

Public Rate Hearing on 2021 Recommended Rates

Barry Gilway, President/CEO and Executive Director

March 15, 2021



Market Conditions and Impact to Citizens

Due to current market conditions, the capacity to provide property insurance by private insurers is diminishing in Florida.

As a result of the lack of capacity in the private market, Citizens is once again growing.

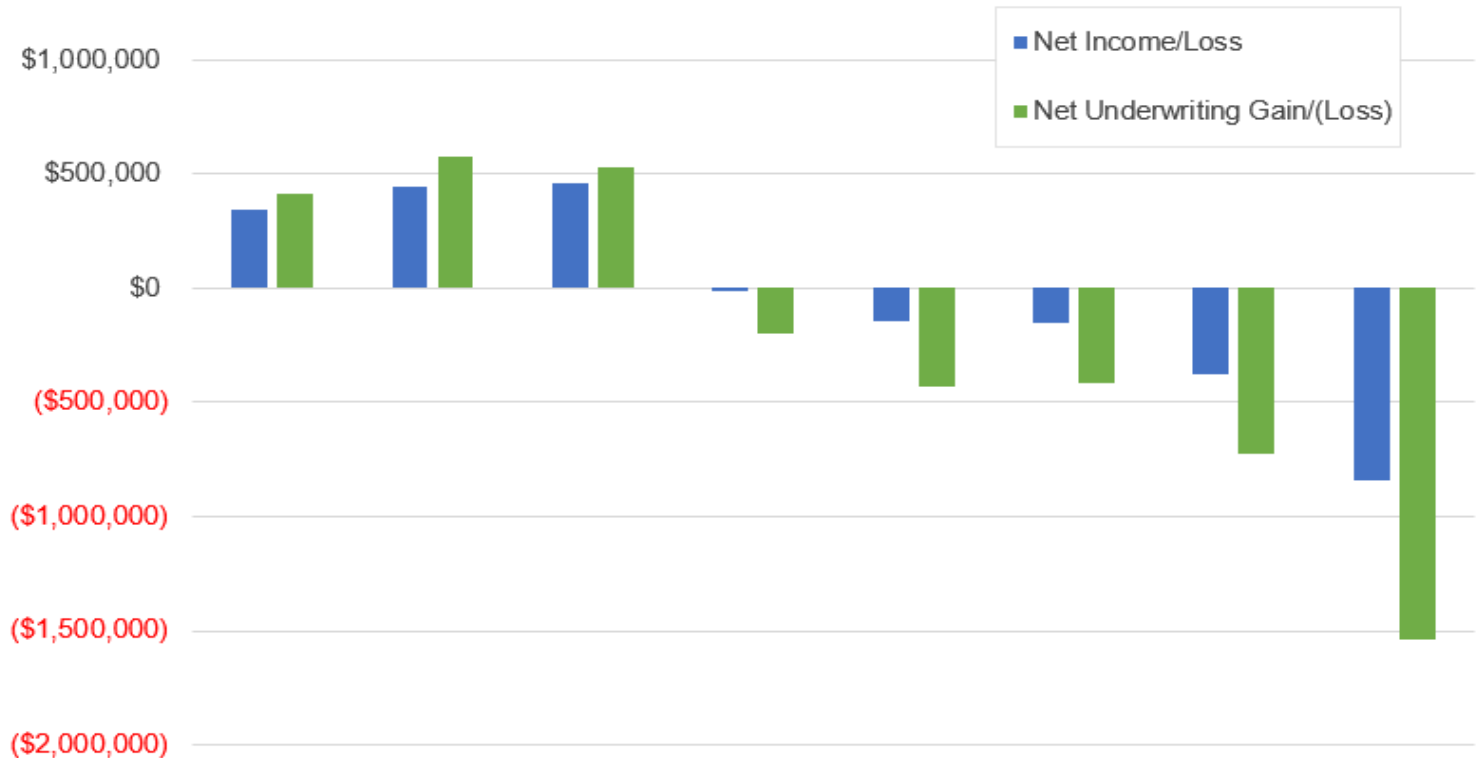
Exacerbating Citizens' growth is its competitive position in terms of rates. **91%** of Citizens' HO-3 policies are priced lower than the average private market rate.

There is a danger that Citizens could return to the level of 2011, where there was an assessment risk of \$11.6B to Floridians in the event of 1-in-100 year event.

There has been considerable improvement to the litigation rates related to an assignment of benefits (AOB), however litigation remains to be a major cost driver, especially non-AOB suits which are unaffected by HB 7065.

Industry Financial Trends

Financial Trends for Selected Florida Insurers
(\$000's Omitted)



Source: Guy Carpenter, *Florida Domestic Property Insurance Summary of 2020 Fourth Quarter Financial Results*, updated 3/5/21

Companies Halting Business in Florida

At least 4 companies closed for new business

At least 12 companies that have strict underwriting restrictions such as:

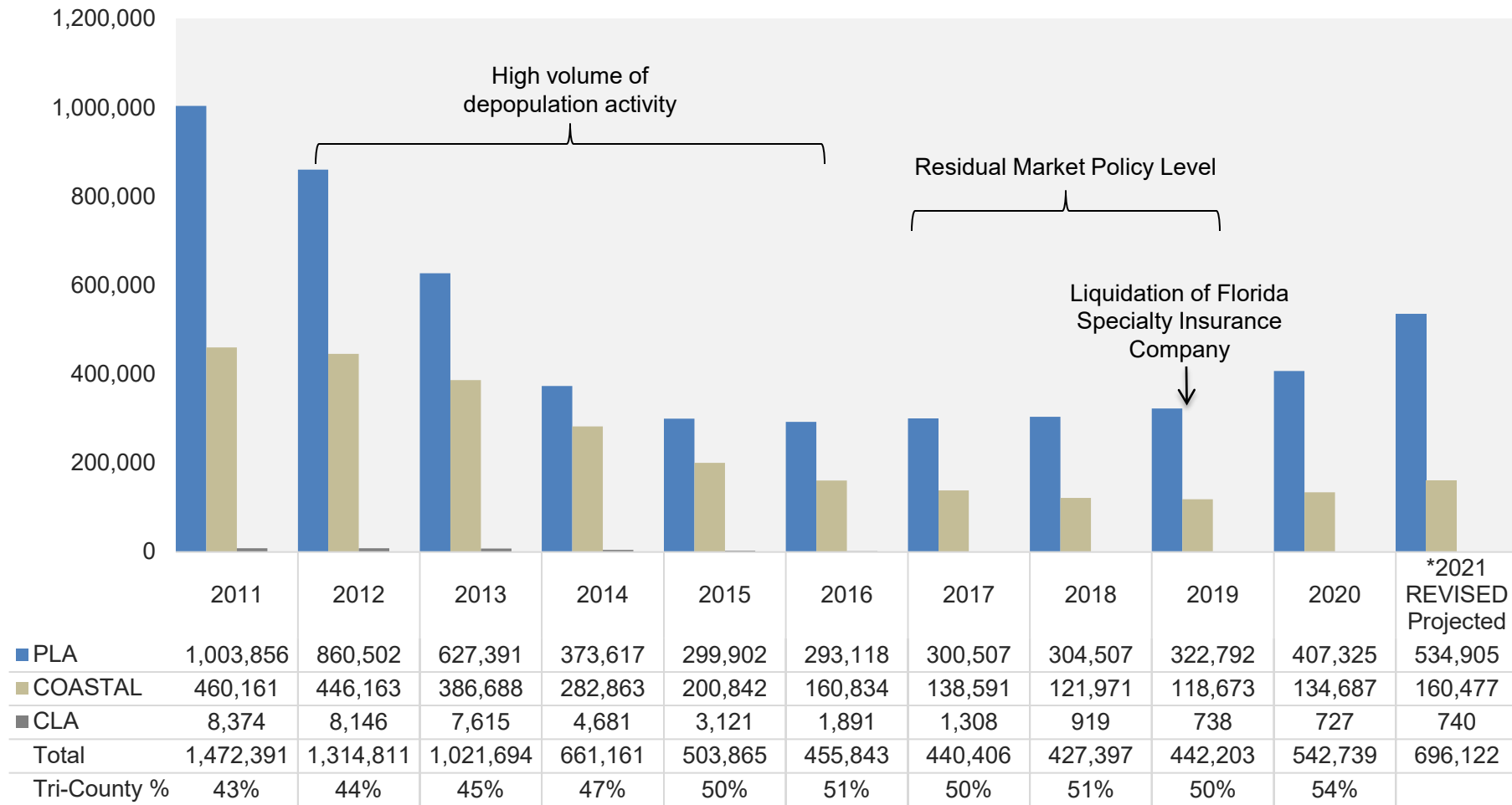
- Limits on new business/renewals based on location
- Age of home
- Age of roof
- Required minimum Coverage A limit
- Targeted cancellations

Clearinghouse Results

	New Business		
	Private Carrier Quotes	CPIC Quotes	Private Carrier Quote Rate
2017	74,641	209,651	36%
2018	71,659	218,932	33%
2019	79,397	227,396	35%
2020	94,216	499,022	19%

	Renewal Business		
	Private Carrier Quotes	CPIC Quotes	Private Carrier Quote Rate
	23,001	252,867	9%
	19,747	264,011	7%
	12,132	260,038	5%
	4,324	314,891	1%

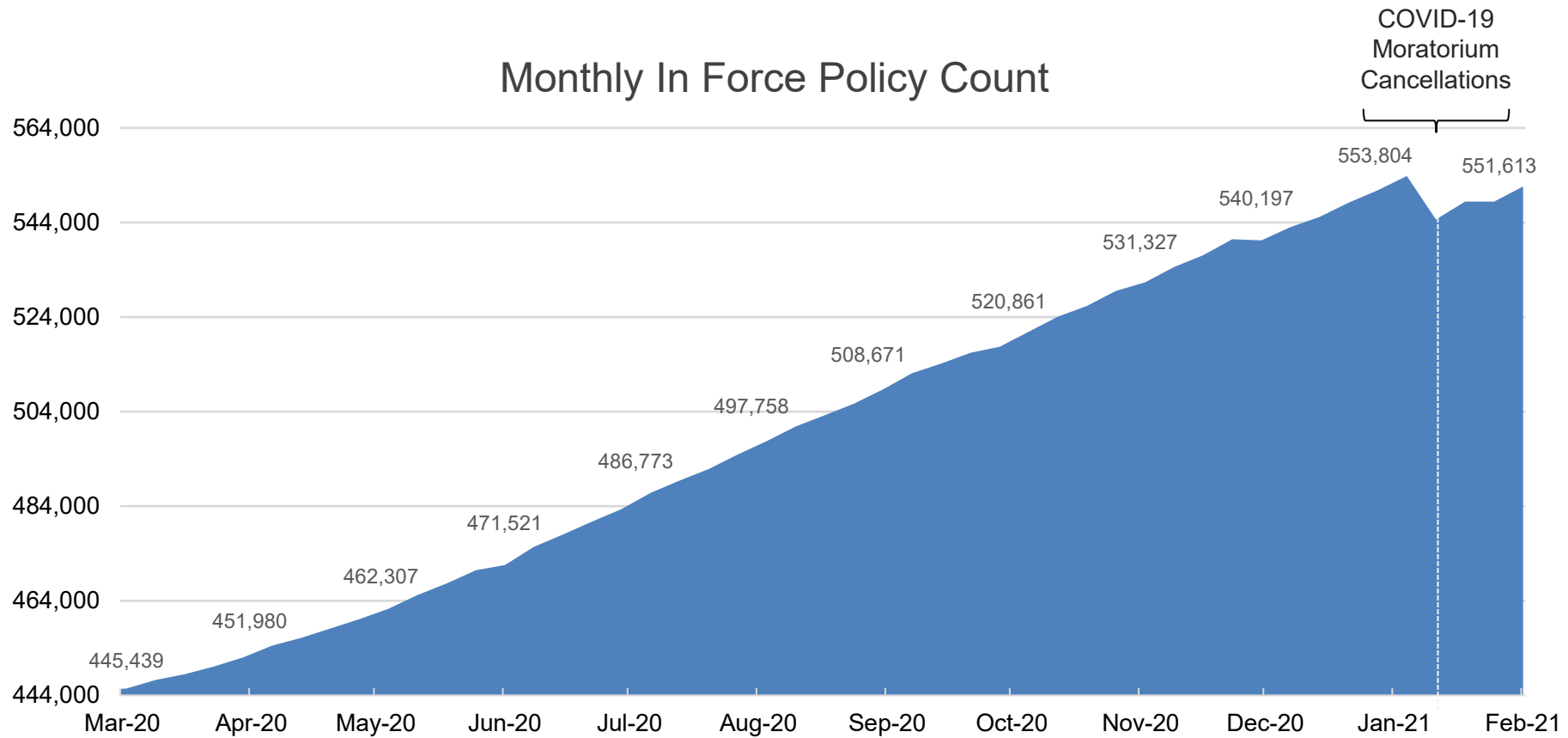
Policies in Force and 2021 Projection



*2021 Revised Projection was changed from budgeted projection due to market conditions.

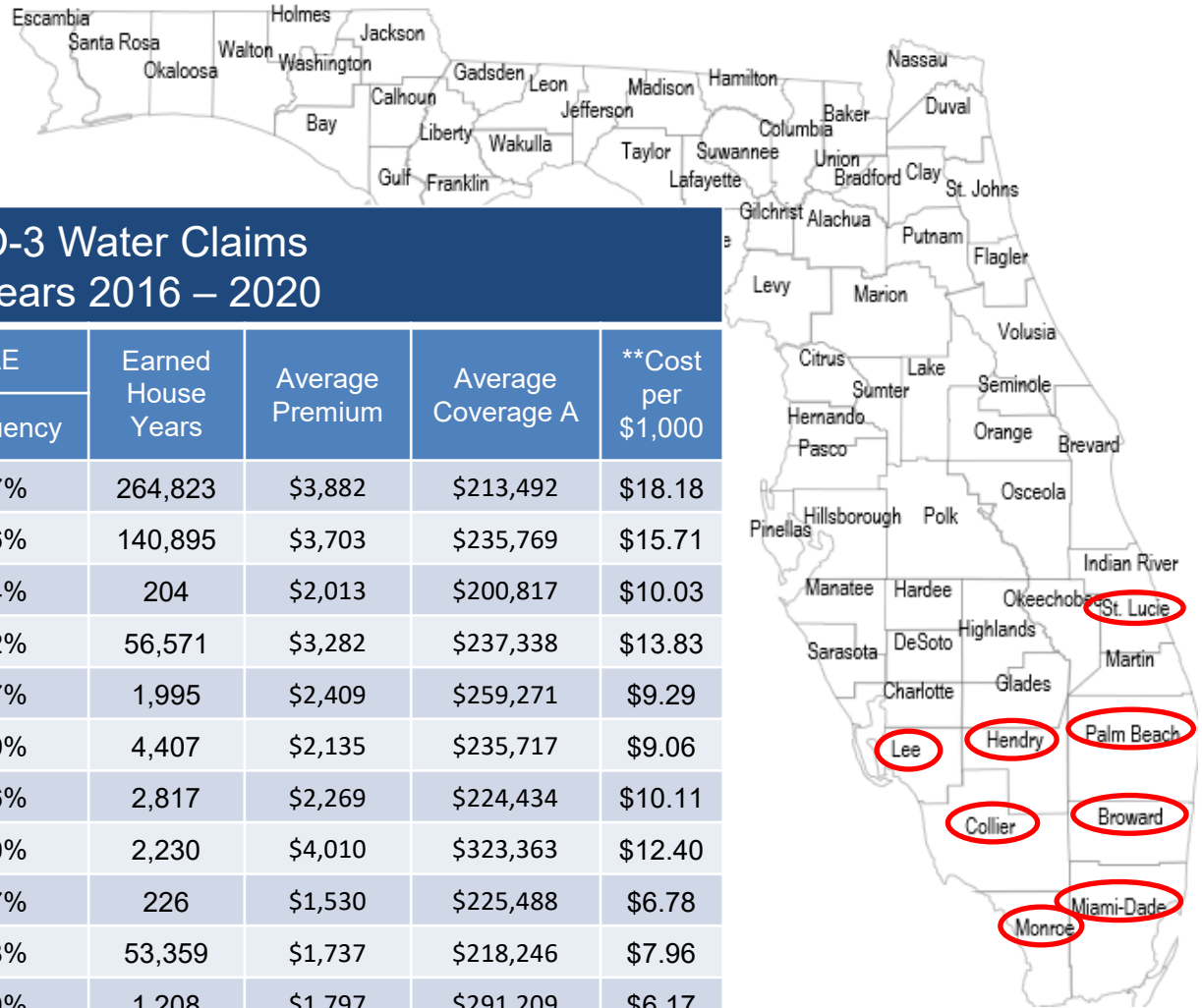
Increasing Policy Count

Monthly In Force Policy Count



Total PIF Change Counts	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21
New Business	9,254	10,009	11,618	15,856	17,464	16,661	16,167	16,646	16,023	17,799	17,167	19,603
Non-Renewals	(3,579)	(860)	(711)	(688)	(801)	(598)	(341)	(330)	(586)	(396)	(347)	(2,494)

Highest Counties Litigation Rate



**Closed HO-3 Water Claims
Calendar Years 2016 – 2020**

County	Litigation Rate	*Losses + ALAE		Earned House Years	Average Premium	Average Coverage A	**Cost per \$1,000
		Severity	Frequency				
Miami-Dade	53.3%	\$29,235	6.7%	264,823	\$3,882	\$213,492	\$18.18
Broward	42.3%	\$24,425	6.6%	140,895	\$3,703	\$235,769	\$15.71
Hendry	40.0%	\$21,940	2.4%	204	\$2,013	\$200,817	\$10.03
Palm Beach	35.2%	\$20,135	4.2%	56,571	\$3,282	\$237,338	\$13.83
Collier	30.2%	\$21,460	2.7%	1,995	\$2,409	\$259,271	\$9.29
Lee	21.5%	\$19,251	2.9%	4,407	\$2,135	\$235,717	\$9.06
Saint Lucie	19.8%	\$17,281	3.6%	2,817	\$2,269	\$224,434	\$10.11
Monroe	17.4%	\$27,554	1.0%	2,230	\$4,010	\$323,363	\$12.40
Jackson	16.7%	\$5,936	2.7%	226	\$1,530	\$225,488	\$6.78
Hillsborough	15.0%	\$14,717	3.8%	53,359	\$1,737	\$218,246	\$7.96
Saint Johns	13.0%	\$7,279	1.9%	1,208	\$1,797	\$291,209	\$6.17

* All Losses + Allocated Loss Adjustment Expenses (ALAE)

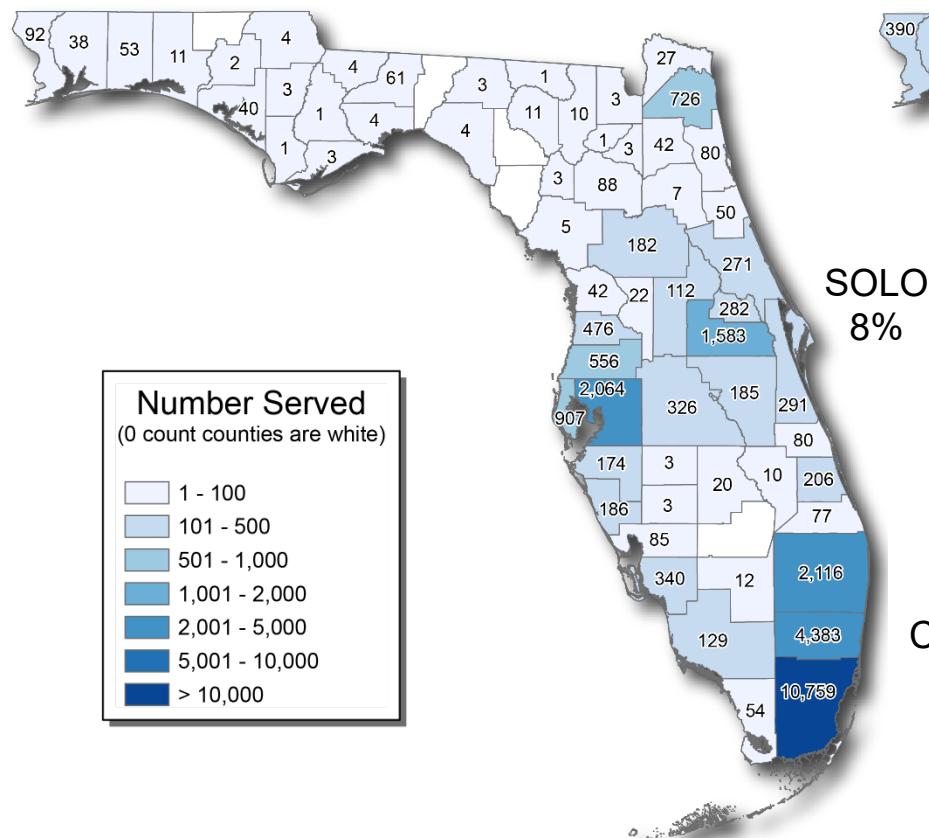
** Cost per \$1,000 is the average premium per \$1,000

Citizens' and the Industry's Litigation

2013 Lawsuits

All Insurance Companies Including Citizens

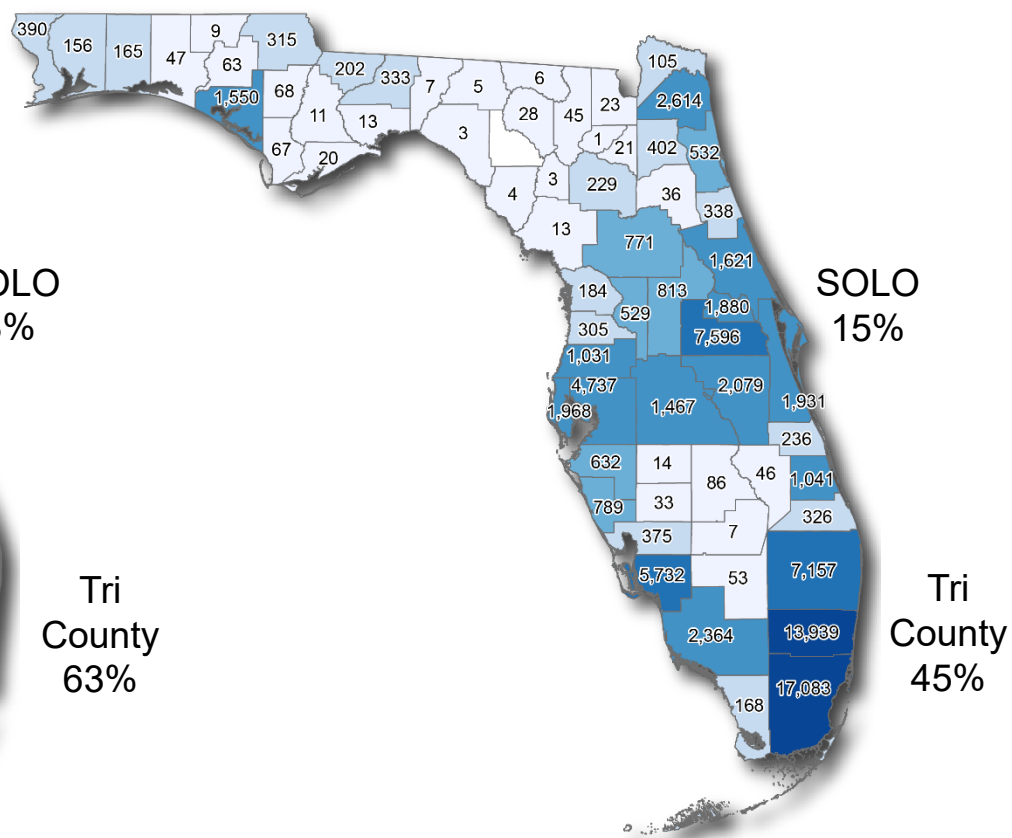
27,416 Lawsuits
20% AOB Lawsuits



2020 Lawsuits

All Insurance Companies Including Citizens

85,007 Lawsuits
21% AOB Lawsuits

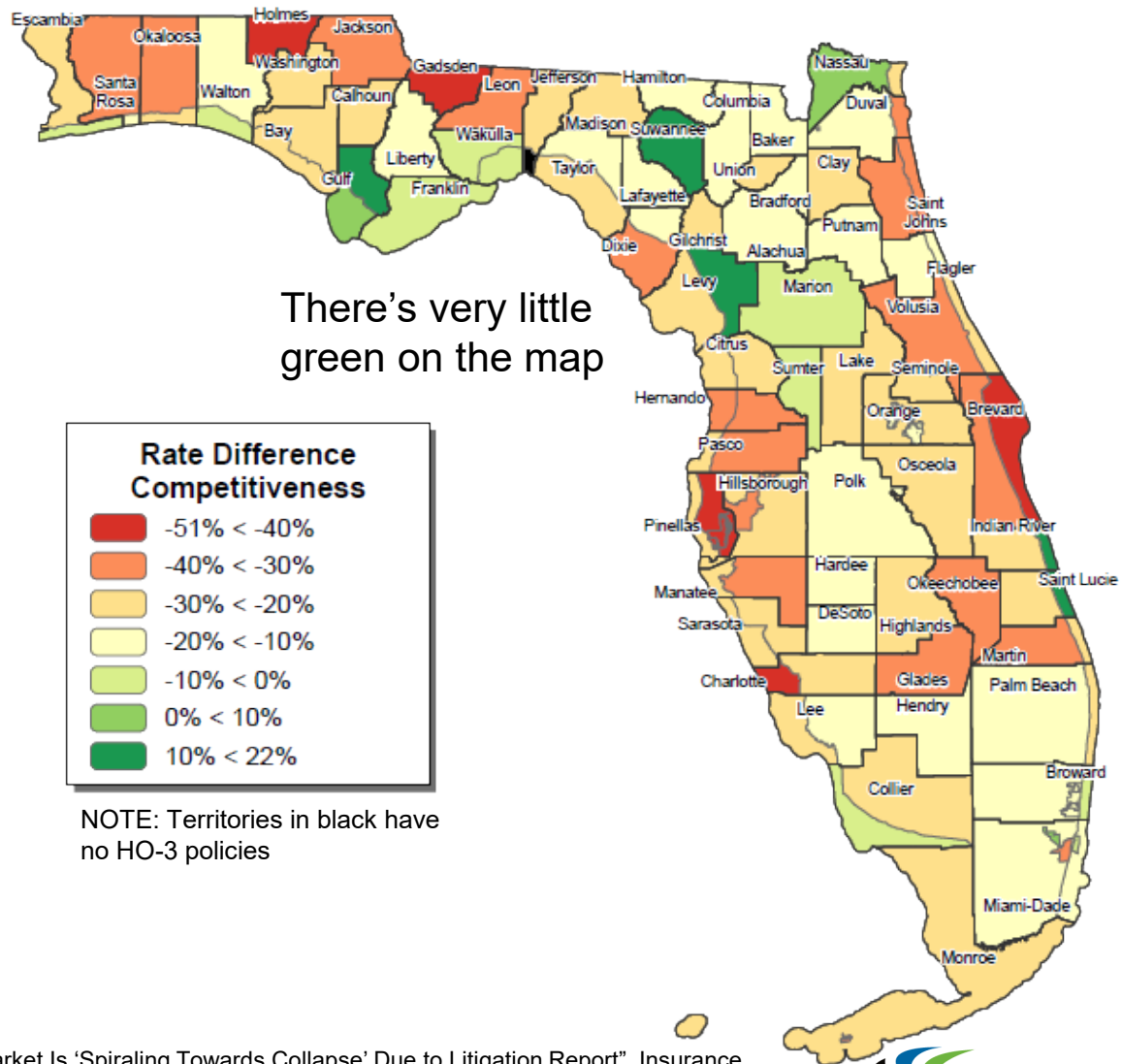


Source: "Service of Process Reports" (LSOP Reports), Florida Department of Financial Services, December 31, 2013 - 2020

Citizens' HO-3 Competitive Position

91% of Citizens' HO-3 policies are **LESS** than the average competitor's approved rates as of 10/1/20 using Citizens' in force data as of 9/30/20

In 2020, **105** rate filings for increases of **10% or more** have been made with the Office of Insurance Regulation¹



Source: ¹ O'Connor, Amy, "Florida's Property Insurance Market Is 'Spiraling Towards Collapse' Due to Litigation Report", Insurance Journal, Web January 20, 2021. <https://www.insurancejournal.com/news/southeast/2021/01/20/598034.htm>

Citizens' Competitive Position Percent Differences by Territory

Territory	Policy Count	% Difference to Competitors
Suwannee (933)	14	22%
Levy - Remainder (734)	14	21%
Gulf - Remainder (722)	2	18%
St. Lucie - Coastal (183)	59	11%
Indian River - Coastal (181)	13	10%
Gulf - Coastal (604)	11	4%
Nassau - Remainder (892)	27	3%
Dade - Hialeah (33)	3,425	3%
Escambia - Coastal (602)	7	(0%)
Walton - Coastal (609)	26	(1%)
Dade - Miami Beach (30)	242	(1%)
Wakulla - Coastal (608)	13	(3%)
Wakulla - Remainder (725)	35	(4%)
Sumter (921)	51	(4%)
Broward - Coastal (361)	192	(4%)
Franklin (603)	39	(5%)
Marion (792)	304	(6%)
Collier - Coastal (541)	129	(9%)
Dixie - Remainder (732)	10	(10%)
Flagler - Remainder (701)	71	(10%)
Dade - Coastal (31)	264	(10%)
Walton - Remainder (726)	32	(11%)
Liberty (931)	6	(11%)
Polk (50)	659	(11%)
Santa Rosa - Coastal (607)	3	(12%)
Broward - Hlwd & Ft Laud (35)	7,732	(12%)
Lafayette (893)	3	(12%)
Alachua (192)	147	(12%)
Columbia (293)	29	(12%)
Broward - Remainder (37)	32,520	(13%)
Lee - Remainder (554)	1,159	(13%)
Baker (292)	14	(14%)
Dade - Remainder (34)	53,504	(14%)
Hardee (713)	13	(15%)
Hamilton (493)	5	(15%)
Bradford (392)	14	(16%)

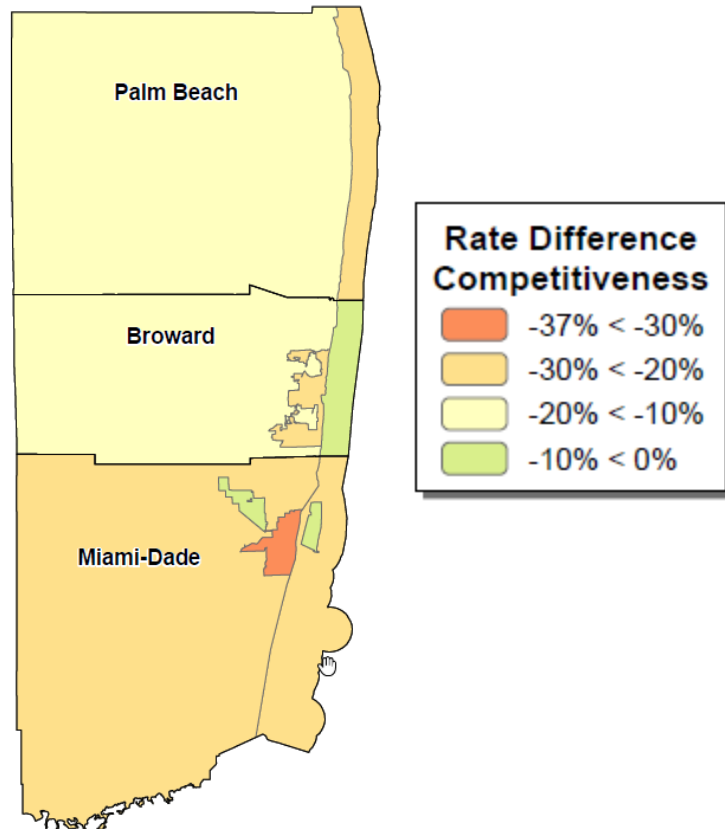
Territory	Policy Count	% Difference to Competitors
Desoto (712)	36	(16%)
Hendry (553)	84	(17%)
Orange - Orlando (49)	226	(17%)
Palm Beach - Remainder (38)	16,141	(18%)
Flagler - Coastal (531)	32	(19%)
Duval - Jacksonville (39)	698	(19%)
Taylor - Remainder (737)	4	(20%)
Putnam (992)	63	(20%)
Jefferson - Remainder (793)	16	(20%)
Orange - Remainder (90)	1,748	(20%)
Martin - Coastal (182)	3	(20%)
Madison (932)	6	(21%)
Gilchrist (923)	24	(21%)
Pasco - Coastal (595)	1,004	(21%)
Highlands (714)	111	(21%)
Lee - Coastal (542)	196	(21%)
Pinellas - Coastal (42)	709	(21%)
Palm Beach - Coastal (362)	389	(22%)
Volusia - Coastal (62)	252	(22%)
Manatee - Coastal (582)	121	(22%)
Duval - Remainder (40)	1	(22%)
Washington (934)	30	(23%)
Bay - Coastal (601)	81	(24%)
Taylor - Coastal (596)	79	(25%)
Citrus - Coastal (591)	137	(25%)
Escambia - Remainder (43)	413	(25%)
Collier - Remainder (551)	599	(25%)
Hillsborough - Excl Tampa (80)	8,457	(26%)
Clay (492)	183	(26%)
Okaloosa - Coastal (606)	19	(26%)
Charlotte - Remainder (711)	658	(26%)
Citrus - Remainder (731)	538	(27%)
Union (922)	4	(27%)
Calhoun (193)	5	(27%)
Nassau - Coastal (532)	72	(27%)
Osceola (511)	813	(27%)

Territory	Policy Count	% Difference to Competitors
Lake (692)	391	(27%)
Monroe - Remainder (5)	724	(27%)
Indian River - Remainder (561)	426	(28%)
St. Lucie - Remainder (562)	1,059	(28%)
Seminole (512)	740	(29%)
Sarasota - Remainder (715)	1,322	(29%)
Sarasota - Coastal (583)	803	(29%)
Levy - Coastal (594)	64	(30%)
Bay - Remainder (721)	212	(30%)
Hernando - Coastal (159)	1,162	(30%)
Duval - Coastal (41)	110	(30%)
Dade - Miami (32)	5,846	(30%)
Dixie - Coastal (592)	24	(30%)
Volusia - Remainder (63)	1,200	(30%)
St Johns - Remainder (702)	197	(32%)
Martin - Remainder (10)	422	(33%)
St Johns - Coastal (533)	153	(34%)
Santa Rosa - Remainder (724)	174	(34%)
Okeechobee (555)	61	(35%)
Monroe - Key West (7)	64	(36%)
Leon (993)	229	(36%)
Glades (552)	21	(36%)
Pasco - Remainder (736)	7,802	(36%)
Hillsborough - Tampa (47)	4,759	(36%)
Manatee - Remainder (735)	1,278	(37%)
Hernando - Remainder (733)	8,878	(38%)
Jackson (693)	85	(39%)
Okaloosa - Remainder (723)	221	(39%)
Brevard - Remainder (64)	1,662	(40%)
Holmes (593)	30	(42%)
Brevard - Coastal (57)	1,357	(42%)
Charlotte - Coastal (581)	558	(42%)
Gadsden (393)	142	(43%)
Pinellas - Remainder (81)	19,350	(45%)
Pinellas - St Petersburg (46)	11,001	(51%)

Source Data: Rate comparison using competitors approved rates as of 10/1/20 using Citizens' data as of 9/30/20

Citizens' Competitive Position – Tri County

Citizens' HO-3 average premium is **21% LESS** than the competitors in the Tri County
54% of Citizens' policies are in the Tri County



Citizens and Competitors HO-3 Average Premium

	Palm Beach	Broward	Miami-Dade	Tri-County
<i>Citizens' Policy Count</i>	16,530	40,444	63,281	120,255
Citizens P&C	\$3,404	\$3,894	\$4,149	\$3,961
ASI Preferred	\$4,298	\$4,508	\$4,747	\$4,605
Avatar	\$5,039	\$4,168	\$4,698	\$4,567
FedNat	\$2,698	\$3,636	\$4,427	\$3,924
First Protective	\$4,694	\$5,009	\$5,140	\$5,035
FL Peninsula Preferred	\$4,123	\$4,234	\$5,015	\$4,630
Heritage	\$5,189	\$5,014	\$5,359	\$5,219
Olympus Standard	\$5,134	\$8,200	\$7,969	\$7,657
Peoples Trust	\$6,078	\$5,494	\$6,851	\$6,288
Southern Oak	\$5,008	\$5,317	\$5,592	\$5,419
St. Johns	\$3,995	\$4,782	\$5,421	\$5,010
Tower Hill Prime	\$3,474	\$4,969	\$5,058	\$4,810
Tower Hill Signature	\$3,514	\$4,876	\$5,757	\$5,153
TypTap	\$2,977	\$3,505	\$3,684	\$3,526
Universal P&C	\$3,418	\$4,348	\$4,935	\$4,529
Competitor Average	\$4,260	\$4,861	\$5,332	\$5,027
% Difference	(20%)	(20%)	(22%)	(21%)

Source Data: Rate comparison using competitors approved rates as of 10/1/20 using Citizens' data as of 9/30/20

Reinsurance Pricing Results in Increased Exposed Surplus

Due to an increase in the overall rate online for 2020, there was a lack of capacity at an acceptable pricing level resulting in a slightly decreased reinsurance provision.

Effect of the reinsurance coverage reduction:

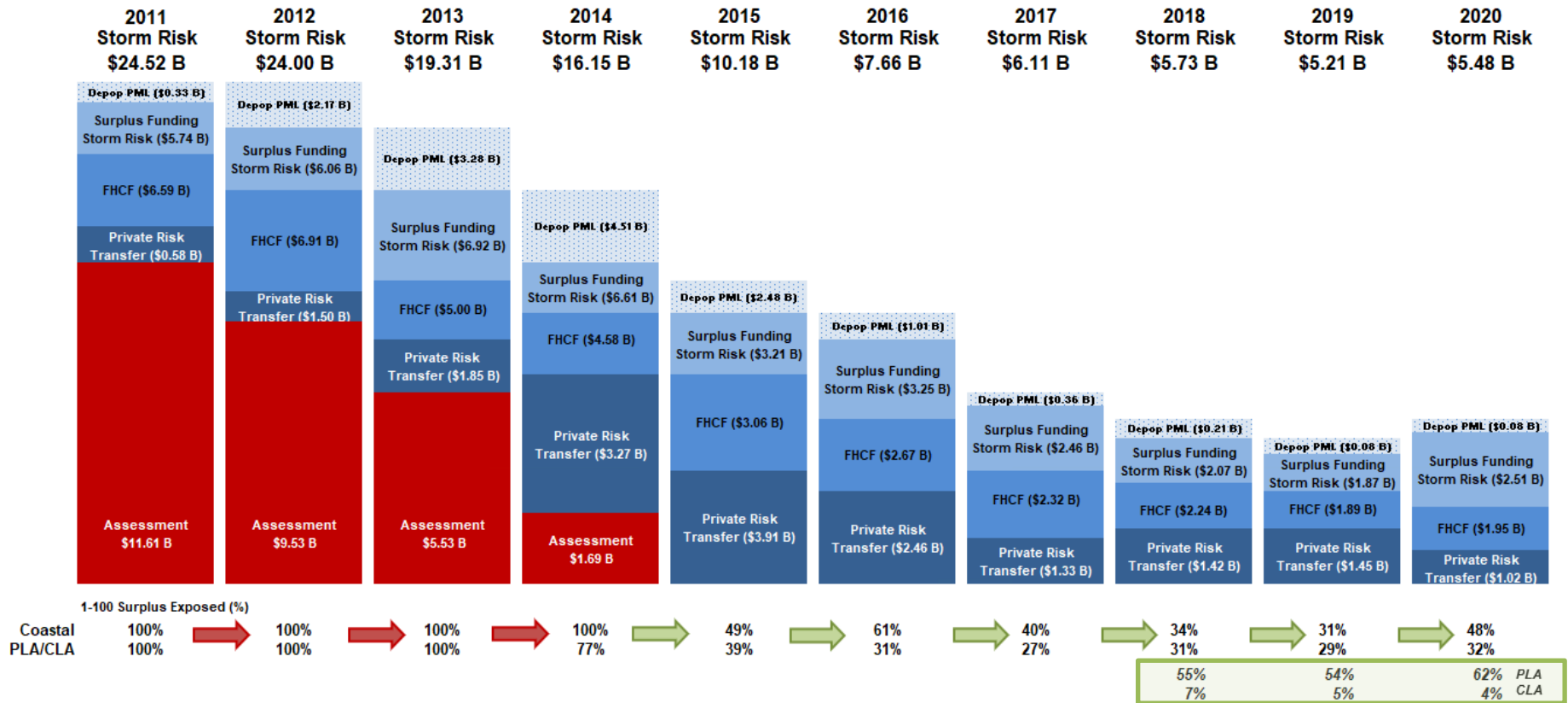
- Exposed Coastal Account Surplus increased to 48% in 2020 from 31% in 2019*
- Exposed Personal Lines Account Surplus increased to 62% in 2020 from 54% in 2019*

*Based on a 1-in-100 year event

In total, Citizens transferred \$1.021B of risk to the private reinsurance and capital markets for a net cost of \$55M.

For 2021, Citizens is looking to transfer \$2.641B

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

Surplus Depletion Scenario: 700K Policies (\$ in millions)

	Coastal	CLA	PLA	Total
Policy Count	173,713	938	525,349	700,000
Surplus	\$2,919	\$1,904	\$1,705	\$6,528
Additional Claims Paying Resources	\$3,019	\$51	\$2,552	\$5,622

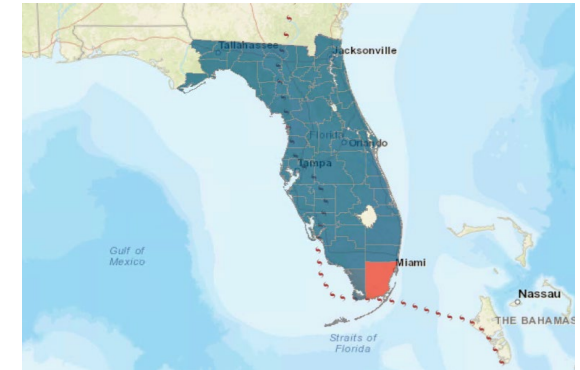
1 st Storm: Pre-Landfall Potential Path for Irma (Estimated Loss \$13.5 B)				
Surplus Remaining	\$0	\$1,675	\$0	\$1,675
Surplus Exposed	100%	12%	100%	N/A
Assessment	\$2,382	\$0	\$613	\$2,994

2 nd Storm: Pre-Landfall Potential Path for Dorian (Estimated Loss \$26.6 B)				
Surplus Remaining	\$0	\$1,118	\$0	\$1,118
Surplus Exposed	100%	33%	100%	N/A
Assessment	\$14,232	\$0	\$11,819	\$26,050

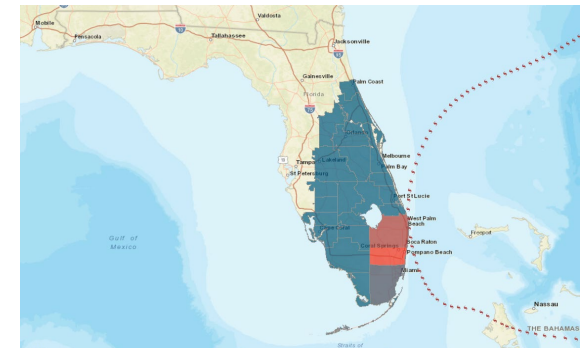
Notes:

1. Storm losses were estimated using AIR catastrophe model with exposure data as of 12/31/20. The estimated losses were then adjusted to account for policy growth and to include 10% LAE.
2. Surplus is 2021 Budgeted amount.
3. Additional Claims Paying Resources reflects a risk transfer program consistent with the proposed 2021 storm season plan.
4. The Total Surplus Remaining and Assessment amounts are the sum of the individual accounts. However, this calculation is not meaningful for the Surplus Exposed.

1st Storm Potential Path for Hurricane Irma



2nd Storm Potential Path for Hurricane Dorian



Surplus Depletion Scenario: 800K Policies (\$ in millions)

	Coastal	CLA	PLA	Total
Policy Count	198,529	1,072	600,399	800,000
Surplus	\$2,919	\$1,904	\$1,705	\$6,528
Additional Claims Paying Resources	\$3,206	\$59	\$2,784	\$6,048

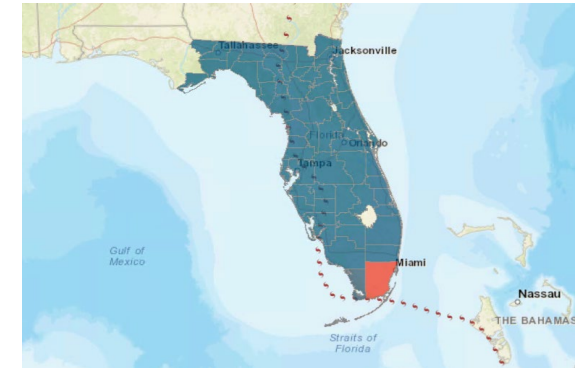
1 st Storm: Pre-Landfall Potential Path for Irma (Estimated Loss \$13.5 B)				
Surplus Remaining	\$0	\$1,642	\$0	\$1,642
Surplus Exposed	100%	14%	100%	N/A
Assessment	\$3,384	\$0	\$1,076	\$4,460

2 nd Storm: Pre-Landfall Potential Path for Dorian (Estimated Loss \$30.4 B)				
Surplus Remaining	\$0	\$1,005	\$0	\$1,005
Surplus Exposed	100%	39%	100%	N/A
Assessment	\$16,265	\$0	\$13,507	\$29,772

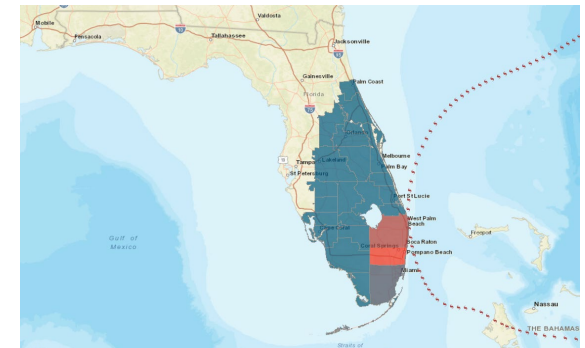
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1st Storm Potential Path for Hurricane Irma



2nd Storm Potential Path for Hurricane Dorian



Public Rate Hearing on 2021 Recommended Rates

Brian Donovan, Vice President – Chief Actuary

March 15, 2021



Changes to Citizens' Indication

Risk Factor – Promotes fairness in rates over time by setting aside extra premium to save for future hurricanes. This is allowed under Florida Statute because it is a generally accepted component of an actuarially sound rate.

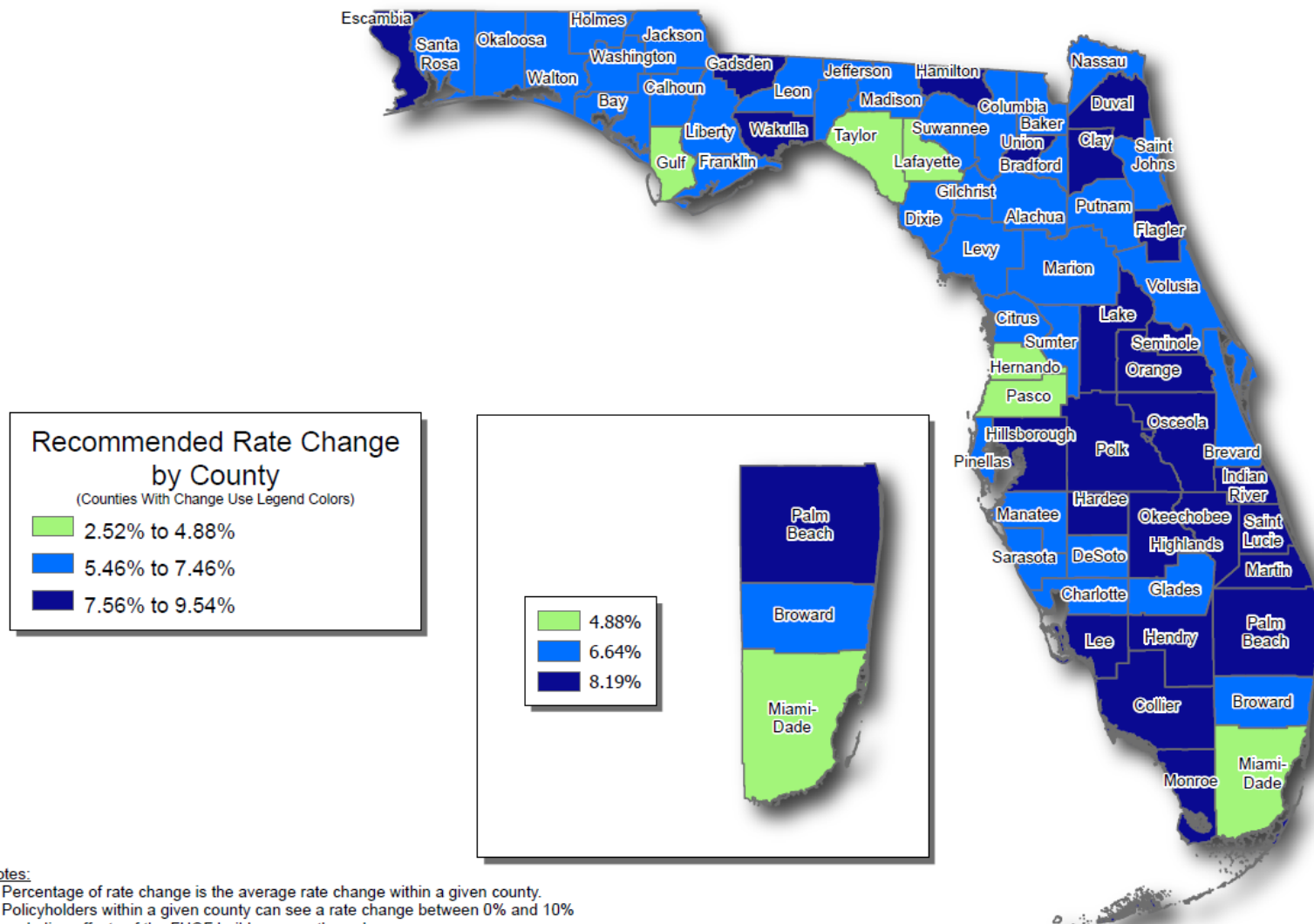
Selected Hurricane Model Result – Citizens' growth will tend to be in policies with less adequate rates. Appropriately recognize this by basing the indication on the higher two approved hurricane model results.

Proposed Renewal Rate Changes Range from 0% to 10% – All rate changes at renewal would be limited to 10%.

Statewide Rate Indications

	Uncapped Rate Indication	Proposed Rate Change
Personal Lines	26.0%	7.2%
Commercial Lines	93.4%	9.2%
Total	29.1%	7.3%

Recommended Rate Changes – HO-3 Multiperil



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.

Water Litigation Rate: AOB vs Non-AOB

Accident Period	Statewide	
	Percent of Total Claims with AOB Litigation	Percent of Total Claims with Non-AOB Litigation
3/31/18	25.5%	28.6%
3/31/19	21.0%	23.8%
3/31/20	10.7%	19.6%

HB 7065 has had a significant impact on litigation pertaining to assignment of benefits (AOBs).

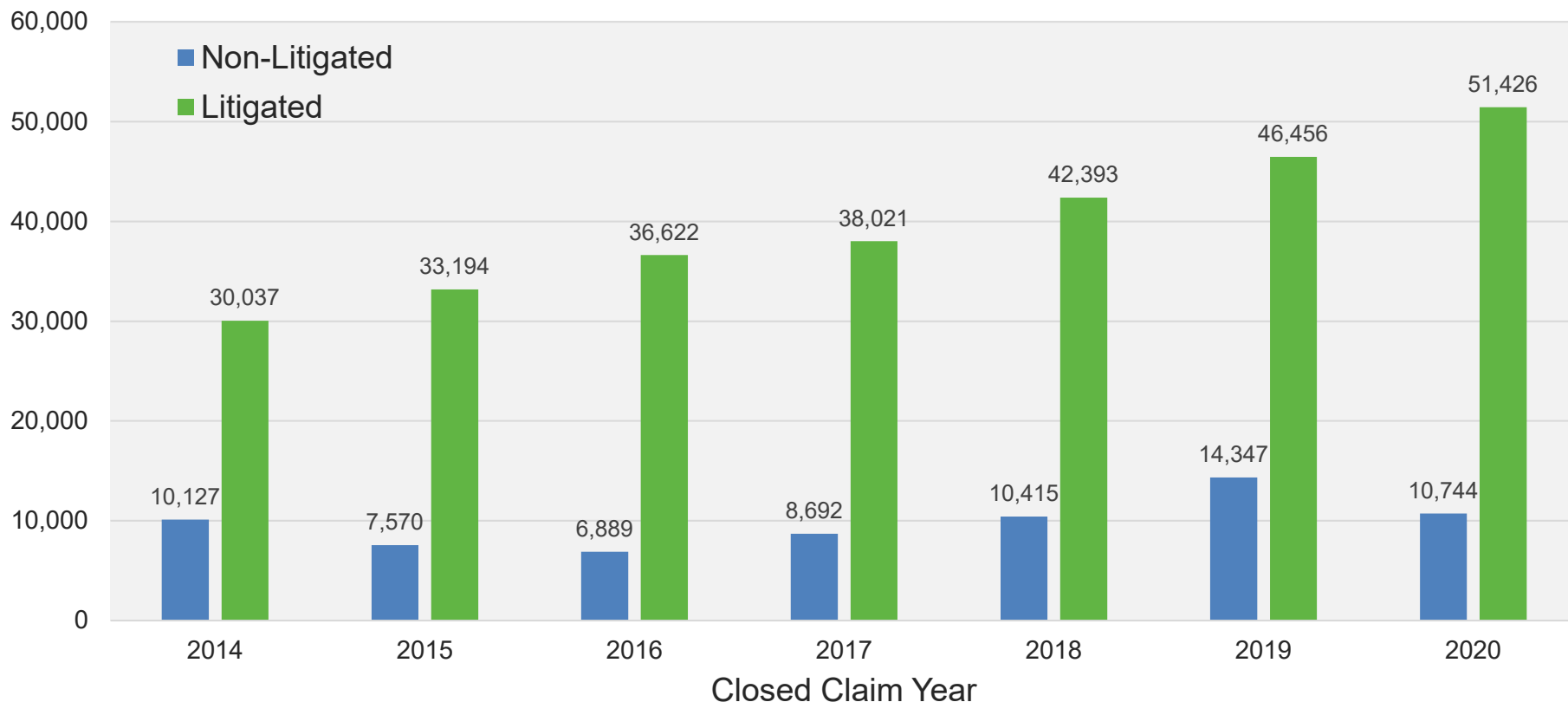
HB 7065 has halved the litigation rate of AOB related litigation.

Despite overall litigation rates declining in recent years, litigated claims are still a significant driver of Citizens' rate need.

Efforts such as the increased use of appraisal and the Managed Repair Program have contributed to a decrease in litigation. However, the non-AOB litigation rate is almost twice as high as AOB related suits.

HO-3 Non-Weather Water Loss Severity

Severity of Litigated vs Non-Litigated
HO-3 Non-Weather Water Claims



NOTES:

1. Claims data is based on closed non-weather water claims for multi-peril Homeowners HO-3 policies
2. Severity of litigated and non-litigated claims are based on closed year incurred loss and allocated loss adjustment expense

Hurricane Peril is the Driver of Monroe Rate Increases

Traditional actuarial methods using a company's actual losses are not appropriate for hurricanes and not allowed by statute

Monroe's Earned Premium in 2017 was \$60M and Hurricane Irma Losses and Loss Adjustment Expenses were \$512M. One storm wiped out almost 9 years of premium.

As required by Florida Statute 627.062(2)(b)11, rates must be based on hurricane models approved by the Florida Commission on Hurricane Loss Methodology

Given more weight to the highest two models increases the average HW-2 hurricane rate by \$2 for every \$1,000 of premium (8.2% vs 8.0%)

Water losses do not contribute to Monroe's rate increases

Proposal recognizes lack of availability in Monroe, therefore, recommendations for new business rates will not exceed renewal rates by 10%

Evaluation and Study of Appropriate Rating Territories

- The models are not in agreement on which segments of the keys should be higher or lower.
- Segmenting Monroe is not recommended.

Order #211627-17

Building Code Standards Study and Collaboration with Monroe County

- Citizens provided policy data and analyzed FIRM's survey results using the AIR hurricane model.
- This study is complete.

Order #211627-17

Review of ARA Study – Evaluation of Plywood (Class C) Shutters Effectiveness

- The ARA Study concluded that the existence and effectiveness of these shutters cannot be verified.
- Providing a credit is not recommended.

Order #211627-17

Evaluation and Study of Accepted Models

- Models reviewed reflect variations in county and statewide building codes and the evolution of building codes over time.
- This study has been included in the filing.

Order #249622-19

New Business Rates

The Board of Governors recommends the OIR consider making new business rates exceed renewal rates by the actuarially indicated amount, except for Monroe where new business rates would not exceed renewal rates by more than 10%

Product Line	Difference Between New and Renewal Policies			
	South East	Rest of State	Monroe	Total
Personal Lines Homeowners	9.8%	31.2%	9.4%	15.3%
Personal Lines Renters	1.2%	1.1%	9.5%	1.3%
Personal Lines Condo Units	30.6%	23.4%	10.0%	27.9%
Personal Lines Dwelling – DP3	19.3%	18.3%	8.1%	18.1%
Personal Lines Dwelling – DP1	29.5%	16.8%	9.6%	26.9%
Personal Lines Mobile Homeowners	23.8%	20.6%	9.9%	20.6%
Personal Lines Dwelling Mobile Home	21.3%	7.7%	9.8%	9.4%
Commercial Residential	94.0%	62.5%	9.2%	84.1%
Commercial Non-Residential	62.5%	54.9%	10.0%	48.2%

These percentages indicate the average difference in rate between new and renewal business. These are averages. Actual results will vary.