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*Dr. William T. Hold/The National Alliance  
Program for Risk Management & Insurance*

# CITIZENS EXPOSURE REDUCTION AND DEPOPULATION OPPORTUNITIES

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# Scope of Work

*Identify and evaluate a set of recommendations that can be implemented to further reduce Citizens' exposure and increase participation of private market insurers.*



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# Research, Analysis, and Formulation

- Review Citizens' past depopulation efforts and the efforts of other state residual markets
- Conduct extensive market research and identify hindrances
- Interview interested parties and stakeholders
- Collect and analyze data
  - Florida market analysis
  - Hurricane modeling and takeout policy strategy analysis
  - Citizens' closed claims analysis



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# Hindrances

- Catastrophic Risk Exposure
- Information and Understanding
- Adequate Investment Returns for Investors
- Legislative, Regulatory, and Administrative Actions
- Third-Party Involvement, Litigation, and Fraud
- Rates
- Affordability



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# Categories of Ideas and Approaches

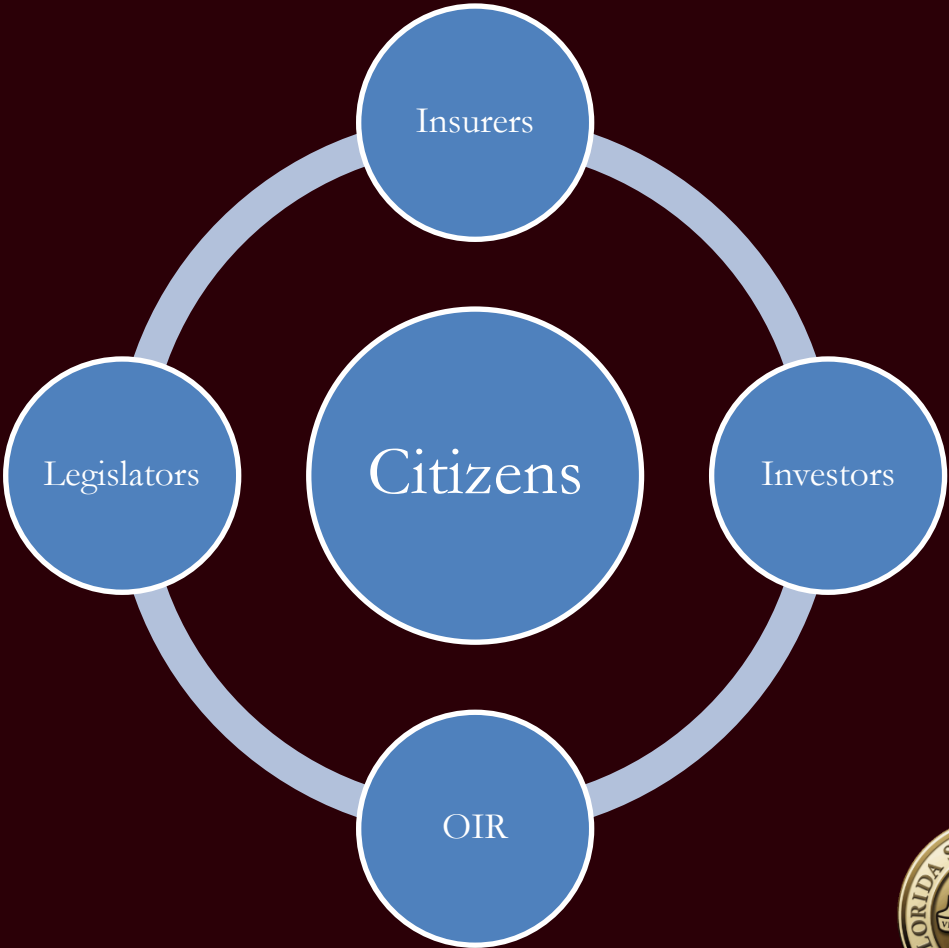
- Category 1 – Attracting Investors
- Category 2 – Loss Control
- Category 3 – System Efficiencies
- Category 4 – Data Quality, Analytics, and Transparency
- Category 5 – Financial Solvency
- Category 6 – Rating Reform
- Category 7 – Miscellaneous



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# Gather Information - Host Workshops



# Initial Steps – Increase Attractiveness of Market

- Mitigate Catastrophe Risk
  - Improve building codes (Approach 2.2)
  - Require proof of ability to secure insurance on new construction in high-risk areas (Approach 7.3)
- Increase Availability of Information on Florida Market
  - Create database of residential properties (Approach 4.1)
  - Develop new methodologies to evaluate insurer risk profiles (Approach 5.2)
  - Conduct regular stress testing (Approach 5.3)
- Encourage New Entrants (Approach 1.1)



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# Initial Steps – continued

- Improve the Environment
  - Utilize different claims settlement processes (Approach 3.2)
  - Create comprehensive fraud database (Approach 7.2)
  - Update or eliminate mandatory mitigation credits (Approach 6.3)



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# Share Information - Meet with Investors/Insurers

- Provide updates on market improvements
  - Citizens' operational changes
  - Improvements in data availability
  - Private market strength
  - Legislative and/or administrative changes
- Present strategies to private market insurers/investors
  - Policy portfolio options
  - Impact on insurer overall risk and profitability



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# Next Steps – Citizens\*

- Continue to Improve the Quality of Existing Policies\*\*
  - Require policyholders to engage in loss control; continue to expand number of inspections (Approach 2.1)
  - Expand and promote managed repair program (Approach 3.1)
- Encourage Exit of Existing Policies
  - Change takeout program to 'push' approach (Approach 5.1)
  - Work to keep policies taken out from returning (Approach 7.1)
- Reduce the Inflow of New Policies
  - Modify or eliminate glidepath (Approach 6.1)
  - Limit new and renewing policyholder eligibility to at least 15% rate requirement (Approach 6.2)

\* Some of these approaches will require a legislative change.

\*\* These approaches can occur simultaneously with steps taken to improve the attractiveness of the private market.



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# Final Steps

- Create marketing campaign to educate homeowners (Approach 6.4)
  - True cost of catastrophe exposure
  - Changes to Citizens/private market
  - Benefits of private market insurers/investors
- Create state-level program to address residential property insurance affordability (Approach 7.4)



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# Questions?



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