

# Citizens Property Insurance Corporation

Barry Gilway, President/CEO and Executive Director

House Insurance and Banking Subcommittee

January 13, 2021



# Overview

- In 2002, Citizens was created as a not-for-profit, tax-exempt government entity whose public purpose is to provide property insurance coverage to those unable to find coverage in the voluntary admitted market or if coverage in the voluntary admitted market is more than 15% higher than coverage with
- Created from the merger of the Florida Windstorm Underwriting Association (FWUA) and the Florida Residential Property and Casualty Joint Underwriting Association (FRPCJUA)
  - FWUA: created in 1972 as insurer of last resort to provide wind-only coverage in Monroe County. The wind-only territories of the FWUA were expanded over time to include most coastal regions
  - FRPCJUA: created in 1992 following Hurricane Andrew as an insurer of last resort for areas of the state not covered by the FWUA
- Governed by a nine-member board of Governors, three of whom are appointed by the Governor and two of whom are each appointed by the Chief Financial Officer, Senate President and Speaker of the House
- Operate pursuant to a plan of operation which is reviewed and approved by the Financial Services Commission
- Subject to regulation by the Florida Office of Insurance Regulation (OIR), Operational Reviews by the Auditor General and OIR Market Conduct Examiners, and external audits
- Citizens also has a robust Office of Internal Audit and an Inspector General

# Overview

- When Citizens was created, each of the predecessor organizations had slightly different coverage offerings and outstanding indebtedness, requiring the premium associated with each to remain aligned.
- Each of the following three accounts are separate statutory accounts and have separate calculations of surplus, plan-year deficit and assessment bases. Assets in one account may not be comingled or used to fund losses in another account. The three accounts are listed below with the types of policies written in each.
  - **Personal Lines Account (PLA)**  
Personal Residential Multiperil policies, including homeowners, dwelling fire, mobile home, tenants and condominium unit owners, These policies tend to be located further inland or in non-coastal areas of the state
  - **Coastal Account (Formerly High Risk Account)**  
Wind-only and multiperil policies for personal residential, commercial residential and commercial nonresidential risks located in eligible coastal high risk areas
  - **Commercial Lines Account (CLA)**  
Commercial Residential Multiperil policies, including condominium associations, apartment buildings and homeowners association policies  
Commercial Nonresidential Multiperil policies located outside of the coastal (HRA) eligible areas

# Eligibility

- Under Florida law, Citizens may write a new insurance policy only for property that meets one of the following eligibility criteria:
  - Coverage is not available from a Florida-authorized insurance company
  - Premiums for coverage from Florida-authorized insurance companies are more than 15 percent higher than the premiums for comparable coverage from Citizens
- In 2013, the legislature created a Property Insurance Clearinghouse to help identify private-market insurance options for consumers who believe Citizens might be their only choice for property insurance and to ensure that only customers who are eligible obtain coverage from Citizens
- Citizens' Depopulation Program, authorized by Florida law, matches Citizens policyholders with insurance companies interested in removing their policies from Citizens and providing private-market coverage for their policies. All companies assuming policies from Citizens have been approved by the OIR

# Financial Resources

- Citizens has at its disposal both the traditional resources available to all property and casualty companies that conduct business in the state as well as assessment powers granted to Citizens by law.

## Traditional Financial Resources

- Insurance Premiums
- Investment Income
- Operating Surplus from Prior Years
- Florida Hurricane Catastrophe Fund Reimbursements
- Traditional Reinsurance and Capital Markets Risk Transfer

## Unique Financial Resources

- Citizens' Policyholder Surcharges (All Citizens policyholders)
- Regular Assessments (Coastal only)
- Emergency Assessments
- Pre-event liquidity resources (debt issuances and lines of credit which, if drawn upon, must be repaid)

# Assessments



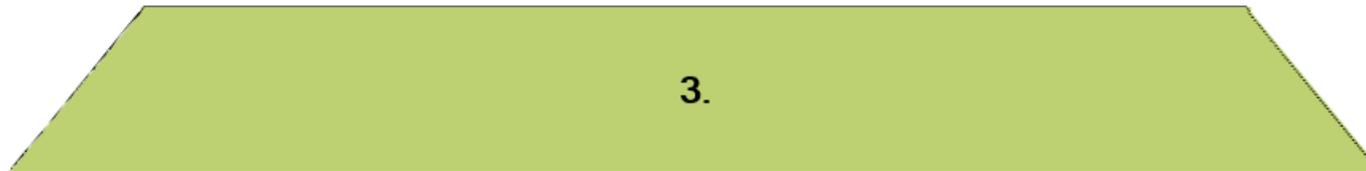
## **Citizens Policyholder Surcharge**

Up to 15% per account for Coastal Account, PLA, and/or CLA deficits  
Applies at new business/renewal for all Citizens' policyholders



## **Regular Assessment**

Up to 2% for Coastal Account deficits  
Applies at new business/renewal for all non-Citizens' policyholders



## **Emergency Assessment**

Up to 10% per year per account for Coastal Account, PLA and/or CLA deficits  
Applies at new business/renewal for all Citizens' and non-Citizens' policyholders

# Assessments

Year	Account	Principal Storm(s)	Regular Assessment Amount	Emergency Assessment Amount
2005	HRA	Hurricanes Dennis, Katrina, Rita, Wilma	\$163 million*	\$1,384 million
2004	HRA	Hurricanes Charley, Frances, Ivan, Jeanne	515.4 million	
1998	HRA	Hurricane Georges and Tropical Storm Mitch	100.0 million	
1995	PLA	Hurricane Opal	22.8 million	
1995	HRA	Hurricane Opal	84.0 million	
1995	HRA	Hurricane Erin	33.0 million	
1994	PLA	Non-hurricane	17.7 million	
1993	HRA	Winter Storm	3.2 million	
1992	HRA	Hurricane Andrew	16.2 million	
1985	HRA	Hurricane Elena	3.2 million	
1975	HRA	Hurricane Eloise	5.0 million	

- The 2005 Emergency Assessment was terminated for policies issued or renewed beginning on July 1, 2015
- Currently, no assessments are being levied by Citizens

\* 2005 Regular Assessments were eliminated in the PLA/CLA and reduced in the HRA due to the receipt of a \$715 million, one-time appropriation from the Legislature.

# Financial Overview

Financial Summary (in billions)	YTD			Book of Business	Nov-2020	Change Last Mth	Change Last Yr
	Q3-2020	2019	2018				
Surplus <sup>1</sup>	\$6.4	\$6.3	\$6.2	Total Premium Inforce	\$1.169B	3.2%	33.8%
100-YR PML <sup>2</sup>	\$5.3	\$4.6	\$4.7	Average Premium - PLA	\$1,953	1.2%	14.1%
Claims-Paying Capacity <sup>3</sup>	\$10.3	\$11.0	\$11.5	Average Premium - Coastal	\$2,825	0.7%	10.1%
Total Cash and Invested Assets	\$8.8	\$8.9	\$9.3	Average Premium - CLA	\$18,361	0.3%	12.5%

<sup>1</sup> Accumulated Surplus is determined in accordance with Statutory Accounting Principles (SAP).

<sup>2</sup> As of Q4-2014, Single-event occurrence Probable Maximum Loss ("PML") includes demand surge, excludes storm surge, and does not include LAE.

<sup>3</sup> Claims Paying Capacity consists of (1) 2020 Q3 Statutory Surplus, (2) risk transfer for 2020-21 hurricane season (including FHCF coverage), and (3) par value of pre-event bonds. Please note that this figure shows resources on a combined basis. However, resources are specific to each account and may not be used to fund needs in another account

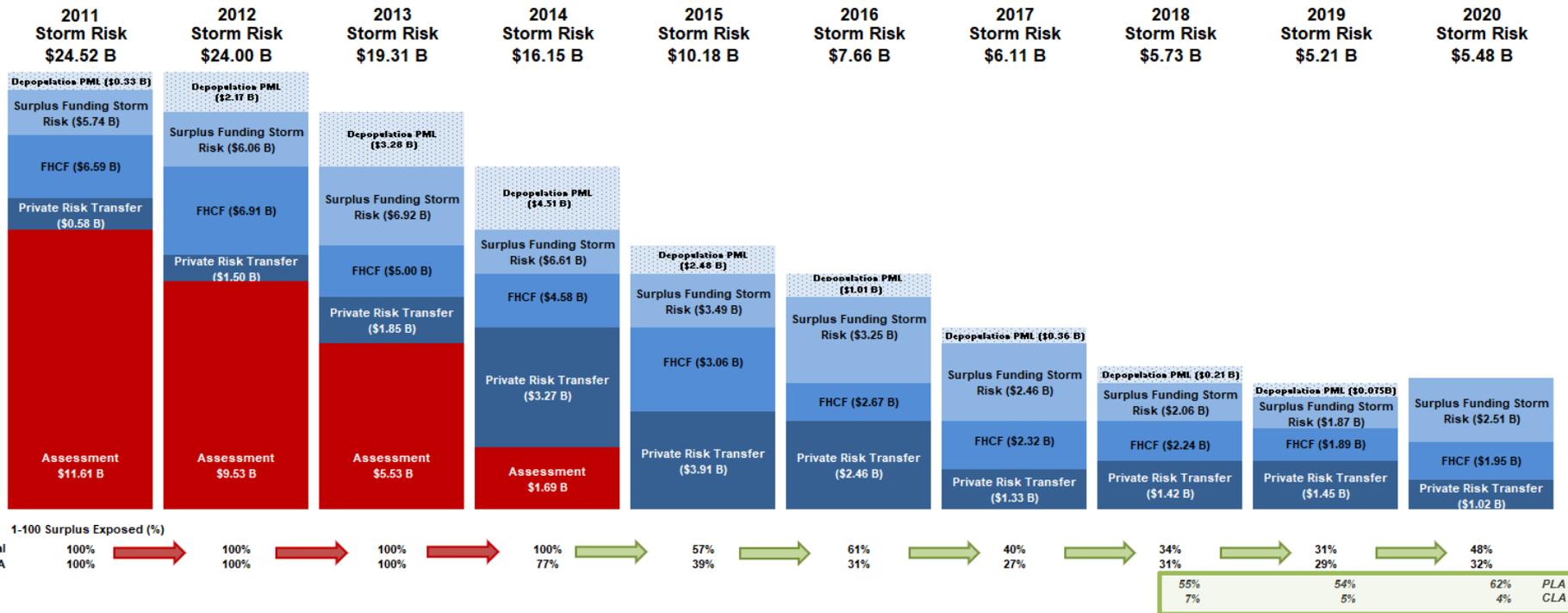
- While Citizens continues to retain a strong financial position, the PLA sustained net losses each year from 2015 – 2019. The PLA is projected to have net income of \$3.1 million in 2020 and a net loss of \$43.2 million in 2021. Through September 2020, the PLA had (unaudited) net income of \$18.3 million, however, contributing to this was net investment income of \$40.8 million. PLA net income (loss) in prior years are as follows:

- Sept 2020 (unaudited): \$ 18,322,000
- 2019 (audited): (\$ 6,861,000)
- 2018 (audited): (\$135,862,000)\*
- 2017 (audited): (\$555,475,000)\*
- 2016 (audited): (\$ 35,017,000)
- 2015 (audited): (\$ 21,489,000)

\*Primarily driven by hurricane losses (Irma and Michael)



# Risk and Assessment Reductions



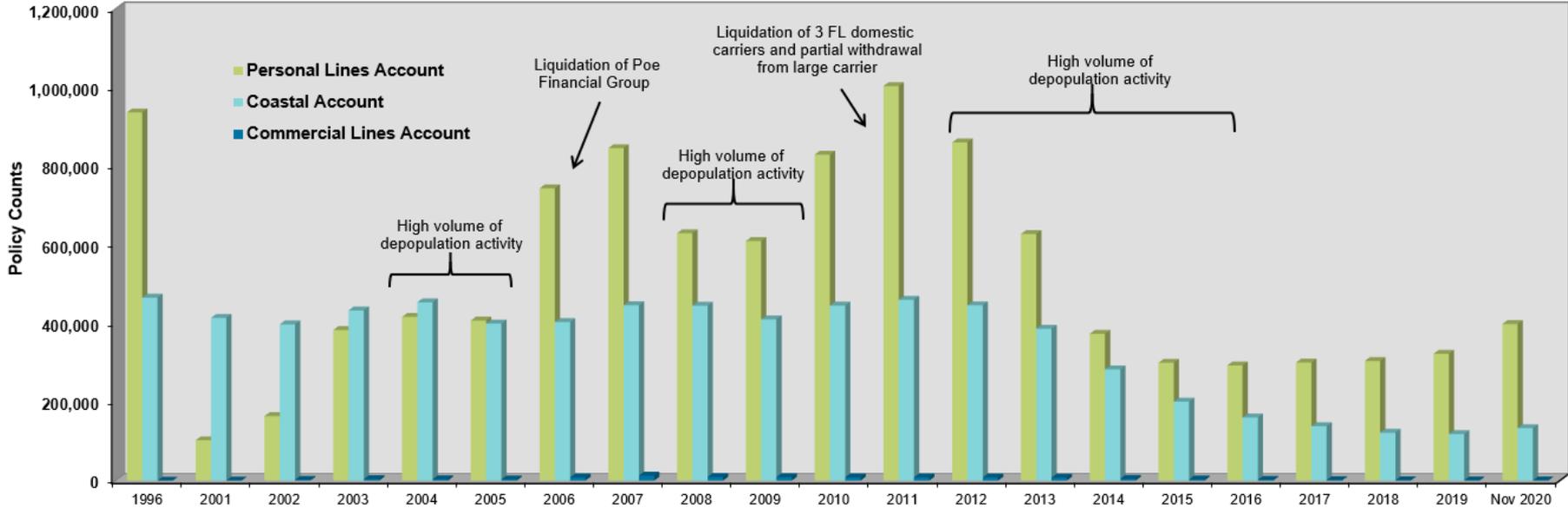
**Notes:**

- Storm Risk is as measured by 1-in-100 year probable maximum loss (PML) plus estimated loss adjustment expenses using the Florida Hurricane Catastrophe Fund (FHCF) account allocation where PLA and CLA are combined. PLA/CLA combined PMLs are added to the Coastal PMLs to be consistent for surplus distribution. In general, the PMLs presented are as projected at the beginning of storm season; with the exception of 2017 which is as of August 31, 2017.
- Surplus and Assessments are as projected at beginning of storm season. Not all PLA/CLA surplus is needed to fund storm risk in 2014. In 2015 - 2020, not all surplus in PLA/CLA and the Coastal Account is needed to fund storm risk. Remaining surplus is available to fund a second event.
- Florida Hurricane Catastrophe Fund (FHCF) is as projected at beginning of storm season; with the exception of 2017 and 2018 which are Citizens' initial data submission to the FHCF.
- Depopulation PMLs are not included in storm risk totals and are presented as year end totals. PMLs from 2011-2014 use a weighted average of 1/3 Standard Sea Surface Temperature (SSST) and 2/3 Warm Sea Surface Temperature (WSST). 2015 - 2019 PMLs reflect only SSST event catalog. 2020 Depopulation PMLs are not yet available for inclusion in this exhibit.

VALUES ARE NOT DRAWN TO SCALE



# History of Policies In-Force



	Personal Lines Account	Coastal Account	Commercial Lines Account	Total
1996	936,837	465,739	0	1,402,576
2001	102,792	414,123	198	517,113
2002	164,274	397,676	2,157	564,107
2003	383,283	433,077	3,863	820,223
2004	416,521	453,765	3,650	873,936
2005	407,387	399,417	3,145	809,949
2006 <sup>(2)</sup>	743,592	403,509	8,347	1,298,428
2007	845,857	446,184	12,908	1,304,949
2008	629,467	445,200	9,570	1,084,237
2009	609,652	410,436	9,126	1,029,214
2010	829,406	445,679	8,453	1,283,538

	Personal Lines Account	Coastal Account	Commercial Lines Account	Total
2011	1,003,856	460,161	8,374	1,472,391
2012	860,502	446,163	8,146	1,314,811
2013	627,391	386,688	7,615	1,021,694
2014	373,617	282,863	4,681	661,161
2015	299,902	200,842	3,121	503,865
2016	293,118	160,834	1,891	455,843
2017	300,507	138,591	1,308	440,406
2018	304,507	121,971	919	427,397
2019	322,792	118,673	738	442,203
Nov 2020	398,462	133,603	723	532,788

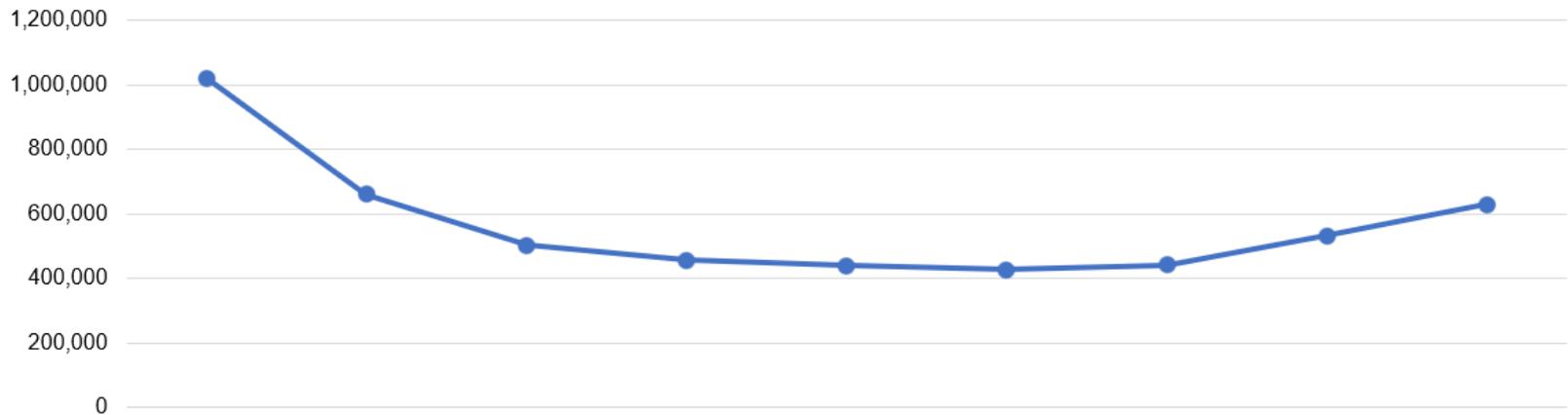
**Notes:**

- 1) Excludes takeout policies
- 2) In 2006, there were 142,980 policies assumed from the Poe Financial Group included in Citizens' total policy count. As these policies remained on the Poe system at the end of that calendar year, they are not allocated at the account level.



# Policy Count Trend

## Citizens' Policy Count Trend

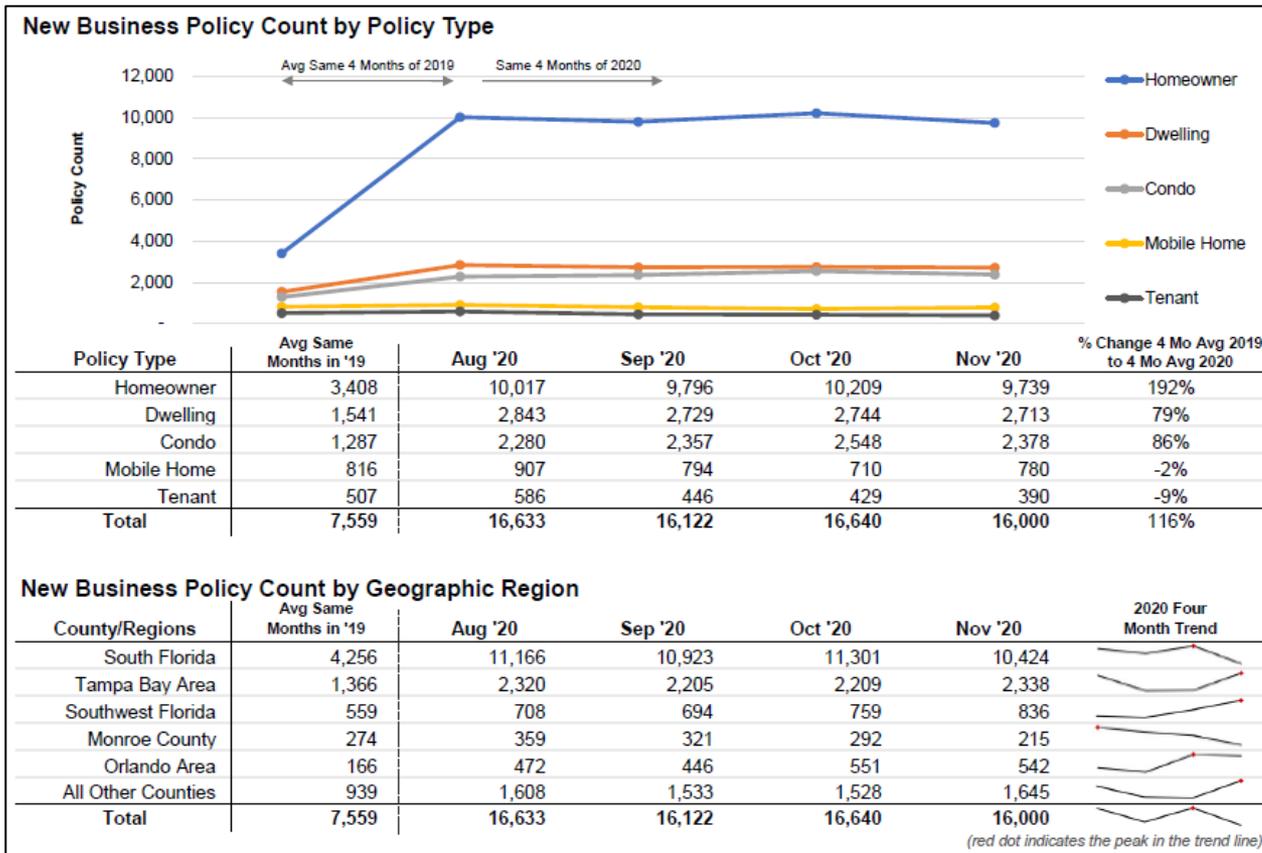


	2013	2014	2015	2016	2017	2018	2019	2020 Projected	2021 Projected
<b>Citizens' Policy Count</b>	1,021,694	661,161	503,865	455,843	440,406	427,397	442,203	532,135	630,257

# New Business Trends

## Citizens' Footprint: New-Business Trend (Aug-Nov 2019 Average vs. 2020)

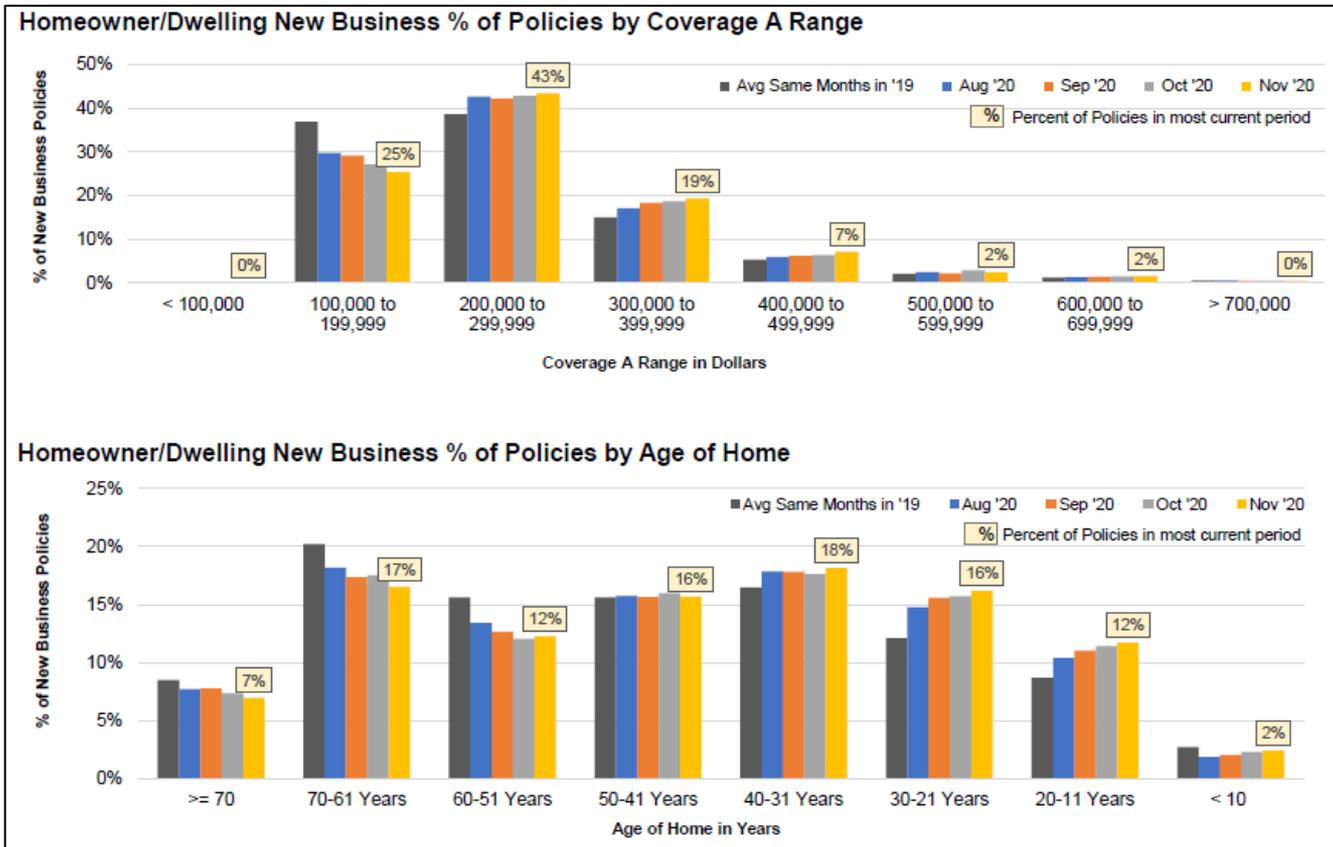
### Personal Residential Policy Types



# New Business Trends

## Citizens' Footprint: New-Business Trend (Aug-Nov 2019 Average vs. 2020)

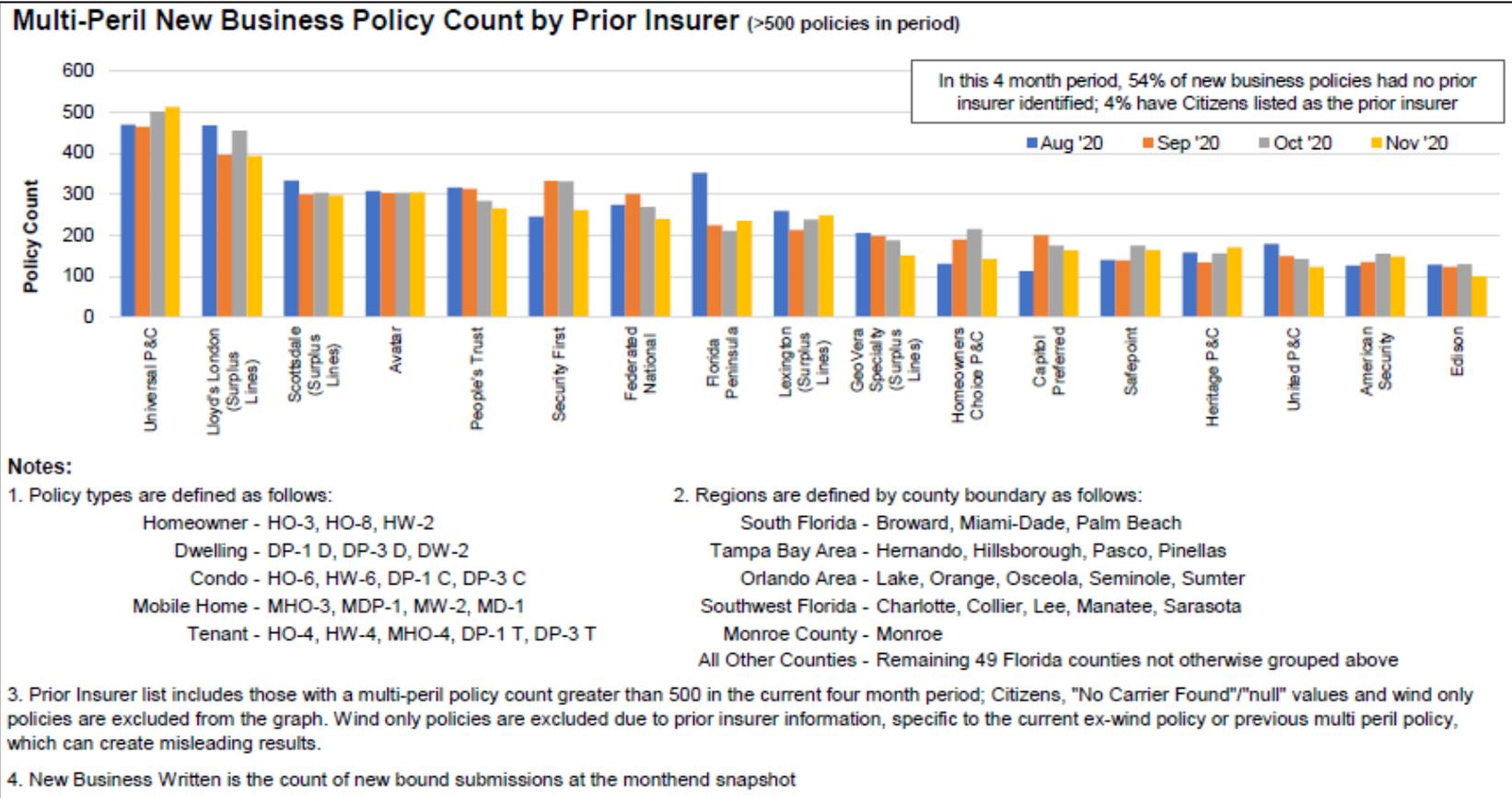
### Personal Residential Policy Types



# New Business Trends

## Citizens' Footprint: New-Business Trend (Aug-Nov 2019 Average vs. 2020)

### Personal Residential Policy Types



# Financial Trends for Florida Domestic Insurers

## Financial Trends for Florida Domestic Insurers

(\$000's Omitted)

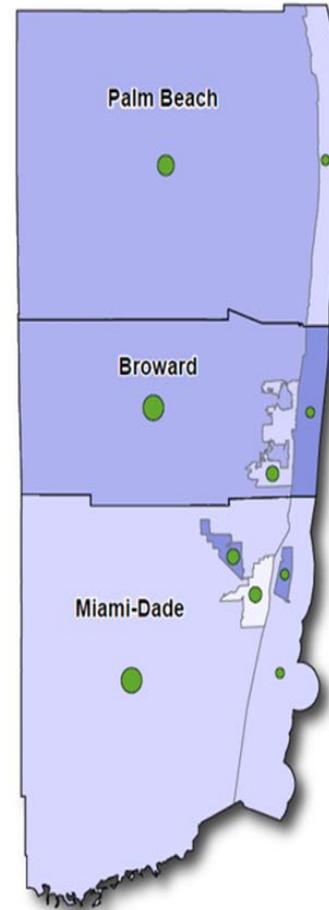
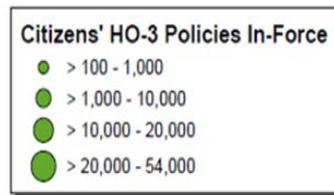


	2013	2014	2015	2016	2017	2018	2019	2020 YTD
<b>Net Income/Loss</b>	\$347,337	\$447,159	\$462,668	(\$13,772)	(\$142,445)	(\$150,696)	(\$372,269)	(\$727,361)
<b>Net Underwriting Gain/Loss</b>	\$416,010	\$577,643	\$532,630	(\$194,112)	(\$426,472)	(\$414,266)	(\$725,099)	(\$1,260,208)

# Citizens Homeowners Rates Compared to Industry

Tri-County Percent Difference to HO-3 Average Premium by Citizens' Territories

	Palm Beach	Broward	Miami-Dade	Tri-County
Citizens' Policy Count	16,530	40,444	63,281	120,255
<b>Citizens P&amp;C</b>	<b>\$3,404</b>	<b>\$3,894</b>	<b>\$4,149</b>	<b>\$3,961</b>
Company 1	\$4,298	\$4,508	\$4,747	\$4,605
Company 2	\$5,039	\$4,168	\$4,698	\$4,567
Company 3	\$5,008	\$5,317	\$5,592	\$5,419
Company 4	\$3,418	\$4,348	\$4,935	\$4,529
Company 5	\$2,698	\$3,636	\$4,427	\$3,924
Company 6	\$4,694	\$5,009	\$5,140	\$5,035
Company 7	\$4,123	\$4,234	\$5,015	\$4,630
Company 8	\$5,189	\$5,014	\$5,359	\$5,219
Company 9	\$5,134	\$8,200	\$7,969	\$7,657
Company 10	\$3,995	\$4,782	\$5,421	\$5,010
Company 11	\$3,474	\$4,969	\$5,058	\$4,810
Company 12	\$3,514	\$4,876	\$5,757	\$5,153
Company 13	\$2,977	\$3,505	\$3,684	\$3,526
Company 14	\$6,078	\$5,494	\$6,851	\$6,288
<b>Competitor Average</b>	<b>\$4,260</b>	<b>\$4,861</b>	<b>\$5,332</b>	<b>\$5,027</b>
<b>% Difference</b>	<b>(20%)</b>	<b>(20%)</b>	<b>(22%)</b>	<b>(21%)</b>



**91%** of Citizens' HO-3 policies are charged **LESS** than the average competitor's rate.

# Citizens Rates

Prior to 2007, rates were required to be non-competitive with the private market.

Rates for personal and commercial residential policies were frozen by statute from January 1, 2007 through December 31, 2009.

Rates are now required to be actuarially sound, but not to exceed 10% increase annually per policy, excluding the Florida Hurricane Catastrophe Fund Rapid Cash Build-Up Factor.

Citizens Board makes annual recommended rate changes to the Office of Insurance Regulation (OIR) and they establish rates for Citizens.

Citizens is not required to purchase reinsurance at the same level as the private market is required. 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 Homeowners multiperil and wind-only indication would nearly triple.

# Citizens Rates

In December 2011, Citizens requested an outside legal opinion as to whether it was permissible under Florida law to charge new policyholders the full actuarially indicated rates.

The outside legal opinion stated that “the applicable statutes and rating principles would permit Citizens...to charge new policyholders the approved actuarially appropriate rate, while applying the statutorily mandated limit on increases only to renewing policyholders.”

In July 2012 the Board decided not to move forward with asking the Office of Insurance Regulation (OIR) to consider actuarially sound rates for new business.

In June 2020, Senator Jeff Brandes asked that Citizens again consider recommending to OIR that new customers be charged the fully indicated actuarial rate.

In December 2020, Citizens requested OIR review the relevant statutes and legal opinions and provide feedback on charging actuarially sound rates for new business.

# Citizens Rates

For Personal lines, charging actuarially sound rates for new business does not lead to across-the-board higher rates for all new business policies.

In Personal Lines, 45.7% of current policies would see an average decrease of -3.0% if they were charged the actuarially sound rate and 54.3% would have an average increase of 21.8%.

It is important to note that these changes are averages. For Personal Lines, there are outliers that would have rate increases as high as 200%.

For Commercial, charging new business actuarially sound rates would lead to mostly across-the-board higher rates for new business. There are a few exceptions for Commercial Residential Multiperil.

There would be some territories where the Commercial Residential Wind-Only rates would be 100% higher than the current rate.

Ultimately, Citizens recommends rate changes to the OIR, who make the final determination to Citizens' rate level. As in prior years, the rate filings submitted to the OIR will include all information regarding the full indicated rates and the actual premium impact after application of the 10% glide path.

# Clearinghouse

## Carrier Participation

Company	Policy Type	Homeowners (Multiperil)	Homeowners (Wind-Only)	Dwelling	Condo	Mobile Home
American Traditions		X				
Safe Harbor / Cabrillo		X		X	X	X
Capitol Preferred		X				
Edison		X			X	
FedNat		X			X	
Florida Peninsula		X			X	
Heritage		X				
Monarch		X				
Southern Oak		X	X	X	X	
UPC		X				
Weston			X			

# Clearinghouse

## Initial Eligibility – Newly Purchased Home



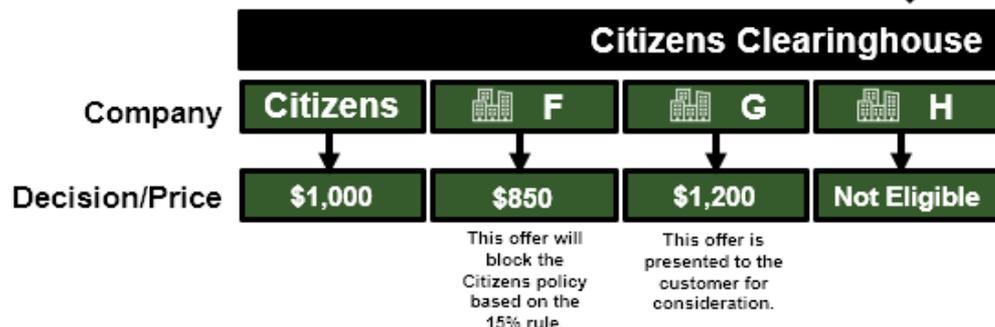
A customer is buying a home and needs insurance. The customer connects with an insurance agency and requests a quote.



The agency presents the risk to companies they are appointed with. The companies return a decision and price.



A.) If the price is acceptable, the customer purchases the policy. The risk never comes to Citizens  
 B.) If the price is not acceptable to the customer, the risk is ineligible, or the other companies are closed, the agency runs the risk through Citizens Clearinghouse.



Agent presents the risk to Clearinghouse. Clearinghouse returns a decision and price for the companies within the Clearinghouse that have connected to that agent (every agent does not have a connection to every clearinghouse company).  
 If no offers are provided from other carriers, or the other offers are greater than 15% more than the Citizens offer, the risk may be placed with Citizens.

## New Business Results

Policy Type	Submissions	Received Offer but eligible for Citizens	% Receiving Offer	Deemed Ineligible for Citizens	Ineligible %	Deemed Uninsurable with Citizens	Uninsurable %	% Eligible For New Policy
<b>HO-3 New Business</b>	250,576	21,359	8.52%	17,259	6.89%	2,754	1.10%	92.01%
<b>Dwelling New Business</b>	55,992	343	0.61%	254	0.45%	618	1.10%	98.44%
<b>HO-6 New Business</b>	39,557	1,811	4.58%	1,703	4.31%	261	0.66%	95.04%
<b>Wind Only New Business</b>	30,702	1,812	5.90%	2,994	9.75%	926	3.02%	87.23%
<b>Mobile Home New Business</b>	10,874	295	2.71%	11	0.10%	176	1.62%	98.28%
<b>Total</b>	<b>387,701</b>	<b>25,620</b>	<b>6.61%</b>	<b>22,221</b>	<b>5.73%</b>	<b>4,735</b>	<b>1.22%</b>	<b>93.05%</b>

# Clearinghouse

## Continuing Eligibility (Renewals)



**Example risks they want:**

- Agent
- Location
- Prior claims
- Capacity

**Example agents they want:**

- Captive
- Independent
- Existing relationship

Note: Carriers are not required to bid on all renewals.

<b>Clearinghouse Outcomes</b>	<b>No Offers</b>	<b>Offers</b> Risk is still eligible to remain with Citizens.	<b>Offers</b> Making Citizens ineligible	There are three outcomes.
<b>Policyholder Options</b>	Renew with Citizens	Take the other offer* or renew with Citizens	Must take the offer* or obtain a new policy	* The customer might receive only one offer, or they may receive several offers.
<b>Role of the Agent</b>		The agent is required to share other offers with the policyholder and must submit new policy if desired.	The agent must submit the new policy to the offering carrier.	When offers are made the agent is required to get involved. <ul style="list-style-type: none"> <li>• If offer is made that policyholder would like to pursue or the risk is deemed ineligible with Citizens, the agent <b>must</b> secure coverage for the policyholder using Clearinghouse to transfer data to the other carrier's website.</li> </ul>
<b>Policyholder Communication</b>	Renewal Offer from Citizens		Notice of Nonrenewal	

## Policyholder Communication

### 90-Day Notice “Important Information about Your Upcoming Policy Renewal”

[Redacted]

Date of Notice: October 10, 2020

[Redacted]

**CITIZENS**  
PROPERTY INSURANCE CORPORATION

301 W Bay St  
Jacksonville FL 32202  
www.citizensfa.com

Location of Residence Premises:  
[Redacted]

Policy Number: [Redacted]

**Important Information about Your Upcoming Policy Renewal**

Dear [Redacted]:

Your Citizens policy is due to renew in approximately 90 days. As your renewal period approaches, Citizens would like to make you aware of several important factors that may affect your policy renewal.

**Property Insurance Clearinghouse:** In compliance with Florida law, Citizens uses its Property Insurance Clearinghouse to determine whether private-market coverage is available for certain renewal policy types. If your policy is impacted and the clearinghouse identifies a private-market company willing to offer you comparable coverage with a premium equal to or less than your Citizens premium, your Citizens policy will be nonrenewed, and you will receive information about any private-market offers available to you through the clearinghouse. If you receive a nonrenewal notice, contact your agent immediately to discuss your coverage options. Learn more about the clearinghouse and impacted policy types at <https://www.citizensfa.com/web/public/clearinghouse>.

**Renewal Terms and Conditions:** If your policy meets Citizens' renewal criteria, you will receive your renewal offer approximately 50 days before your policy's expiration date. Review this information carefully. Any changes made to your policy terms, coverage, duties or conditions will be outlined in a Notice of Change in Policy Terms, which will be included with your renewal documents.

**Policyholder Assessments:** Citizens policyholders can be required to pay an assessment on their policy premium if Citizens does not have the resources to pay claims following a major hurricane or series of storms. This assessment, which would be imposed only if significant losses are incurred by Citizens, could be significant. The Acknowledgement of Potential Surcharge and Assessment Liability included with your policy outlines your assessment potential. Private-market policyholders can be subject to pay a much lower assessment amount. Calculate the potential true cost of your Citizens policy at <https://www.citizensfa.com/web/public/assessments>.

In addition to reducing your assessment potential dramatically, private-market coverage also may offer more comprehensive coverage and personalized options than are available through Citizens. Contact your agent if you have questions about your renewal or to learn whether you are eligible to receive the benefits of private-market coverage. Additional information about private companies writing coverage in your area is available from the Florida Market Assistance Plan (FMAP) at [www.fmap.org](http://www.fmap.org) or 800.524.9023.

This notice is provided as a courtesy and may not be provided with future renewals.

PR RNWL 11 15

### 51-Day Notice “Notice of Nonrenewal”

[Redacted]

Date of Notice: November 18, 2020

[Redacted]

**CITIZENS**  
PROPERTY INSURANCE CORPORATION

301 W Bay St  
Jacksonville FL 32202  
www.citizensfa.com

Location of Residence Premises:  
[Redacted]

Policy Number: [Redacted]  
First Named Insured: [Redacted]

**NOTICE OF NONRENEWAL**  
EFFECTIVE January 8, 2021, 12:01 A.M. Eastern Time

Policy [Redacted] is not being renewed by Citizens Property Insurance Corporation (Citizens). This policy will not provide any protection after the date and time specified above. The reason for this action is:

Citizens Property Insurance Clearinghouse identified one or more private-market offers for comparable coverage with a premium equal to or less than your Citizens renewal premium. As a result, your property is ineligible for Citizens coverage. **Immediate action is required to ensure that you do not experience a gap in coverage.**

The clearinghouse was established to provide homeowners with greater access to Florida's expanding insurance market, reducing the number of homeowners with no option other than Citizens. Florida law requires that Citizens submit all renewal policies to the clearinghouse to determine whether comparable private-market coverage is available. If a qualifying offer of coverage is available with a premium equal to or less than the Citizens premium for comparable coverage, Citizens is prohibited from renewing the policy.

The following offer(s) of coverage were extended to you by companies participating in the clearinghouse. You are not required to accept any of these offers but must purchase coverage outside of Citizens. We encourage you to contact your agent immediately to learn more about your available coverage options and secure coverage for your property.

Although you are ineligible for Citizens renewal, your Citizens renewal premium would have been: \$1,720.00

Available offers of coverage by carrier	Premium amount
WESTON INSURANCE COMPANY	\$1,628.00

To learn more about your coverage options, contact your agent at 866-351-3054.

Citizens Property Insurance Corporation

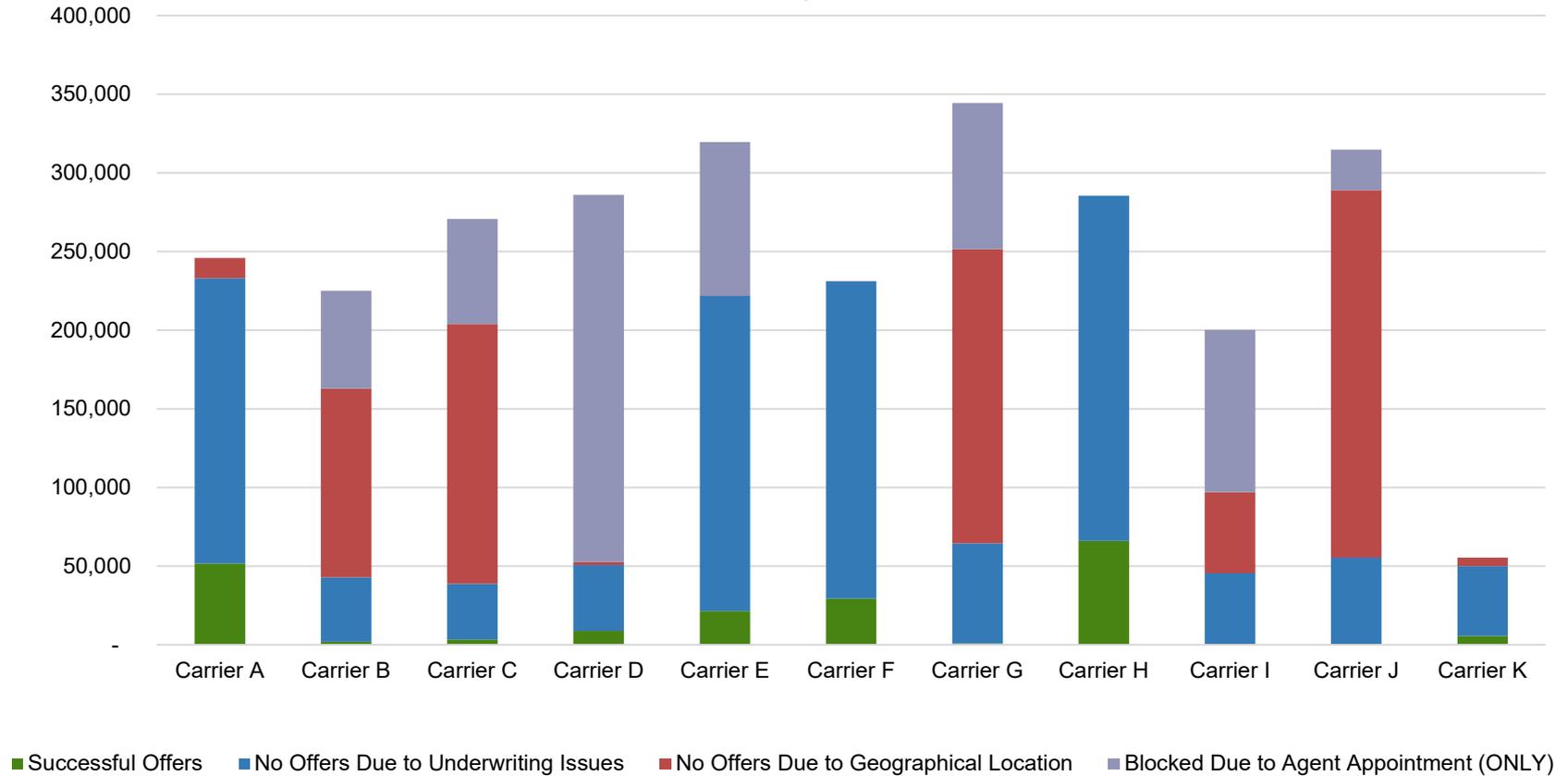
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## Renewal Results

Policy Type	Submissions	Received Offer but eligible for Citizens	% Receiving Offer	Deemed Ineligible for Citizens	Ineligible %	% Eligible to Remain
HO3 Renewals	130,521	1,195	0.92%	41	0.03%	99.97%
Dwelling Renewals	56,182	44	0.08%	2	0.00%	100.00%
Wind Only Renewals	32,863	769	2.34%	421	1.28%	98.72%
HO6 Renewals	26,416	280	1.06%	13	0.05%	99.95%
Mobile Home Renewals	25,633	0	0.00%	17	0.07%	99.93%
<b>Total</b>	<b>271,615</b>	<b>2,288</b>	<b>0.84%</b>	<b>494</b>	<b>0.18%</b>	<b>99.82%</b>

# Clearinghouse Submission and Outcome (Jan – Sept 2020)

## Submission Results by Carrier (Volume)



# Depopulation

## Assumption Process Overview



The Takeout carrier expresses interest in being involved in a depopulation and request policy data from Citizens.



Takeout companies will select policies based on their desired risks profile.



# Depopulation

## Policyholder Communication

Citizens will mail the Policyholder Choice packet to the policyholder approximately 48-days prior to the assumption.

**Policyholder Choice Offer Form**

The choice to accept an offer from a private-market insurance company or remain with Citizens is yours to make. Follow the instructions below to register your decision with Citizens.

- Review the available private market insurance offer(s).
- Review the Coverage Worksheets included with this notice. Visit [www.citizensfl.com/online-choice](http://www.citizensfl.com/online-choice) for more information.
- Decide which offer is right for you. We encourage you to speak with your agent to determine the best choice for your needs.
- Register your choice by «insert due date», using one of the following methods:
  - Contact your agent «insert Agent Name», at «INSERT AGENT PHONE» (OR)
  - Visit [www.citizensfl.com/online-choice](http://www.citizensfl.com/online-choice). Enter your policy #, «insert policy #», and registration code, «insert registration code».

If you do not register your choice by «insert due date», Citizens will select an offer on your behalf.

Available Policyholder Choice Offers	Estimated Renewal Premium*
«insert name»	<DOLLAR>
Remain with Citizens	<DOLLAR>

Please be aware of the following important information:

- You must pay all Citizens premiums due for the current policy term.
- Even if you choose to remain with Citizens, you may continue to receive future offers from private-market insurance companies interested in removing your policy from Citizens. Also, prior to your policy's renewal, it may be entered into Citizens Property Insurance Clearinghouse to determine whether private-market coverage is available that could make you eligible to remain a Citizens policyholder.

\* Estimated renewal premiums are based on current approved rates and policy information. The estimated renewal premium is provided for informational purposes only and is subject to change. It includes all fees and taxes, and assumes there are no changes to your coverage, deductibles, and mitigation credits, policy fees, surcharges or rates.

Policyholder Choice Form

Citizens Property Insurance Corporation  
Depopulation Unit  
2101 Maryland Circle  
Tallahassee, FL 32303

Date of Notice: «Date»

**CITIZENS**

Policy Number: «Policy #»  
«PROPERTY ADDRESS»  
«CITY», «ST» «ZIP»

«FIRST NAMED INSURED»  
«MAILING ADDRESS»  
«CITY», «ST» «ZIP»

Dear «FIRST NAMED INSURED»:

When you applied for coverage with Citizens Property Insurance Corporation, you were notified that your policy could be removed from Citizens if coverage became available in the private market. This letter is to inform you that one or more private-market insurance companies have offered to remove your policy from Citizens and assume coverage of the property listed above, on «Assumption Date». All companies offering coverage are Florida-licensed insurance companies approved by the Florida Office of Insurance Regulation to provide coverage to Citizens policyholders.

The choice to accept an offer from one of these insurance companies on the enclosed Policyholder Choice Offer Form or remain with Citizens is yours to make. To help you make your choice, detailed coverage information and estimated premiums for the offers are also enclosed. Your agent will not change and will continue to service your insurance needs.

Citizens offers two ways to register your choice. You either must:

- Contact your agent listed below. Your agent can help you determine which offer is best for you and can register your choice.
- Visit [www.citizensfl.com/online-choice](http://www.citizensfl.com/online-choice) to register your choice. You'll need your policy number and registration code, which are listed on the enclosed Policyholder Choice Offer Form.

**Note:** If you do not register your choice by «insert Due Date», Citizens will select one of the offers on your behalf.

Please carefully consider the potential benefits of private-market coverage:

- As a Citizens policyholder, you could be required to pay an assessment on your policy premium if Citizens does not have the resources to pay claims following a major hurricane or series of storms. This assessment would be imposed only if Citizens incurs substantial losses but could be significant. If you are insured by a private-market company, the assessment would be lower.
- The private-market coverage offered may be more comprehensive than your current Citizens policy. To learn how the available offer(s) of coverage compare to your Citizens policy, carefully review the coverage comparisons included with this notice and consult your agent.

If you have any questions regarding this important decision, I strongly encourage you to visit [www.citizensfl.com/flpoppr](http://www.citizensfl.com/flpoppr) and contact your agent, «Agent Name», at «AGENT PHONE #».

I hope you will give the offer(s) serious consideration.

*Barry J. Gilkey*  
Barry J. Gilkey  
President/CEO and Executive Director

DEPOP-PHCL-1 02 18

Policyholder Choice Letter

**MHO-3 Coverage Worksheet**  
Multi-Restatement

**CITIZENS**

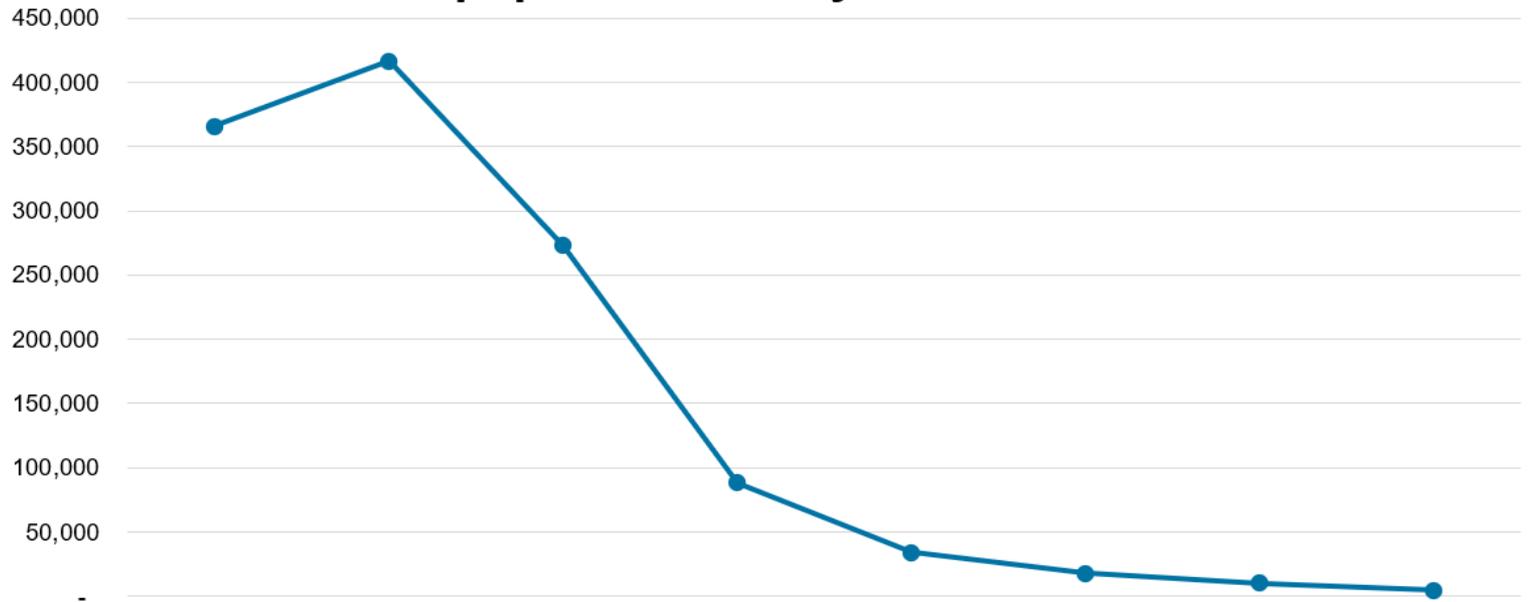
Coverage Type	Coverage Details	Can the coverage be added, changed or excluded, or the limit increased?
<b>Standard Coverages</b>		
<b>Coverage A: Dwelling (Private Structures)</b>		
Covered Causes of Loss	All causes of loss, with certain exclusions	No
Loss Settlement (Replacement Cost or Actual Cash Value)	Actual Cash Value. Partial base on 1994 and reset without an Replacement Cost	No. Note: If the dwelling is insured at less than 80% of its replacement cost, a coverage area penalty may apply.
Minimum Coverage A (Coverage for the dwelling)	\$300	No
Maximum Coverage A	Less than \$750,000 in structures insured with wind coverage except Miami-Dade and Monroe where coverage must be less than \$1,000,000. Less than \$750,000 elsewhere	No
<b>Coverage B: Other Structures (Buildings or structures that are not the Primary Structure)</b>		
Covered Causes of Loss	All causes of loss, with certain exclusions	No
Loss Settlement	For mobile homes built 1994 or later, Replacement Cost on buildings. Actual Cash Value on structures that are not buildings. For pre-1994 mobile homes, an assessment will be applied to Actual Cash Value.	No
Coverage Amount as a percentage of Coverage A	10%, subject to a \$2,000 minimum	Yes, limits of 10%/40% in 1% increments available. Cannot be excluded.
Coverage B note	Covered structures, contents, fixtures, and other structures attached to the mobile home are covered under Coverage A. Coverage B covered structures, contents and other structures open to the weather, with limited exceptions, are not covered.	No

MHO-3 Coverage Worksheet (Multi-Restatement)  
01/11/2018 10:00

Coverage Worksheets

# Depopulation Policy Count Trend

## Depopulation Policy Count Trend



	2013	2014	2015	2016	2017	2018	2019	2020 (Oct.)
<b>Depopulation Policy Count</b>	365,833	416,453	272,596	88,000	34,008	17,902	10,084	4,653

# Depopulation

## **Past Successes**

Citizens had more attractive policies (i.e., New Homes, No Claims, No Lapses in coverage, better location)

Reinsurance was available and affordable

Financial position of participants was stronger

Policy premiums between Citizens and participating carriers was closer than today

## **Current Barriers to Takeout Participation**

Due to prior depopulation efforts, majority of Citizens policies are not desirable to private market (i.e., Older homes, multiple prior claims, location)

General financial weakness of prior or potential carrier participants

Due to lack of Citizens rate increases and the glidepath, Citizens premiums tend to be lower than those offered by prior or potential carriers.

# Depopulation

## Top Ten Prior Depopulation Participants

S&P Global Market Intelligence Data 3Q 2020													
Depopulation 2013 - 2019		Financial Strength Rating		Surplus (\$000)			Direct Premiums Written (\$000)			Net Income (\$000)			
Company Name	Policies Tagged	AM Best	Demotech	Quarter Change	3Q 2020	2Q 2020	YOY Change	YTD 3Q 2020	YTD 3Q 2019	YOY Change	YOY \$ Change	YTD 3Q 2020	YTD 3Q 2019
Heritage P&C Insurance Co.	296,803		A	(21%)	\$115,889	\$146,601	17%	\$466,651	\$399,171	(55%)	(\$15,428)	(\$43,522)	(\$28,094)
Safepoint Insurance Co.	153,327	B-	A	2%	\$45,017	\$44,141	(1%)	\$115,434	\$116,947	189%	\$11,104	\$5,244	(\$5,861)
Homeowners Choice P&C Ins Co.	92,395		A	(8%)	\$128,095	\$139,580	15%	\$304,650	\$264,476	(307%)	(\$28,759)	(\$19,390)	\$9,369
United P&C Insurance Co.	86,758		A	(17%)	\$137,131	\$165,986	5%	\$623,588	\$591,938	34%	\$11,130	(\$21,795)	(\$32,925)
Southern Oak Insurance Co.	67,356		A	(8%)	\$42,296	\$45,826	12%	\$89,922	\$80,158	75%	\$5,164	(\$1,743)	(\$6,907)
Weston Insurance Co.	53,108		A	(7%)	\$25,049	\$26,860	21%	\$78,588	\$64,835	(2035%)	(\$23,111)	(\$21,975)	\$1,136
Anchor P&C Insurance Co.	50,760			(74%)	\$414	\$1,603	(141%)	(\$21,547)	\$52,705	(22%)	(\$1,259)	(\$7,001)	(\$5,742)
Southern Fidelity Insurance Co	36,406		A	93%	\$60,662	\$31,379	99%	\$280,247	\$140,981	(252%)	(\$47,514)	(\$66,405)	(\$18,891)
Olympus Insurance Co.	31,970		A	3%	\$37,195	\$36,271	10%	\$157,978	\$143,754	(5%)	(\$141)	\$2,760	\$2,901
First Community Insurance Co.	25,771	B++	A	(9%)	\$25,010	\$27,335	22%	\$113,366	\$92,547	(2080%)	(\$5,652)	(\$5,924)	(\$272)

In March 2020, Citizens Board of Governors engaged Florida State University (FSU) to conduct an independent analysis to ensure Citizens is taking advantage of all opportunities to reduce exposure and fulfill its mission as a residual market insurer.

FSU presented the results of the analysis at the December 2020 Board of Governors meeting with recommendations and observations in the following general categories.

### **Initiatives Already Under Way by Citizens**

- Depopulation and Clearinghouse Campaign
- Revise Citizens Mitigation Credits to better reflect exposure reduction
- Increase the use of inspections
- Further promote Citizens Managed Repair Program
- Continue with improved claims settlement practices

### **Potential Legislative Items (Examples)**

- Require Alternative Dispute Resolution/Mediation
- Address Attorney Fee Multipliers
- Consider Changes to the One-Way Attorney Fee Statute
- Modify or eliminate Citizens Glidepath on Rates
- Apply provisions of the Assignment of Benefits law to first-party litigation

### **Recommendations within Citizens Current Statutory Purview**

- Host workshops with Insurers, Investors and other stakeholders
- Create New Business Models
- Consider Financial Support for Mitigation
- Consider Policy Form Changes

### **Items for Referral to Third Parties for Consideration**

- Strengthen the Statewide Building Code
- Create a Database for Florida Residential Properties
- Create a Statewide Fraud Database
- Revise Building Criteria in High-Risk Areas
- Create a New Industry Business Model
- Improve Overall Financial Solvency of the Florida Insurance Market
- Create a Statewide Program to Address Affordability of Property Insurance