

November 30, 2023

Ron DeSantis  
Governor, State of Florida  
The Capitol  
400 S. Monroe St.  
Tallahassee, FL 32399

Michael Yaworsky  
Insurance Commissioner, State of Florida  
200 E. Gaines St.  
Tallahassee, FL 32399

Tim Cerio  
President, CEO, and Executive Director  
Citizens Property Insurance Corporation  
P.O. Box 17219  
Jacksonville, FL 32245-7219

Dear Governor DeSantis, Commissioner Yaworsky, and Mr. Cerio:

We write to obtain information and documents concerning Citizens Property Insurance Corporation's plans to address increased underwriting losses from climate-related extreme weather events and other disasters such as tropical cyclones, intense precipitation events, droughts, heatwaves, sea level rise, and wildfires.

In March of this year, the Senate Budget Committee held a series of hearings examining the costs and economic risks associated with increasing losses to coastal properties, to properties in the wildland-urban interface (WUI), and in mortgage and insurance markets.<sup>1</sup> Witnesses at these hearings featured a variety of insurance industry executives, economists, actuaries, and other experts. The Committee heard testimony that:

- Climate-related losses have already grown substantially and are projected to continue to rise;
- As climate-related risks increase, insurance premiums will increase and/or insurers will pull out of at-risk markets;

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<sup>1</sup> A video of each hearing as well as witness testimony is available at the following webpages:

<https://www.budget.senate.gov/hearings/rising-seas-rising-costs-climate-change-and-the-economic-risks-to-coastal-communities>; <https://www.budget.senate.gov/hearings/a-burning-issue-the-economic-costs-of-wildfires>; <https://www.budget.senate.gov/hearings/risky-business-how-climate-change-is-changing-insurance-markets>

- As insurance becomes increasingly expensive and/or unavailable, property values in affected markets will decline;
- Insurance unavailability will cause affected properties to become unmortgageable; and
- A widescale decline in coastal and WUI property values would present a systemic risk to the U.S. economy, similar to what occurred in the 2007-2008 mortgage meltdown.

At the time of these hearings, there was already ample cause for concern. Since March, that concern has only grown, as events seem to be bearing out many of the warnings issued by the various experts who testified before the Committee. The situation in Florida appears to have grown particularly dire. To wit:

- The insurance industry exodus from Florida has accelerated;<sup>2</sup>
- Premiums in Florida are projected to increase by 40 percent or more this year;<sup>3</sup>
- Millions of policies across the country, including at least 75 percent of policies in every Florida county, are at risk of non-renewal or a rate increase this year;<sup>4</sup>
- Increased premiums and decreased availability are beginning to disrupt the Florida real estate market;<sup>5</sup>
- The National Oceanic and Atmospheric Administration (NOAA) announced that, as of the end of mid-September, there had already been 23 extreme weather disasters in the United States with costs of \$1 billion or more, the most in recorded history. This list includes Hurricane Idalia, which struck Florida in August.<sup>6</sup>

The Committee is increasingly concerned about the potential economic consequences of an eventual widescale decline in property values caused by increasing exposure to climate risks and the attendant increase in insurance premiums and decrease in insurance availability. Should such a situation come to pass, the effects on households—and on federal revenues and spending—would be quite damaging and long-lasting, as we saw during and after the 2008 financial crisis.

The Committee is also increasingly concerned about Florida’s uniquely large and growing exposure to climate-related property losses, Citizens’ rapidly expanding market share, and state law allowing Citizens to levy special assessments on all policyholders in the event that losses exceed its ability to pay. If Citizens were unable to cover its losses, it is entirely possible that

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<sup>2</sup> Jordan Valinsky, “Farmers Insurance pulls out of Florida, affecting 100,000 policyholders,” *CNN Business* (July 12, 2023), <https://www.cnn.com/2023/07/12/business/farmers-insurance-florida/index.html#:~:text=Farmers%20Insurance%20will%20stop%20offering,to%20change%20their%20insuranc,e%20provider>.

<sup>3</sup> “Addressing Florida’s Property/Casualty Insurance Crisis,” Insurance Information Institute, [https://www.iii.org/sites/default/files/docs/pdf/triple-i\\_trends\\_and\\_insights\\_florida\\_pc\\_02152023.pdf](https://www.iii.org/sites/default/files/docs/pdf/triple-i_trends_and_insights_florida_pc_02152023.pdf)

<sup>4</sup> Brianna Crane, “Extreme weather could cause insurance rates across the country to spike,” *Axios* (Sept. 27, 2023), <https://www.axios.com/2023/09/27/insurance-rates-climate-change-extreme-weather>

<sup>5</sup> Tarik Minor, “Property insurance crisis disrupting Florida real estate market as buyers struggle to get policies,” *News4Jax* (June 16, 2023), <https://www.news4jax.com/money/2023/06/16/property-insurance-crisis-disrupting-florida-real-estate-market-as-buyers-struggle-to-get-policies/>

<sup>6</sup> “U.S. saw its 9<sup>th</sup>-warmest August on record,” NOAA (September 11, 2023), <https://www.noaa.gov/news/us-saw-its-9th-warmest-august-on-record>

state leaders might ask the federal government for a bailout. Given the potential magnitude of Citizens' losses, such a request would put the federal government (and by extension, all American taxpayers) at substantial risk.

A 2018 report from the University of Cambridge and Munich Re found that a major hurricane that hit the Miami metropolitan area and the Florida panhandle could result in \$1.35 trillion in damages.<sup>7</sup> And a 2017 report from Swiss Re found that were a storm identical to Hurricane Andrew to follow a track 20 miles north of the track it took and hit downtown Miami, it would result in damages of up to \$300 billion, with up to \$180 billion in insured losses.<sup>8</sup> As both of these reports are now several years old, expected losses from a severe hurricane tracking across one or more of Florida's major metropolitan areas are now likely even higher given increased property values and continued development across the state.

As of 2022, Citizens' market share for homeowners multi-peril policies was approaching 20 percent, having more than doubled since 2020. As private insurers in Florida continue to go insolvent or exit the state, Citizens' market share will likely continue to grow. At 20 percent market share, Citizens' losses could be as high as \$36 billion in the scenario studied by Swiss Re or \$162 billion in the scenario studied by Cambridge and Munich Re (assuming that 60 percent of total losses are insured). If Citizens had to raise \$162 billion to cover losses, that would result in an approximately \$20,000 assessment for every homeowners insurance policyholder in Florida.

Indeed, in March of this year, Governor DeSantis recognized that Citizens would unlikely be able to pay out claims if Florida was hit by a large hurricane. "I think most people know Citizens has not been solvent. If you did have a major hurricane hit with a lot of Citizens property holders, it would not have a lot to pay out," the governor stated.<sup>9</sup>

In light of the state's acknowledgement of Citizens' potential insolvency and the likelihood that it would be both politically and economically unfeasible for Citizens to attempt to recoup tens of billions of dollars in losses from policyholders across Florida, the Committee is concerned that Citizens and the state of Florida would turn to the federal government to bail them out. Given the potential magnitude of Citizens' losses, such a bailout request could put substantial strain on the federal budget.

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<sup>7</sup> "Impacts of Severe Natural Catastrophes on Financial Markets," University of Cambridge Judge Business School and Munich Re (March 2018) <https://www.jbs.cam.ac.uk/wp-content/uploads/2020/08/crs-impacts-of-severe-natural-catastrophes-on-financial-markets.pdf>

<sup>8</sup> "Hurricane Andrew: The 20 miles that saved Miami," Swiss Re (2017) <https://www.swissre.com/dam/jcr:e35072f3-259c-4e59-9502-eb87f9d09336/Hurricane%20-%20Andrew%20-%2025%20-%20Years.pdf>

<sup>9</sup> William Rabb, "DeSantis Turns Heads with Comment that Citizens Insurance 'Not Solvent,' Board Approves Cat Bond," Insurance Journal (March 20, 2023), <https://www.insurancejournal.com/news/southeast/2023/03/20/712840.htm>

To that end, please respond to the following requests for information and documents by December 21, 2023:

1. What modeling or other analysis has Citizens done to estimate its total potential exposure to various worst case hurricane scenarios? What is the upper range of Citizens' potential losses? Please provide all documents and communication relating to modeling, analysis, and estimates of Citizens' potential losses.
2. What modeling or other analysis has Citizens done to estimate its market share over the next decade? What does Citizens project its market share to be in each of the next 10 years? Please provide all documents and communication relating to modeling, analysis, and estimates of Citizens' future market share.
3. What modeling or other analysis has Citizens done to determine its ability to fully pay out claims resulting from various loss scenarios? Please provide all documents and communication relating to modeling, analysis, and estimates of Citizens' financial position and (in)solvency under such scenarios.
4. What are Citizens' current assets? What is Citizens' total reinsurance coverage? What are the maximum total claims Citizens would be able to pay out without having to levy an assessment on Florida policyholders? Please provide all documents and communication relating to modeling, analysis, and estimates of Citizens' current assets, reinsurance, and ability to pay claims.
5. What communications has Citizens had with Governor DeSantis, Insurance Commissioner Michael Yaworsky, their staffs, or any other state officials regarding Citizens' current or future solvency? Please provide copies of these communications.
6. What communications has Citizens had with Governor DeSantis, Insurance Commissioner Yaworsky, their staffs, or any other state officials regarding what Citizens and/or the State would do if Citizens were unable to cover its losses? Please provide copies of these communications.
7. Has Citizens contemplated asking for a federal bailout if it were unable to cover its losses? Has Citizens discussed the possibility of a federal bailout with Governor DeSantis, Insurance Commissioner Yaworsky, their staffs, or any other state officials? Please provide copies of these communications.

Thank you for your attention to this important issue. We welcome further engagement with you on this topic.

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The Senate Committee on the Budget has jurisdiction over Budget Act and budget process legislation, including concurrent resolutions on the budget and legislation changing the content or consideration of budget resolutions. In fulfilling its responsibilities, the Committee has broad authority to investigate the budgetary effects of existing and proposed legislation, as well as matters that affect the content or determination of amounts included in or excluded from the congressional budget or the calculation of such amounts, among other things. An attachment to this letter provides additional instructions for responding to the Committee's request. If you have any questions regarding this request, please contact Majority Staff at (202) 224-0642.

Sincerely,

A handwritten signature in blue ink, appearing to read "Sheldon Whitehouse". The signature is fluid and cursive, with a prominent initial "S".

Sheldon Whitehouse  
Chairman  
Senate Committee on the Budget