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Citizens board addresses operating losses, growth trends

JACKSONVILLE – Citizens Property Insurance Corporation is experiencing the effects of the financially troubled private insurance market and continues to rely on investment income to offset operating losses as it prepares to accept nearly 150,000 additional policyholders by the end of the year.

Citizens has experienced operating losses since 2015, but has offset those losses with investment income earned from its \$6.4 billion reserves. Since 2013, Citizens' combined operating losses have approached \$690 million. That figure was offset by \$726 million in investment income during the same period.

While Citizens remains financially sound, such a scenario is unsustainable over the long term and increases the risk of assessments on all Florida property, auto and other insurance policyholders, said Citizens Board Chairman Carlos Beruff.

“We are in a place that we have to make some hard decisions or think about ways we can solve this problem,” Beruff said. “We must not become a burden on the people of Florida.”

The rapid increase in policy count is being driven by the actions of private companies taking steps to reduce risk in response to continued market pressures. Companies are reeling from continued high litigation rates, reinsurance premium hikes and higher than expected losses from Hurricane Irma.

Since March 2020, Citizens policy count had grown from 443,444 to 551,613, an increase of 26.4 percent. Citizens is now receiving more than 3,000 new customers per week.

Citizens board members held a wide-ranging discussion of possible solutions but took no action. Members, however, said Citizens' growth poses an increasing risk of assessments, which are levied if Citizens exhausts its reserves and cannot pay claims.

Carlos Beruff, Chairman, Manatee County • Bette Brown, Monroe County • Marc W. Dunbar, Leon County
Lazaro Fields, Leon County • Reynolds Henderson, Walton County • James Holton, Pinellas County
William Kastroll, Collier County • Carlos Lopez-Cantera, Miami-Dade County • M. Scott Thomas, St. Johns County
Barry Gilway, President/CEO and Executive Director

As part of its efforts to prevent assessments, Citizens will seek approximately \$2.6 billion in reinsurance coverage for the 2021 hurricane season to protect surplus while its policy count continues to grow.

Chief Financial Officer Jennifer Montero provided a preliminary update on Citizens proposed 2021 risk transfer program to the Board of Governors on Wednesday. Montero and others are entering into negotiations with reinsurers and capital market representatives to have a proposal ready for board action in early May prior to the start of the 2021 hurricane season.

The plan includes the risk transfer of up to \$1.72 billion in coverage for the Coastal Account and \$926 million for the Personal Lines Account (PLA), which generally covers properties farther from the coast. Combined, the coverage will allow Citizens to weather a 1-in-100 year storm with no risk of levying assessments while protecting 60 percent of coastal account reserves, and 32 percent of PLA reserves.

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In 2002, the Florida Legislature created Citizens Property Insurance Corporation (Citizens), a not-for-profit alternative insurer, whose public purpose is to provide insurance to, and serve the needs of, property owners who cannot find coverage in the private insurance market.

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