

Public Rate Hearing on 2022 Recommended Rates

Barry Gilway, President/CEO and Executive Director

March 31, 2022



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 growing exponentially.

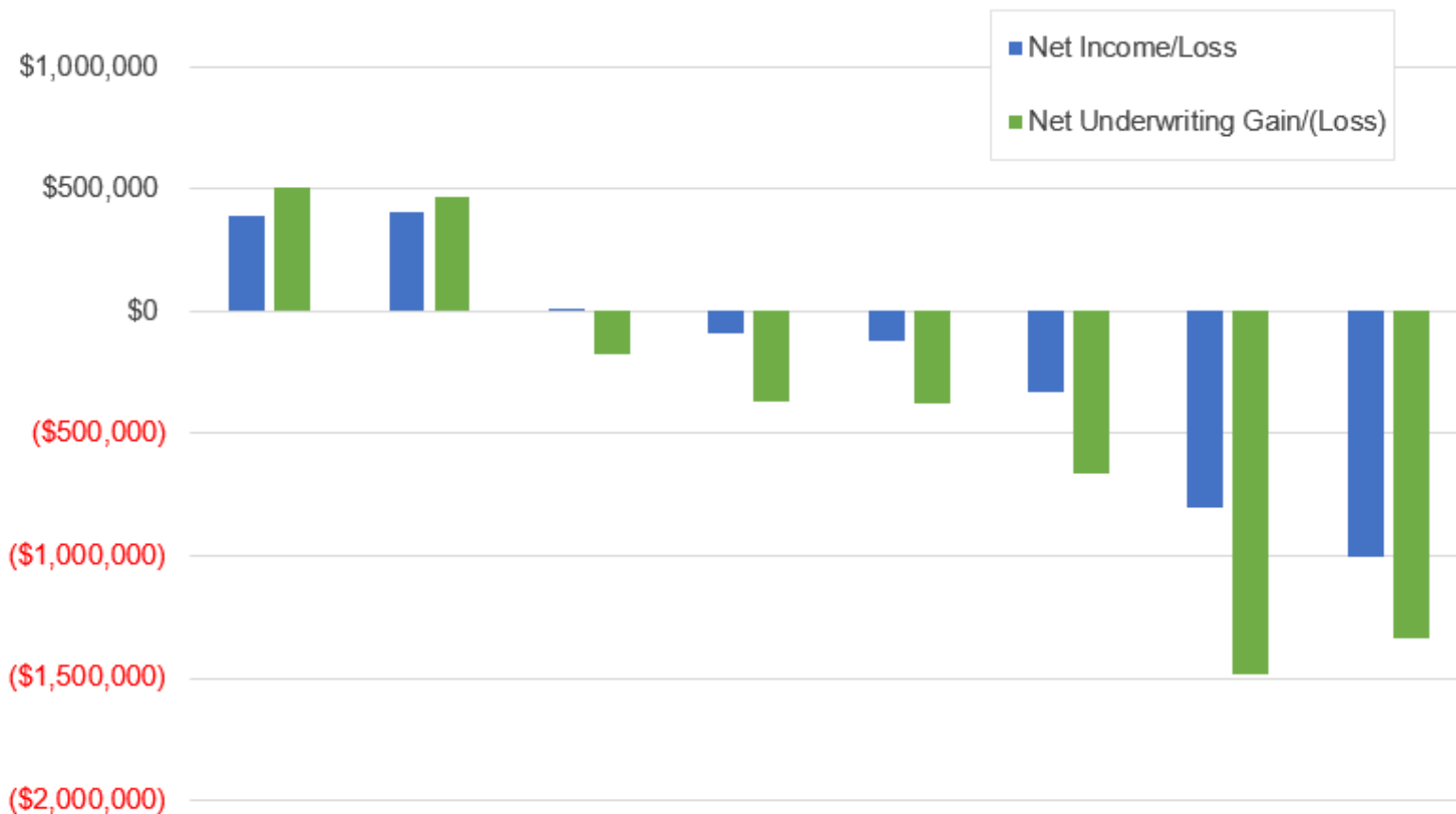
Exacerbating Citizens' growth is its competitive position in terms of rates. **99%** of Citizens' HO-3 policies are priced lower than the average private market rate.

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.

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

~ Citizens' Chairman Carlos Beruff
Board of Governors 3/23/22 meeting

Financial Trends for Selected Florida Insurers (\$000)



	2014	2015	2016	2017	2018	2019	2020	2021
Net Income/Loss	\$394,390	\$408,991	\$7,146	(\$92,401)	(\$123,927)	(\$326,096)	(\$806,097)	(\$1,000,510)
Net Underwriting Gain/(Loss)	\$507,805	\$469,947	(\$173,904)	(\$365,801)	(\$372,443)	(\$662,350)	(\$1,486,952)	(\$1,340,582)

Source: S&P Global Market Intelligence, FL domestic and foreign companies with large homeowners FL business

Companies Halting Business in Florida

Restricting new business and cancelling/non-renewing business

Companies continue to file stronger restrictive underwriting guidelines such as:

- Limits on new business/renewals based on location
- Age of home
- Age of roof
- Required minimum Coverage A limit
- Limited water loss coverage

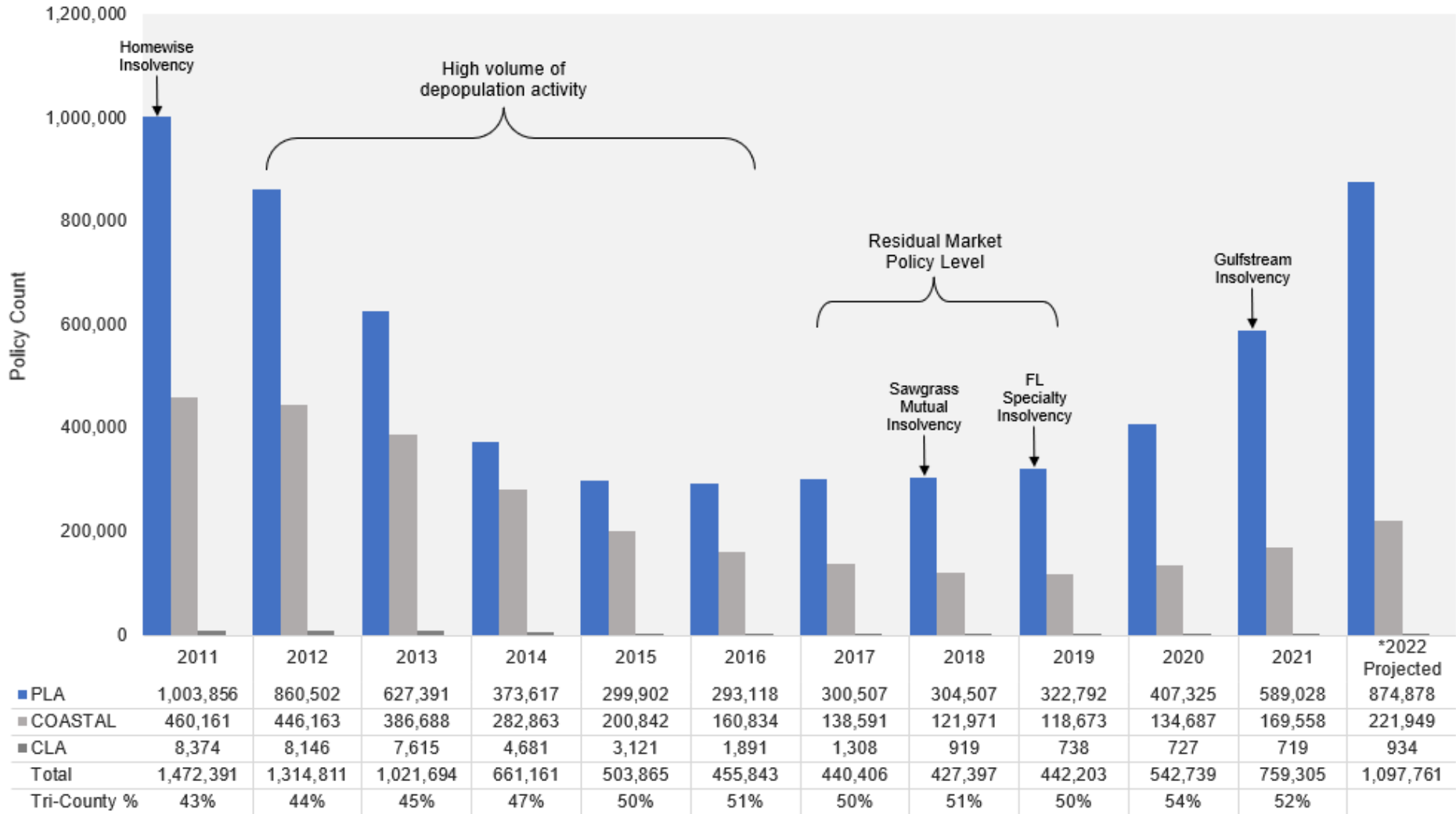
Higher and more frequent rate increases

Clearinghouse results have significantly declined

	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%
2021	86,936	813,404	11%

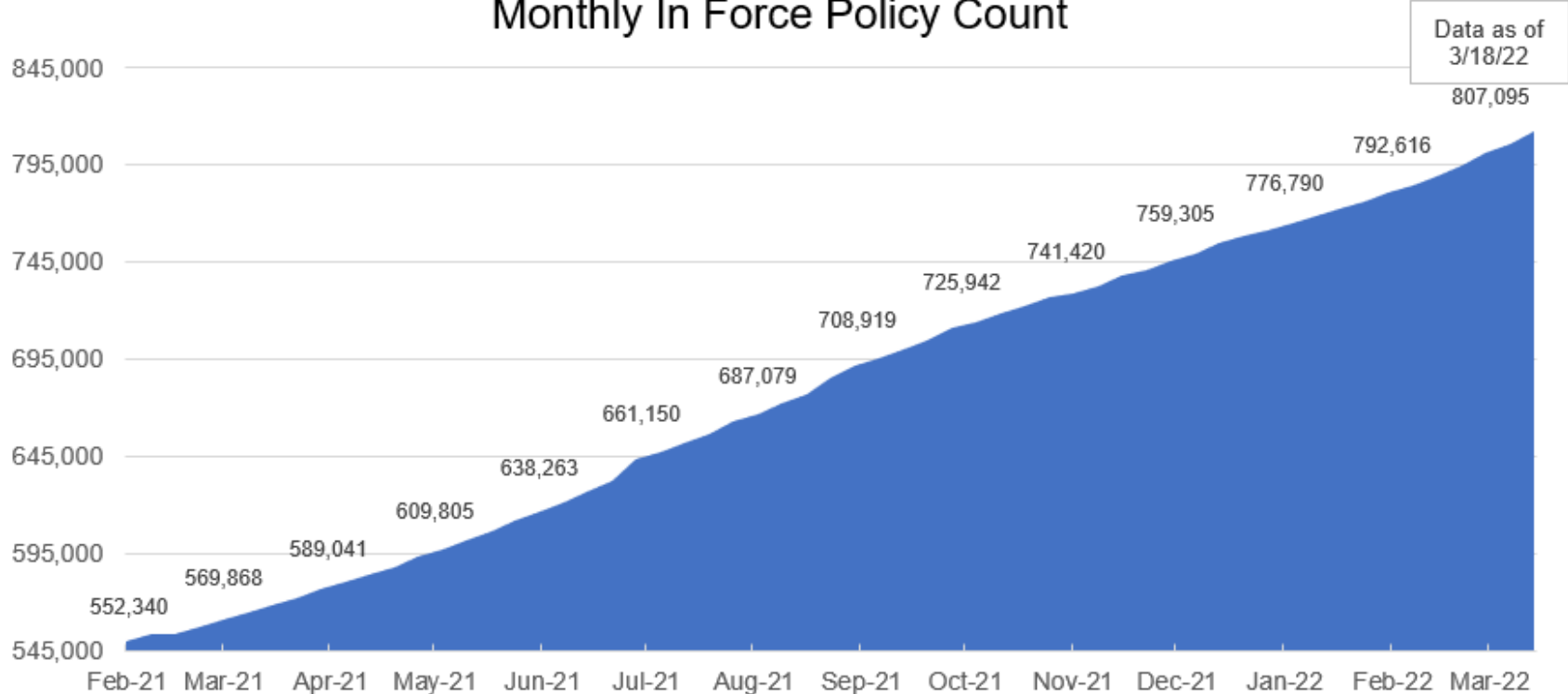
	Renewal Business		
	Private Carrier Quotes	CPIC Quotes	Private Carrier Quote Rate
	23,001	252,867	9%
	19,747	264,011	7%
	12,132	260,038	5%
	4,324	314,891	1%
	3,137	253,740	1%

Policies in Force and 2022 Yearend Projection



Rapid Policy Count Growth

Monthly In Force Policy Count



	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
New Business	19,603	26,097	28,310	30,140	39,074	34,798	37,639	33,323	30,783	30,286	30,865	28,726	31,733
Non-Renewals	(2,494)	(3,118)	(3,318)	(3,291)	(4,231)	(5,267)	(5,660)	(4,838)	(4,621)	(7,575)	(5,506)	(5,152)	(5,591)

In 2021, Citizens' latest 12-month new business average is **32K policies per month**

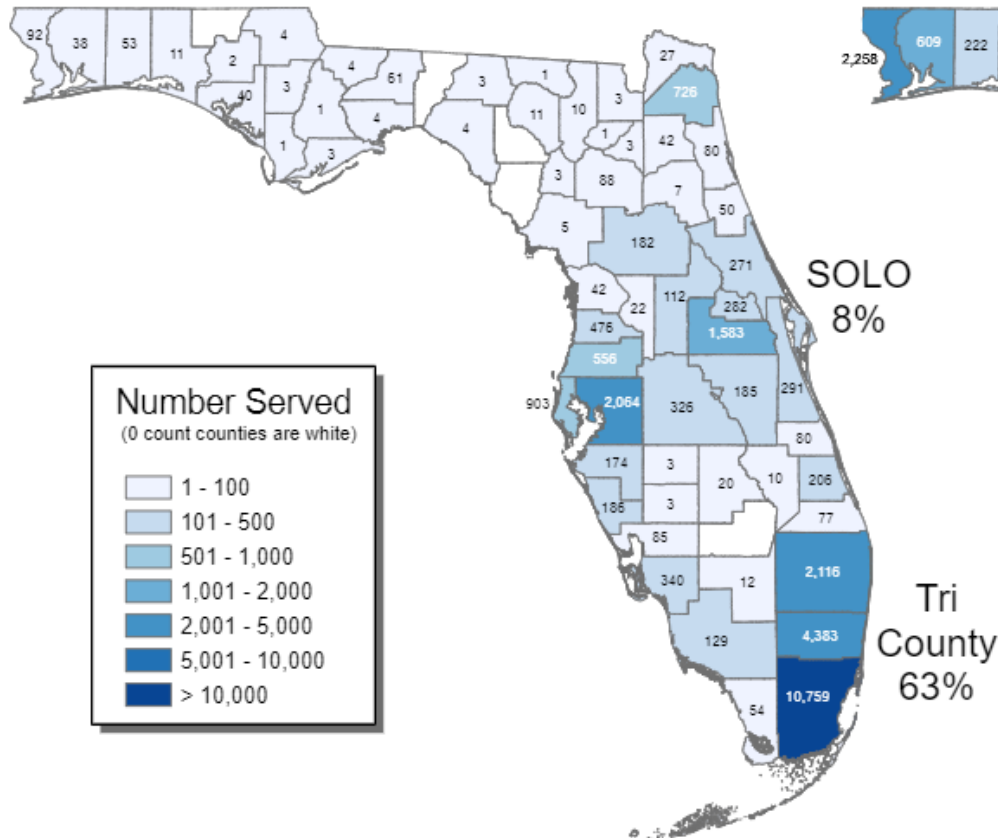
In 2020, Citizens' latest 12-month new business average was **15K policies per month**

Citizens' and the Industry's Litigation

2013 Lawsuits

All Insurance Companies Including Citizens

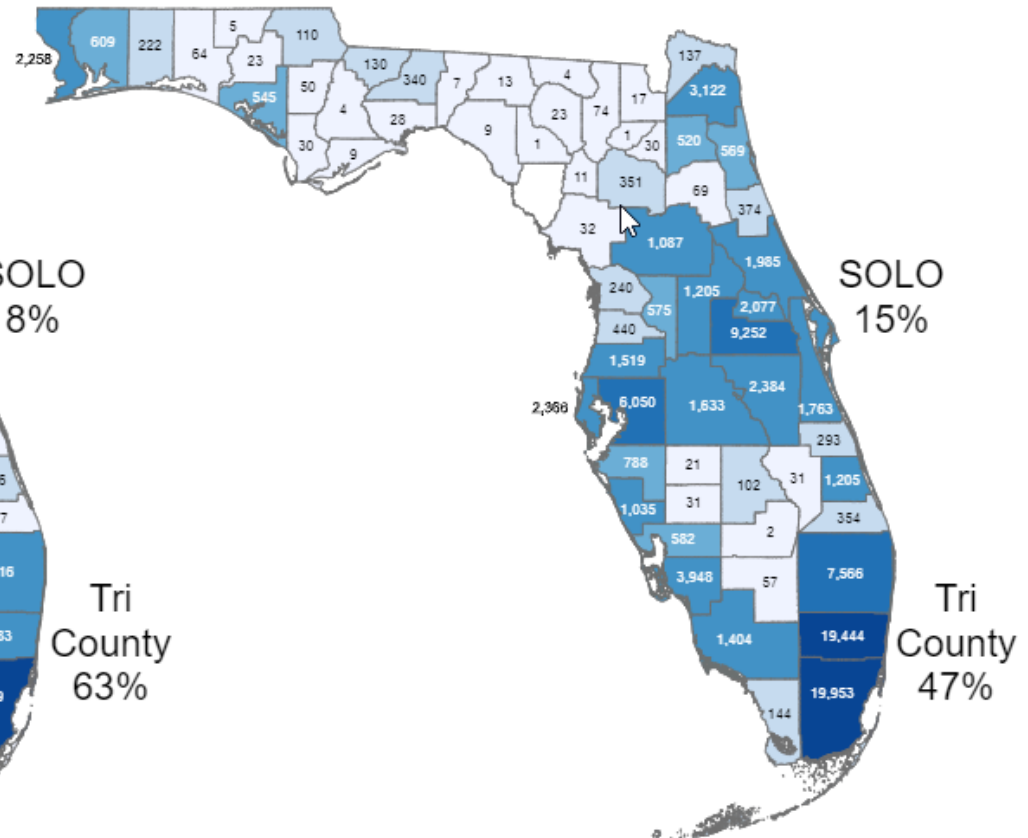
27,416 Lawsuits
20% AOB Lawsuits



2021 Lawsuits

All Insurance Companies Including Citizens

99,519 Lawsuits
26% AOB Lawsuits

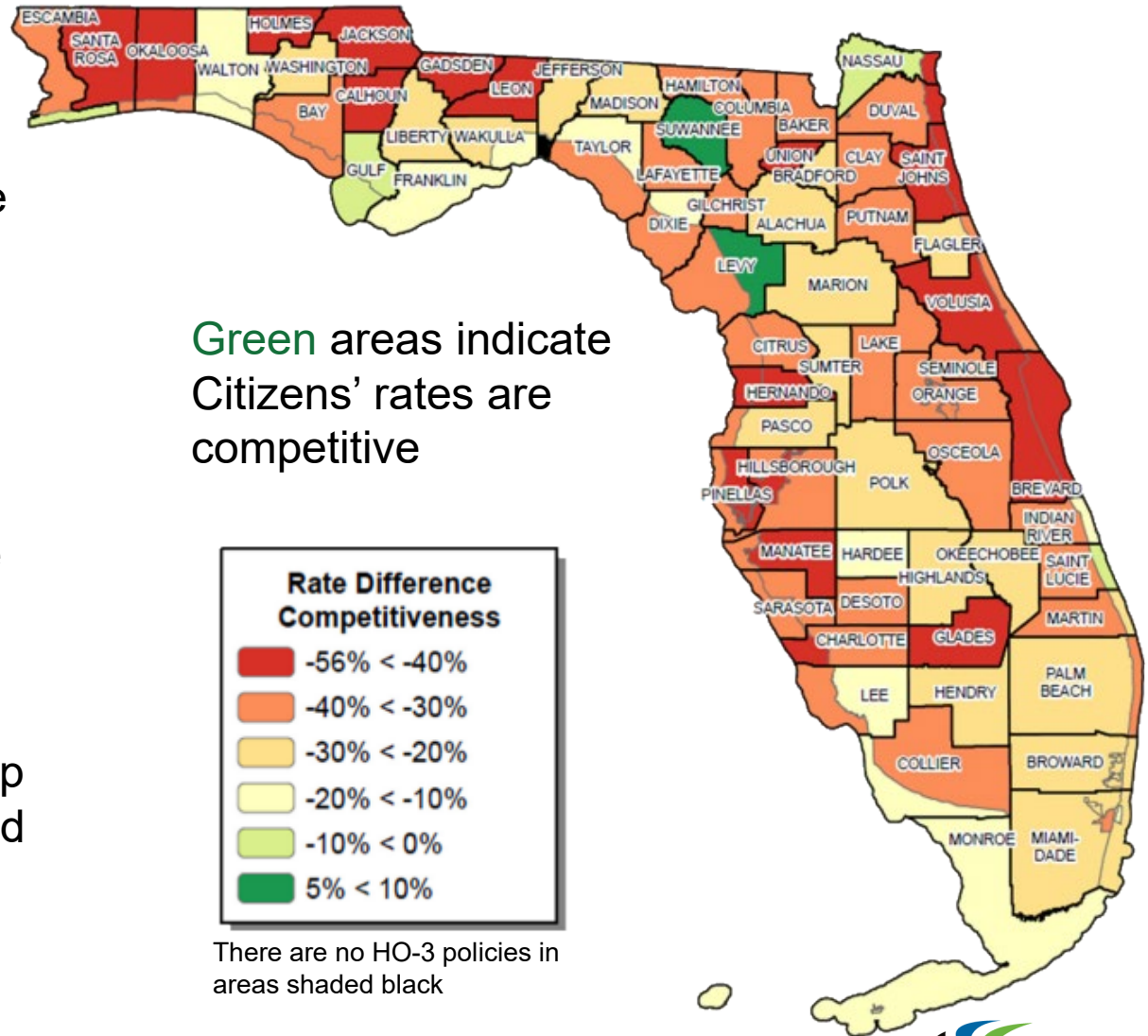


Source: "Service of Process Reports" (LSOP Reports), Florida Department of Financial Services, December 31, 2013 & 2021

Citizens' HO-3 Competitive Position

99% of Citizens' HO-3 policies are **LESS** than the average competitor's approved rates effective 10/1/21 using Citizens' 9/30/21 policy data.

The industry continues the 2-year trend of filing large rate increases, many greater than 11%. This further exacerbates the gap between Citizens' rates and the industry.



Industry Homeowners Rate Filings

Company Name	Direct Written Premium in millions	Approved Rate Change %		Cumulative Rate Change %
	2020	2020	2021	2020-2021
Universal Property & Casualty Insurance	\$ 1,159.4	13%	16%	31%
State Farm Florida Insurance Company	\$ 671.0	0%	5%	5%
Heritage Property & Casualty Insurance Company	\$ 409.4	15%	8%	24%
First Protective Insurance Company	\$ 357.8	5%	10%	16%
FedNat Ins Co	\$ 356.0	8%	17%	26%
ASI Preferred Insurance Corporation	\$ 353.7	35%	0%	35%
Homeowners Choice Property & Casualty Insurance Company	\$ 316.7	12%	0%	12%
Tower Hill Signature Ins Company	\$ 305.3	14%	0%	14%
Federal Insurance Company	\$ 260.8	9%	4%	12%
United Services Automobile Association (USAA)	\$ 249.1	0%	0%	0%
Family Security Insurance Company	\$ 242.5	65%	0%	65%
United Property & Casualty Insurance Company Inc.	\$ 189.5	12%	15%	28%
Tower Hill Prime Insurance Company	\$ 165.2	26%	0%	26%
Tower Hill Preferred Insurance Company	\$ 135.9	14%	0%	14%
USAA Casualty Insurance Company	\$ 129.0	0%	0%	0%
Castle Key Indemnity Company	\$ 102.3	0%	15%	15%
Castle Key Insurance Company	\$ 91.0	0%	13%	13%
TypTap Insurance Company	\$ 90.2	14%	0%	14%
American Strategic Insurance Corporation	\$ 71.1	28%	0%	28%

Citizens' Competitive Position Percent Differences by Territory

Territory	Policy Count	% Diff to Competitors Avg Premium
Suwannee (933)	14	7%
Levy - Remainder (734)	23	6%
Escambia - Coastal (602)	30	(6%)
Gulf - Remainder (722)	9	(6%)
Gulf - Coastal (604)	22	(8%)
Nassau - Remainder (892)	52	(9%)
St. Lucie - Coastal (183)	115	(10%)
Dixie - Remainder (732)	16	(10%)
Taylor - Remainder (737)	29	(12%)
Indian River - Coastal (181)	44	(13%)
Franklin (603)	67	(14%)
Hardee (713)	46	(16%)
Walton - Remainder (726)	72	(17%)
Walton - Coastal (609)	150	(17%)
Monroe - Remainder (5)	1,029	(18%)
Collier - Coastal (541)	398	(18%)
Dade - Miami Beach (30)	363	(19%)
Lee - Remainder (554)	4,490	(19%)
Wakulla - Coastal (608)	27	(19%)
Sumter (921)	132	(20%)
Dade - Hialeah (33)	4,641	(21%)
Monroe - Key West (7)	109	(21%)
Alachua (192)	305	(21%)
Marion (792)	704	(21%)
Polk (50)	2,091	(22%)
Broward - Coastal (361)	278	(22%)
Madison (932)	12	(23%)
Wakulla - Remainder (725)	65	(23%)
Hendry (553)	205	(23%)
Broward - Remainder (37)	52,342	(24%)
Dade - Remainder (34)	71,010	(24%)
Broward - Hlwd & Ft Laud (35)	11,332	(25%)
Flagler - Remainder (701)	253	(25%)
Liberty (931)	11	(25%)
Palm Beach - Remainder (38)	35,606	(26%)

Territory	Policy Count	% Diff to Competitors Avg Premium
Dade - Coastal (31)	377	(27%)
Okeechobee (555)	175	(27%)
Martin - Coastal (182)	8	(28%)
Pasco - Remainder (736)	10,927	(28%)
Highlands (714)	1,104	(29%)
Washington (934)	50	(29%)
Jefferson - Remainder (793)	25	(30%)
Bradford (392)	22	(30%)
Manatee - Coastal (582)	190	(30%)
Collier - Remainder (551)	1,735	(31%)
Escambia - Remainder (43)	1,673	(31%)
Santa Rosa - Coastal (607)	10	(31%)
Desoto (712)	104	(32%)
Palm Beach - Coastal (362)	773	(32%)
Duval - Jacksonville (39)	2,095	(32%)
Lafayette (893)	3	(32%)
Columbia (293)	52	(32%)
Orange - Remainder (90)	6,806	(32%)
Lee - Coastal (542)	354	(32%)
Charlotte - Remainder (711)	1,631	(32%)
St. Lucie - Remainder (562)	4,980	(32%)
Citrus - Coastal (591)	210	(33%)
Orange - Orlando (49)	813	(33%)
Baker (292)	26	(33%)
Okaloosa - Coastal (606)	401	(34%)
Bay - Coastal (601)	473	(34%)
Hillsborough - Excl Tampa (80)	13,656	(34%)
Hamilton (493)	7	(34%)
Volusia - Coastal (62)	507	(35%)
Clay (492)	396	(35%)
Sarasota - Remainder (715)	2,475	(35%)
Putnam (992)	103	(35%)
Indian River - Remainder (561)	1,903	(35%)
Gilchrist (923)	39	(35%)
Bay - Remainder (721)	865	(35%)
Pinellas - Coastal (42)	1,108	(35%)

Territory	Policy Count	% Diff to Competitors Avg Premium
Citrus - Remainder (731)	878	(35%)
Pasco - Coastal (595)	1,389	(35%)
Dixie - Coastal (592)	59	(36%)
Flagler - Coastal (531)	73	(36%)
Duval - Remainder (40)	1	(36%)
Taylor - Coastal (596)	118	(37%)
Lake (692)	1,201	(37%)
Dade - Miami (32)	7,577	(38%)
Martin - Remainder (10)	2,070	(38%)
Osceola (511)	3,411	(38%)
Seminole (512)	2,306	(38%)
Sarasota - Coastal (583)	1,619	(39%)
Levy - Coastal (594)	112	(39%)
Hernando - Coastal (159)	1,324	(40%)
Duval - Coastal (41)	239	(41%)
Manatee - Remainder (735)	2,624	(41%)
Calhoun (193)	19	(41%)
St Johns - Remainder (702)	372	(41%)
Nassau - Coastal (532)	102	(41%)
Volusia - Remainder (63)	3,100	(42%)
Hillsborough - Tampa (47)	6,830	(44%)
Santa Rosa - Remainder (724)	1,044	(44%)
St Johns - Coastal (533)	347	(44%)
Brevard - Remainder (64)	5,659	(44%)
Union (922)	8	(45%)
Leon (993)	528	(45%)
Okaloosa - Remainder (723)	1,599	(46%)
Brevard - Coastal (57)	3,199	(47%)
Charlotte - Coastal (581)	1,127	(47%)
Glades (552)	50	(47%)
Hernando - Remainder (733)	10,562	(47%)
Pinellas - Remainder (81)	27,923	(50%)
Gadsden (393)	189	(51%)
Jackson (693)	155	(51%)
Holmes (593)	53	(53%)
Pinellas - St Petersburg (46)	15,591	(56%)

Source Data: Rate comparison using competitors approved rates effective 10/1/21 using Citizens' data as of 9/30/21

Citizens' Competitive Position – Tri County

Citizens' HO-3 average premium is **28% LESS** than the competitors in the Tri County

52% of Citizens' policies are in the Tri County

HO-3 Average Premium Citizens & Competitors

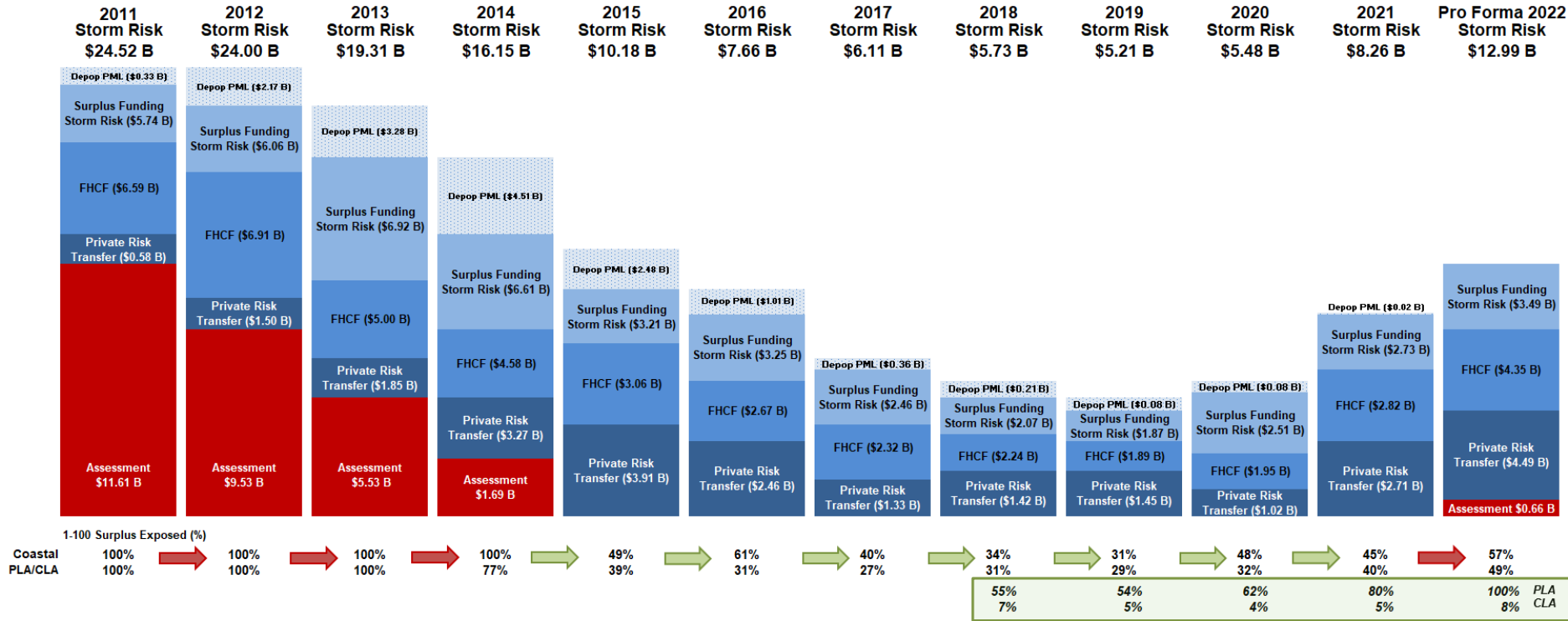
	Broward	Miami-Dade	Palm Beach	Tri-County
<i>Citizens' Policy Count</i>	63,952	83,968	36,379	184,299
Citizens	\$4,199	\$4,353	\$3,830	\$4,196
Company 1	\$6,793	\$7,232	\$6,786	\$6,992
Company 2	\$4,491	\$5,150	\$5,170	\$4,925
Company 3	\$5,113	\$5,566	\$3,580	\$5,017
Company 4	\$5,408	\$5,339	\$5,746	\$5,443
Company 5	\$5,033	\$6,144	\$4,678	\$5,469
Company 6	\$5,131	\$5,576	\$5,254	\$5,358
Company 7	\$9,197	\$8,871	\$6,151	\$8,447
Company 8	\$5,910	\$7,421	\$6,344	\$6,684
Company 8	\$6,079	\$6,403	\$6,103	\$6,232
Company 9	\$6,516	\$7,155	\$5,390	\$6,585
Company 10	\$5,675	\$5,466	\$4,288	\$5,306
Company 11	\$5,829	\$6,476	\$4,372	\$5,836
Company 12	\$4,246	\$4,521	\$3,692	\$4,262
Company 13	\$5,629	\$5,717	\$4,404	\$5,427
Competitor Average	\$5,789	\$6,217	\$5,140	\$5,856
% Difference	(27%)	(30%)	(25%)	(28%)

Source Data: Rate comparison using competitors approved rates as of 10/1/21 using Citizens' data as of 9/30/21.

NOTE: This is a subset of carriers identified as active in the Tri County region 11/15/18.



Risk and Assessment Trend



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 month end.
- 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 - 2021, 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.
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- Pro Forma 2022 Private Risk Transfer coverage is based on the budget reinsurance spend of \$400 million. The actual coverage and premium may vary significantly based on actual layers of coverage purchased.

VALUES ARE NOT DRAWN TO SCALE



Surplus Depletion Scenario: 1M Policies

(\$ in millions)

	Coastal	CLA	PLA	Total
Policy Count	236,493	736	826,991	1,064,220
Surplus	\$3,040	\$1,983	\$1,617	\$6,640
Additional Claims Paying Resources	\$5,008	\$57	\$6,136	\$11,200

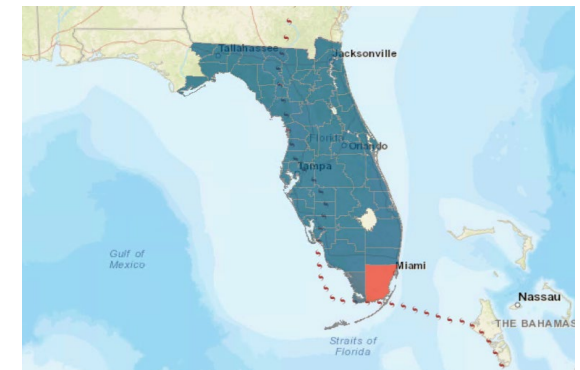
1st Storm: Pre-Landfall Potential Path for Irma (Estimated Loss \$18.12 B)

Surplus Remaining	\$0	\$1,803	\$704	\$0
Surplus Exposed	100%	9%	56%	N/A
Assessment	\$2,785	\$0	\$0	\$2,785

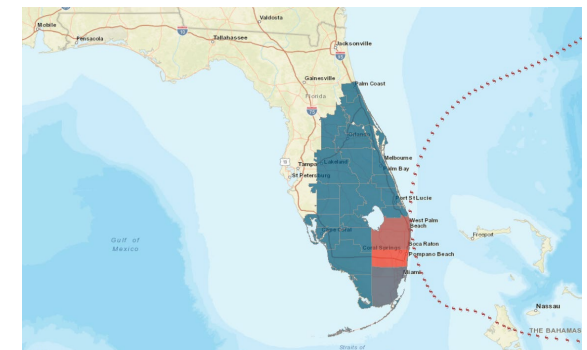
2nd Storm: Actual Path Great Miami Hurricane of 1926 (Estimated Loss \$12.59 B)

Surplus Remaining	\$0	\$1,629	\$0	\$0
Surplus Exposed	100%	10%	100%	N/A
Assessment	\$6,847	\$0	\$4,863	\$11,710

1st Storm Potential Path for Hurricane Irma



2nd Storm Potential Path for Great Miami Hurricane of 1926



\$14.5 B in potential assessments resulting from 2 Category 4 storms

Surplus Depletion Scenario: 1.3M Policies

(\$ in millions)

	Coastal	CLA	PLA	Total
Policy Count	289,442	728	1,015,655	1,305,825
Surplus	\$3,040	\$1,983	\$1,617	\$6,640
Additional Claims Paying Resources	\$6,126	\$58	\$7,577	\$13,761

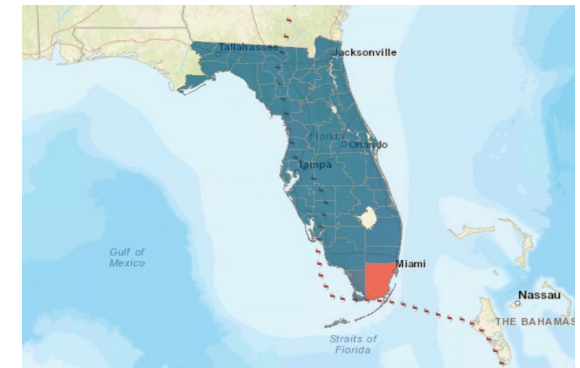
1st Storm: Pre-Landfall Potential Path for Irma (Estimated Loss \$22.15 B)

Surplus Remaining	\$0	\$1,801	\$538	\$0
Surplus Exposed	100%	9%	67%	N/A
Assessment	\$4,092	\$0	\$0	\$4,092

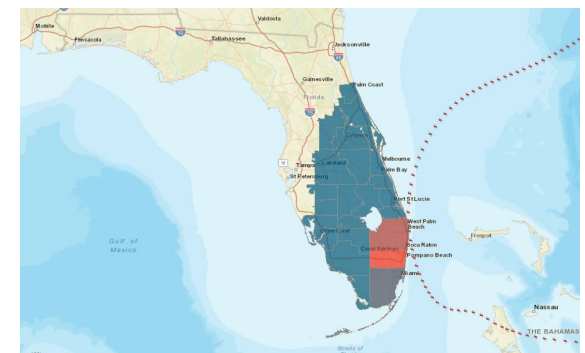
2nd Storm: Actual Path Great Miami Hurricane of 1926 (Estimated Loss \$15.39 B)

Surplus Remaining	\$0	\$1,625	\$0	\$0
Surplus Exposed	100%	10%	100%	N/A
Assessment	\$8,380	\$0	\$6,299	\$14,679

1st Storm Potential Path for Hurricane Irma



2nd Storm Potential Path for Great Miami Hurricane of 1926



\$18.8 B in potential assessments resulting from 2 Category 4 storms

2021 Impact of Recent Storms to Citizens' Surplus

Account	Direct Loss/Loss Adjustment Expenses		
	12/31/21 Ultimate	12/31/20 Ultimate	2021 Incurred
PLA	\$1,458,504,325	\$1,253,996,025	\$204,508,301
CLA	\$51,596,503	\$45,157,127	\$6,439,376
Coastal	\$1,121,938,983	\$1,061,175,570	\$60,763,413
Total	\$2,632,039,812	\$2,360,328,722	\$271,711,090

Large hurricane losses are not hypothetical

In 2021, Hurricane Irma, Tropical Storm Eta, and Hurricane/Tropical Storm Sally, combined for \$272M of direct loss and loss adjusting expenses.

After accounting for reinsurance, Citizens' surplus was reduced by close to \$200M.

The driving force of the increased costs from older storms is late reported claims and litigation.

Public Rate Hearing on 2021 Recommended Rates

Brian Donovan, Vice President – Chief Actuary



Market Conditions and Impact to Citizens

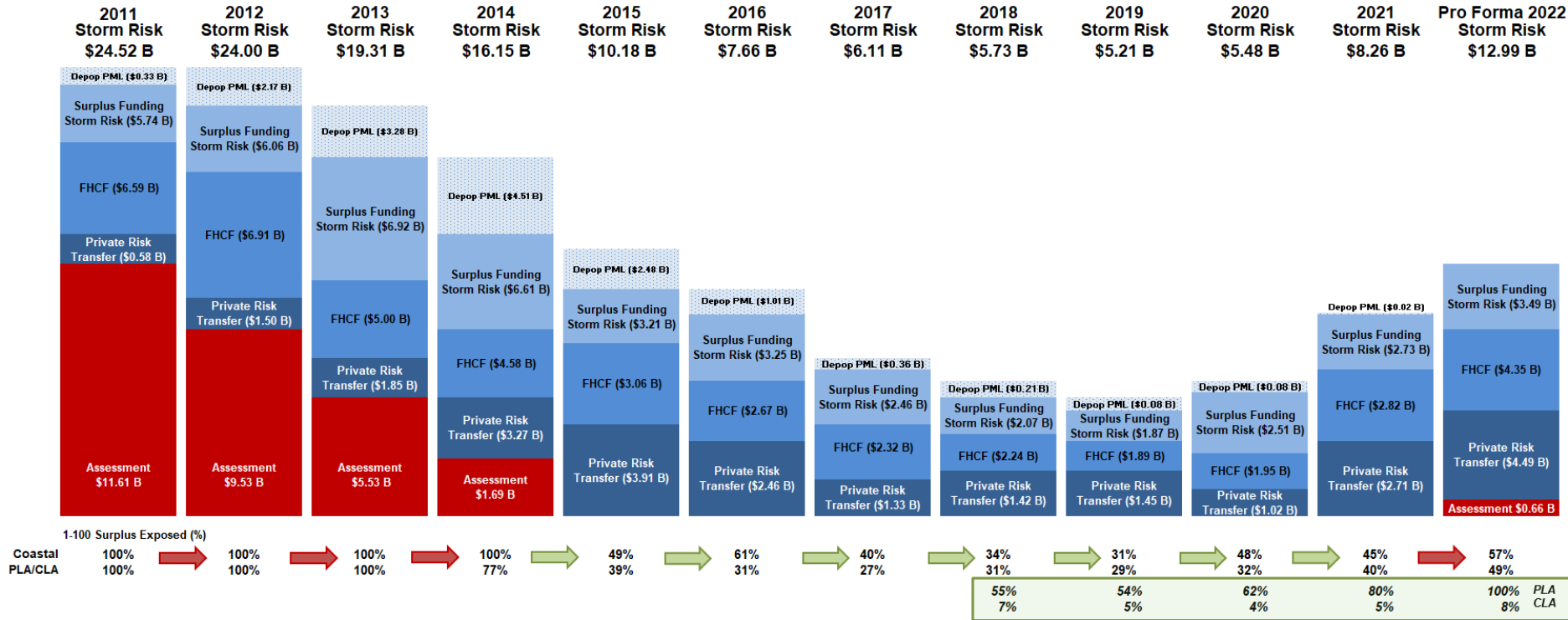
Florida Property Market is in Poor Health – Insurers are shedding policies due to very poor results; availability is an issue

Citizens rates are cheaper – Even with an 11% increase, Citizens remains cheaper than the private market. Some companies have been taking multiple rate changes much greater than 11% in a given year.

Steep Growth – The overall poor health of the market coupled with the very competitive rates is driving extreme growth for Citizens at inadequate rates.

Pressure on Surplus / Claims Paying Ability – Premium shortfall based on in-force premium used in the indication is close to \$400M. Based on current projections of growth, the premium shortfall will be closer to \$780M by the end of 12-31-2022.

Risk and Assessment Trend



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Proposed Rate Change

Actuarial soundness has two components: overall, and individual.

Overall actuarial soundness is when Citizens is charging enough overall premium to pay its total expected costs of providing insurance.

Individual actuarial soundness is when an individual policyholder's premium is equal to the expected cost of providing that single insurance policy.

To mitigate the growing pressure to Citizens' financial position, we recommend implementing the highest rate increase allowed by law. Still no policyholder would see an increase greater than 11% in 2022.

Our recommendation complies with the Florida Statutes, but it also prioritizes moving Citizens to overall actuarial soundness first.

The proposed rate change is **10.6%** while the indication is **36.5%**.

Statewide Rate Indications

	Uncapped Rate Indication	Proposed Rate Change
Personal Lines	34.9%	10.7%
Commercial Lines	67.7%	10.0%
Total	36.5%	10.6%

Where appropriate, the recommended rate change is 11%.

The recommended rate change for sinkhole is 0%.

Appendix

Notes for Slides 12 and 13

Surplus Depletion Scenario Notes & Assumptions

- 1) Surplus is projected as of 12/31/2021 with adjustments to account for reinsurance spend. It is assumed that any change to surplus resulting for the specific scenario reinsurance spend is offset by the change in net income resulting from a change in policy count.
- 2) In determining the storm impacts for each scenario, the Probable Maximum Loss (PML) is adjusted proportionally to project the increase in policy count. Initial PMLs for each storm are based on actual 12/31/2021 exposure.
- 3) In each scenario, Additional Claims Paying Resources reflect a risk transfer program consistent with that proposed in the budget for the 2022 storm season adjusted to cover 50% of the Coastal Account and 44% of the Personal Lines Account (PLA) scenario adjusted PML.
- 4) The estimated Loss for each storm is the PML with 10% Allocated Loss Expenses.
- 5) The pre-landfall potential path for Irma represents a simulated hurricane track obtained from the AIR hurricane model's stochastic catalog. This simulated track was selected to approximate the path of Irma based on its National Oceanic and Atmospheric Administration forecast track as of 09/06/2017, prior to Irma making landfall in Florida.
- 6) Commercial Lines claim count is at the level of building/unit.