

Residual Market Comparison

Kelly Booten, Chief Operating Officer



Residual Market Comparison

- Plan metrics (Premium, PIF, Exposure, Loss)
 - Year End 2021
 - As of June 2022
- Plan Similarities
- Product Comparison
 - Personal Lines
 - Commercial Lines
- Rating Adequacy Standards
- Litigation Metrics
- Litigation Statutes
- Market Health



State Comparison Premium, PIF, Exposure, Loss

Twelve months ended December 2021 (Personal and Commercial)

State	Premiums Written (\$000)	Policies Issued*	Exposure (\$000)**	Claims***	Combined Ratio
California	475,987	232,067	160,401,838	4,629	124.9%
Florida (CPIC)	1,814,135	813,404	232,502,324	31,921	124%
Louisiana	75,859	47,093	8,583,728	15,418	1549.2%
Massachusetts	296,276	~172,000	85,505,084	7,981	86.8%
N.C. CPIP Plan	390,512	199,403	83,906,545	4,250	50.9%
N. C. FAIR Plan	128,425	192,423	29,087,267	8,705	100.5%
Texas Wind Assoc	395,112	202,435	59,543,596	13,302	42.5%
Texas FAIR Plan	75,648	72,520	11,471,201	7,693	108.9%

*Policies Issued may reflect Policies in Force, based on plan reporting

**Exposure” is the estimate of the aggregate value of all insurance in force on all lines (except Crime and Liability where applicable) on the last day of the period as defined in the heading above.

***Habitational & Commercial combined (Texas Commercial N/A)

Combined Ratio – taken from PIPSO Reports June 2022

Source: PIPSO and State Plans



State Comparison Premium, PIF, Exposure, Loss

June 2022 Personal and Commercial (unless otherwise noted)

State	Premium (\$000)	PIF	% Increase PIF Compared to Year End 2021	Exposure (\$000)
California	300,925	264,081	14%	195,811,729
Florida (CPIC)	1,494,035	931,357	15%	318,849,647
Louisiana	154,662	75,149	60%	20,444,812
Massachusetts	315,923	(@9/22)172,680	~0%	(@9/22)112,485,852
N.C. CPIP Plan	222,193	204,474	2%	84,744,216
N. C. FAIR Plan	74,512	195,502	2%	30,983,059
Texas Wind (TWIA)	225,575	197,474	-2%	63,155,926
Texas FAIR Plan	39,159	62,871	-13%	11,091,251

“Exposure” is the estimate of the aggregate value of all insurance in force on all lines (except Crime and Liability where applicable) on the last day of the period as defined in the heading above.

Source: PIPSO and State Plans

- Plan Similarities
 - Defined by state law
 - Governed by Board of Directors appointed by Insurance Commissioner or state government
 - Coverage:
 - All offer Multi-Peril Coverage statewide for Personal and Commercial
 - Except Texas Commercial, which offers only Wind Coverage in Coastal areas for Commercial Risks (no statewide Multi-Peril available)
 - Texas requires separate Wind and Multi-Peril policies in coastal areas
 - Wind Coverage available in all states for Coastal (Hurricane exposed) areas
 - Eligibility – all states have similar insurability standards
 - Uninsurable - Vacant, poor condition, use violates law/code, does not conform with code for condition, prior claims, insurance fraud, etc.
 - California will accept poor condition with surcharge (filed, not yet approved)



State Comparison – Personal Lines

State	Forms Offered	Coverage Limits	Type Coverage	Geographic Eligibility	Coverage Limitations	Plan Access
California	DP1 (currently in litigation over offering an HO-3)	\$3 Million all coverages combined	Multi Peril NO EQ (written through CEA)	Statewide	No water, theft, liability	No offer of coverage, incl surplus lines
Florida (CPIC)	HO, DP, MH Multi-peril and Wind Only	\$700K Per Structure, \$1 Mil Monroe and Miami-Dade Counties; 50% of building value Contents	Wind Only Multi Peril	Statewide	none	Premium difference or no offer of coverage
Louisiana	HO, DP, MH Multi-peril and Wind Only	\$1 Million dwelling; \$500K contents	Wind Only Multi Peril	Statewide	none	No offer of coverage
Massachusetts	HO, DP Multi-peril and Wind Only	\$1 Million dwelling; \$500K contents	Multi peril EQ - HO & Dwelling	Statewide	none	No barriers to coverage
North Carolina CPIP Plan (Beach Plan)	HO, DP, MH Multi-peril and Wind Only	Habitational & HO \$750K Building; 40% of building value Contents	Multi peril Wind Only No EQ	Beach & Coastal territories	no liability on dwelling policies	No barriers to coverage
North Carolina FAIR Plan	DP1, DP2	Habitational & HO \$750K Building; 40% of building value Contents	Multi peril No EQ	all territories unless eligible for CPIP (Beach Plan)	no liability on dwelling policies AOB Exclusion	No barriers to coverage
Texas Wind Assoc	Texas Wind Policy	\$1.773 Million Building ; \$374K Contents	Wind Only	Coastal area only	Wind & Hail only	Proof of 1 declination required
Texas FAIR Plan	HO, DP, MH Multi-peril	\$1 Million dwelling; \$500K contents	Multi peril	Statewide	No water, \$5K buyback available	Proof of 2 declinations required

State Comparison – Commercial Lines

State	Forms Offered	Coverage Limits	Type Coverage	Geographic Eligibility	Coverage Limitations	Plan Access
California	Commercial & BOP, Builders risk, farm property (ex crops and livestock)	CL Property: \$8.4M Policy, \$5.6M building; \$1.5M BPP BOP: \$2M building; \$1M BPP	Multi Peril & BOP policies, NO EQ (written through CEA)	Statewide	No water (except sprinkler leakage), theft, liability	No offer of coverage, incl surplus lines
Florida (CPIC)	ISO Basic Commercial Coverage	Residential- No Maximum, Non-Residential Max \$1M Wind Only and \$2.5M Multi-Peril, first loss rating available over max limits for Non-Residential	Wind Only Multi Peril	Statewide	ISO Basic, no business interruption or other optional coverages	Premium difference or no offer of coverage
Louisiana	Basic and Builders Risk. School Property	Max: \$10 million for a single building, \$3.2 million in contents, and up to \$20million of aggregate coverage per insured.	Wind Only Multi Peril	Statewide	ISO Basic	No offer of coverage
Massachusetts	Commercial (form CP 0099)	\$1 Million building, \$500K contents	Multi peril No EQ	Statewide	none	No barriers to coverage
North Carolina CPIP Plan (Beach Plan)	ISO Commercial Forms, Building and Personal Property, Tobacco Sales Warehouses	Maximum Limits: \$3M structure / \$6M aggregate; 40% building limits for contents Building value over max allowed with proof of excess coverage	Wind Only Multi Peril No EQ	Multi-Peril - Beach territories only. Windstorm and Hail- beach & coastal territories, Crime-beach territories only	none	No barriers to coverage
North Carolina FAIR Plan	ISO Commercial Forms, Building and Personal Property, Tobacco Sales Warehouses	Maximum limits: \$2.5M on structures / \$6M aggregate; 40% building limits for contents Building value over max allowed with proof of excess coverage	Multi Peril No EQ	all territories except those eligible for CPIP (Beach Plan) ones	none	No barriers to coverage
Texas Wind Assoc	Commercial Windstorm Policy (Commercial buildings, business personal property)	Commercial - Bldg & contents combined-\$8.4M	Wind Only	Coastal area only	none	Proof of 1 declination required



State Comparison Rate Adequacy Standards

State	Rating/Rate Level	Who Approves Rates
California	Relation to market unknown. Statute requires actuarially sound rates but current rates well below actuarially determined rate need. Recent approved rate well below rate need.	California Department of Insurance - rates require prior approval.
Florida (CPIC)	Actuarially sound, subject to annual cap on increases (rates are currently inadequate)	Board of Governors and Office of Insurance Regulation
Louisiana	Required to ensure rates are at least 10% above voluntary market rates or 10% over the actuarial rate, whichever is higher, in accordance with Louisiana R.A.22.2303 63% increase approved 2022, should stop growth	BOG and Louisiana Department of Insurance
Massachusetts	No requirement to be actuarially sound, statute requires "reasonable" rates. Overly competitive in large market share areas and coastal areas, increases capped at increase % for top 10 carriers. Growth is not out of control because private market appetite is strong and plan pays lower commission rate. The plan gets mostly sub-standard business. Rates have not increased in 12 years.	Commissioner of Insurance
North Carolina	North Carolina Rate Bureau determines the residential rates. Statutory surcharge applied to certain rates for NCIUA. Commercial rates are ISO manual.	Commissioner of Insurance
Texas	Actuarially sound. TWIA subject to 15% max increase for any class; may be overridden by commissioner. Recent filings have shown indicated rate need of 10-12% with approvals 7-10%. No recent requests for increase for wind only.	Commissioner of Insurance



State Comparison Litigation & Statute

State	Residual Market Litigation		Statewide Litigation	
	Litigation Rate per 100 Claims	# of Lawsuits (2021)	2021 Annual Total Residential P&C Claim Litigation	ONE Lawsuit per X# Residents
California	0.0006	3	3,959	9,986
Florida (CPIC)	0.3159	10,085	107,585	205
Louisiana(LCPIC)	0.0126	194	623	7,478
Massachusetts	0.0070	56	535	13,143
North Carolina	0.0002	41	87	15,561
Texas Wind (TWIA)	0.0017	15	2,589	11,257
Texas FAIR Plan	0.0011	14		

State Comparison Litigation & Statute

State	
California	<ul style="list-style-type: none"> •Bad faith can include fees but capped at policy limits
Florida (CPIC)	<ul style="list-style-type: none"> •One-way attorney fee statute •Citizens not subject to bad faith •AOB allowed
Louisiana(LCPIC)	<ul style="list-style-type: none"> •AOB not allowed by contract •LA Citizens is subject to punitive damages •Mandatory mediation in some parishes •Attorney fees limited to “reasonable”, typically 1/3 of damages
Massachusetts	<ul style="list-style-type: none"> •No attorney fees, except for Property Declaratory Judgment actions
North Carolina	<ul style="list-style-type: none"> •Immunity for actions taken in good faith •No attorney fees, unless bad faith proven •AOB not allowed without prior written consent per policy endorsement
Texas	<ul style="list-style-type: none"> •TWIA and FAIR Plan subject to bad faith, up to 100% of the indemnity awarded •TWIA only: claims must be reported within 1 year (other can limit by contract) •AOB allowed to be prohibited in policy contract •Appraisal sole remedy when coverage is acknowledged (statutory)

Market Engagement National AM Best Rated Carriers 2021 Homeowners Premium - Total Market

	Market Share of Top 10 Carriers (by DWP premium)*	# of Top 10 Insurers - AM Best Rated (by DWP premium)*	Market share of AM Best Rated Carriers included in the Top 10 (by DWP premium)*
California	77%	10/10	77%
Florida*	51%	3/10	16%
Louisiana	77%	7/10	68%
Massachusetts	63%	10/10	63%
North Carolina	73%	10/10	73%
Texas	76%	9/10	74%

*Citizens included in total market, removed from Top 10. Citizens was 2nd largest Homeowners in FL at YE 2021. Other state plans are not in the top 10 or not reported under Homeowners line of business.

Data is Homeowners Market only and total market does not include all state residual plans
Data: 2021 Homeowners Direct Written Premium S&P Global