

- 2013 data is as of 09/10/2013
- The number of policies and exposure removed are derived from the initial assumption; does not account for opt-out policies reported after the assumption date

Reduction in New Business



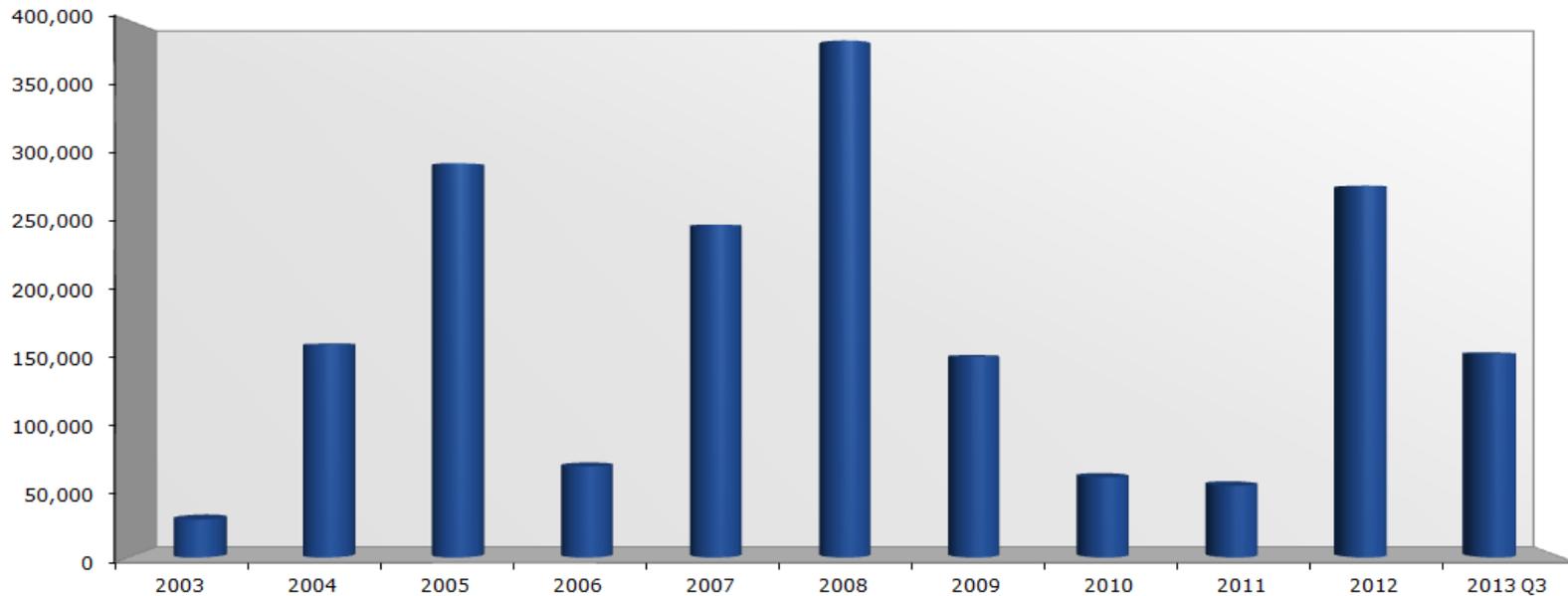
	Personal Lines Account	Coastal Account	Commercial Lines Account	Total
2009	236,659	334,401	3,454	574,514
2010	393,726	126,394	2,248	522,368
2011	369,995	86,728	1,841	458,564
2012	275,728	82,092	1,270	359,090
2013 Q3	156,634	57,392	696	214,722

Notes:

- 1) In February 2009, existing PR-W policies began transitioning to a new policy administration system, although new PR-W policies were written into the new system beginning in December 2008. The policies on the "old" system expired, with those policies renewed on the new system as "new business." Therefore, both the new business and expirations/non-renewals statistics are abnormally high. This trend continued through January 2010.
- 2) New Business includes any policy issued under a new policy number; prior study indicated approximately 10-15% of new business may be rewritten policies.
- 3) These figures are estimates based on month end snapshots of change in new business; counts are not based on transactional data.



Number of Policies Assumed by Year



Year	Total Participating Companies	Total Policies Assumed	Citizens Inforce Policies	Assumed Policies as % of Prior Year's Total Policy Count	Total Exposure Assumed	Citizens Inforce Exposure	Assumed Exposure as % of Prior Year's Total Exposure
2003	1	28,219	820,255	3.3%	\$8,140,681,906	\$217,450,883,067	3.6%
2004	4	158,416	873,996	19.3%	\$30,663,076,480	\$230,720,440,860	14.1%
2005	10	293,684	810,017	33.6%	\$53,658,840,059	\$234,862,370,160	23.3%
2006	4	67,853	1,298,922	8.4%	\$15,637,589,369	\$410,403,433,613	6.7%
2007	7	247,887	1,304,949	19.1%	\$68,259,426,361	\$500,504,349,762	16.6%
2008	14	385,084	1,084,237	29.5%	\$106,870,490,165	\$413,551,149,539	21.4%
2009	11	149,645	1,029,214	13.8%	\$37,784,506,743	\$405,990,629,344	9.1%
2010	6	59,792	1,283,538	5.8%	\$13,888,913,857	\$460,703,299,504	3.4%
2011	3	53,577	1,472,391	4.2%	\$12,057,882,629	\$510,675,120,913	2.6%
2012	7	277,002	1,314,811	18.8%	\$75,927,165,347	\$429,424,399,130	14.9%
2013 Q3	9	151,671	1,222,166	11.5%	\$55,696,749,927	\$373,166,709,667	13.0%

Note: The number of assumed policies does not account for any opt-out policies reported after the assumption date

Citizens' Existing Book of Business

Account	Policies Inforce	Premium	Total Exposure	100-Year Probable Maximum Loss
Personal Lines	787,616	\$ 1,303,759,492	\$ 156,127,893,745	\$ 5,305,558,000
Coastal	415,103	\$ 1,124,368,321	\$ 176,271,393,992	\$ 11,987,983,000
Commercial Lines	7,746	\$ 197,496,723	\$ 37,704,310,946	\$ 1,208,052,000
TOTAL	1,210,465	\$ 2,625,624,536	\$ 370,103,598,683	\$ 18,623,156,000

As of June 30, 2013

Depopulation Progress

- Policy estimates for November include 205,000 assumptions out of 392,000 requests. Final count 160,683 policies being removed.
- There are 220,000 requests being sent in December and another 100,000 being sent in January 2014.
- Reasonable projection for policy count at the end of January 2014 is below 1 million. Lowest policy count since mid-2006.

November Depopulation Overview

August 23, 2013
OIR Approval Due

390,897

September 9, 2013
Depop Releases Initial Data File

September 9, 2013
TOC Returns Documents

September 9, 2013
TOC Sends Wish List to Agents

September 23, 2013
TOC Provides Policy Selection

328,343

September 23, 2013
TOC Provides Agent Decline Lists

(47,376)

September 25, 2013
Run Algorithm for Depop Tags on Policy Selections

(75,231)

September 25, 2013
Depop Provides Opt Out Mailer List

205,736

September 25, 2013
TOC Mails Opt Out Letters and Forms

(45,053)

October 30, 2013
TOC Provides Opt Out and Late Agent Agreement Lists

160,683

Assumption date: November 5, 2013

What Could Citizens Look Like?

Properties Citizens will likely cover as the Insurer of Last Resort include the following characteristics:

- Coastal Properties
- Older Homes
- Older Mobile Homes
- Portion of the Sinkhole Prone areas
- Older, Taller and Higher Value Condominium Associations
- Rental Properties
- Commercial Non-Residential

Policy Count				
	9/30/2013	Returned to Private Market *	Citizens Retains	Percent Reduction
PLA	797,305	445,000	352,305	56%
Coastal Account	417,134	46,000	371,134	11%
CLA	7,727	4,000	3,727	52%
Total	1,222,166	495,000	727,166	41%

* Returned to Private Market counts include expected November and December 2013 takeout policy counts adjusted at a rate of 30% for opt outs

Citizens Property Insurance Clearinghouse Update

Clearinghouse Goals and Benefits

Goals:

- Ensure that all Citizens applicants have access to every possible private insurance option, including better policy coverage, before choosing Citizens
- Ensure that all Citizens renewal customers have expanded access to every possible private insurance option, including better policy coverage, before choosing to renew with Citizens
- Provide private carriers expanded market distribution
- Ensure that only policies meeting statutory eligibility requirements are placed with Citizens

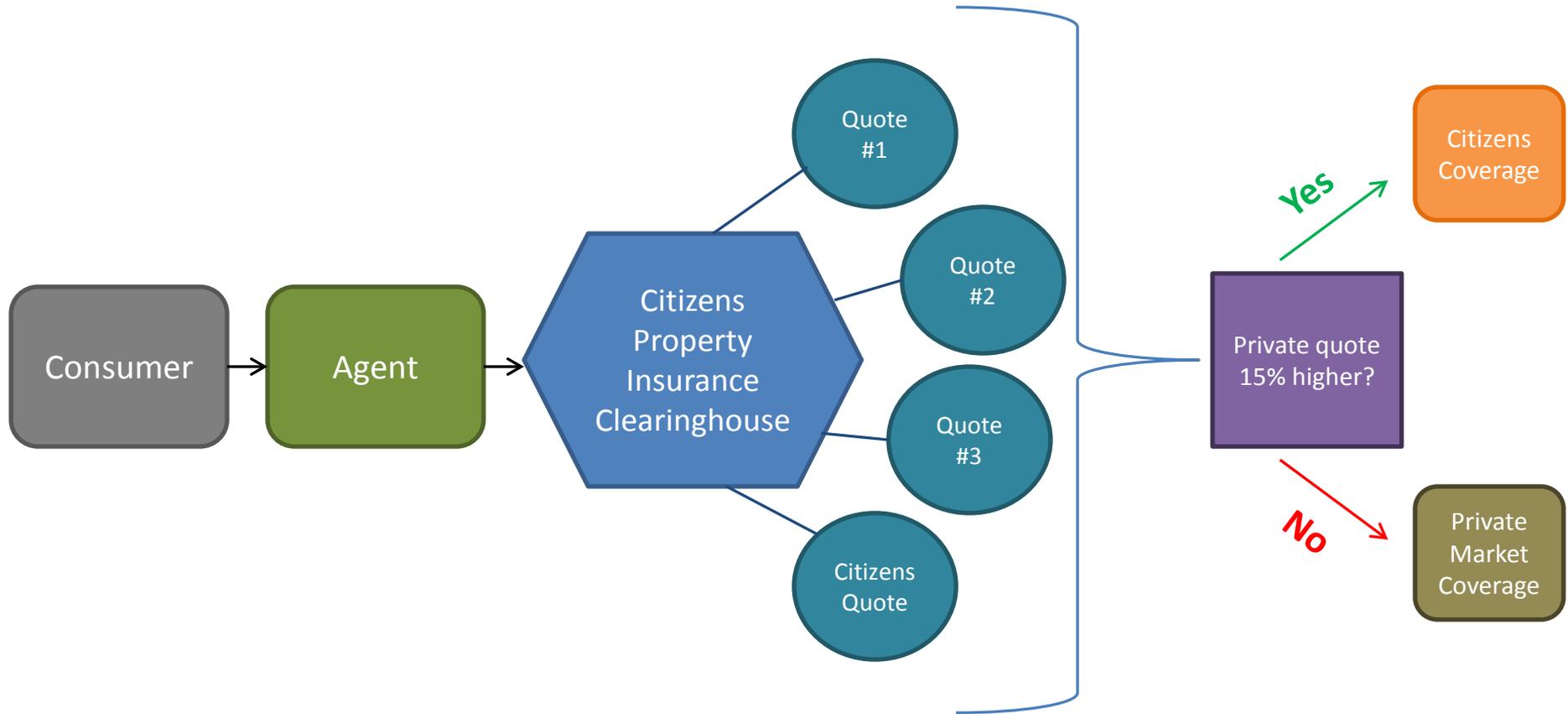
Benefits for the State:

- Gives applicants a clear picture of their private market options
- Reduce homeowners' assessment liability by shrinking Citizens
- Expand the private carrier access to potential policyholders
- Creates a mechanism for shrinking Citizens and returning it to a true market-of-last resort

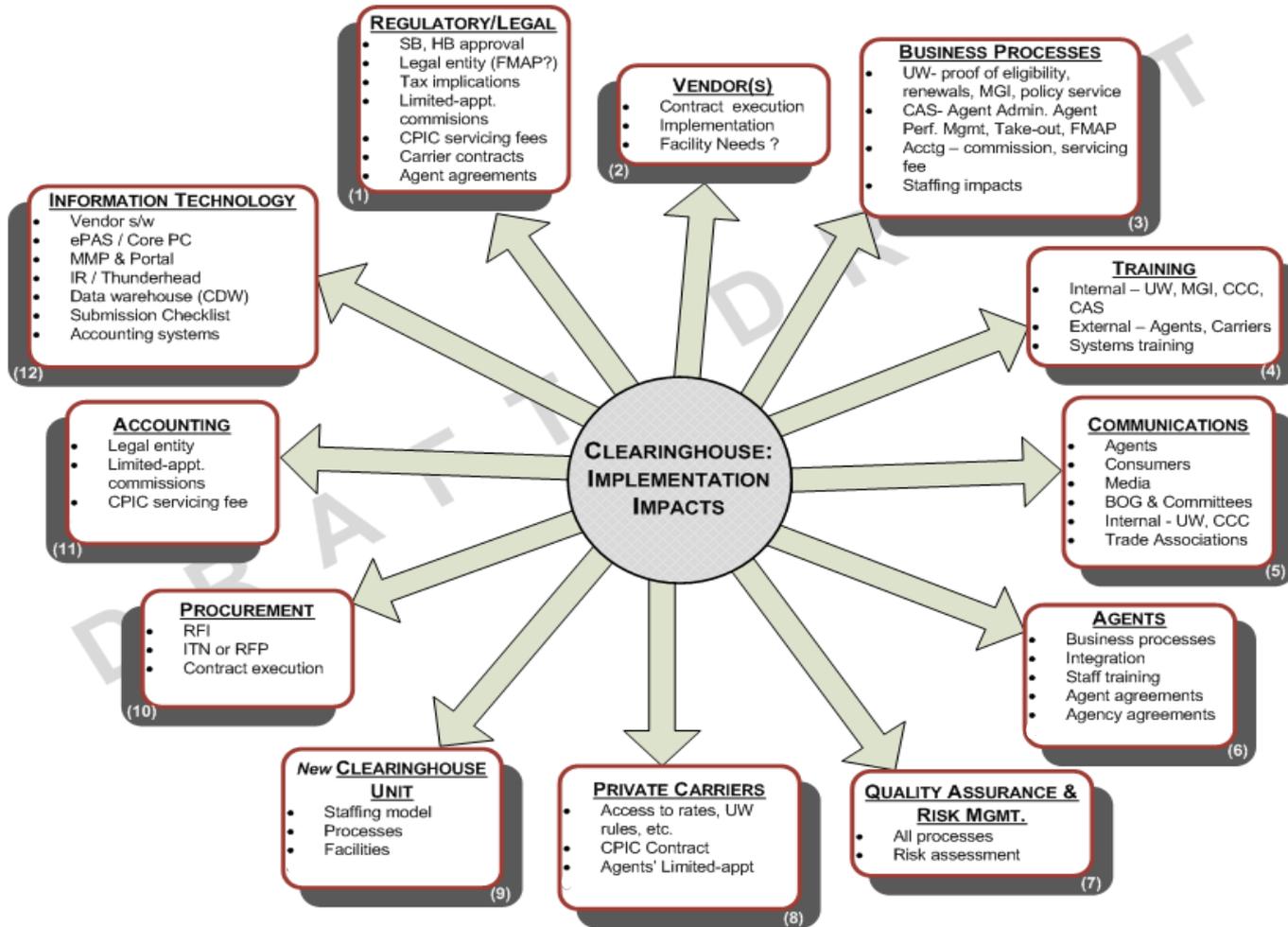
Overview of Approach

- SB 1770 mandates the implementation of a Citizens Clearinghouse by January 1, 2014
- A real-time mechanism that will systematically enable private insurers to make an offer of coverage to personal lines' applicants seeking coverage from Citizens
- Procure a SEMCI (Single Entry Multi-Carrier Interface) software tool
- Based on private carriers' underwriting, exposure and selection criteria, request offers of coverage from "eligible" private insurers participating in the Clearinghouse
- All offers, including coverage and pricing, will be delivered back to the producing agent
- Business placement is guided by statute
 - For new business if the premium is less than 115% of Citizens quote for comparable coverage, the offer renders the applicant ineligible for Citizens coverage
 - If the premium is greater than 115% of Citizens' premium, the consumer makes the choice
 - If there is no private market offer of coverage rendering the applicant ineligible, the business is placed with Citizens
- For renewal business, if the premium is equal to or less than Citizens quote for comparable coverage, the offer renders the applicant ineligible for Citizens coverage
- A report regarding the Clearinghouse approach for commercial residential business is due January 1, 2014

Process Flow



Functional Impact Assessment



Progress Update

- Request for Information (RFI) Solicitation
 - Used to obtain current market information, gain a better understanding of vendor capabilities and provide a basis for developing the solicitation.
 - Four responses received on April 12, 2013
- Invitation to Negotiate (ITN) Solicitation
 - Competitive solicitation process consistent with Citizens' policy and 287.057, F. S.
 - Six Responses were received on June 25, 2013
 - The top two vendors advanced to the negotiation phase
 - The negotiation team identified Bolt, Inc. as providing the best value offer to Citizens because:
 - Ability to implement by January 1
 - Multiple integration platforms enable broad carrier participation
 - Demonstrated required functionality and ease of use
 - Competitive pricing
 - Board of Governors approved contract August 23, 2013

Progress Update

- Carrier Visits
 - 31 meetings conducted
 - Misconceptions clarified
 - High interest from private carriers to participate
- Agent Interests
 - Discussions with agent association representatives
 - Impact analysis meetings with high-volume Citizens agents
 - Communications and training are being drafted on process and roll out for agents
- Carrier on-boarding process initiated September 13, 2013
 - Review and sign the participation agreement; complete the carrier readiness questionnaire
 - Timely response and readiness assessment will ultimately determine the on-boarding schedule

Progress Update

- Executive Steering Committee meetings held regularly
- Bolt resources arrived on-site September 4, 2013
- Citizens and Bolt teams are transitioning into one, collaborative team
- Planning, scheduling, requirements, and delivery are occurring in parallel
- Multiple teams and workstreams have been established and will run in parallel
 - Bolt Clearinghouse Platform
 - Carrier Integrations
 - Third Party Report Services
 - Communications and Training
 - Operational Readiness
 - Back-End IT Systems
 - Commercial Report
- Scope management will be a key variable for a January 1, 2014 delivery
- Final scope and implementation plan targeted for mid-November

Participating Carriers

- Participating carriers include:
 - American Integrity
 - Ark Royal
 - Bankers Insurance Group
 - Capitol Preferred
 - Federated National
 - Florida Peninsula
 - Heritage
 - Modern USA/American Traditions
 - Olympus Insurance
 - People's Trust
 - Safe Harbor (Cabrillo)
 - Security First
 - Southern Fidelity/Southern Fidelity Property & Casualty
 - Southern Oak
 - Tower Hill Signature
 - United Property & Casualty

Clearinghouse Timeline Overview

