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Citizens Board approves 2019 rate recommendations

MAITLAND, FL – Citizens Property Insurance Corporation’s Board of Governors on Wednesday approved a 2019 rate package that reflects the continued impact of runaway litigation costs driving up rates across the state.

Despite initiatives to reduce litigation and costs for nonweather water losses, Board members approved recommended rates for 2019 that call for a statewide average increase of 8.2 percent for personal lines policyholders – homeowners, condominium owners and renters.

The rates, if approved by the Florida Office of Insurance Regulation, will be effective for new and renewal policies beginning September 1, 2019. Citizens is required by law to recommend actuarially sound rates while complying with a legislative glide path that caps rate increases at 10 percent, excluding coverage changes and surcharges.

Since 2013, Citizens has experienced a surge in nonweather water losses – broken pipes, leaky washers, etc. – and litigation surrounding those nonhurricane related claims, especially in South Florida. Such losses have forced the state’s insurer of last resort to dip into surplus for each of the past four years, a trend that is projected to continue in 2019.

“Unfortunately, our customers are paying the price for these exaggerated losses,” said Gary Aubuchon, Interim Chairman of Citizens Board of Governors. “The unnecessary increase in litigation continues to take a toll.”

For 2019, the recommendation would increase rates for 97 percent of homeowners with multiperil policies. In 2015, Citizens approved rate decreases for 70 percent of its multiperil homeowners policyholders.

Litigation is the key driver. Despite a policy count reduction of more than 56 percent since 2013, the number of lawsuits filed against Citizens grew from 9,146 in 2013 to 10,357 for the first nine months of 2018. Private insurance companies have seen litigation nearly triple to 53,160 cases during that same period. If litigation were to return to pre-2013 levels, nearly all Citizens multiperil policyholders would see rates decrease.

Gary Aubuchon, Interim Chairman, Lee County • Bette Brown, Monroe County
Blake Capps, Martin County • Marc W. Dunbar, Leon County • James Holton, Pinellas County • William Kastroll, Collier County
John McKay, Manatee County • Freddie Schinz, Okaloosa County • John Wortman, St. Johns County
Barry Gilway, President/CEO and Executive Director

Originally created to protect homeowners in legal matters against their insurers, Florida's well-intentioned one-way attorney fee statute has been expanded by the courts to produce an uneven playing field in disputes between insurance companies and other businesses.

Abuse of Florida's well-intentioned assignment of benefits law has also had an impact. Through September 2018, Citizens has received 2,617 AOB-related lawsuits for the year, up from 860 in 2013 and on track to surpass a 2016 peak of 3,242. ([See President's report, Page 7.](#))

The 2019 recommendations take into account policy language changes that became effective on August 1, 2018. Citizens actuaries factored in anticipated savings from Citizens' [Managed Repair Program](#), which is expected to reduce litigation costs surrounding nonweather water loss claims. The changes reduced Citizens indicated rate need - the increase necessary for Citizens rates to become actuarially sound – by 19 percent.

Citizens has prepared a [2019 rate kit](#) to provide members of the media with information about its 2019 rate filing, including [county-by-county estimates](#) for particular policy types. Additional information and answers to common questions about Citizens' rates and premiums are available in the included *2019 Rates Frequently Asked Questions*. The kit also includes additional information about Citizens' costs and projected rate need for 2019.

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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.