



# Lisa Miller & Associates

Business Development, Government Consulting, Public Relations

Citizens Emergency Board of Governors Meeting for Rates of 6-19-24 (Meeting convened at 9am)

(Documents here: <https://www.citizensfla.com/-/20240619-special-board-of-governors>)

## Board of Governors

- Carlos Beruff – Chair
- Scott Thomas - Vice Chair
- Joshua Becksmith
- Jason Butts
- Charles Lydecker
- Erin Knight
- LeAnna Cumber
- Jamie Shelton
- Robert A. Spottswood

### 1. Chairman's Report

None

### 2. Chief Financial Officer Report – Jennifer Montero

02A [2025 Recommended Rate Filings](#) Citizens Chief Actuary Brian Donovan

Donovan led the Board through a series of charts in the above link, which includes county-level data by different lines. He is recommending an overall 13.5% increase in proposed rates for 2025, based on an uncapped indication of 27.8% (see Summary of Statewide Indications chart below for details). This comprises a 14% increase in Personal Lines policies and a 10.3% increase in Commercial Lines policies. Individual policy rate changes may be lower based on property value and location and they could be

higher for non-primary residences.

### Exhibit 1 - Summary of Statewide Indications

Product Line - Personal	(1) Inland Multi-Peril			(2) Coastal Multi-Peril			(3) Wind-Only			(4) Total		
	In-Force Premium	Uncapped Indication	Proposed Change	In-Force Premium	Uncapped Indication	Proposed Change	In-Force Premium	Uncapped Indication	Proposed Change	In-Force Premium	Uncapped Indication	Proposed Change
Homeowners	2,069,538,506	23.1%	13.5%	347,751,879	2.6%	13.4%	240,518,958	76.1%	14.6%	2,657,809,344	25.2%	13.6%
Renters	989,047	33.4%	12.9%	958,070	35.2%	13.1%	87,233	69.4%	19.4%	2,034,351	35.8%	13.3%
Condo Units	54,809,808	-9.5%	13.4%	52,754,953	-0.5%	15.0%	32,252,259	26.6%	13.0%	139,817,020	2.2%	13.9%
Dwelling -DP3	353,669,841	24.0%	13.9%	104,136,329	19.5%	14.3%	55,421,450	86.5%	17.1%	513,227,620	29.8%	14.3%
Dwelling - DP1	90,619,359	58.1%	13.7%	27,776,178	58.8%	13.5%	n/a	n/a	n/a	118,395,537	58.3%	13.6%
Mobile Homeowners	108,254,712	69.8%	21.9%	7,420,018	56.2%	23.7%	3,552,530	91.3%	26.6%	119,227,261	69.6%	22.1%
Dwelling Mobile Home	17,632,373	68.9%	18.6%	1,579,115	74.7%	22.3%	474,440	87.2%	20.3%	19,685,929	69.8%	19.0%
<b>Total Personal Lines</b>	<b>2,695,513,648</b>	<b>25.9%</b>	<b>13.9%</b>	<b>542,376,543</b>	<b>9.4%</b>	<b>13.9%</b>	<b>332,306,870</b>	<b>73.2%</b>	<b>15.0%</b>	<b>3,570,197,061</b>	<b>27.8%</b>	<b>14.0%</b>

  

Product Line - Commercial	(1) Multi-Peril			(2) Wind-Only			(3) Total					
	In-Force Premium	Uncapped Indication	Proposed Change	In-Force Premium	Uncapped Indication	Proposed Change	In-Force Premium	Uncapped Indication	Proposed Change			
Commercial Residential	260,800,503	31.3%	11.9%				221,291,822	37.6%	12.4%	482,092,326	34.2%	12.1%
Commercial Non-Residential	24,780,768	-7.0%	0.0%				65,002,153	-6.0%	0.4%	89,782,921	-6.3%	0.3%
<b>Total Commercial Lines</b>	<b>285,581,272</b>	<b>28.0%</b>	<b>10.9%</b>				<b>286,293,975</b>	<b>27.7%</b>	<b>9.6%</b>	<b>571,875,247</b>	<b>27.9%</b>	<b>10.3%</b>

  

Product Line	(1) Multi-Peril			(2) Wind-Only			(3) Total					
	In-Force Premium	Uncapped Indication	Proposed Change	In-Force Premium	Uncapped Indication	Proposed Change	In-Force Premium	Uncapped Indication	Proposed Change			
Personal	3,237,890,190	23.1%	13.9%				332,306,870	73.2%	15.0%	3,570,197,061	27.8%	14.0%
Commercial	285,581,272	28.0%	10.9%				286,293,975	27.7%	9.6%	571,875,247	27.9%	10.3%
<b>Total</b>	<b>3,523,471,462</b>	<b>23.5%</b>	<b>13.7%</b>				<b>618,600,845</b>	<b>52.1%</b>	<b>12.5%</b>	<b>4,142,072,307</b>	<b>27.8%</b>	<b>13.5%</b>

**Notes:**  
 (1), (4), (7) In-Force Premium at Current Rate Level (includes FHCF Build Up Premium).  
 (2), (5), (8) Uncapped Rate Indications (includes FHCF Build Up Premium).  
 (3), (6), (9) Premium Impact Based on Capping Policy Level Changes and the Changes in FHCF Build Up Premium.  
 (10) = (1) + (4) + (7)  
 (11) = [(1)\*(2) + (4)\*(5) + (7)\*(8)] / (10)  
 (12) = [(1)\*(3) + (4)\*(6) + (7)\*(9)] / (10)

The proposed rates take into account the Florida legislature’s glide-path rate increase caps on Citizens that for 2025 are 14% for primary residences and 50% for non-primary residences (vacation homes and other non-homesteaded property not occupied more than 9 months of the year – see chart below). Non-primary homes comprise 6.7% (just under 80,000 policies) of Citizens current 1.2 million policy count and doesn’t vary greatly by line of business.

### Exhibit 2 - Summary of Personal Line Statewide Indications Primary vs. Non-Primary Risks

Product Line - Personal	(1) Primary			(2) Non-Primary			(3) Total		
	In-Force Premium	Uncapped Indication	Proposed Change	In-Force Premium	Uncapped Indication	Proposed Change	In-Force Premium	Uncapped Indication	Proposed Change
Homeowners	2,536,522,507	26.1%	13.4%	121,286,837	6.3%	17.9%	2,657,809,344	25.2%	13.6%
Renters	1,950,271	36.4%	12.9%	84,080	20.9%	23.1%	2,034,351	35.8%	13.3%
Condo Units	103,324,083	2.8%	13.5%	36,492,937	0.7%	15.0%	139,817,020	2.2%	13.9%
Dwelling -DP3	479,906,002	30.1%	13.5%	33,321,618	25.9%	25.9%	513,227,620	29.8%	14.3%
Dwelling - DP1	113,386,507	59.7%	13.2%	5,009,030	25.5%	24.1%	118,395,537	58.3%	13.6%
Mobile Homeowners	83,191,926	81.0%	13.4%	36,035,335	43.3%	42.2%	119,227,261	69.6%	22.1%
Dwelling Mobile Home	15,594,913	77.4%	13.6%	4,091,016	40.9%	39.6%	19,685,929	69.8%	19.0%
<b>Total Personal Lines</b>	<b>3,333,876,210</b>	<b>28.7%</b>	<b>13.4%</b>	<b>236,320,851</b>	<b>14.9%</b>	<b>22.8%</b>	<b>3,570,197,061</b>	<b>27.8%</b>	<b>14.0%</b>

**Notes:**  
 (1), (4), (7) In-Force Premium at Current Rate Level (includes FHCF Build Up Premium).  
 (2), (5), (8) Uncapped Rate Indications (includes FHCF Build Up Premium).  
 (3), (6), (9) Premium Impact Based on Capping Policy Level Changes including the Changes in FHCF Build Up Premium.

Donovan said the proposed rates consider the anticipated savings from the legislature's December 2022 reforms in [SB 2-A](#) that eliminated the use of Assignment of Benefits (AOB) contracts between homeowners and vendors and one-way attorney fees.

"We have seen some dramatic improvement from last year," Donovan told the Board. "Last year, in HO-3 policies, by far our largest line of business, the unadjusted indication was 91.5%. After we took into account SB 2-A, that indication became 55.1%. What was ultimately approved, after capping, was 12.6%. Now, one year later, the unadjusted indication before any consideration of SB 2-A was 40.9%. Once we adjusted for SB 2-A it's 25.2%. So that's a drastic improvement in one year going from 91.5 to 25.2," he said, adding "We know exactly what's causing that, it's the litigation."

#### 02Aa [2025 Rate Indications](#)

Donovan explained further, utilizing the slides in the above link. He noted that in 2015, 44% of HO-3 (multi-peril) non-catastrophe claims were in litigation. At the end of 2023, that rate had fallen to 10%. "That's important because a litigated claim costs about four times as much to settle due to the attorney fees... Again, that's a drastic improvement," Donovan said.

In developing these proposed rates for next year, Donovan explained that his team followed the dual requirement of the legislature's December 2022 reforms in [SB 2-A](#), that rates be actuarially-sound and be "non-competitive" with admitted companies' market rates while keeping capped rates (the so-called "glide-path") for now until each individual policy rate is actuarially-sound.

Citizens took a look at the rates of 18 companies that write 42.5% of the HO-3 policies in Florida and used them to re-rate Citizens own book of business at the end of 2023. "We defined Citizens' rates as non-competitive if Citizens' premium is greater than 7 out of 10 competitors," Donovan explained. "For the lines of business and counties where it was clear that Citizens' rates were much less expensive than the private market, we recommended the maximum allowed rate increase of 14% in 2025 for all policyholders in that territory, regardless of the actuarial indicated rate."

In South Florida, for example, taking into account the non-competitiveness requirement means higher proposed rates than just based on actuarial indications – some of which were negative – as seen in the chart below.

## Total HO3 Rate Recommendation by Region

HO-3 - Multiperil Homeowners**				Current Average	Indicated Average	Proposed Average	
Location	Indicated			Total HO3	Total HO3	Total HO3	Policy
	Actuarial	Competitive	Proposed	Premium	Premium	Premium	Count
Dade	-4.0%	82.6%	14.0%	5,011	4,810	5,710	96,941
Palm Beach	9.8%	78.1%	14.0%	4,790	5,261	5,460	61,357
Broward	0.8%	74.1%	14.0%	5,276	5,318	6,013	71,196
North Gulf Coast*	39.5%	113.2%	14.0%	2,571	3,586	2,932	169,817
Other	40.2%	102.5%	14.1%	2,746	3,850	3,133	278,227
Monroe	21.1%	49.3%	17.0%	6,623	8,019	7,749	1,416
<b>Total</b>	<b>20.9%</b>	<b>92.6%</b>	<b>14.0%</b>	<b>3,484</b>	<b>4,211</b>	<b>3,973</b>	<b>678,954</b>

\*Note: This region includes the sinkhole counties - Hernando, Hillsborough, Pasco and Pinellas  
 \*\* Excludes FHCF BU

The proposed rates take into account the competitive analysis

Primary policies, in most areas, will receive a 14% regardless of the indicated rate

Non-primary policies, in most areas, we receive a rate increase of between 14% to 50%

Overall, taking into account actuarial indications and the non-competitive requirement led to a recommended across-the-board 14% increase for Citizens policyholders in 128 of its 151 territories. “One thing the statute does not do is define what does it mean for Citizens to be non-competitive,” Donovan noted. (There’s much more detail in the “2025 Rate Indications” link above, including the analysis for HW-2 Wind-Only policies.)

### Questions & Answers

Governor Spottswood asked for clarification on the above chart for Monroe County, asking if the proposed rate increase is 17% or 14%. “We say for primary residences, it doesn't matter what the actual indication is, everybody in that territory is getting 14% period,” said Donovan, noting the 17% listed for for Monroe would be for non-primary residences, adding “Monroe doesn’t have a lot of HO-3 multi-peril.” Donovan also clarified that for commercial lines, there is no consideration of competitive analysis in the rate indication and all rate increases are capped at 14%, as are wind-only policies.

Governor Thomas said, “I’m sure the news (from today’s meeting) will be about the proposed rate increase. But to me the real story here was the substantial, really incredible reduction in our in the uncapped indication from year to year based on Senate Bill 2-A. To me, the uncapped indication is a measurement of the additional risks of assessments by reason of having artificially low rates. And if we’re looking at almost cutting that in half from year to year because of Senate Bill 2-A, that’s

phenomenal change to me and very significant in terms of the long-term risk we face here from an actuarial standpoint.” (Citizens’ [graduated assessments](#) for paying all of its claims, no matter the worst-case scenario, puts even non-Citizens customers on the hook if future claims wipe out its reserves and surplus.) Donovan agreed, nothing that the effective date of SB 2-A for all Citizens policies, given the need to write it into new policy forms, was June 1, 2023 with the language eliminating all AOBs, barely one year ago.

Gov. Lydecker said, “I think these are very positive indications that we're creating an environment where there's a potentially more stable insurance marketplace inside of the state of Florida and encouraging competition so that each year, we can get to a place where there's not only stability, but, you know, our real dream is depopulation and reduced rates.”

Citizens’ President Tim Cerio had a bit of other good news concerning efforts to depopulate Citizens policy count, to reduce its insured risk and the risk of future assessments in catastrophic events. “We thought we might end this year around 1.2 million policies. There’s a very good chance that we could be below a million now and that’s all because of the success of the reforms,” said Cerio. Added CFO Jennifer Montero, “We've increased the depop number from 360,000 to over 400,000. So hopefully, October, November, December will be very active. That's the expectation,” she said.

Governor Spottswood asked if there was any consideration to Citizens getting out of the multi-peril homeowners insurance business and just writing wind-only policies, as suggested by [legislation](#) introduced this past session. “If you look at the total exposure on the multi-peril policies, it really dwarfs the other we have what we get paid in premiums are far less,” he said. Cerio responded, “We ran the numbers. If we were wind only statewide, our total exposure would have been, I believe, over \$3 trillion and our reinsurance buy would have to spend over 5.5 billion. So I think these proposals may still get floated and there may be various ways to skin the cat. But at least what we were looking at that was proposed last year, would have been completely cost prohibitive.” Donovan added, “The non-wind perils have negative double-digit indications, where the wind indications are very, very high. And so basically, the non-wind peril is subsidizing the wind at this point. That’s an important consideration when thinking about that.” Governor Lydecker said that with a lot of changes occurring in the marketplace, he thought Governor Spottswood’s question and comment are worth bringing up again in the future.

**The Board APPROVED the proposed rates for 2025, which will now go to OIR for consideration.**

**ADJOURNED: 9:27am** The Board of Governors Meeting next regular board meeting is July 10, 2024.