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Citizens' Board urges cost savings as market conditions remain challenging

LAKE MARY, Fla. - Citizens Property Insurance Corporation's Board of Governors on Wednesday urged staff to strengthen the company's financial position as the state's insurer of last resort faces challenges brought on by increased policy count, litigation and a continued weak private insurance market.

Despite Citizens' overall financial health – the company has \$6.5 billion in reserves – Citizens Chairman Carlos Beruff said Citizens must look for ways to cut costs and/or raise revenues to stem underwriting losses as the Florida market continues to experience challenges.

Citizens, like other carriers, has posted underwriting losses since 2015. Citizens investment portfolio has offset those losses and allowed the company to post positive net income since 2019. Citizens in 2021 posted net income of \$81.1 million despite an underwriting loss of \$166.5 million.

“We just want to be solvent so when a CAT event comes, we are not sticking Floridians with Citizens' assessments across the state,” Beruff said. “That is my mission.”

Citizens is already taking actions to reduce exposure, including increased inspections, policy changes and robust public education efforts. Among his suggestions, Beruff urged the company to review its administrative costs and contracts with suppliers to see if savings can be realized.

While Citizens can make changes to administrative costs, revenue increases may not keep pace with the increased exposure that accompanies policy growth. Nine out of 10 times, Citizens' rates are lower than comparable private policies.

Citizens is restricted by law to annual rates increases of 11% or less. Meanwhile, private companies have been raising premiums at higher rates. Proposals to slow Citizens' policy count growth did not pass the 2022 Legislative session.

“Until we get some legislative relief...we are stuck chasing our tails,” said Citizens’ Board member Scott Thomas.

In other action, Citizens’ Chief Financial Officer Jennifer Montero updated Board members on Citizens’ risk transfer options for the 2022 hurricane season. Citizens is in the process of purchasing risk transfer to reduce the risk of Citizens policyholder surcharges and assessments on all property insurance policyholders in the event of a major storm or series of storms.

Citizen is in a strong financial position as it pursues risk transfer options. Montero is expected to return to the Board in May with a set of recommendations for its approval. The 2022 hurricane season begins June 1.

“We’re going to come back to the Board with the best deal we can get,” Montero said.

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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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