

Citizens Property Insurance Corporation

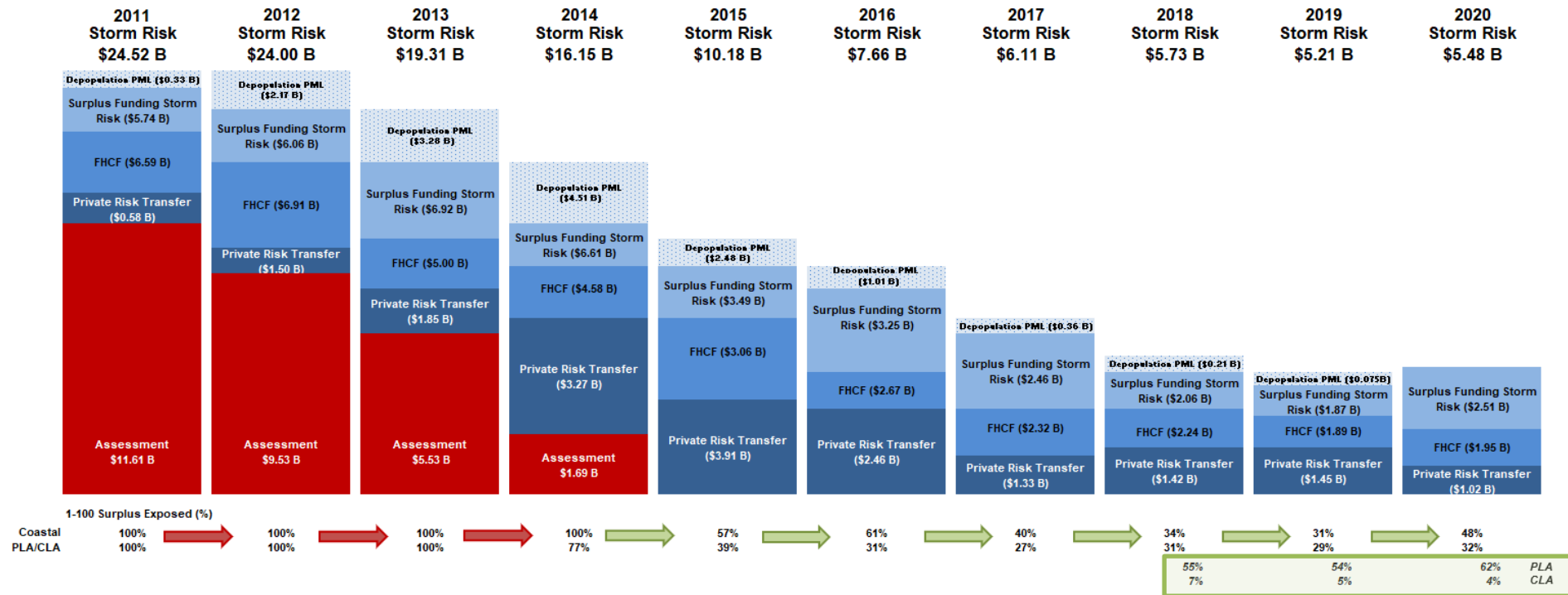
Barry Gilway, President/CEO and Executive Director

Senate Banking and Insurance Committee

January 12, 2021



Risk and Assessment Reductions

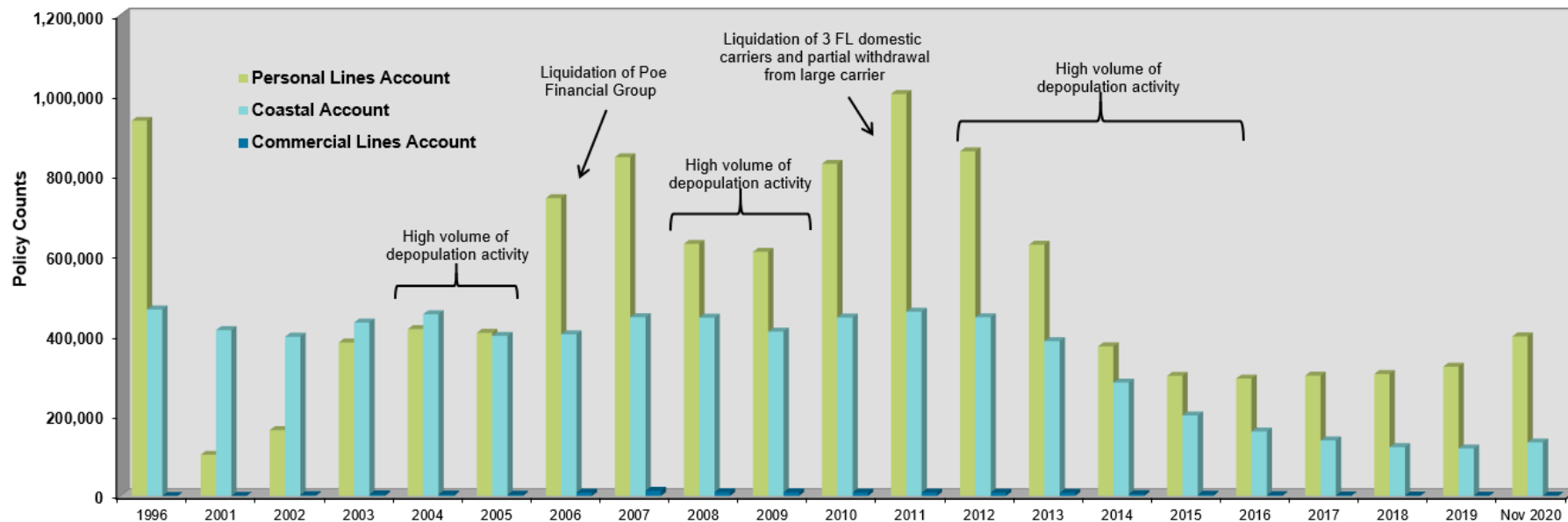


Notes:

- 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 ⁽²⁾	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

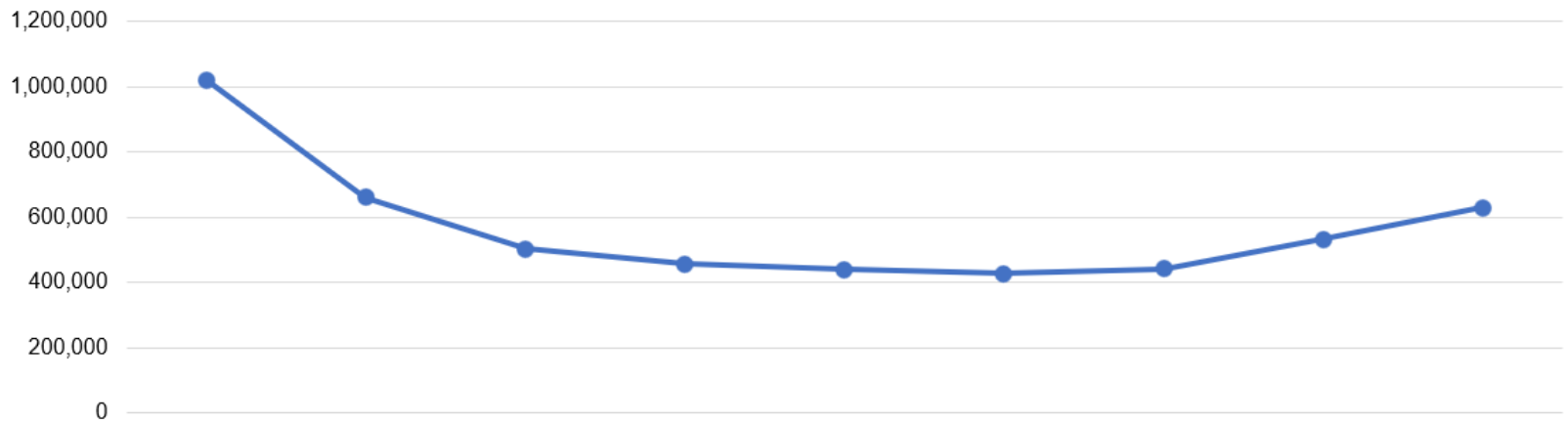
Notes:

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.

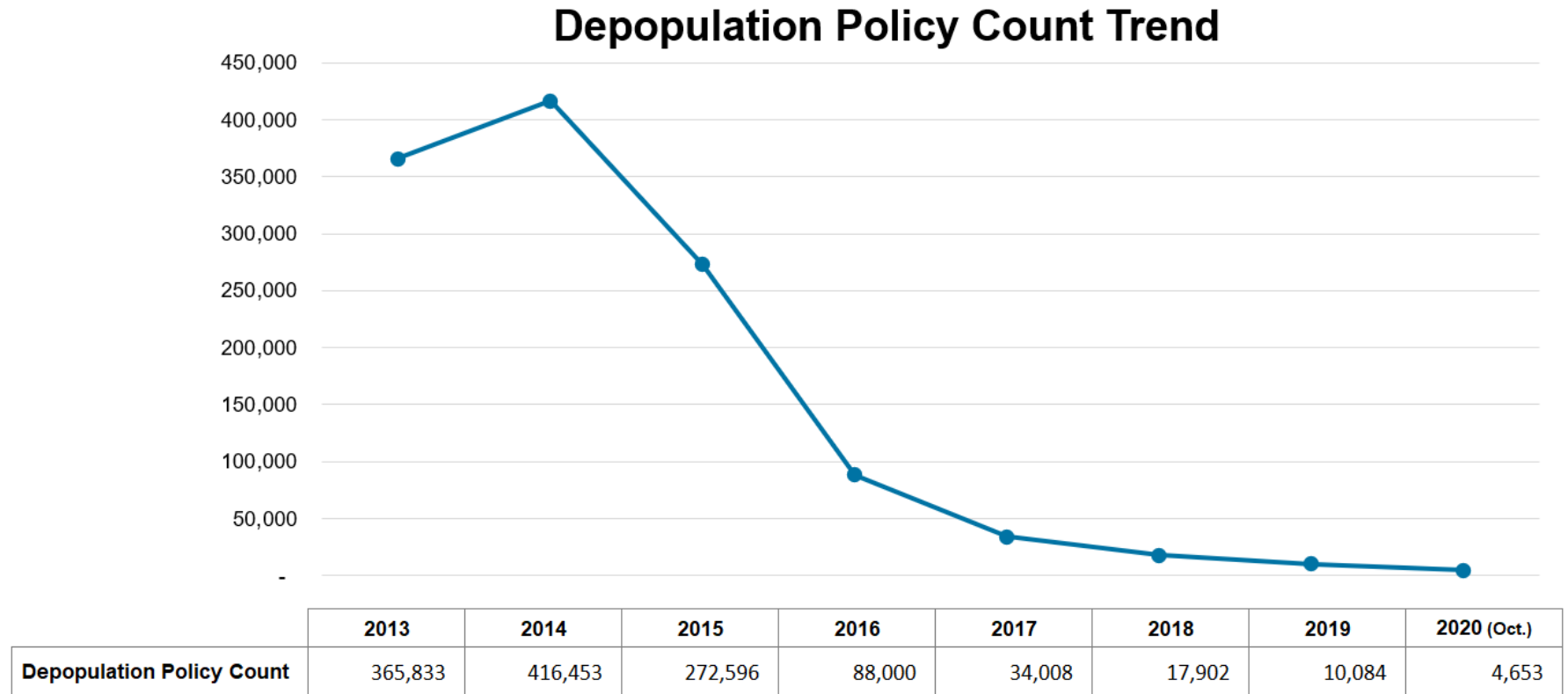
Policy Count Trend

Citizens' Policy Count Trend



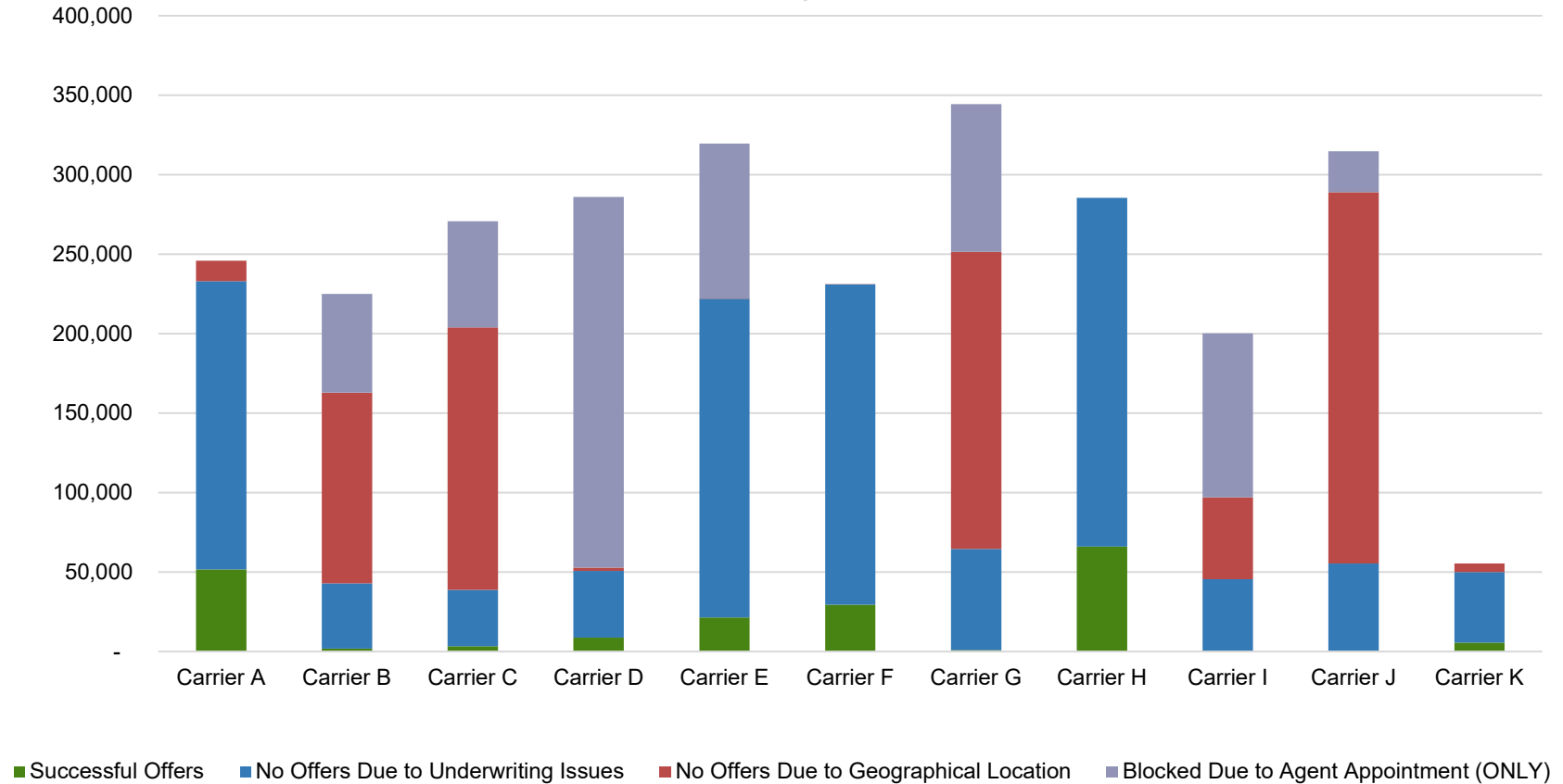
	2013	2014	2015	2016	2017	2018	2019	2020 Projected	2021 Projected
Citizens' Policy Count	1,021,694	661,161	503,865	455,843	440,406	427,397	442,203	532,135	630,257

Depopulation Policy Count Trend



Clearinghouse Submission and Outcome (Jan – Sept 2020)

Submission Results by Carrier (Volume)



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
Citizens P&C	\$3,404	\$3,894	\$4,149	\$3,961
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
Competitor Average	\$4,260	\$4,861	\$5,332	\$5,027
% Difference	(20%)	(20%)	(22%)	(21%)

Competitive Rate Difference

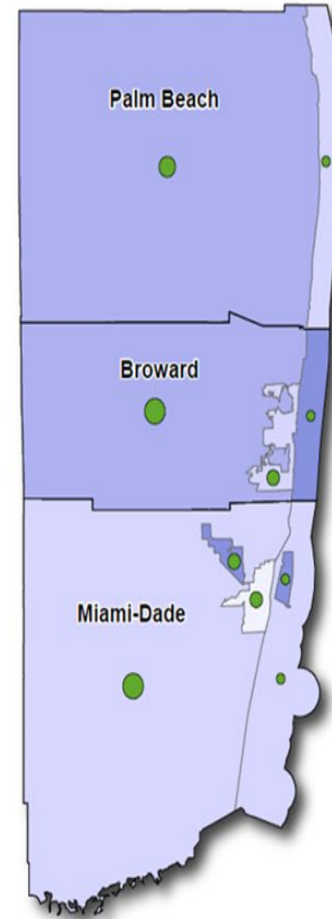
- 30% to -39% - Substantial
- 20% to -29% - Moderate
- 19% to -10% - Minimal
- 9% to 0% - Nominal

Non-Competitive Rate Difference

None

Citizens' HO-3 Policies In-Force

- > 100 - 1,000
- > 1,000 - 10,000
- > 10,000 - 20,000
- > 20,000 - 54,000



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.

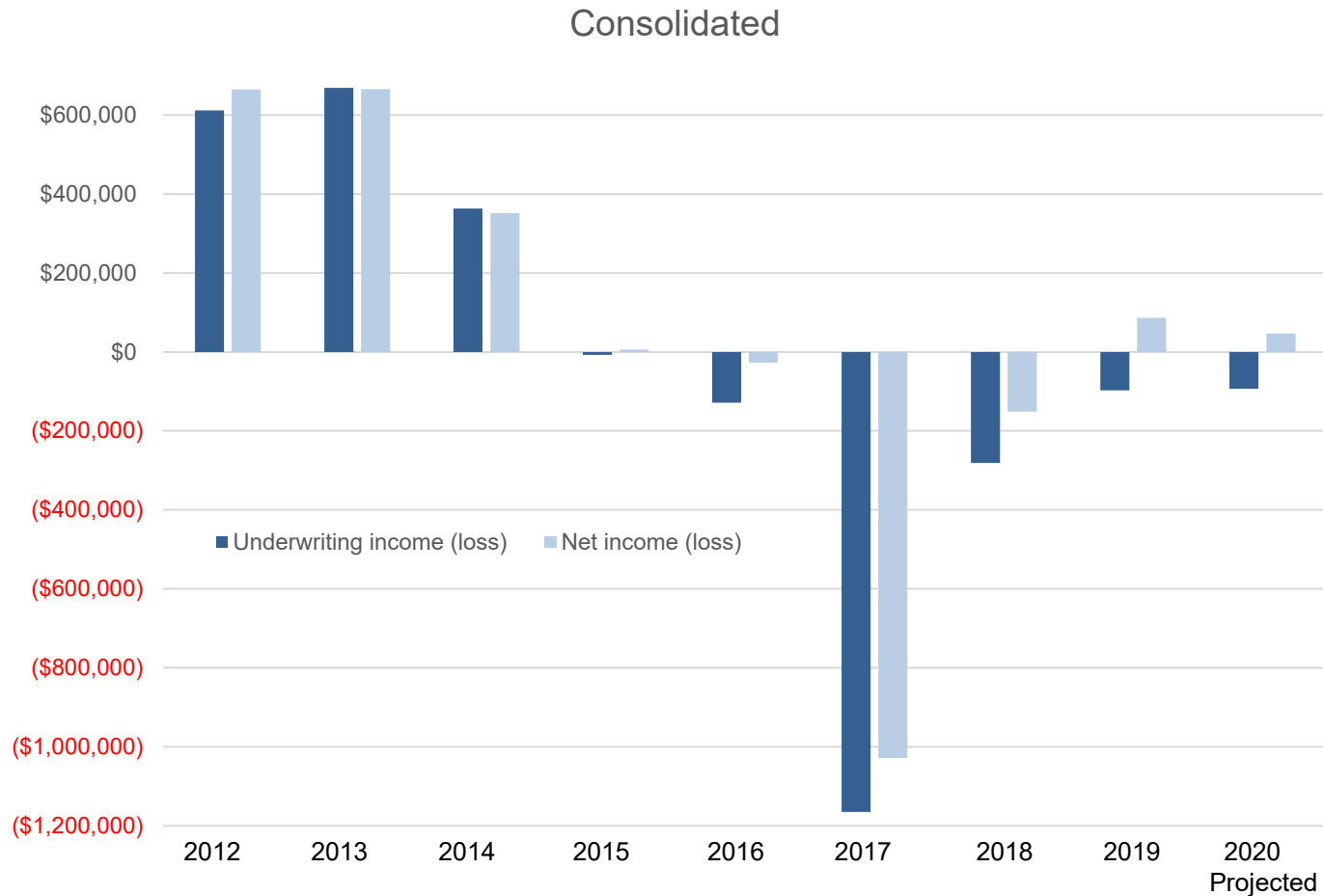
Rates for personal and commercial residential policies were frozen by statute from January 1, 2007 through December 31, 2009.

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.

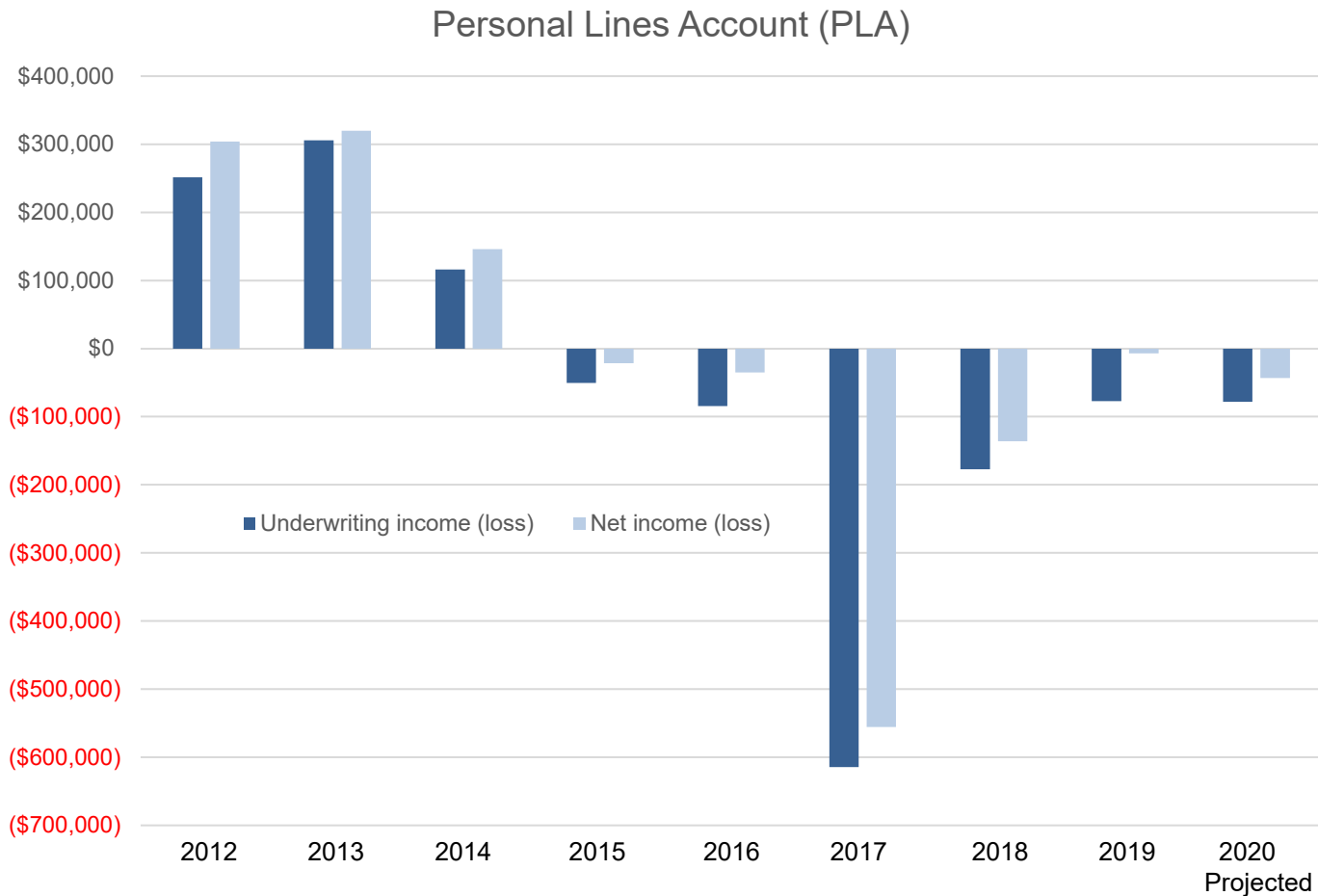
Citizens is not required to purchase reinsurance at the same level as the private market is required. Citizens provision for reinsurance is much lower than the private market, thus leading to a lower rate need for Citizens. If Citizens needed the same level of reinsurance as a typical private insurer then its Homeowners multiperil and wind-only indication would nearly triple.

Underwriting and Income Results - Consolidated



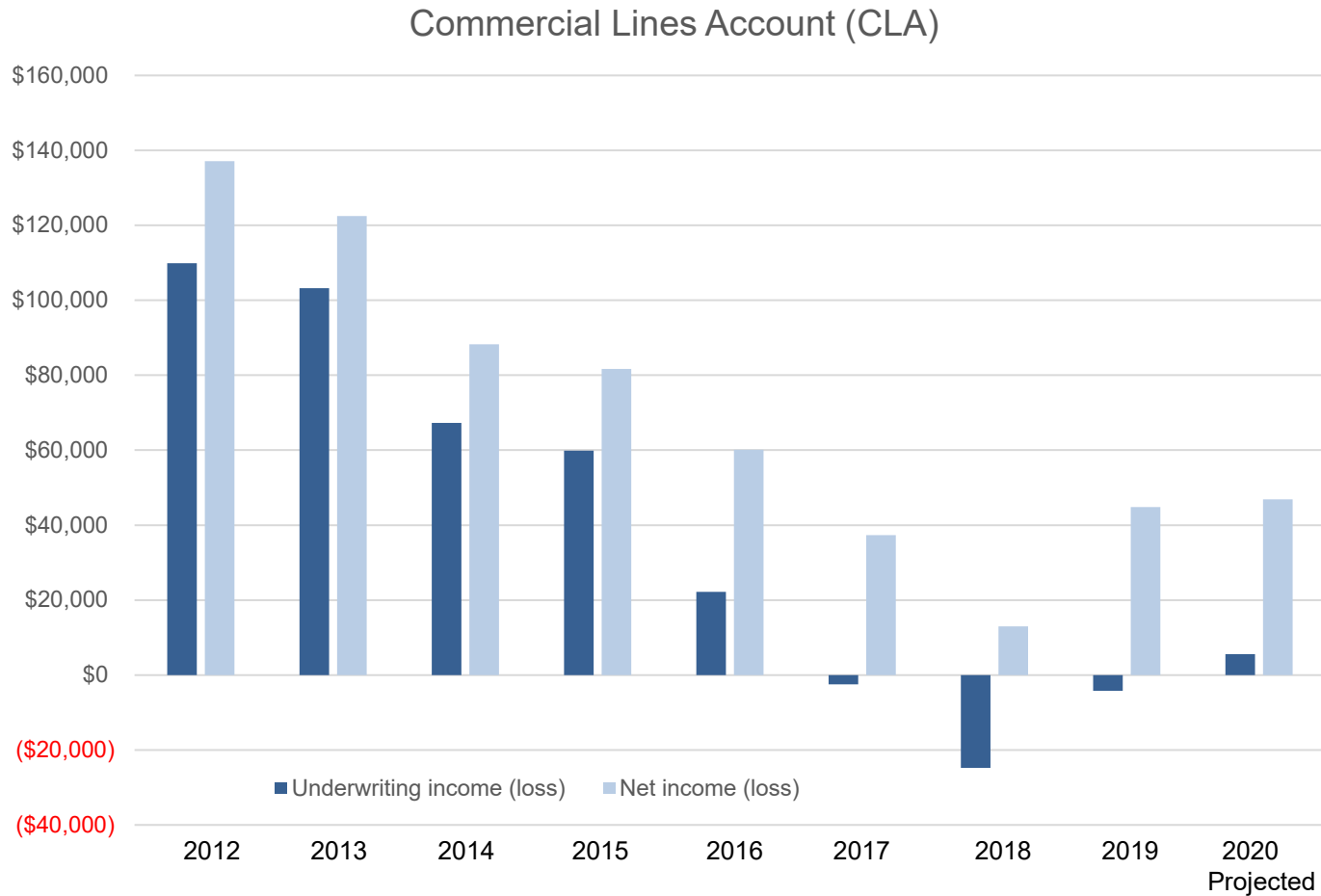
Note: \$ in 000s

Underwriting and Income Results - PLA



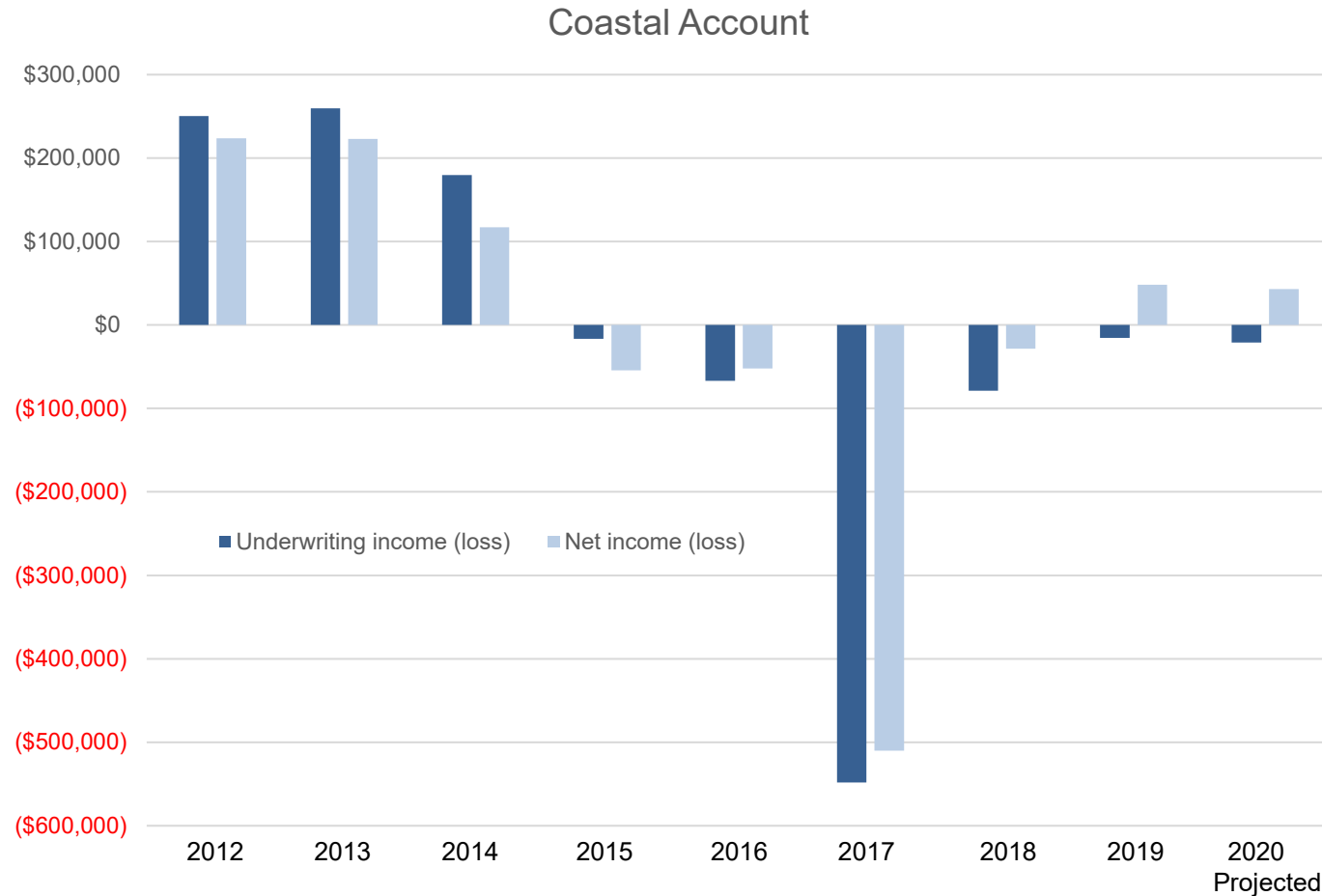
Note: \$ in 000s

Underwriting and Income Results - CLA



Note: \$ in 000s

Underwriting and Income Results – Coastal Account



Note: \$ in 000s

Financial Trends for Florida Domestic Insurers

Financial Trends for Florida Domestics

(\$000's Omitted)



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

Industry Increase in Litigation

2019 Top 10 Carriers by Increase in Lawsuits 2016 to 2019

Company	2019 Direct Premiums Written	2019 Policyholder Surplus	2019 Underwriting Gain/Loss	2019 Net Income/Loss	2019 Net Combined Ratio	Lawsuits 2016	Lawsuits 2017	Lawsuits 2018	Lawsuits 2019	% Increase in Suits 2016- 2019
Southern Oak Insurance Co.	\$ 104,972	\$ 46,419	(\$14,374)	(\$13,347)	121.2	275	362	490	684	148.7%
Tower Hill Select Insurance Co	\$ 86,600	\$ 21,118	(\$4,746)	(\$2,653)	123.4	289	364	493	701	142.6%
First Floridian Auto & Home	\$ 46,482	\$ 182,317	(\$6,449)	\$1,305	115.8	171	199	319	411	140.4%
Gulfstream P&C Insurance Co.	\$ 149,446	\$ 25,279	(\$9,300)	(\$7,429)	125.5	158	175	248	377	138.6%
Auto Club Insurance Co. of FL	\$ 233,024	\$ 211,579	\$12,498	\$18,657	94.0	171	191	293	401	134.5%
American Traditions Ins Co.	\$ 129,057	\$ 30,355	(\$1,321)	\$598	95.5	100	122	170	234	134.0%
Univ Ins Co. of North America	\$ 123,390	\$ 31,394	(\$7,196)	(\$4,120)	118.1	170	188	282	390	129.4%
Capitol Preferred Insurance Co.	\$ 210,760	\$ 42,712	(\$27,902)	(\$25,738)	138.3	149	164	227	337	126.2%
Prepared Insurance Co.	\$ 65,139	\$ 20,787	(\$13,508)	(\$12,424)	152.5	242	274	382	545	125.2%
St. Johns Insurance Co.	\$ 371,488	\$ 46,751	(\$22,111)	(\$22,111)	178.7	372	421	567	836	124.7%
Citizens Property Insurance Co.	\$ 876,560	\$ 6,317,933	(\$97,059)	\$86,329	114.5	10,012	7,666	13,183	9,632	

Note: \$ in 000s

Carrier Litigation Experience 2013 – 2020

Year	Citizens Lawsuits	Citizens AOB Lawsuits	Citizens AOB %	Lawsuits All Others	AOB All Others	All Other AOB %	Total Lawsuits	Total AOB	Total AOB %
2013	9,146	860	9.4%	18,270	4,613	25.2%	27,416	5,473	20.0%
2014	9,525	1,062	11.1%	22,122	4,820	21.8%	31,647	5,882	18.6%
2015	7,653	1,250	16.3%	30,167	6,645	22.0%	37,820	7,895	20.9%
2016	10,061	3,242	32.2%	31,790	5,968	18.8%	41,851	9,210	22.0%
2017	7,624	2,718	35.7%	41,524	9,772	23.5%	49,148	12,490	25.4%
2018	13,363	3,631	27.2%	69,300	17,421	25.1%	82,663	21,052	25.5%
2019	9,877	3,886	39.3%	74,210	24,694	33.3%	84,087	28,580	34.0%
2020	7,853	2,007	25.6%	77,154	15,676	20.3%	85,007	17,683	20.8%
Total	75,102	18,656	24.8%	364,537	89,609	24.6%	439,639	108,265	24.6%

2019 vs 2020 Notes:

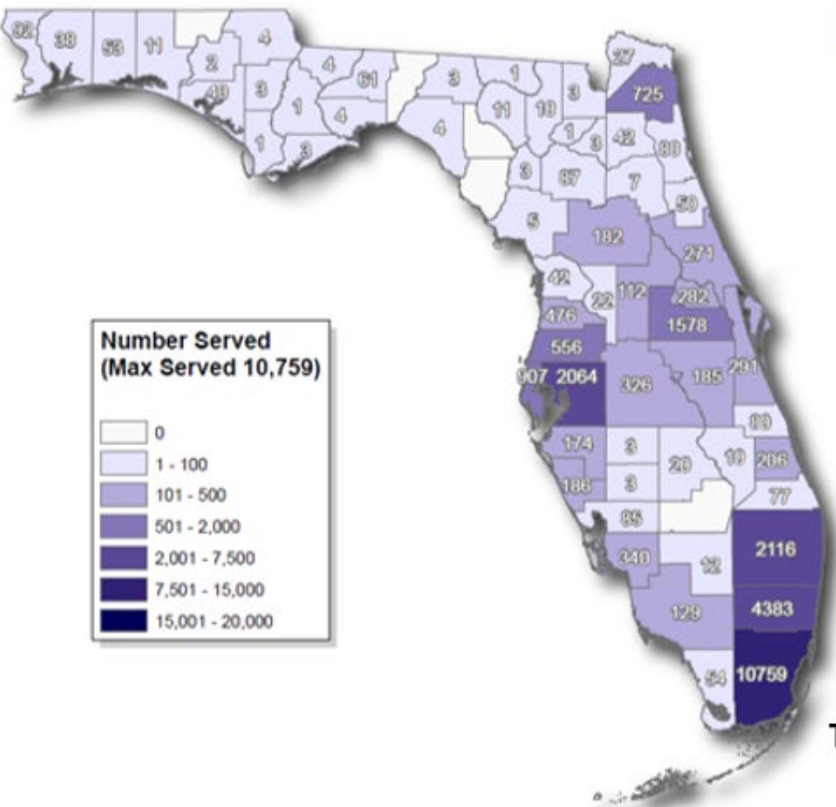
1. Citizens AOB Litigation decreased by 48% (3,886 to 2,007)
2. Citizens Overall Litigation decreased by 20% (9,877 to 7,853)
3. All Other Carriers AOB Litigation decreased by 37% (24,694 to 15,676)
4. All Other Carriers Overall Litigation increased by less than 1% (84,087 to 85,007)

Data source – DFS LSOP 2013 – 2020

Carrier Litigation Experience 2013 vs 2019 by County

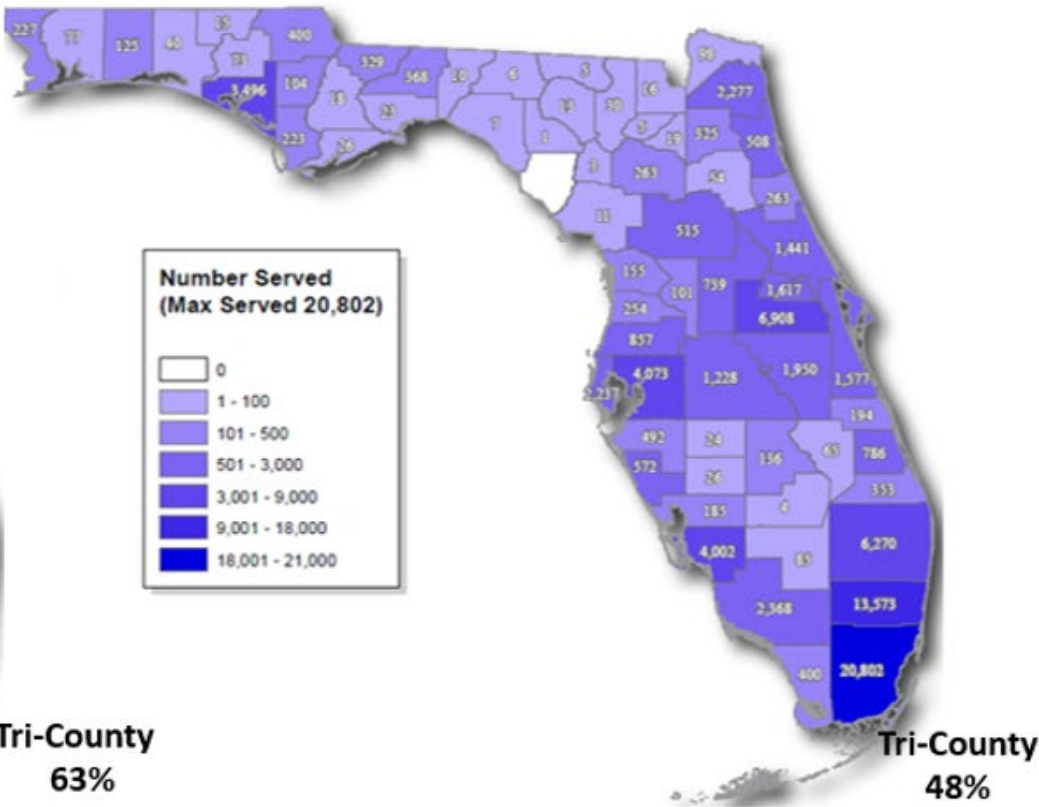
2013 Lawsuits by County
All Insurance Companies

27,416
20% AOB

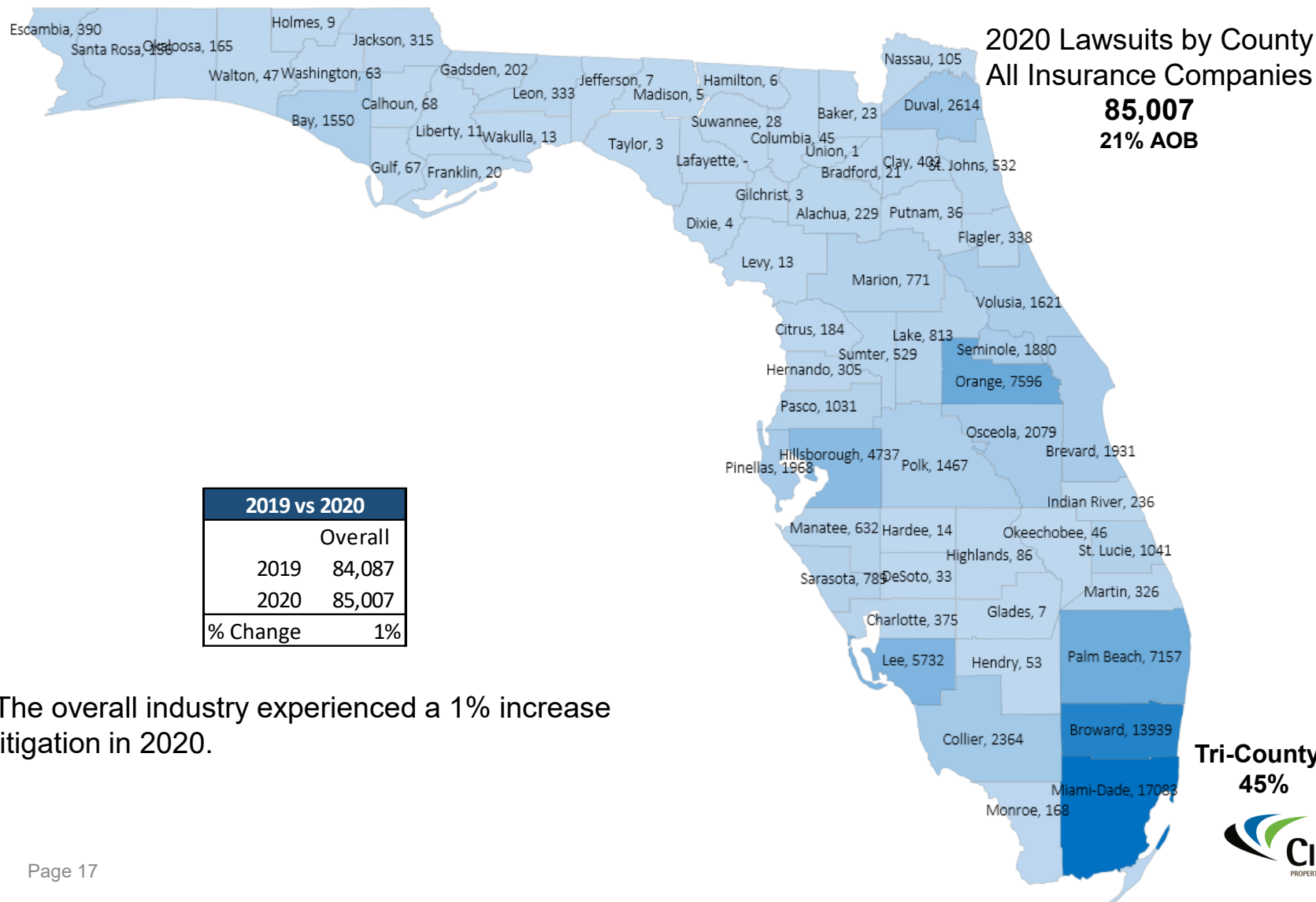


2019 Lawsuits by County
All Insurance Companies

84,087
34% AOB



Carrier Litigation Experience 2020 by County



Citizens Litigation Experience 2018 – 2020

Citizens Only Litigation

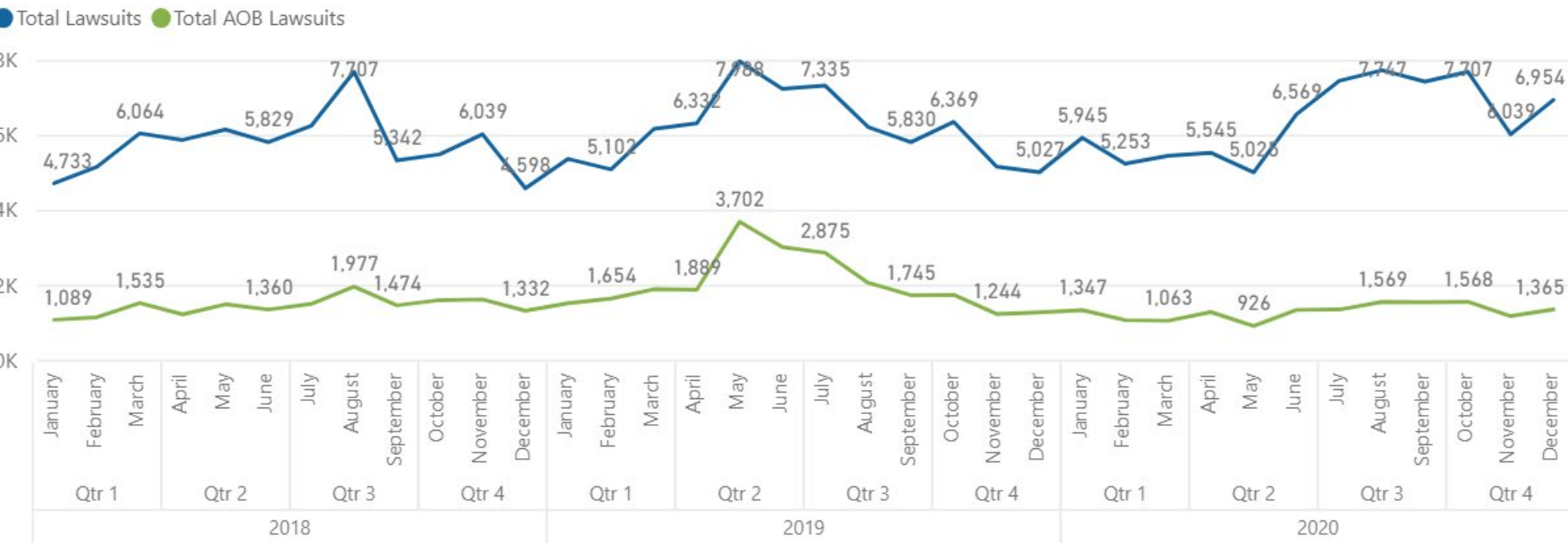
● Total Lawsuits ● Total AOB Lawsuits



Data source – DFS LSOP 2013 – 2020

All Other Carrier Litigation Experience 2018 – 2020 (excl. Citizens)

All Other Carriers Litigation

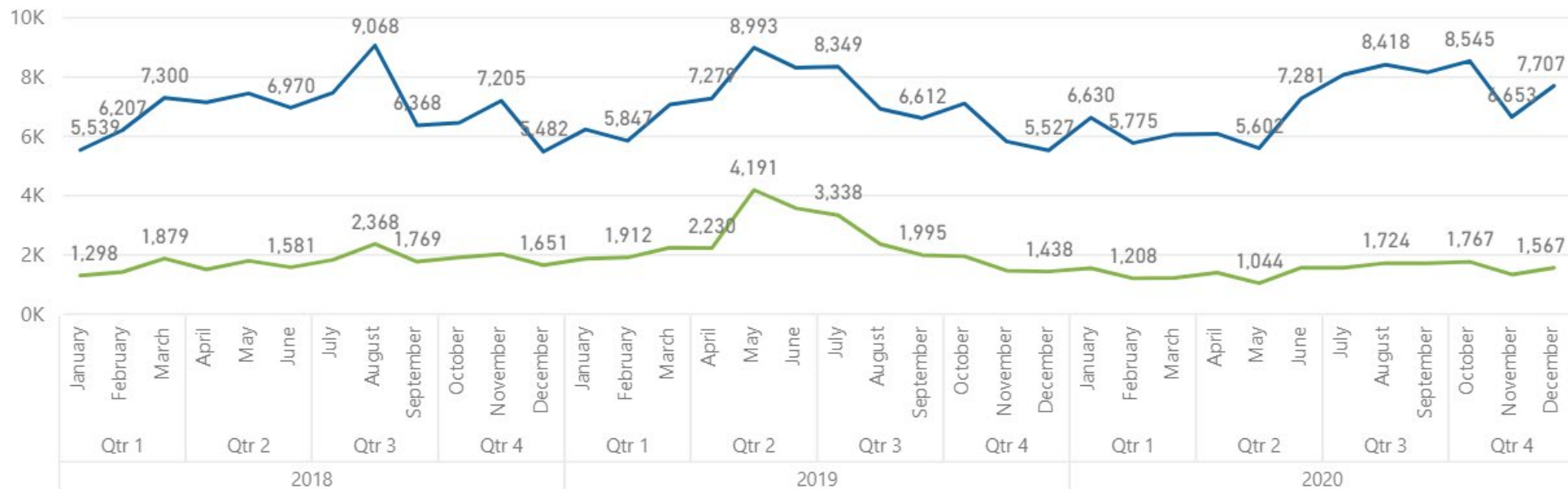


Data source – DFS LSOP 2013 – 2020

All Carrier Litigation Experience 2018 – 2020 (incl. Citizens)

All Carrier Litigation

● Total Lawsuits ● Total AOB Lawsuits



Data source – DFS LSOP 2013 – 2020

Citizens Litigated vs Non-Litigated Water Claim Costs

HO3* Closed Water Claims as of 3/31/2020 Litigated Claims				HO3* Closed Water Claims as of 3/31/2020 Non - Litigated Claims				HO3* Closed Water Claims as of 3/31/2020 Total - Litigated and Non- Litigated			
Close Year	<u>Loss Severity</u>	<u>ALAE** Severity</u>	<u>Loss/ALAE</u>	Close Year	<u>Loss Severity</u>	<u>ALAE** Severity</u>	<u>Loss/ALAE</u>	Close Year	<u>Loss Severity</u>	<u>ALAE** Severity</u>	<u>Loss/ALAE</u>
2012	\$18,904	\$4,941	\$23,845	2012	\$7,016	\$860	\$7,876	2012	\$7,670	\$1,084	\$8,754
2013	\$20,174	\$6,787	\$26,961	2013	\$8,391	\$1,032	\$9,423	2013	\$10,270	\$1,950	\$12,220
2014	\$22,609	\$6,348	\$28,956	2014	\$8,684	\$1,087	\$9,771	2014	\$14,075	\$3,123	\$17,198
2015	\$25,892	\$6,182	\$32,073	2015	\$8,705	\$928	\$9,633	2015	\$16,538	\$3,322	\$19,860
2016	\$29,157	\$7,034	\$36,191	2016	\$5,143	\$866	\$6,009	2016	\$17,429	\$4,021	\$21,450
2017	\$27,547	\$9,439	\$36,986	2017	\$6,167	\$1,245	\$7,412	2017	\$14,024	\$4,256	\$18,280
2018	\$29,089	\$12,255	\$41,343	2018	\$7,504	\$1,640	\$9,144	2018	\$17,942	\$6,773	\$24,715
2019	\$31,653	\$14,338	\$45,990	2019	\$10,169	\$1,933	\$12,102	2019	\$17,872	\$6,381	\$24,254
<u>2020</u>	<u>\$33,591</u>	<u>\$15,223</u>	<u>\$48,814</u>	<u>2020</u>	<u>\$8,281</u>	<u>\$1,816</u>	<u>\$10,097</u>	<u>2020</u>	<u>\$15,540</u>	<u>\$5,662</u>	<u>\$21,202</u>
Grand Total	\$26,281	\$8,687	\$34,969	Grand Total	\$7,833	\$1,116	\$8,950	Grand Total	\$13,029	\$3,248	\$16,277

*Homeowners

**Allocated Loss Adjustment Expense

Irma Representation at First Notice of Loss (FNOL)

Hurricane Irma Claims Represented at First Notice of Loss (FNOL)				
Year Filed	Total Filed	% of Total Irma claims filed	Total Filed w/Rep at FNOL	% filed w/Rep at FNOL
2017	61,677	79.8%	6,393	10%
2018	7,579	9.8%	3,269	43%
2019	4,374	5.7%	2,769	63%
2020*	3,645	4.7%	2,352	65%
Total	77,275	100.0%	14,783	19%

As of 10/28/20

*3-year claims filing deadline occurred in September

54% of all Hurricane Irma litigated claims were represented by an attorney or public adjuster at first notice of loss