

Citizens Property Insurance Corporation

Presentation to the Financial Services Commission

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The Goal – Returning Citizens to the Insurer of Last Resort

What properties would Citizens likely need to cover as the Insurer of Last Resort?

- Coastal Properties
- Older Homes
- Older Mobile Homes
- A Portion of Policies in Sinkhole Prone Areas
- Older Condominium Associations

	Policy Count	Total Exposure
Total In-Force Policy Count and Exposure as of September 30, 2011	1,459,982	\$507,193,602,899
Total Number of Policies that would return to the private market	665,674	\$193,477,616,422
Total In-force Policy Count and Exposure of Citizens as a Residual Market	794,308	\$313,715,986,477

1) Personal Residential exposure includes Coverages A-D, except DP1/MDP1, which exclude Coverages B and D.

2) Commercial exposure includes Building, Other Structures, and Business Personal Property. Commercial non-residential multi-peril policy exposure also includes Business Income.

Initiatives to Reduce Citizens Exposure - Personal Lines

Initiatives to be filed by December 2011 (effective 5/1/12 new business; 6/1/12 renewals) (red indicates impact on catastrophe losses)

- Reduce Coverage B (Other Structures) Default from 10% to 2%
 - Reduction in Coverage B Exposure of \$6.5B
- Eliminate Option to Schedule Individual Coverage B (Other Structures) Items
 - Reduction in Coverage B Exposure of \$722M
- Reduce Coverage C (Contents Coverage) Default from 50% to 25%
 - Reduction in Coverage C Exposure of \$4.3B
- Eliminate Increased Loss Assessment Coverage
 - Exposure Reduction of \$78M
- Discontinue Builder's Risk for New Business and Phase out Current Business
 - Exposure reduction of \$202M
- Introduce \$1 million Coverage Limit in the Coastal Account
 - Exposure reduction of \$17B
- Implement a mandatory 10% Sinkhole Deductible
 - Reduction in sinkhole exposure (from deductible increase) of \$6.7B
- Expand sinkhole inspection program to additional 12 counties (total 16 counties)
- Reduce Personal Liability Coverage from \$300,000 to \$100,000
 - Reduction in liability exposure of \$161B
- Eliminate Increased Mold Limit Options of \$25,000 and \$50,000
 - Reduce Property Exposure of \$3.4B
 - Reduce Liability Exposure of \$1B

Initiatives to Reduce Citizens Exposure - Personal Lines

Initiatives to be filed by March 2012

- Eliminate Liability Coverage for Incidental Exposures Related to Auto, Watercraft, Animal, Home Business and Off Premises Liability
- Implement Sublimit for High Value Personal Property (jewelry, furs, guns, silverware) on All Perils
- Eliminate coverage for losses caused by “dropped objects”
 - Projected Annual Loss reduction \$10M
- Revise Contract to Reduce Exposure to Water Losses
- Expand “vacancy penalty” to Further Restrict Coverage and Address Additional Occupancies
- Revise Underwriting Guidelines to Require 30+ Year Old Homes to Have a 4 Point Inspection Showing the Electrical, Heating, and Plumbing Systems Have Been Updated and Are in Good Working Order

Initiatives to be filed with 2013 Rate filing in 3rd Quarter 2012

- Implement Loss History Surcharge Program for All Other Perils (Excludes Wind)
- Restrict Ordinance & Law to Apply Only to Coverage A (Structural Coverage)
- Evaluate Automatic Expiration of Wind Mitigation Credits After 5 Years from Inspection

Initiatives to Reduce Citizens Exposure - Commercial Lines

Initiatives to be filed by December 2011 (effective 5/1/12 new business; 6/1/12 renewals)

- Eliminate Coverage for All Special Class Items Except for in ground pools and masonry fences
 - Reduce exposure \$200M
- Discontinue Builder's Risk Policies for New Business and Phase Out Current Business
 - Reduce exposure \$460M
- Eliminate Business Income and Extra Expense Coverage
 - Reduce exposure \$170M

Initiatives to be filed with 2013 Rate filing in 3rd Quarter 2012

- Implement a Commercial Residential coverage limit
- Reduce Debris Removal Coverage from \$10,000 to \$5,000
 - Reduced Potential Losses for Debris Removal by \$47M
- Remove Class B and C Opening Protection Credits
- Implement separate hurricane deductible for business personal property
- Eliminate Coverage Extension for Increased Cost of Construction (Ordinance & Law)
- Implement Exclusion for Losses Where Damage is Only to Exterior Paint damage
- Increase minimum All Other Perils Deductible
- Implement a Sublimit for Mold
- Implement a Mandatory 10% Sinkhole Deductible

Additional Items Under Board Consideration

- Aggressively Pursue Additional Risk Transfer
- Enhance Depopulation Efforts:
 - Re-establish the Depopulation Committee of the Board
 - Survey Carriers to Better Understand Barriers to Depopulation
 - Eliminate Ceding Commissions
 - Evaluate Quota Share Agreements with the Voluntary Market
 - Eliminate Prohibition of Takeouts in Consecutive Months
 - Publish the Algorithm for Allocating Policies Tagged by Multiple Insurers
 - Consider All Privatization Options
- Evaluate Additional New Business Inspection Criteria
- Agent Related Issues:
 - Review Agent Commissions
 - Implement a New Agent Appointment Agreement
 - Enhanced Agency Performance Management

Additional Items Under Board Consideration

- Conduct a Valuation of Citizens Book of Business
- Commission a Wind Mitigation Study
- Review Legal Authority to Limit Public Adjuster Involvement
- Expand Application of A-Rates

Key Statutory Changes to Return Citizens to the Insurer of Last Resort

- Increase the Current Statutory Glide-path on Rates
- Require that Citizens Rates be Non-Competitive
- Allow Citizens to Pass Through the Cost of Risk Transfer Outside of the Glide-Path
- Revise Statutory Eligibility Requirements
- Remove Statutory Barriers to Depopulation