

Citizens Property Insurance Corporation Overview

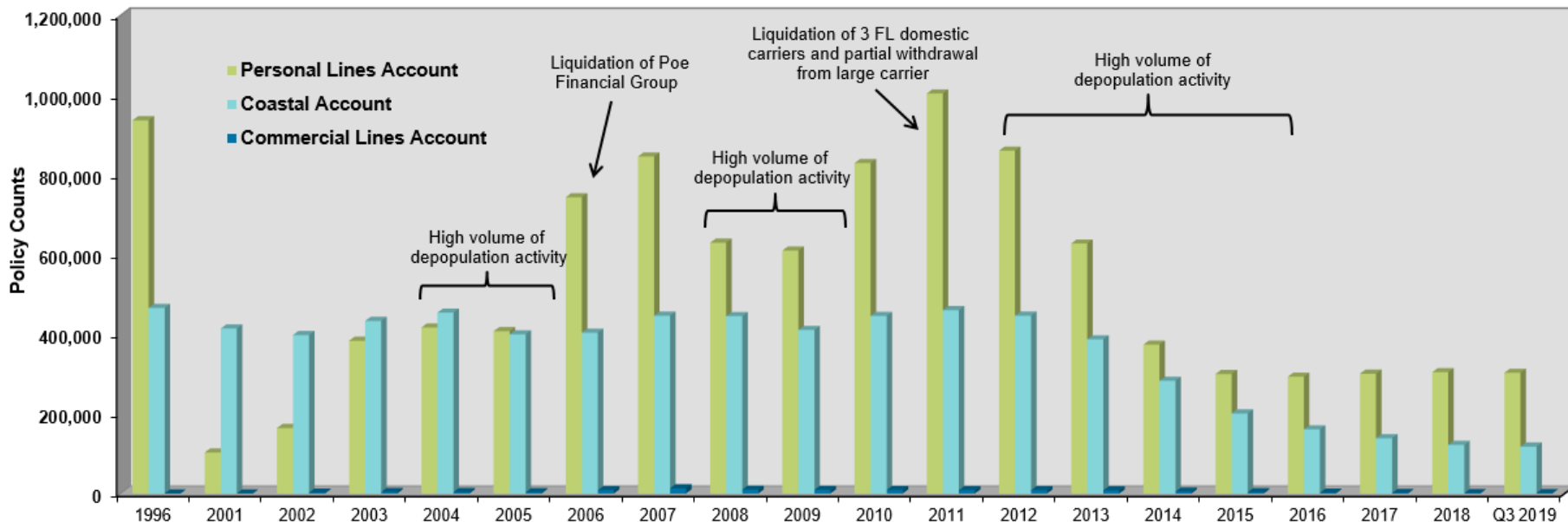
Barry Gilway, President/CEO and Executive
Director

October 16, 2019

House Insurance and Banking
Subcommittee



Policies In Force



	Personal Lines Account	Coastal Account	Commercial Lines Account	Total
1996	936,837	465,739	0	1,402,576
2001	102,792	414,123	198	517,113
2002	164,274	397,676	2,157	564,107
2003	383,283	433,077	3,863	820,223
2004	416,521	453,765	3,650	873,936
2005	407,387	399,417	3,145	809,949
2006 ⁽²⁾	743,592	403,509	8,347	1,298,428
2007	845,857	446,184	12,908	1,304,949
2008	629,467	445,200	9,570	1,084,237
2009	609,652	410,436	9,126	1,029,214

	Personal Lines Account	Coastal Account	Commercial Lines Account	Total
2010	829,406	445,679	8,453	1,283,538
2011	1,003,856	460,161	8,374	1,472,391
2012	860,502	446,163	8,146	1,314,811
2013	627,391	386,688	7,615	1,021,694
2014	373,617	282,863	4,681	661,161
2015	299,902	200,842	3,121	503,865
2016	293,118	160,834	1,891	455,843
2017	300,507	138,591	1,308	440,406
2018	304,507	121,971	919	427,397
Q3 2019	302,864	117,701	767	421,332

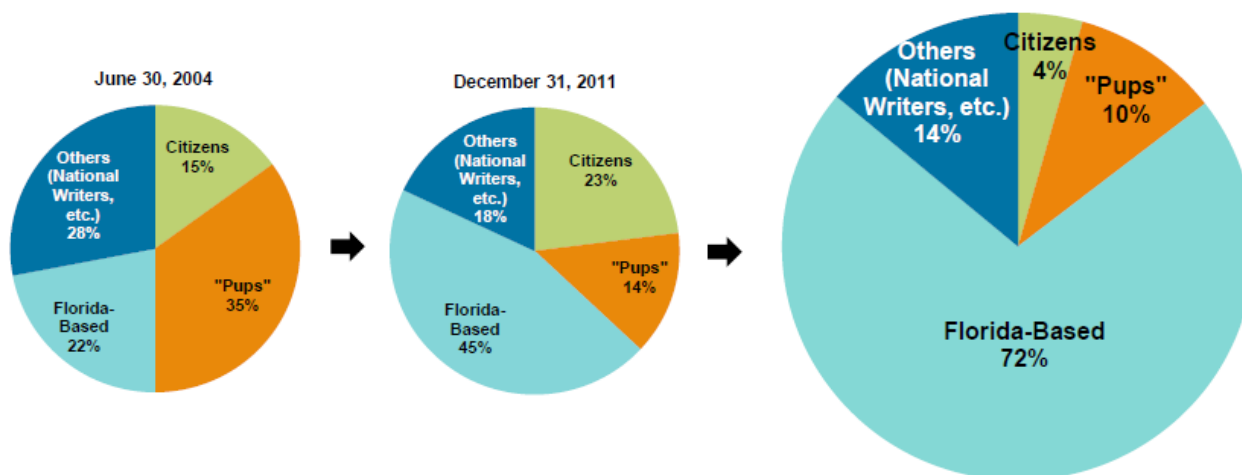
Notes:

1) Excludes takeout policies

2) In 2006, there were 142,980 policies assumed from the Poe Financial Group included in Citizens' total policy count. As these policies remained on the Poe system at the end of that calendar year, they are not allocated at the account level.

Citizens' Position in the Market

Market Share Based on Total Insured Value For Policies that Include Wind Coverage Florida Residential Property Insurance Market Includes Trade Secret Insurers QUASR Data as of March 31, 2019



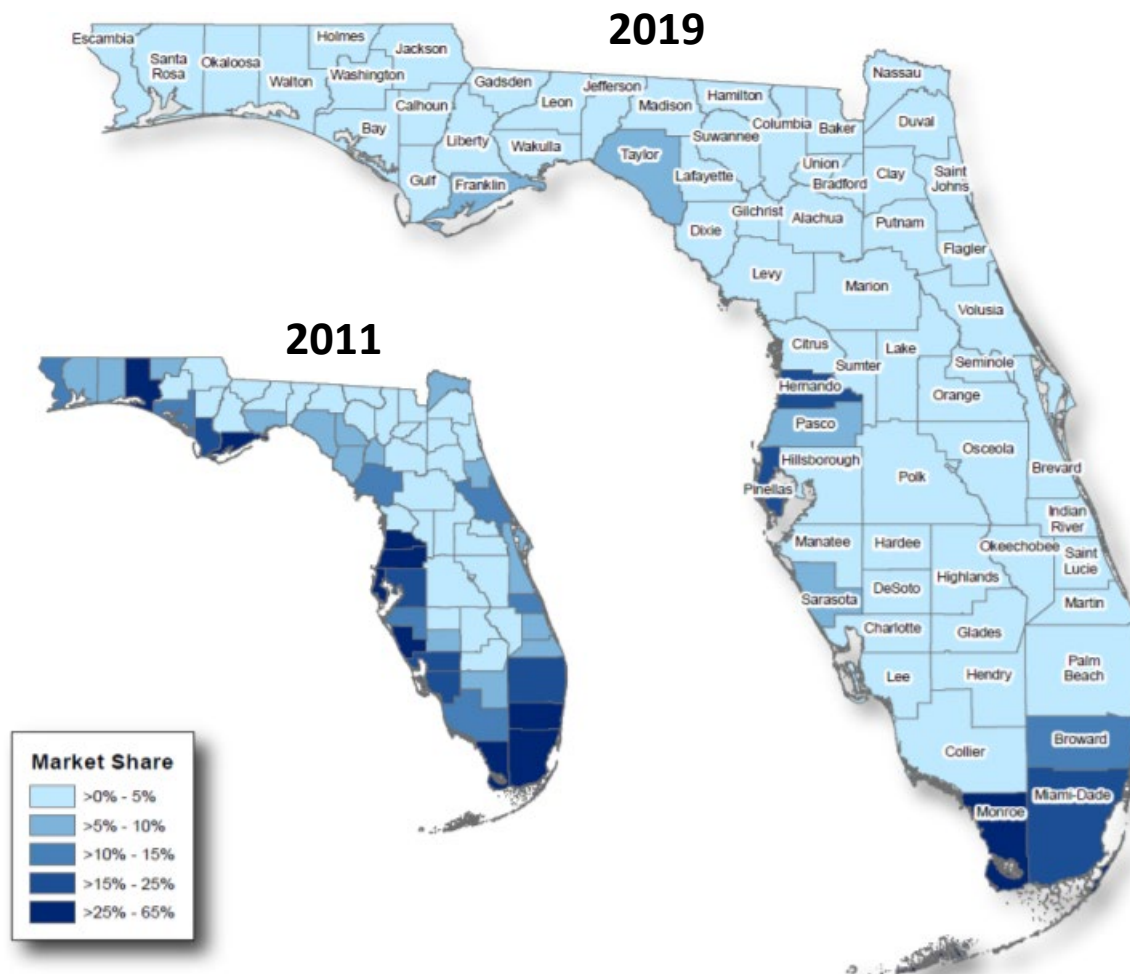
Insurer Category	Total Insured Value
Citizens	\$101,793,657,175
"Pups"	\$233,717,913,073
Florida-Based	\$1,650,074,339,052
Others	\$309,172,319,098
Total	\$2,294,758,228,398

The Florida Residential Property Insurance Admitted Market is divided into 4 major parts: (i) Citizens; (ii) Florida only subsidiaries "pups" of major national writers; (iii) Florida-based domestic companies; and (iv) non-domestic nationwide property writers, such as USAA, etc.

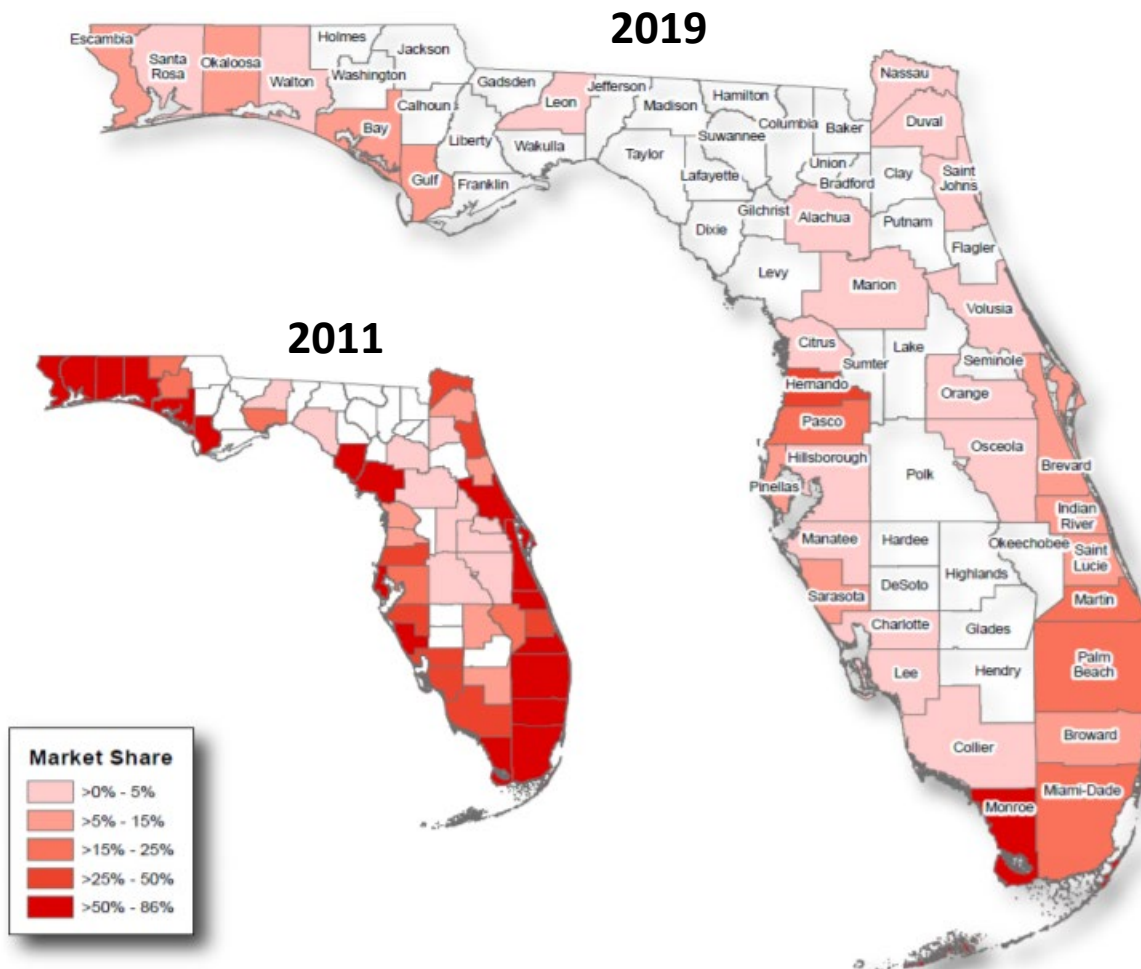
Notes:

- 1) Includes admitted insurers only
- 2) Estimates for insurers submitting data under "Trade Secret" protection are detailed in the Data Sources section of the Corporate Analytics Market Share Report
- 3) Surplus lines companies are not included in the market share calculation
- 4) Based on total insured value for policies with wind coverage

Citizens' Personal Residential Market Share



Citizens' Commercial Residential Market Share



What Caused Citizens' growth?

By 2011, Citizens peaked at ~ 1.5 million policies.

Challenges to private market profitability:

- 2004/2005 hurricane seasons
- Sinkhole crisis
- Unfavorable litigation environment
- Generally low profit margin in Florida
- Increased cost of reinsurance

National/regional carriers exited or restricted writing.

- Market share reduced from 63% in 2004 to 32% in 2011.

What changed?

From 2011 to 2019, Citizens' policy count reduced from an all-time high of ~1.5M policies to ~420k policies.

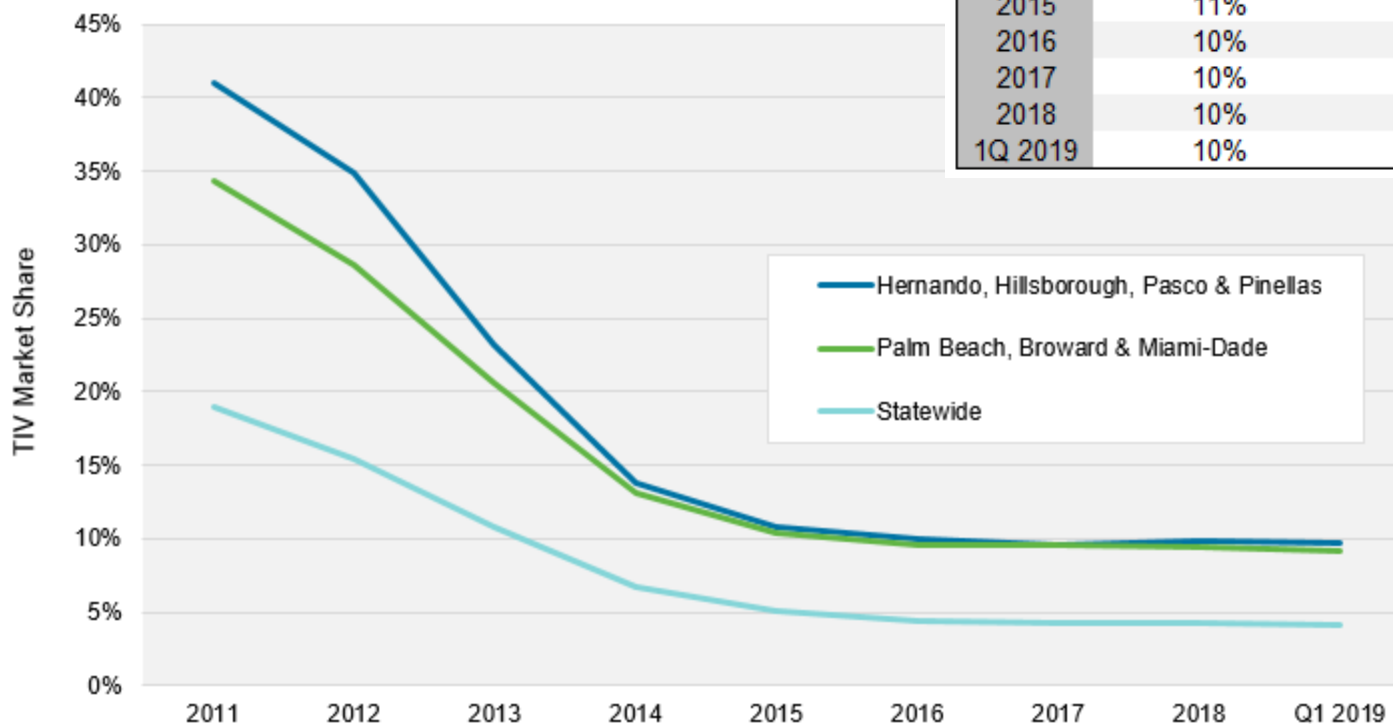
- Low reinsurance rates
- New Florida domestic carriers/programs entering the market
 - Elimination of ceding commissions encouraged domestic carriers
- Robust depopulation of Citizens policies
- Increased competition and several years of rate decreases
- 10 years without significant hurricane activity (2006-2015)

Florida domestic carriers experienced significant growth.

- Market share increased from 45% in 2011 to 72% in 2019.

Citizens' Market Share has Stabilized

Personal Residential Market Share by Total Insured Value



Year	Hernando, Hillsborough, Pasco & Pinellas	Palm Beach, Broward & Miami- Dade	Statewide
2011	41%	34%	19%
2012	35%	29%	15%
2013	23%	21%	11%
2014	14%	13%	7%
2015	11%	10%	5%
2016	10%	10%	4%
2017	10%	10%	4%
2018	10%	9%	4%
1Q 2019	10%	9%	4%

Citizens has at its disposal both the traditional resources available to all property and casualty companies that conduct business in the state as well as assessment powers granted to Citizens by law.

Traditional Financial Resources

- Insurance Premiums
- Investment Income
- Operating Surplus from Prior Years
- Florida Hurricane Catastrophe Fund Reimbursements
- Traditional Reinsurance and Capital Markets Risk Transfer

Unique Financial Resources

- Citizens' Policyholder Surcharges
- Regular Assessments (Coastal only)
- Emergency Assessments
- Pre-event liquidity resources (debt issuances and lines of credit which, if drawn upon, must be repaid)

1.

Citizens Policyholder Surcharge

Up to 15% per account for Coastal Account, PLA, and/or CLA deficits
Applies at new business/renewal for all Citizens' policyholders

2.

Regular Assessment

Up to 2% for Coastal Account deficits
Applies at new business/renewal for all non-Citizens' policyholders

3.

Emergency Assessment

Up to 10% per year per account for Coastal Account, PLA and/or CLA deficits
Applies at new business/renewal for all Citizens' and non-Citizens' policyholders

Year	Account	Principal Storm(s)	Regular Assessment Amount	Emergency Assessment Amount
2005	HRA	Hurricanes Dennis, Katrina, Rita, Wilma	\$163 million*	\$1,384 million
2004	HRA	Hurricanes Charley, Frances, Ivan, Jeanne	515.4 million	
1998	HRA	Hurricane Georges and Tropical Storm Mitch	100.0 million	
1995	PLA	Hurricane Opal	22.8 million	
1995	HRA	Hurricane Opal	84.0 million	
1995	HRA	Hurricane Erin	33.0 million	
1994	PLA	Non-hurricane	17.7 million	
1993	HRA	Winter Storm	3.2 million	
1992	HRA	Hurricane Andrew	16.2 million	
1985	HRA	Hurricane Elena	3.2 million	
1975	HRA	Hurricane Eloise	5.0 million	

- The 2005 Emergency Assessment was terminated for policies issued or renewed beginning on July 1, 2015
- Currently, no assessments are being levied by Citizens

* 2005 Regular Assessments were eliminated in the PLA/CLA and reduced in the HRA due to the receipt of a \$715 million, one-time appropriation from the Legislature.

Financial Summary (in billions)	2019	2018	2017	Book of Business	Sep-2019	Change Last Mth	Change Last Yr
Surplus ¹	\$6.3	\$6.2	\$6.4	Total Premium Inforce	\$849M	0.4%	-3.1%
100-YR PML ²	\$4.5	\$4.7	\$5.2	Average Premium - PLA	\$1,757	0.1%	4.0%
Claims-Paying Capacity ³	\$11.0	\$11.5	\$11.9	Average Premium - Coastal	\$2,590	0.2%	1.0%
Total Cash and Invested Assets ⁴	\$8.9	\$9.3	\$10.1	Average Premium – CLA	\$15,995	0.1%	-2.9%

¹ Accumulated Surplus is determined in accordance with Statutory Accounting Principles (SAP). Values for 2017 and 2018 are *audited*; 2019 is *unaudited* as of August.

² Occurrence Probable Maximum Loss ("PML") includes demand surge, excludes storm surge, and does not include LAE. Values for 2017 and 2018 are year end; 2019 is June month end.

³ Claims Paying Capacity consists of (1) Statutory Surplus, (2) risk transfer for storm season (including FHCF coverage) and (3) par value of pre-event bonds. Please note that this figure shows resources on a combined basis. However, resources are specific to each account and may not be used to fund needs in another account.

⁴ Total Cash and Invested Assets for 2019 are as of August

- While Citizens continues to have a healthy financial position, the PLA has had net losses in multiple years:

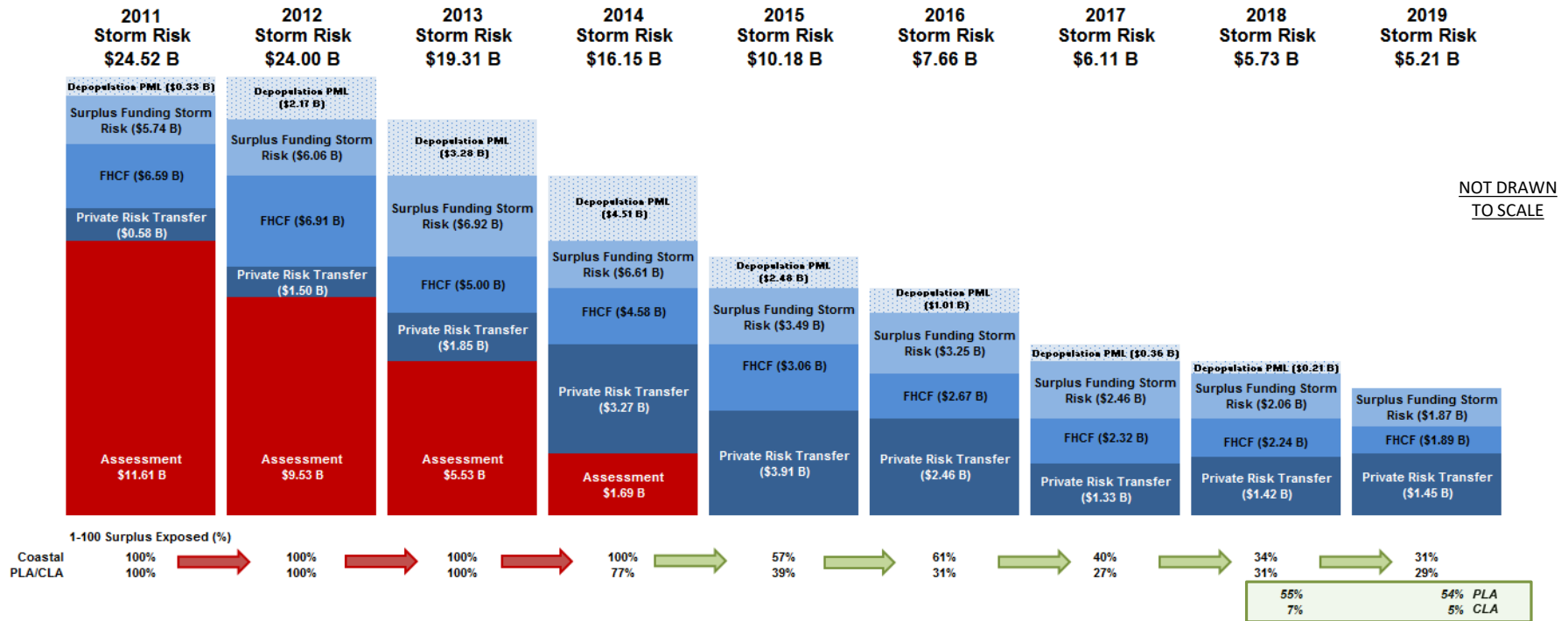
• Through August 2019 (unaudited):	\$25,468,000
• 2018 (audited):	(\$135,861,000) *
• 2017 (audited):	(\$555,475,000) **
• 2016 (audited):	(\$35,017,000)
• 2015 (audited):	(\$21,489,000)

* Due to Hurricanes Michael and Irma

**Due to Hurricane Irma

Storm Risk: 1 in 100 year PML

Public Summary of Citizens Assessment Reduction Efforts Over Time



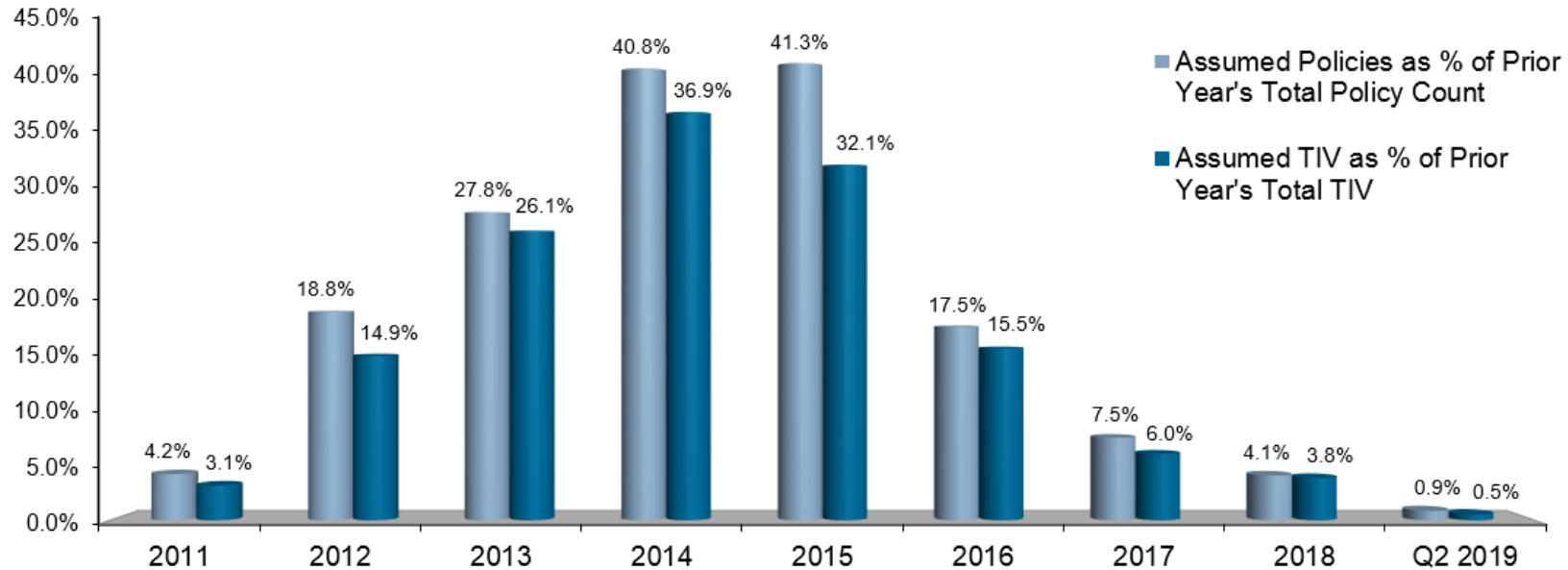
Notes:

- 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 31, 2017.
- 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 - 2019, 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.
- Florida Hurricane Catastrophe Fund (FHCF) is as projected at beginning of storm season; with the exception of 2017 - 2019 which are Citizens' initial data submission to the FHCF.
- Depopulation PMLs are not included in storm risk totals and are presented as year end totals. As of Sept 30th, 2019 depopulation PML is ~\$0.04B and is not shown on chart
- PMLs from 2011-2014 use a weighted average of 1/3 Standard Sea Surface Temperature (SSST) and 2/3 Warm Sea Surface Temperature (WSST). 2015 - 2019 PMLs reflect only SSST event catalog.

- Under Florida law, Citizens may write a new insurance policy only for property that meets one of the following eligibility criteria:
 - Coverage is not available from a Florida-authorized insurance company
 - Premiums for coverage from Florida-authorized insurance companies are more than 15 percent higher than the premiums for comparable coverage from Citizens
- In 2013 the legislature created a Property Insurance Clearinghouse to help identify private-market insurance options for consumers who believe Citizens might be their only choice for property insurance and to ensure that only customers who are eligible obtain coverage from Citizens
- Citizens' Depopulation Program, authorized by Florida law, matches Citizens policyholders with insurance companies interested in removing their policy from Citizens and providing private-market coverage for their policy. All companies assuming policies from Citizens have been approved by the Office of Insurance Regulation (OIR)

Declining Depopulation is Indicative of a Residual Market

Policies Taken Out Relative to Citizens' Inforce Policies



Year	Total Participating Companies	Total Policies Assumed	Citizens Inforce Policies	Assumed Policies as % of Prior Year's Total Policy Count	Total Insured Value (TIV) Assumed	Citizens Inforce Total Insured Value	Assumed TIV as % of Prior Year's Total TIV
2011	3	53,577	1,472,391	4.2%	\$14,473,700,490	\$510,675,120,913	3.1%
2012	7	277,002	1,314,811	18.8%	\$75,927,165,347	\$429,424,399,130	14.9%
2013	18	365,767	1,021,694	27.8%	\$112,265,410,122	\$318,887,485,544	26.1%
2014	21	416,623	661,161	40.8%	\$117,530,082,371	\$201,957,396,325	36.9%
2015	14	272,785	503,865	41.3%	\$64,830,051,559	\$150,495,190,065	32.1%
2016	11	88,000	455,843	17.5%	\$23,362,914,453	\$124,063,055,743	15.5%
2017	7	34,008	440,406	7.5%	\$7,435,411,434	\$112,309,524,847	6.0%
2018	4	17,905	427,397	4.1%	\$4,307,930,768	\$108,896,296,069	3.8%
Q2 2019	2	3,664	420,615	0.9%	\$590,259,277	\$107,115,372,245	0.5%

Note: The number of assumed policies does not account for any opt-out policies reported after the assumption date

Claims Summary	Total	Commercial	Personal
New Claims	107	2	105
Closed Claims	77	1	76
% Closed	72%	50%	72%
Indemnity Paid	\$176,815	\$0	\$176,815
Expenses Paid	\$58,379	\$0	\$58,379
Total Incurred	\$357,169	\$12,160	\$345,009
% Submitted by Self	80%	50%	81%
% Submitted by Rep	7%	0%	7%
% Submitted by Other	13%	50%	12%
% Storm Surge	0%	0%	0%
% AOB	1%	0%	1%

Claims Summary	Total	Commercial	Personal
New Claims	3,609	59	3,550
Closed Claims	3,328	53	3,275
% Closed	92%	90%	92%
Indemnity Paid	\$111,059,975	\$9,382,065	\$101,677,909
Expenses Paid	\$4,347,770	\$145,613	\$4,202,156
Total Incurred	\$122,517,121	\$9,810,691	\$112,706,430
% Submitted by Self	78%	53%	78%
% Submitted by Rep	1%	14%	1%
% Submitted by Other	21%	34%	20%
% Storm Surge	5%	15%	5%
% AOB	6%	10%	6%

Claims Summary	Total	Commercial	Personal
New Claims	72,676	2,150	70,526
Closed Claims	65,858	1,873	63,985
% Closed	91%	87%	91%
Indemnity Paid	\$1,328,650,442	\$109,590,081	\$1,219,060,361
Expenses Paid	\$202,482,881	\$10,932,521	\$191,550,360
Total Incurred	\$1,739,560,505	\$162,624,787	\$1,576,935,718
% Submitted by Self	60%	33%	61%
% Submitted by Rep	16%	10%	16%
% Submitted by Other	24%	57%	23%
% Storm Surge	4%	14%	4%
% AOB	11%	6%	11%

Claims Summary	Total	Commercial	Personal
New Claims	3,367	194	3,173
Closed Claims	3,306	186	3,120
% Closed	98%	96%	98%
Indemnity Paid	\$26,539,213	\$6,389,303	\$20,149,909
Expenses Paid	\$4,848,067	\$720,398	\$4,127,668
Total Incurred	\$33,324,699	\$7,709,245	\$25,615,454
% Submitted by Self	69%	30%	71%
% Submitted by Rep	3%	2%	3%
% Submitted by Other	29%	69%	26%
% Storm Surge	0%	0%	0%
% AOB	5%	6%	5%

Claims Summary	Total	Commercial	Personal
New Claims	905	17	888
Closed Claims	891	16	875
% Closed	98%	94%	99%
Indemnity Paid	\$2,315,069	\$153,923	\$2,161,146
Expenses Paid	\$1,099,733	\$35,468	\$1,064,265
Total Incurred	\$3,937,569	\$350,391	\$3,587,178
% Submitted by Self	71%	41%	71%
% Submitted by Rep	3%	6%	3%
% Submitted by Other	26%	53%	26%
% Storm Surge	0%	0%	0%
% AOB	4%	0%	4%

Open Hurricane Claims

Claims Team	Hermine	Matthew	Irma	Michael	Dorian
FNOL	1		171	11	21
Large Loss		1	5		
Loss Assessment			5	1	
MH – Total Loss			2	18	
Mediation			20	2	
Appraisal	1	5	1,825	179	3
Litigation – AOB	2	8	384	13	
Litigation	8	45	4,367	46	1
Subrogation			76	2	
Total Open	15	59	6,853	272	25

On October 2, 2019, Florida Specialty Insurance Company was ordered into receivership by the State of Florida. Florida Specialty policies will be cancelled effective November 1, 2019 at 12:01 a.m. and will cease providing homeowners coverage for approximately 91,000 Personal Lines customers.

Agent Communications

- Citizens has implemented expedited appointment and agency agreement processes for Florida Specialty agents and agencies that are not currently appointed with Citizens and want to do business with us.
- Beginning on or after October 14, Citizens will have an expedited new-business application process for Florida Specialty customers which relaxes our eligibility rules including the Property Insurance Clearinghouse and required document procedures at this time. Agents must be appointed by Citizens to use this process.
- Citizens has scheduled four free webinars for Citizens-appointed agents to learn about moving their Florida Specialty risks to Citizens.
- FAQ entries have been updated with all pertinent Florida Specialty information and additional training materials are in development.

Policyholder Communications

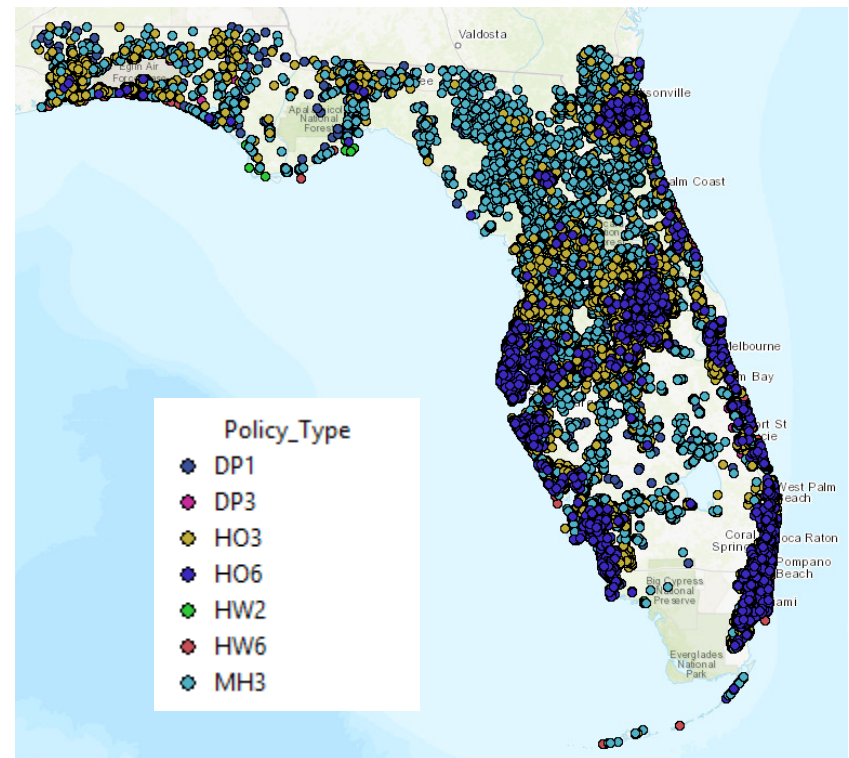
- All Florida Specialty customers received a notice from the Department of Financial Services regarding the liquidation of Florida Specialty.
- Customers are encouraged to contact their agent to secure insurance coverage prior to the cancellation of their policy to ensure continued, uninterrupted property coverage.
- Regardless of whether their agent is appointed with Citizens, all Florida Specialty policyholders have the option to accept Citizens' guaranteed one-year offer of coverage if they are unable to secure coverage from the private market.
- Information was included in the notice to direct customers to the Citizens' website page dedicated to Florida Specialty for additional details and a link to FAQs specific to the Florida Specialty liquidation.
- Additional planned communication includes a letter explaining the initial invoice and payment scenarios with Citizens.

Policy Counts by Form

DP-1	DP-3	HO-3	HO-6	HW-2	HW-6	MHO-3	Total
6,301	4,665	39,661	8,987	576	1,298	28,571	90,059

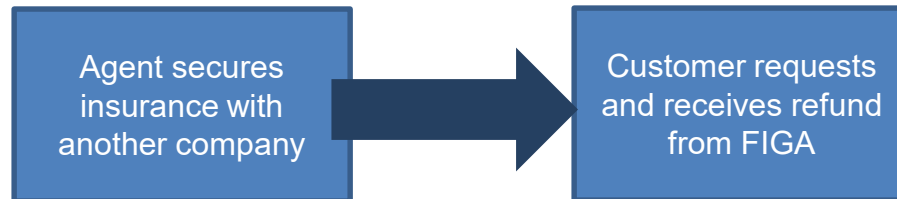
Agent Counts by Status

Appointed with Citizens	2,137
Not Appointed with Citizens	1,041
Total	3,178

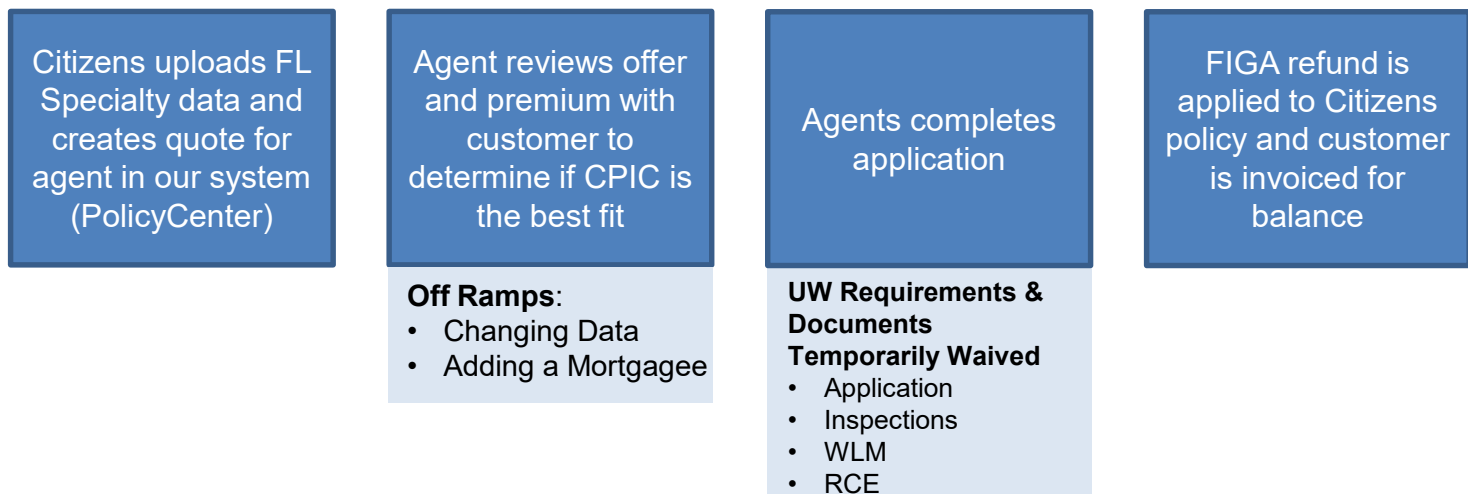


The Process

FL Specialty to Florida Insurance Guaranty Association (FIGA)



FL Specialty to Citizens



System (PolicyCenter)

Quick Quote:

- Quotes uploaded into PolicyCenter.
- Activity generated on agent desktop.

Bind Risks:

- Agents can bind risks with Citizens
- FIGA refund will come directly to Citizens and apply to new policy down payment.
- Deadline of 10/31

Effective Date:

Date Citizens coverage will become effective

Oct 10-11


Oct 14 - Oct 31


Nov 1



October
1


Oct 3

"Receiver Letter"
To Customer:
Letter from the receiver regarding what has happened. 


"Receiver Email"
To Agent:
Email from the receiver regarding what has happened. 


"Website Go-Live"
Citizens will stand up Florida Specialty webpage
www.citizensfla.com/floridaspecialty (public)

Oct 4


"Calming Email"
To Agent: Citizens is Ready to Help. 

Oct 7-8


"Process Email"
To Agent: How to take advantage of this program. 

"Data Files Email"
To Agent: File to each agent with their affected policies. 



Oct 14-15

"Webinars"
How to take advantage of this program.
(for agents) 



Oct 10

"Agent Decline Letter"
To Customer: Citizens will send a letter if the agent declines to be appointed with Citizens. 

Oct 21

"Halftime Report"
To Agents:
Report of policies still not bound.  

Oct 28

"Two Minute Warning"
To Agents:
Report of policies still not bound.  



November
1

Additional Policyholder Communication:
Citizens will be sending additional policyholder communication after risk is bound (post 11/1) regarding the full, partial or zero premium posted (different letter for each scenario).

Communication & Education