

CitizensAdvisor



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

TALLAHASSEE, FL – Citizens Property Insurance Corporation's Board of Governors in December 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.

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.

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."

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.

January 6, 2021

Events

January 26 @ 10 a.m.
[Citizens Board of Governors](#)
Zoom Webinar

Spotlight



[Christine Ashburn](#)

Chief - Communications,
Legislative & External
Affairs



[Candace Bunker](#)

Director - Legislative &
Cabinet Affairs

Board receives FSU study on returning to residual insurance role

TALLAHASSEE, FL – A coordinated effort will be needed for Citizens to return to its role as Florida’s insurer of last resort, researchers for Florida State University told Citizens Board of Governors as they outlined study results in December.

Citizens, the Office of Insurance Regulation and the Florida Legislature will all play roles in what researchers say will be a long-term effort to address a host of complex challenges facing the private Florida property insurance market, the health of which is critical to any long range success.

“We have to have everybody – all the stakeholders – at the table,” said researcher Charles Nyce. “And we all have to agree on a path forward to get out of the situation that we find the state of Florida’s private residential insurance market in today.”

Citizens in April commissioned the study for FSU’s Florida Catastrophic Storm Risk Management Center following a query from Senator Jeff Brandes, R-St. Petersburg asking Citizens to look for further steps to reduce its footprint. Since then, Citizens policy count has grown by nearly 3,000 policies a week as the private market contracts in response to hurricane and non catastrophic losses, litigation, and more expensive reinsurance.

[The 236-page study](#) outlined 18 recommendations grouped into seven categories: Attracting investors, loss control, system efficiencies, data quality, analytics and transparency, financial solvency, rating reform and other miscellaneous initiatives.

Among the recommendation include improving the attractiveness in the private market by establishing a hurricane pool to relieve private carriers of that financial risk, improving building codes, and ensuring that new construction does not go directly to Citizens.

Anti-fraud initiatives through a partnership between private companies and government agencies would also provide positive results. Cost savings could be hundreds of millions of dollars.

“I don’t think any of us on the FSU team look at this as being a short-term fix,” Nyce said. “Increasing the attractiveness of the market is going to take time. Improving the environment of that market is going to take time.”

Ideally, new entrants to the Florida market would include new domestic companies but also a return of national carriers that began pulling back in Florida following Hurricane Andrew.

Major challenges include Citizens catastrophic risk exposure, a risk made more difficult to calculate given the current state of hurricane modeling methods, an evolving science. Other hinderances include third-party involvement, litigation, and fraud.

Citizens is also limited in its ability to respond to market rate increases by the statutory glidepath that prohibit annual rate increases of more than 10 percent a year for any individual policy.

Policies in Force

543,028

as of January 1, 2021

Quick Links

[Newsroom](#)

[Legislative Resources](#)

[Outreach Form](#)

[Online Sunshine](#)

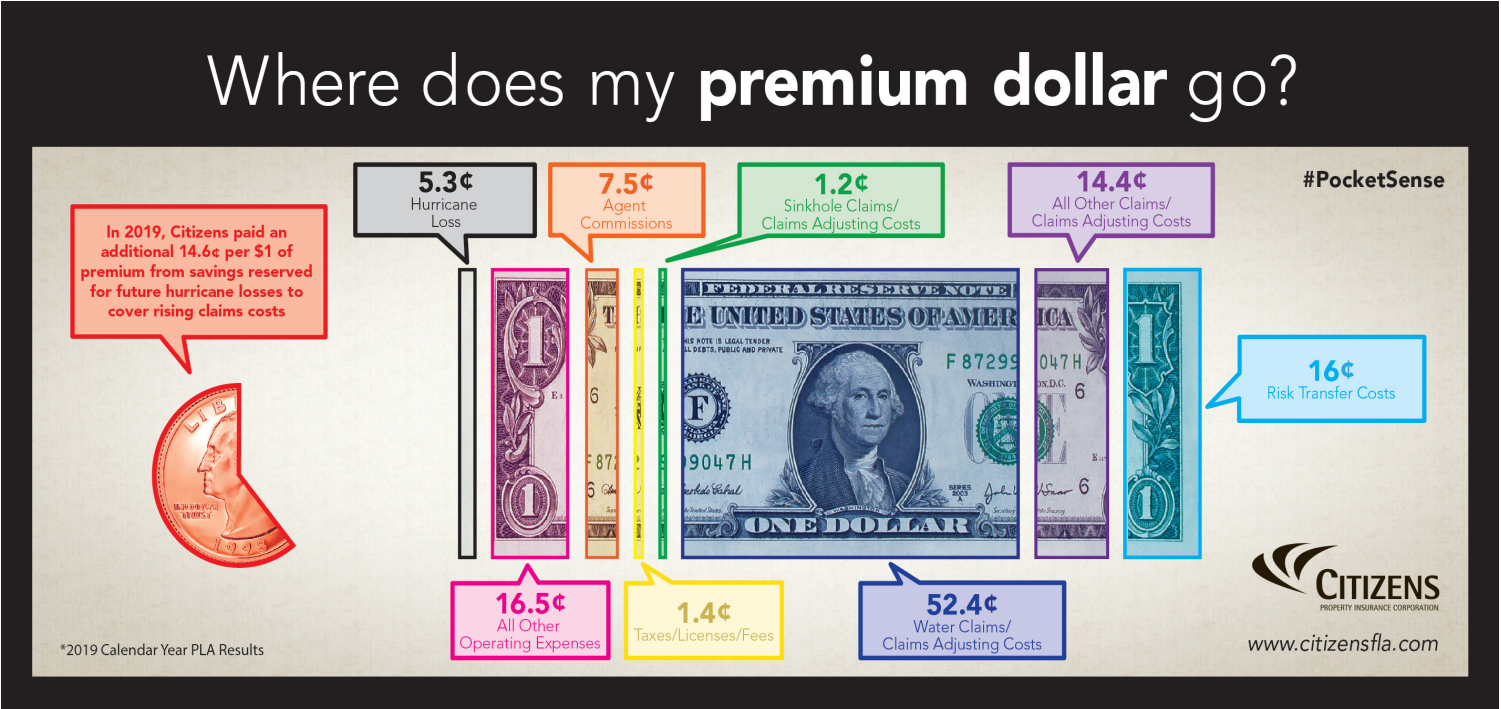
[The Florida Channel](#)

[Board of Governors](#)

[Materials](#)

f

[Unsubscribe](#)



News Links

[Citizens Insurance wants steep rate hikes to discourage new customers](#)
Sun Sentinel

[Citizens to Delay Rate Increases, For Now](#)
Insurance Journal

[Citizens Property Insurance pushes rate changes to January](#)
Tampa Bay Times

[Citizens Insurance, Florida’s Insurer of Last Resort, Looks for Higher Rates](#)
News Service of Florida via CBS 4 Miami

[With Economic Damages of \\$9B, Hurricanes Eta and Iota Topped Off Record Year: Aon](#)
Insurance Journal

[Best Downgrades Ratings of Tower Hill Prime Insurance of Florida](#)
Insurance Journal

[Insurers say RoofClaim.com’s Boca Raton Bowl title sponsorship encourages abuses](#)
Sun Sentinel