

2021 Rate Indications



Florida Statute Requires that Citizens Recommends Rates to Florida Office of Insurance Regulation (OIR)

627.351(6)(n)

1. Rates for coverage provided by the corporation must be actuarially sound and subject to s. 627.062, except as otherwise provided in this paragraph. The corporation shall file its recommended rates with the office at least annually. The corporation shall provide any additional information regarding the rates which the office requires. The office shall consider the recommendations of the board and issue a final order establishing the rates for the corporation within 45 days after the recommended rates are filed. The corporation may not pursue an administrative challenge or judicial review of the final order of the office.

The statutory “glide path” limits Citizens’ annual rate increases to no more than 10% for any single policy issued, and keeps many policyholders from paying the full, actuarially sound rate

Citizens rate filing will include information on both the uncapped rate indications and the recommended capped rates. OIR will use Citizens’ filing to establish Citizens’ rates that are effective starting in August 2021

Citizens' Rate Recommendation Highlights

Overall Litigation Rates – Litigation rates continue to decline from their 2015 peak leading to a recommended decreased for water rates in Dade and Broward County.

Managed Repair Program and HB 7065 – Promising early results show contributions to the decline in overall litigation rate.

Reinsurance Provision – Citizens' provision for reinsurance is much lower than the private market, thus leading to a lower rate need for Citizens. If Citizens needed the same level of reinsurance as a typical private insurer then its HO3/HW2 indication would nearly triple.

Rating Factor Change - Recommending updating all rating factors related to HO3 and HW2 rating plans. Biggest impact is the change in wind mitigation credits, which will reflect updated building codes.

Sinkhole Rates – Recommending a rate decrease for the first time in Citizens' history

Indicated and Proposed Rate Change from December – Companywide, uncapped indicated rate change is 17.1% with a proposed capped rate change of 4.0%

Adjustments to Initial Rate Change Proposal

Risk Factor – Add a provision that recognizes the cost of risking Citizens' surplus to storms and allows Citizens to set aside additional premium to help protect Floridians from assessments

Higher Selected Hurricane Model Result – Historically, we have selected the median of the four hurricane model results for each line of business. With this proposal, we select on the higher end of the range, basing our selection on the two highest model results

Cap all policy level decreases at 0% - For individual policies, if the indication was negative, we cap those decreases at 0%. So, there will be no decreases in charged premium. The exception to this is sinkhole premium and the impact of the FHCF Build-up

Risk Factor

This risk factor recognizes the cost of risking Citizens' surplus to storms and allows Citizens to sit aside additional premium to help protect Floridians from assessments

Because it is a cost of providing insurance, it is a recognized component of an actuarially sound rate

Our approach is standard and actuarially appropriate. It estimates the cost of the risk to Citizens surplus using the market rate of reinsurance.

Even after including this risk factor, Citizens expenses will still be smaller than a typical private insurer, which must buy much more reinsurance than Citizens does

Higher Model Selection

- Changes to Citizens' potential hurricane losses:
 - Citizens' growth is expected to adversely affect its hurricane indication
 - Irma now definitely shows increased litigation affects hurricane losses
- Reflection in indication:
 - OIR allows selection of any one approved model
 - Historically we selected middle of 4 models available to us
 - Must be cautious- sometimes one single model can be especially high
- For the statewide wind indication, we now give more consideration to the two highest models

Change in Proposed Indication

Exhibit 1 -Summary		Initial Indication		Updated Indication	
<u>Product Line - Personal</u>	<u>In-Force Premium</u>	<u>Uncapped Indication</u>	<u>Proposed Change</u>	<u>Uncapped Indication</u>	<u>Proposed Change</u>
Homeowners	585,327,594	12.7%	2.2%	21.9%	6.1%
Renters	1,666,781	-12.3%	-8.9%	-0.8%	0.0%
Condo Units	40,998,390	22.2%	6.3%	43.6%	9.4%
Dwelling -DP3	161,715,183	20.0%	7.2%	32.3%	9.4%
Dwelling - DP1	31,333,442	15.2%	7.3%	38.9%	9.4%
Mobile Homeowners	45,599,546	11.9%	7.5%	33.0%	9.4%
<u>Dwelling Mobile Home</u>	<u>16,315,461</u>	<u>0.6%</u>	<u>0.1%</u>	<u>17.9%</u>	<u>7.8%</u>
Total Personal Lines	882,956,397	14.3%	3.7%	25.9%	7.2%
<u>Product Line - Commercial</u>	<u>In-Force Premium</u>	<u>Uncapped Indication</u>	<u>Proposed Change</u>	<u>Uncapped Indication</u>	<u>Proposed Change</u>
Commercial Residential	36,583,331	77.8%	7.3%	94.6%	8.2%
<u>Commercial Non-Residential</u>	<u>24,725,643</u>	<u>26.4%</u>	<u>8.4%</u>	<u>69.0%</u>	<u>9.9%</u>
Total Commercial Lines	61,308,974	57.1%	7.8%	84.3%	8.9%
<u>Product Line</u>	<u>In-Force Premium</u>	<u>Uncapped Indication</u>	<u>Proposed Change</u>	<u>Uncapped Indication</u>	<u>Proposed Change</u>
Personal	882,956,397	14.3%	3.7%	25.9%	7.2%
<u>Commercial</u>	<u>61,308,974</u>	<u>57.1%</u>	<u>7.8%</u>	<u>84.3%</u>	<u>8.9%</u>
Total	944,265,371	17.1%	4.0%	29.7%	7.3%

Impact of Capping

All Personal Lines Combined - Includes sinkhole and Buildup premium						
<u>Total Capped Premium at Current</u>	<u>Rate Change Range</u>	<u>Indicated</u>	<u>Capped</u>	<u># of Policies</u>	<u>Indicated Premium Need</u>	<u>Realized Premium after capping</u>
\$75,331,439	Below -10%	-18.5%	-0.7%	25,369	(\$13,922,797)	(\$538,611)
\$80,274,973	-10% to 0%	-4.6%	-0.3%	32,199	(\$3,694,540)	(\$208,425)
\$121,593,742	0% to 10%	5.4%	5.4%	51,185	\$6,520,453	\$6,567,553
<u>\$603,392,000</u>	<u>Above 10%</u>	<u>39.6%</u>	<u>9.5%</u>	<u>344,882</u>	<u>\$238,920,307</u>	<u>\$57,582,231</u>
\$880,592,155	All Combined	25.9%	7.2%	453,635	\$227,823,422	\$63,402,748

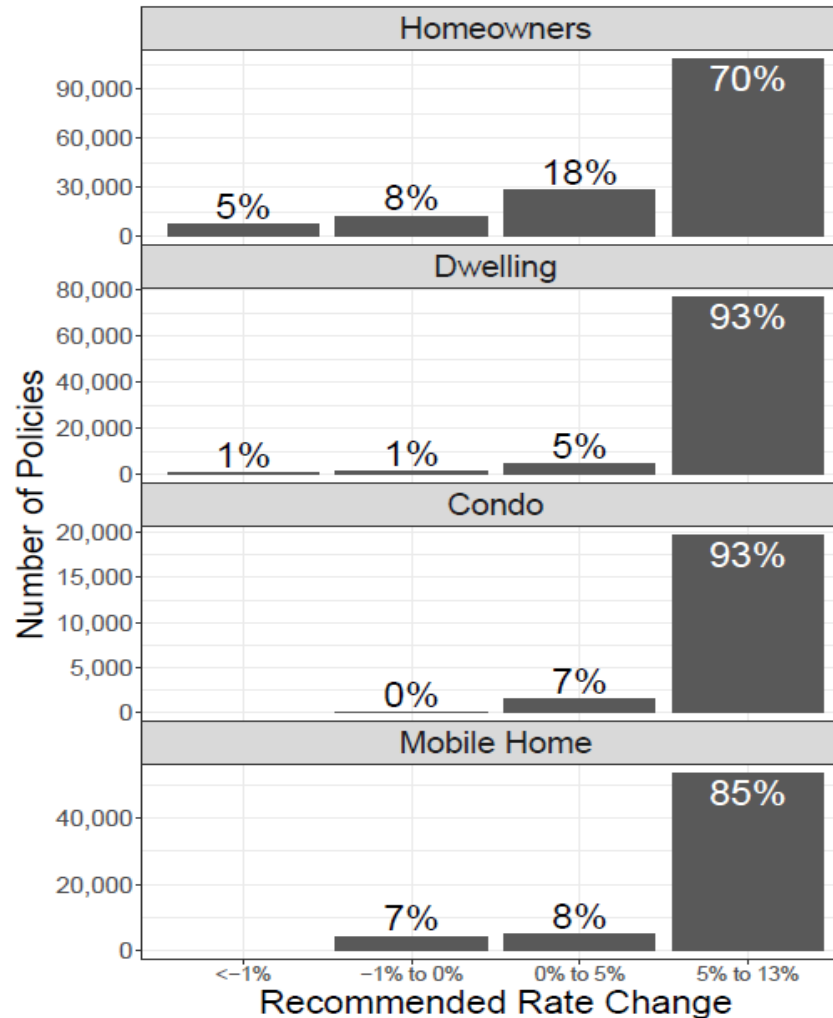
All Commercial Lines Combined - Includes Sinkhole and Buildup premium						
<u>Total Capped Premium at Current</u>	<u>Rate Change Range</u>	<u>Indicated</u>	<u>Capped</u>	<u># of Policies</u>	<u>Indicated Premium Need</u>	<u>Realized Premium after capping</u>
\$0	Below -10%	0.0%	0.0%	0	\$0	\$0
\$713,459	-10% to 0%	55.8%	-0.3%	89	\$398,412	(\$1,816)
\$37,873,364	0% to 10%	80.5%	7.6%	3,195	\$30,503,962	\$2,870,536
<u>\$22,722,152</u>	<u>Above 10%</u>	<u>91.3%</u>	<u>9.8%</u>	<u>2,019</u>	<u>\$20,755,605</u>	<u>\$2,219,859</u>
\$61,308,975	All Combined	84.3%	8.3%	5,303	\$51,657,979	\$5,088,579

All Lines Combined - Includes sinkhole and Buildup premium						
<u>Total Capped Premium at Current</u>	<u>Rate Change Range</u>	<u>Indicated</u>	<u>Capped</u>	<u># of Policies</u>	<u>Indicated Premium Need</u>	<u>Realized Premium after capping</u>
\$75,331,439	Below -10%	-18.5%	-0.7%	25,369	(\$13,922,797)	(\$538,611)
\$80,988,433	-10% to 0%	-4.1%	-0.3%	32,288	(\$3,296,128)	(\$210,241)
\$159,467,106	0% to 10%	23.2%	5.9%	54,380	\$37,024,415	\$9,438,088
<u>\$626,114,152</u>	<u>Above 10%</u>	<u>41.5%</u>	<u>9.6%</u>	<u>346,901</u>	<u>\$259,675,912</u>	<u>\$59,802,091</u>
\$941,901,130	All Combined	29.7%	7.3%	458,938	\$279,481,402	\$68,491,327

Distribution of Recommended Rate Changes by Policy for the Personal Lines Account

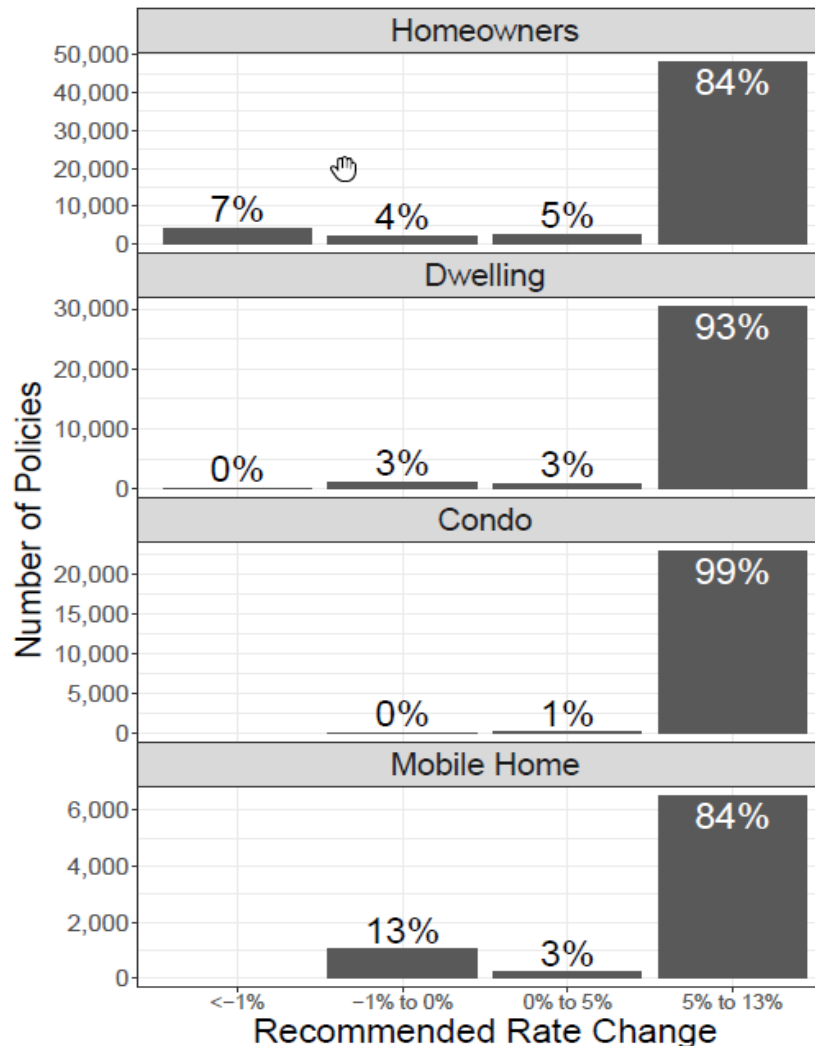


Exhibit 14
Distribution of Recommended Rate Changes by Policy
for the Personal Lines Account



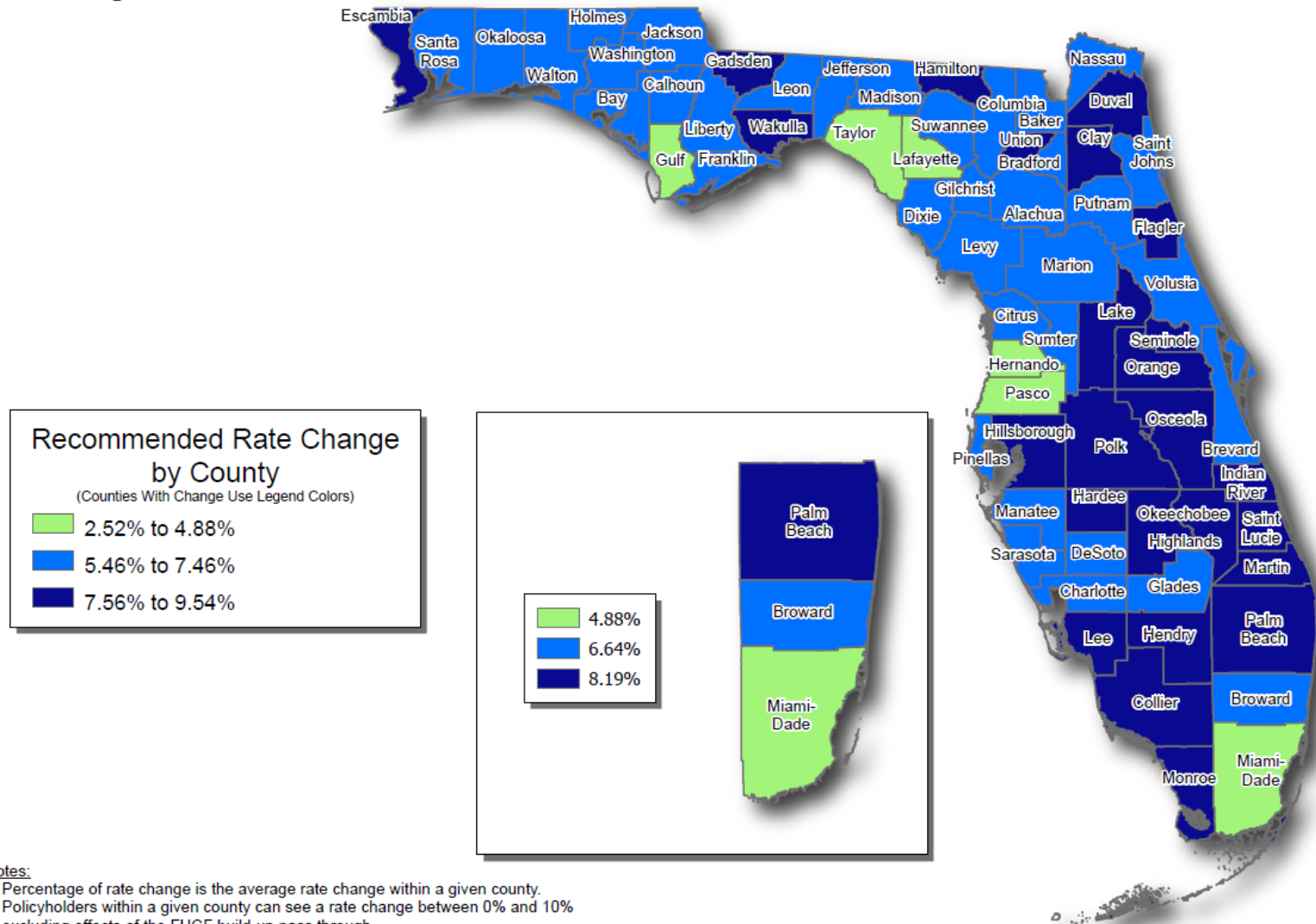
Distribution of Recommended Rate Changes by Policy for the Personal Lines in the Coastal Account

Exhibit 15
Distribution of Recommended Rate Changes by Policy
for the Coastal Account



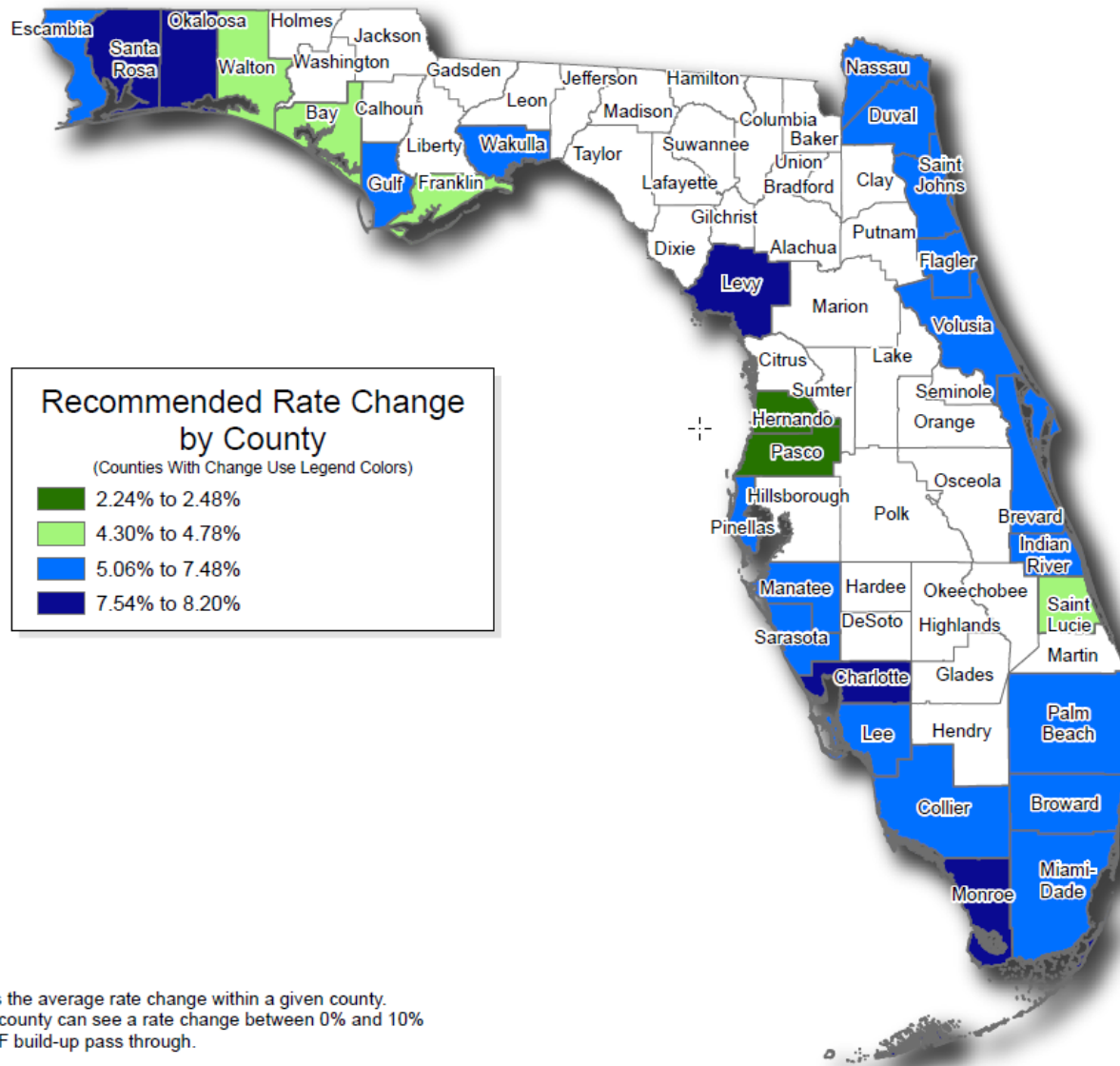
Percent of Recommended Rate Changes by County

Multi-Peril HO3 Policies



Percent of Recommended Rate Changes by County

Wind-Only HW2 Policies



Notes:

1. Percentage of rate change is the average rate change within a given county.
2. Policyholders within a given county can see a rate change between 0% and 10% excluding effects of the FHCF build-up pass through.

Uncapping New Business – Initial Estimated Impact on New Business

Policies with Decreases	Capped	Uncapped	# of	Uncapping	% of Policies
<u>Product Line - Personal</u>	<u>Average Premium</u>	<u>Average Premium</u>	<u>Policies</u>	<u>Difference</u>	<u>With Decrease</u>
Homeowners	\$3,397	\$3,264	90,346	-3.9%	42.4%
Renters	\$115	\$103	4,679	-11.0%	50.2%
Condo Units	\$1,006	\$1,002	17,516	-0.4%	39.5%
Dwelling -DP3	\$1,491	\$1,486	45,776	-0.4%	47.9%
Dwelling - DP1	\$1,134	\$1,109	9,552	-2.2%	46.7%
Mobile Homeowners	\$923	\$920	13,815	-0.3%	32.4%
<u>Dwelling Mobile Home</u>	<u>\$519</u>	<u>\$512</u>	<u>25,612</u>	<u>-1.3%</u>	<u>91.8%</u>
Total Personal Lines	\$2,075	\$2,013	207,296	-3.0%	45.7%

Policies with Increases	Capped	Uncapped	# of	Uncapping	% of Policies
<u>Product Line - Personal</u>	<u>Average Premium</u>	<u>Average Premium</u>	<u>Policies</u>	<u>Difference</u>	<u>With Increases</u>
Homeowners	\$2,371	\$2,968	122,936	25.2%	57.6%
Renters	\$210.65	\$211.01	4,651	0.2%	49.8%
Condo Units	\$965	\$1,212	26,873	25.6%	60.5%
Dwelling -DP3	\$2,111	\$2,532	49,821	20.0%	52.1%
Dwelling - DP1	\$2,089	\$2,341	10,900	12.0%	53.3%
Mobile Homeowners	\$1,257	\$1,326	28,876	5.6%	67.6%
<u>Dwelling Mobile Home</u>	<u>\$1,331</u>	<u>\$1,441</u>	<u>2,282</u>	<u>8.3%</u>	<u>8.2%</u>
Total Personal Lines	\$1,971	\$2,402	246,339	21.8%	54.3%

Updated Impact to Uncapping New Business and Capping Decreases

Personal Lines	Capped	Uncapped	# of	Uncapping	% of Policies
<u>Product Line - Personal</u>	<u>Average Premium</u>	<u>Average Premium</u>	<u>Policies</u>	<u>Difference</u>	<u>With Increases</u>
Homeowners	\$2,524	\$3,267	146,406	20.2%	68.6%
Renters	\$265.11	\$271.66	3,558	0.9%	38.1%
Condo Units	\$1,011	\$1,348	41,567	31.2%	93.6%
Dwelling -DP3	\$1,922	\$2,362	84,242	20.2%	88.1%
Dwelling - DP1	\$1,775	\$2,274	18,626	25.6%	91.1%
Mobile Homeowners	\$1,225	\$1,499	39,419	20.7%	92.3%
<u>Dwelling Mobile Home</u>	<u>\$755</u>	<u>\$856</u>	<u>17,672</u>	<u>8.4%</u>	<u>63.4%</u>
Total Personal Lines	\$1,904	\$2,421	351,490	21.1%	77.5%

HO3/HW2	Capped	Uncapped	# of	Uncapping	% of Policies
<u>Product Line - Personal</u>	<u>Average Premium</u>	<u>Average Premium</u>	<u>Policies</u>	<u>Difference</u>	<u>With Increases</u>
Monroe	\$3,791	\$5,983	7,682	55.3%	95.7%
Rest of State	\$1,716	\$2,388	73,959	32.9%	84.0%
<u>South East</u>	<u>\$3,296</u>	<u>\$3,948</u>	<u>64,765</u>	<u>10.9%</u>	<u>55.2%</u>
Total	\$2,524	\$3,267	146,406	20.2%	68.6%

Under this option, new business receives actuarially indicated increases but no decreases