



Lisa Miller & Associates

Business Development, Government Consulting, Public Relations

Citizens Property Insurance Corporation Rate Hearing 8-1-24

Public rate hearing held by the Florida Office of Insurance Regulation (OIR) (Rate hearing packet is here: <https://floir.com/events/citizens-property-insurance-corporation-public-rate-hearing>) This in-person hearing, held in a legislative committee room at the Florida Capitol, was livestreamed by The Florida Channel with playback available at <https://thefloridachannel.org/videos/8-1-24-office-of-insurance-regulation-rate-hearing-for-citizens-property-insurance-corporation/>. OIR reserved three hours for this hearing and it ran every minute of it, including public comment.

Background: Citizens Property Insurance is the seventh carrier to go before Florida regulators this year at a public rate hearing. Its proposed rate changes, effective January 1, 2025, are for policies in its Coastal Account (CA), Commercial Lines Account (CLA), and the Personal Lines Account (PLA). The legislatively-created and state-backed corporation **is seeking an overall 14% increase in its personal lines policies, the maximum allowed under the state's rate increase cap glide path. Commercial lines policies would increase 10.3%.** These rates take into account the new legislative requirement that Citizens be non-competitive with private insurance companies as a way to reduce the number of policies – and associated assessment risks to Florida taxpayers. Today's hearing covered the following 14 separate rate filings:

File Log #	Overall Proposed Change	Account	Proposed Rate Level Effect by Territory and County
24-030310	+13.5%	Homeowners Multi-Peril (PLA)	HO-3, HO-4, HO-6 (PLA)
24-030311	+14.4%	Homeowners Multi-Peril (CA)	HO-3, HO-4, HO-6 (CA)
24-030441	+13.9%	Property/Personal (Dwelling Fire) (PLA)	DP-1, DP-3 (PLA)
24-030444	+17.2%	Property/Personal (Dwelling Fire) Wind Only (CA)	DW-3 (CA)
24-031016	+22.1%	Mobile Homeowners Multi-Peril (PLA)	MHO-3, MHO-4 (PLA)
24-031018	+26.6%	Mobile Homeowners Multi-Peril (CA)	MHO-3 (CA)

24-031814	+19.0%	Mobile Homeowners Physical Damage (PLA)	MHO-Dwelling (PLA)
24-031855	+19.7%	Mobile Homeowners Physical Damage Wind Only (CA)	MHO-Dwelling (CA)
24-037241	+12.0%	Commercial Residential Multi-Peril Condo Assn. (CLA)	CRM Condo (CLA)
24-037237	+11.5%	Commercial Residential Multi-Peril Excluding Condo Assn. (CA)	CRM Non-Condo (CA)
24-037430	+0.0%	Commercial Non-Residential Multi-Peril (CLA)	CNRM (CA)
24-037523	+12.2%	Commercial Residential Wind Only Excluding Condo (CA)	CRW Non-Condo (CA)
24-037522	+12.4%	Commercial Residential Wind Only Condo Assn. (CA)	CRW Condo (CA)
24-037525	+0.4%	Commercial Non-Residential Wind Only (CA)	CNRW (CA)

This was a fact-finding hearing by OIR to listen to the corporation's representatives explain their requests toward **deciding in the next 30-60 days**, whether to approve or disapprove this request. The meeting was conducted by OIR's Deputy Commissioner of Property and Casualty Insurance, Virginia Christy. Participating was Bob Lee and Peggy Cheng, OIR actuaries for P&C Product Review.

Citizens Insurance representatives were: Tim Cerio, Chief Executive Officer; Paul Kutter, Senior Director – Actuarial Data Science; Brian Donovan, Chief Actuary; March Fisher, Vice President of Corporate Analytics; Jennifer Montero, Chief Financial Officer; and Christine Ashburn, Chief of Communications, Legislative and External Affairs. Cerio and Donovan handled almost all of the Citizens presentation and subsequent questions from regulators.

Also attending: Florida Insurance Consumer Advocate Tasha Carter and her office's actuary, Catherine Cook.

Citizens rates are guided by caps and a new non-competitiveness requirement mandated by the Florida Legislature and it was under those prisms that this hearing was focused.

As it has in recent public hearings, OIR today sought to put the regulation and thought processes involved into plain, layman's language whenever possible for the public watching on television, some of

whom have been complaining to regulators and legislators about the ongoing high cost of property insurance, especially for condominium associations.

Citizens Property Insurance Presentation

Tim Cerio told regulators that recent legislature reforms, specifically **SB-2A** that eliminated Assignment of Benefits (AOB) contracts and one-way attorney fees, have reduced litigation and uncapped rate need by about \$500 million, especially in homeowners multi-peril (HO-3) policies. “They really are working and that is fabulous news,” he said, but realizes that Citizens needs to explain why it still needs a rate increase.

“We certainly don't take our request for a rate increase lightly.... but we believe it's critical for continued market recovery, continued depopulation, and again, to reduce the risk of assessments on non-Citizens' policyholders,” said Cerio. As our presentation demonstrates, **our rates remain for the most part, actuarially unsound and highly competitive around the state and as a governmental insurer of last resort, we should never be competing with the private market, and that's sort of the situation we're in right now.** That hampers competition, slows recovery of the market, and as you know, we believe charging actuarially unsound rates also increases the likelihood of assessments because we're simply not collecting as much premium as we should be if we were actuarially sound, and certainly if we were non-competitive. So in all events, we believe that this rate filing complies with our statutory obligations to get back to the point of charging actuarially sound, non-competitive rates while remaining under the statutory cap of the glide path.”

Cerio pointed to the chart below, noting **the uncapped indication for HO-3 policies is 23.1%, the rate increase needed to be actuarially sound; to be non-competitive with the private insurance market, those rates would need to increase 92.8%.** Because Citizens writes the majority of personal wind-only business, he said there is no competitive analysis available; nor for commercial policies. While commercial non-residential rates are actuarially unsound, “commercial residential rates business still has a way to go,” said Cerio. He explained that the reason that a proposed 15% increase for wind-only policies exceeds the 14% glide path cap is because it includes non-primary homes not subject to the cap.

Proposed Rate Changes

Citizens' statutory requirements for rate changes:

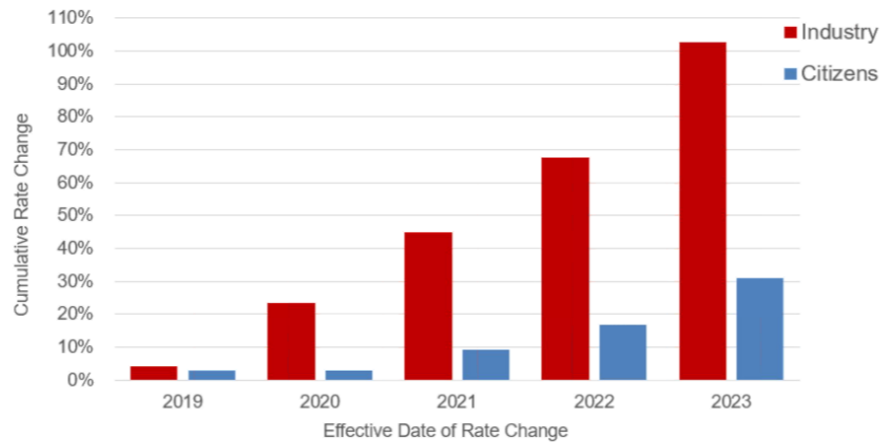
1. Rates must be actuarially sound pursuant to s. 627.062 and not competitive with approved rates charged in the admitted voluntary market, so that the corporation functions as a true residual insurer.
2. Citizens makes recommendations to the OIR for rate changes, and the OIR establish Citizens' rates.

Product Line	In-Force Premium	Uncapped Indication	Non-Competitive % Change	Proposed Rate % Change
Personal Multi-peril	\$3,237,890,190	23.1%	92.8%	13.9%
Personal Wind-Only	\$332,306,870	73.2%	N/A	15.0%
Commercial	\$571,875,247	27.9%	N/A	10.3%
Total	\$4,142,072,307	27.8%		13.5%

Cerio took the time to walk the television-watching public through the history of Citizens and the changing landscape of legislative actions that have governed its rates to this point in time. (You can review his entire slide deck [here](#).) The disparity of those government-controlled rates, including the

glide path vs. private market rates is outlined in the chart below, with Cerio noting “Citizens is charging much less than the private market.”

FL Homeowner Cumulative Rate Changes



Industry	4.0%	23.2%	44.7%	67.3%	102.4%
Citizens	2.7%	2.7%	9.1%	16.5%	30.8%

Note: Annual rate changes for companies writing Homeowners (HO-3, HO-4, HO-5, HO-6 and HO-8) in FL by effective year.

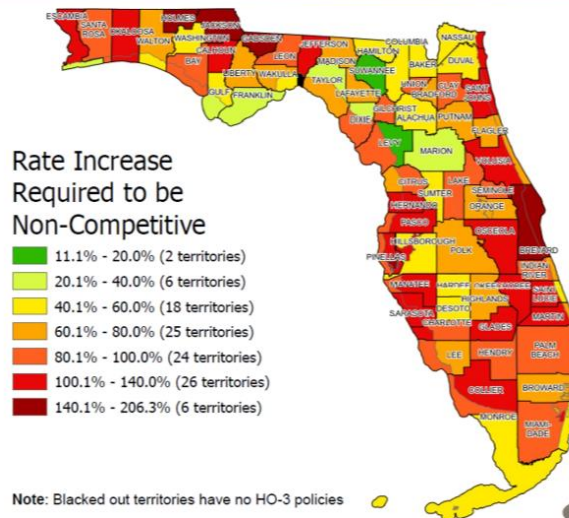


Page 8

The bottom line: Since 2019, Citizens has only been able to raise its rates by about 31% while private insurance companies raised their rates 103%. “I’m not pointing out that rate increases are good. They’re not. We’re just trying to point out how far behind we have fallen and how competitive we’ve become with the private market,” said Cerio, pointing to the next chart below.

HO-3 Competitive Position

Ignoring 14% cap of the glidepath, to be non-competitive, Citizens’ HO-3 rates will need an increase of 96.8% on a statewide basis, using 12/31/2023 policy data.

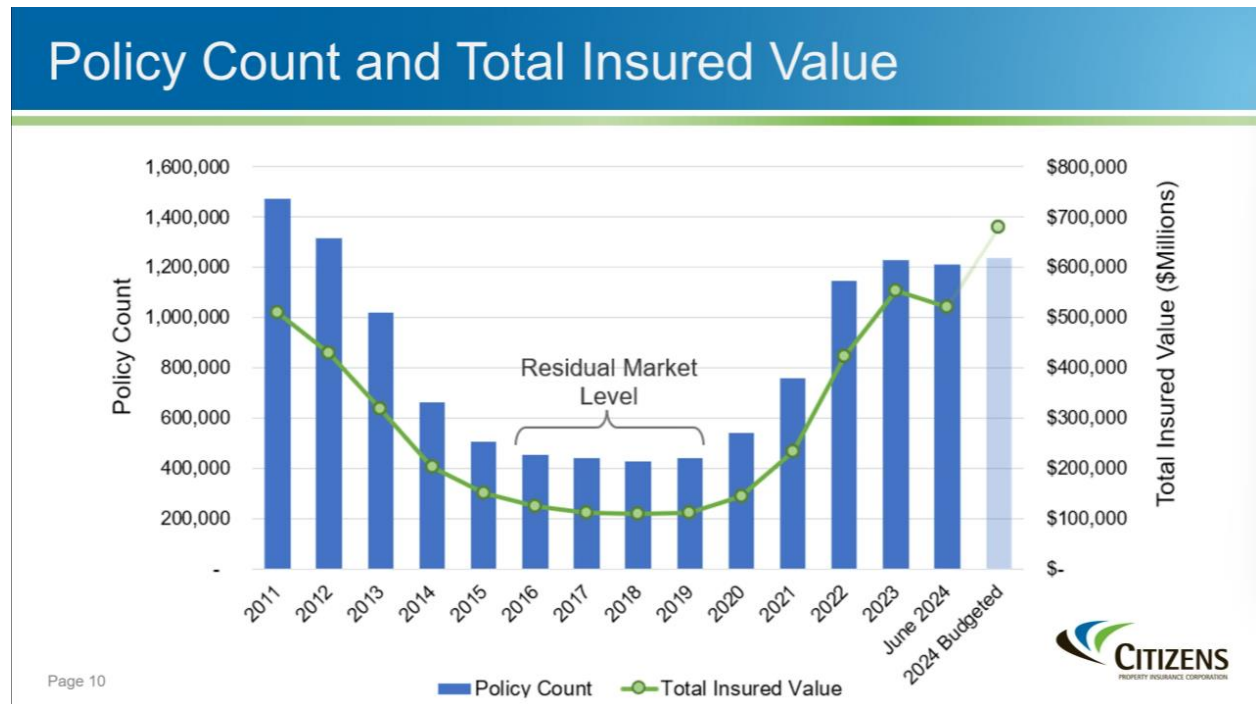


Page 9

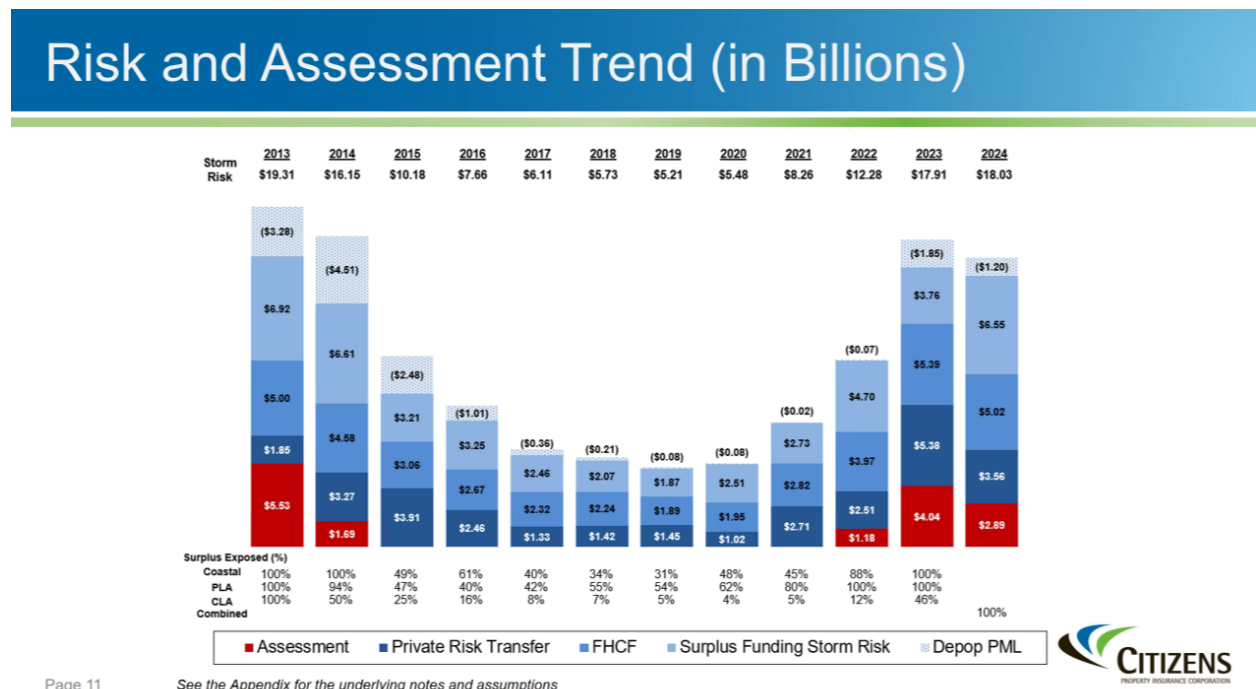
“I’m not trying to scare anybody,” Cerio said. “Hopefully, as our rates increase relatively slowly, as required by the glide path, industry rates will come down a bit and we will see ourselves getting closer. We will not only be actuarially sound, but we will become more non-competitive with the private

market as private rates come down, as well. **Being less competitive is simply the only way to reduce Citizens' size,"** said Cerio and with it, prevent assessments in future storm claims on all Floridians.

He finished his presentation with the following series of slides, showing past and projected policy count and total insured value, Citizens' risk and assessment trend, and depopulation efforts to return policies to the private insurance market.



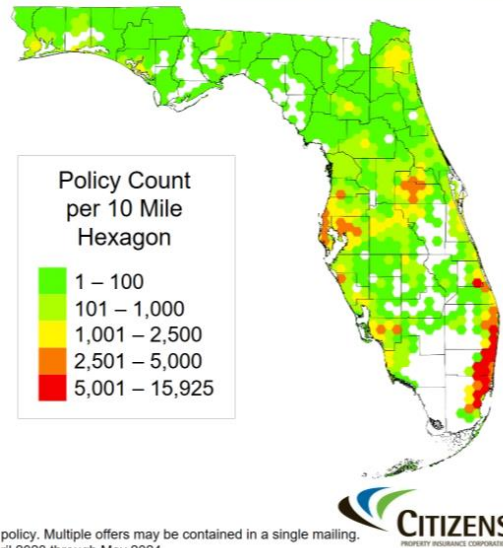
"The good news is that in the updated forecasts, we believe that by the end of the year, we will, we will be below a million policies and not at the 1.24 million number in the chart (above). We'll be at 970,000 policies, and about \$423 billion in total insured value. That is good news, and that is news that the reforms are working," said Cerio.



"As you can see, a bigger Citizens tends to assess more," said Cerio of the chart above. "This is one reason it is so important for Citizens to be not competitive and to shrink."

Depopulation Activity

Policies Assumed in 2023 and 2024			
Assumption Date	Number Office of Insurance Regulation Approved	Policyholder Choice Letters Mailed	Number Assumed on Day of Assumption
4/18/2023	20,000	26,335	4,573
6/20/2023	46,218	18,760	17,239
8/22/2023	26,000	27,689	8,836
10/17/2023	184,000	311,310	99,773
11/21/2023	202,399	179,747	92,886
12/19/2023	168,000	86,620	52,017
1/23/2024	200,000	126,479	76,316
2/20/2024	39,000	27,652	15,713
2/27/2024 (CL)	850	437	321
3/19/2024	59,498	27,879	22,209
4/23/2024 (CL)	400	246	150
5/21/2024	54,386	34,760	17,610
6/25/2024 (CL)	300	170	TBD
Total	1,001,051	868,084	407,643



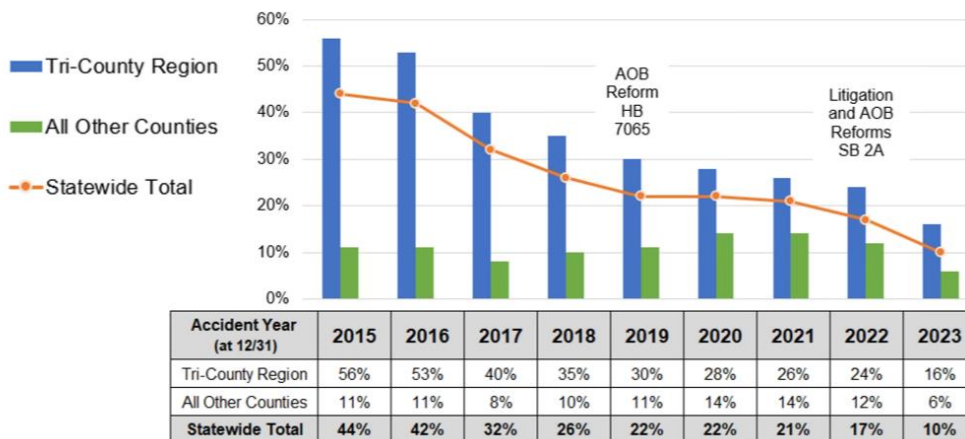
Notes:
 1) Policyholder Choice Letters Mailed indicates the number of depopulation letters mailed, one per policy. Multiple offers may be contained in a single mailing.
 Page 12 2) The hexagon map shows all personal lines and commercial lines (CL) policies assumed from April 2023 through May 2024

Of the 408,000 policies removed through its depopulation program from 2023 through the end of June 2024 (see chart above) more than half came from Miami-Dade, Broward, Palm Beach, Orange, and Hillsborough Counties. “That’s really good news too, because prior to the litigation reforms, the private market tended to avoid these areas,” Cerio noted.

The decline in Citizens non-catastrophe litigation is noted in the chart below. **The HO-3 non-cat litigation rate has fallen from 44% in 2015 to 10% at year-end 2023.** He credited the reforms under [SB-2A](#) that eliminated Assignment of Benefits (AOB) contracts altogether and one-way attorney fees, previous AOB reform under [HB 7056](#), and Citizens’ efforts to manage costs and fight fraud, including its managed repair program.

Litigation and Assignment of Benefit (AOB) Reforms

Projected Percent of Citizens’ Non-Catastrophe HO-3 Litigated Claims



Notes:
 1) The tri-county region includes Broward, Palm Beach and Miami-Dade Counties
 Page 13 2) Senate Bill 2A was effective 12/16/2022; however, language changes were not incorporated into Citizens’ policy forms until 06/01/2023.



Rates Are Guided by Caps and Non-Competitiveness Requirement

Citizens Chief Actuary **Brian Donovan** amplified Cerio’s points, explaining why the rate increases are warranted and will move Citizens closer to non-competitiveness with the private market and actuarial soundness. He said SB 2A reforms lowered Citizens’ premium need by more than \$500 million for 2025, with the specifics outlined in the chart below. **The rate indication in homeowners multi-peril (HO-3) policies has fallen from 55.1% to 25.2% in one year. “We know exactly why. It’s the litigation,” said Donovan.**

Improvement in Results

Product Lines	2024 Rate Indication			2025 Rate Indication	
	Unadjusted	SB 2A Adjustments	Approved Rate Change	Unadjusted	SB 2A Adjustments
HO-3 and HW-2	91.5%	55.1%	12.6%	40.9%	25.2%

The primary driver of the improved results is the continued decrease in litigation rates for non-catastrophe losses.

Accident Year	HO-3 Non-Catastrophe Litigation Projected % of Claims Litigated		
	Southeast Counties *	Rest of State	Statewide
12/31/2015	56%	11%	44%
12/31/2016	53%	11%	42%
12/31/2017	40%	8%	32%
12/31/2018	35%	10%	26%
12/31/2019	30%	11%	22%
12/31/2020	28%	14%	22%
12/31/2021	26%	14%	21%
12/31/2022	24%	12%	17%
12/31/2023	16%	6%	10%

* Includes Miami-Dade, Broward and Palm Beach
Page 17

Adjustments for SB 2A

1. Restated historical litigation rates
2. Restated historical AOB severities
3. Removed litigation costs from the non-hurricane catastrophe provision
4. Selected a mid-point of the four hurricane models



“Basically, we’ve gone from one in two claims going into litigation to one in 10 claims. And that has a huge impact, because litigated claims generally cost about four times more to resolve versus a non-litigated claim,” he said.

Non-Competitiveness Requirement

Donovan moved on to explain the methodology Citizens used to determine its competitiveness compared to the private insurance market, a new requirement under recent legislative reforms. He noted that “Citizens rates are to be non-competitive but the statute doesn’t define what it means to be non-competitive.” And while other states’ insurers of last resort often have the highest premium of all companies, Donovan said Citizens didn’t want to go that far, instead defining as non-competitive a rate that is in the 75th percentile of private market rates. He walked regulators through the chart below.

Citizens combined all the policies in its HO-3, HO-6, and DP-3 lines as of year-end 2023, which together comprise 94% of its personal lines, and rewrote them using rates from 18 competitors. Donovan said Citizens was able to determine what its competitors’ rates would be for each one of those Citizens’ policies, producing the premium results seen on the chart below for each of the three policy types. “Ideally, that black line would be much higher than it is, and most of those symbols (which represent) companies would be below that line. But I don’t think it’s surprising that that line is where it is,” he said.

Competitive Analysis

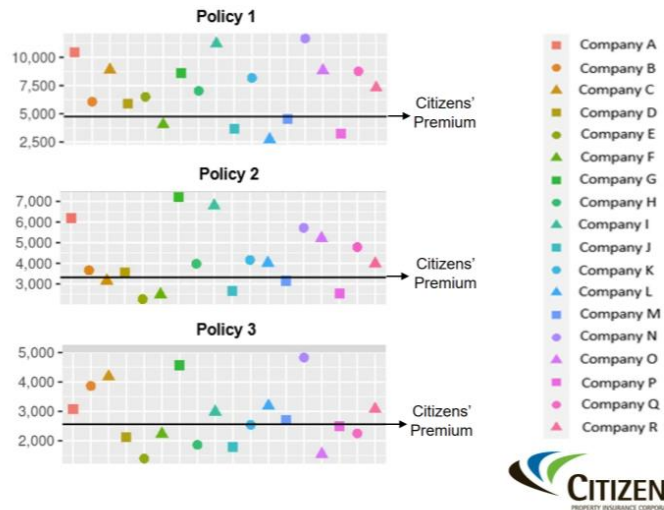
To determine competitiveness, insurers' rating manuals were provided in October 2023 and used to determine premiums for Citizens' HO-3, HO-6 and DP-3 policy data as of 12/31/2023.

The analysis used the 75th percentile as the selected "non-competitive" premium.

Market Share as of 9/30/2023		
Policy Type	Number of Competitors	Competitors & Citizens' Market Share
HO-3	18	63.5%
HO-6	15	60.0%
DP-3	11	78.9%

Page 18

Policy Examples of Competitors' Premiums



He shared an example of one particular risk in the chart below. The black line represents Citizens current premium and the blue line represents the premium required to be considered non-competitive. "In this particular case, for us to consider this risk non-competitive, it would have to increase by 53.9% to get it to that green line, which would put it in the 75th percentile. Obviously, due to the glide path, that's not something that we're proposing, or could do. What we are proposing as to increase it by 14% which would bring it to about \$3,800," Donovan explained.

Competitive Analysis Methodology

Company	Competitor Premium
G	\$7,201
I	\$6,790
A	\$6,188
N	\$5,717
O	\$5,213
Q	\$4,785
K	\$4,163
L	\$4,019
R	\$3,979
H	\$3,977
B	\$3,663
D	\$3,549
C	\$3,155
M	\$3,154
J	\$2,654
P	\$2,532
F	\$2,492
E	\$2,261

Page 19

The 18 competitor premiums are listed in descending order for Policy 2.

The 75th percentile is defined to be the value such that 4.5 of the values are above that value, and for this policy, it is \$5,106.

Citizens' premium of \$3,318 will need to be increased by 53.9% to be non-competitive.

The proposed premium is \$3,763.

The percent change needed for each territory to become non-competitive is determined by taking averaged policy level data using Citizens' premiums as the weights.



Donovan reiterated that Citizens applied this methodology to every individual policy. In the chart below, it then took the total of its HO-3 homeowners policies, it's largest segment of all its policies. "Even after a 14% increase, 98% of the policies would remain competitive," said Donovan, noting that Citizens rates would have to double to be considered non-competitive, something the glide path prohibits. During its recent Board of Governors meeting approving these rate requests for submission to OIR, Donovan pointed out that South Florida would see higher rate increases solely based on the non-competitiveness requirement and not actuarial rate need.

Competitive Analysis HO-3 Results

HO-3 Policies as of 12/31/2023					
Region / County	Policy Count	Increase Needed to be Non-Competitive	Number of Competitive Policies	Number of Competitive Policies After 14% Increase	Proposed Rate Change
Broward	71,526	74.1%	71,472	70,992	13.5%
Central East Coast	107,304	117.0%	107,205	106,870	13.7%
Dade	97,222	82.6%	97,142	96,518	13.5%
Inland	53,834	82.2%	53,237	51,902	13.6%
Monroe	1,418	49.1%	1,303	1,167	16.2%
North East Coast	40,519	86.1%	40,389	39,781	13.5%
North Gulf Coast	170,579	112.3%	168,778	162,616	13.5%
Palm Beach	61,705	80.5%	61,583	60,930	13.4%
Panhandle	21,393	101.6%	21,096	20,631	13.2%
South Gulf Coast	56,114	100.9%	55,790	54,971	13.5%
TOTAL	681,614	96.8%	677,995	666,378	13.5%

Excludes policies marked for takeout

Page 20



For Citizens' rates to be non-competitive, they would need to be doubled.

Based on this information, the maximum increase of 14% in most territories is recommended.

Even after a 14% increase, **98% of policies remain competitive.**

Primary vs. Non-Primary Homes

Another component of the [SB-2A](#) legislative reform was that second homes should not enjoy Citizens low subsidized rates. It established first homes as "primary" homes, usually homesteaded, and second homes, such as vacation homes as "non-primary" if they are occupied less than nine months of the year. Primary homes are subject to the 2025 14% rate cap increase but non-primary homes under the new statute can have their rates increased up to 50% until actuarially sound. Per the chart below, **the overall proposed change for non-primary homes is 22.8%**. While overall, non-primary homes make up just 6.7% of all of its personal lines policies, about 21.3% of its condo policies and 26% of its mobile home policies are non-primary homes.

Primary vs Non-Primary

SB 2A requires Citizens to cap all non-primary policies between 0% and 50%.

Personal Lines	PRIMARY		NON-PRIMARY		TOTAL		Non-Primary Policy Count	Non-Primary % of Policy Count
	In-Force Premium	Proposed Change	In-Force Premium	Proposed Change	In-Force Premium	Proposed Change		
Homeowners	\$2,536,522,507	13.4%	\$121,286,837	17.9%	\$2,657,809,344	13.6%	24,978	3.4%
Renters	\$1,950,271	12.9%	\$84,080	23.1%	\$2,034,351	13.3%	199	2.2%
Condo Units	\$103,324,083	13.5%	\$36,492,937	15.0%	\$139,817,020	13.9%	18,876	21.3%
Dwelling DP3	\$479,906,002	13.5%	\$33,321,618	25.9%	\$513,227,620	14.3%	13,780	6.0%
Dwelling DP1	\$113,386,507	13.2%	\$5,009,030	24.1%	\$118,395,537	13.6%	1,771	3.4%
Mobile Home (MH)	\$83,191,926	13.4%	\$36,035,335	42.2%	\$119,227,261	22.1%	16,834	26.0%
Dwelling MH	\$15,594,913	13.6%	\$4,091,016	39.6%	\$19,685,929	19.0%	3,429	17.4%
Total	\$3,333,876,210	13.4%	\$236,320,851	22.8%	\$3,570,197,061	14.0%	79,867	6.7%

The recommended change for primary is 13.4% versus 22.8% for non-primary.

Non-primary makes up 6.7% of the total personal lines policies but varies greatly by line of business.

Non-primary policies make up a much larger percentage of the book of business in the mobile home and condominium unit lines of business.

Page 21



In summary, said Donovan, **Citizens proposed rates meet the dual statutory requirements of moving rates towards actuarial soundness and non-competitiveness, while still adhering to the 14% glide path.**

OIR Questions on Personal Lines Filings

OIR actuary **Bob Lee** sought clarification of a few numbers in the presentation as compared to the Citizens filings and some other questions of a more technical, non-consequential nature. There was often an emphasis put on clarity for any public audience watching on television, rather than serious questions or doubts raised about the filings.

OIR actuary **Peggy Cheng** asked why Citizens showed a 0% rate indication for sinkholes and Donovan answered that there are now so few sinkhole claims that there is no compelling evidence to change the rates at this time. Again, most questions were of a clarifying nature.

Lee presented the OIR chart below which he deemed “a very important slide,” for the **dramatic decreases in rate indications between 2023 (for 2024 policy rates) and 2024 (for the upcoming 2025 rates being considered)** that cannot be explained from Citizens last increase of about 13%.

Public Rate Hearing Citizens Property Insurance Corporation



Personal Lines Rate Indications

FILE LOG NO.	PROGRAM	2023 INDICATION	2024 INDICATION
24-030310	HOMEOWNERS (PLA & CA)	44.0%	18.8%
24-030311	WIND-ONLY HOMEOWNERS (CA)	129.2%	70.1%
24-030441	DWELLING (PLA & CA)	52.0%	29.5%
24-030444	WIND-ONLY DWELLING (CA)	127.3%	86.5%
24-031016	MOBILE HOME (PLA & CA)	125.5%	68.8%
24-031018	WIND-ONLY MOBILE HOME (CA)	97.2%	91.3%
24-031814	MOBILE HOME DWELLING (PLA & CA)	90.7%	69.4%
24-031855	WIND-ONLY MOBILE HOME DWELLING (CA)	75.3%	87.2%

PLA = Personal Lines Account CA = Coastal Account

FLORIDA OFFICE OF INSURANCE REGULATION

“I think what we want to emphasize to everybody here is that a lot of times we have these hearings and indicators are way higher. There's no solution. We're never getting anywhere. Well, I think this indicates we're getting somewhere,” Lee said. He asked Donovan to explain it and whether it will continue to improve.

“We know what the main driver is and it’s a reduction in litigation rates,” answered Donovan. The other thing to keep in mind is that our policy count is always fluctuating but overall it’s the legislative reforms.” The only exception was the wind-only mobile home dwelling policies in the Coastal Account, where the rate indication increased from 2023 to 2024, for which Donovan had no particular answer.

On the non-competitiveness requirement, Lee made a point of clarifying with Citizens that if not for that requirement, its rate increase on HO-6 (Condo Unit policies) would have increased only 2.2% instead of 13%. Donovan agreed. It’s another example of OIR taking the time to explain and educate the public watching this rate hearing on television on the role the legislature plays in setting and regulating Citizens rates and procedures and is not just Citizens or OIR deciding these things.

OIR Questions on Commercial Lines Filings

Cheng presented the chart below showing rate indications and proposed rates on the six filings under Citizens’ Commercial Lines Account.

Public Rate Hearing Citizens Property Insurance Corporation



Commercial Lines Rate Requests, effective 1/1/2025 new and renewal

FILE LOG NO.	PROGRAM	SELECTED INDICATION	RATE REQUEST
24-037241	COMM. RESIDENTIAL MULTI-PERIL – CONDO (CLA & CA)	26.6%	12.0%
24-037237	COMM. RESIDENTIAL MULTI-PERIL - EX CONDO (CLA & CA)	46.6%	11.5%
24-037430	COMM. NON-RESIDENTIAL MULTI-PERIL (CLA & CA)	-7.0%	0%
24-037522	COMM. RESIDENTIAL WIND ONLY – CONDO (CA)	39.6%	12.4%
24-037523	COMM. RESIDENTIAL WIND ONLY - EX CONDO (CA)	29.2%	12.2%
24-037525	COMMERCIAL NON-RESIDENTIAL WIND ONLY (CA)	-6.0%	0.4%

CLA = Commercial Lines Account CA = Coastal Account

FLORIDA OFFICE OF INSURANCE REGULATION

Cheng noted the negative indication for the two non-residential programs and parlayed that into the chart below, showing what she termed the “explosive” growth in the number of non-residential commercial buildings that Citizens now insures and the accompanying increase in total insured value.

Public Rate Hearing Citizens Property Insurance Corporation



Commercial Lines Growth from 2023 to 2024

Line of Business	# of Buildings			TIV		
	Last Indication	This Indication	% Change	Last Indication	This Indication	% Change
CRM	6,095	29,926	391.0%	8,125,980,543	35,236,594,914	333.6%
CRW	7,543	19,670	160.8%	8,576,453,402	22,462,781,973	161.9%
CNRW	374	2,767	639.8%	293,346,800	2,510,872,402	755.9%
CNRW	4,383	6,795	55.0%	2,155,684,277	3,611,820,514	67.5%
Total	18,395	59,158	221.6%	19,151,465,022	63,822,069,803	233.2%

FLORIDA OFFICE OF INSURANCE REGULATION

As noted in the chart, Citizens commercial building count has grown 222% over the last year (with non-residential growing by 640%) with an increase in total insured value of 233% (with value of non-residential growing 756%). Cheng asked Citizens to explain why this happened.

“There’s a number of reasons,” answered Donovan. “The state of the private market is such that they are not willing to write these risks. While we don’t have direct information on competitive analysis, information like this and anecdotal information (tell us that), you know Citizens rates are cheaper. And secondly, commercial lines have been subject to the same capping as the personal lines policies. We’re the most inexpensive option and in a tightening, hardening market, they have nowhere else to go but to

come to Citizens,” he said. Cerio later added that the growth in Citizens commercial lines has been “scary” but is now seeing some depopulation take-outs of those policies.

During the course of questioning, OIR acknowledged the current difficulties in the availability and affordability of insurance that the commercial residential condominium association (building) market has faced. Cheng asked Citizens if it took that into consideration in developing its HO-6 and condo association policies.

Donovan replied that as the insurer of last resort, Citizens has limited options. “We cannot give decreases, and we can give maximum increases to try to deal with what's going on with the tightening market. Other than that, there's limitations on what Citizens can do with the underwriting guidelines, obviously,” he said.

Questions from Consumer Advocate Tasha Carter

Carter Q: The average proposed rate change for each of the three multiperil policies is 13.5%. Can you explain the rate change in dollars that a multiperil policyholder may experience at renewal?

Donovan A: For HO-3 policies, the current average premium is \$3,560 and with this proposed change it would be \$4,041.

Carter Q: And for HO-6 and HO-6 Wind Only policies?

Donovan A: For HO-6 Multi-Peril, the current average premium is \$1,535 and with the proposed rate change it would be \$1,753. For HO-6 Wind Only it's currently \$1,723 and with the proposed change it would be \$1,946.

Carter also asked for information on how Citizens determines how someone qualifies with the documentation to be determined a primary residence vs. a non-primary residence. Donovan did not have the information and said he would get it and send it to Carter.

Carter Q: Can you describe what competitive analysis was performed for Monroe County, where Citizens is primarily the sole provider for windstorm coverage?

Donovan A: The vast majority of the policies are wind only, and we did no competitive analysis for wind only, so that that's the crux of the answer. I think there's about 1,000 multiperil policies, and based on QUASR data and some other information provided by the Office, there was some writers there, not many, and it was based on that,

Carter then turned it over to her office's actuary, Catherine Cook, who asked several questions of a technical nature on the competitive analysis and how Citizens came up with the reduced rate need of \$500 million from the previous year, which Donovan answered.

Public Comment

Deputy Insurance Commissioner Virginia Christy read excerpts from two letters sent to OIR for submission as public comment to this rate filing. State Senator Ana Maria Rodriguez (R-Monroe County) wrote that “Monroe County will be experiencing the second highest rate increase among Citizens personal lines policies, second only to Glades County... A rate increase of this magnitude in Monroe County, where private market competition is notably scarce impacts nearly 20,000 of my constituents without addressing the goal of reducing the number of policies with Citizens,” she wrote.

Rep. James Mooney (R-Monroe) wrote the second letter, expressing similar sentiment. He asked that in areas where there is no private competition, that there be no rate increase by Citizens.

There were three members in the audience who spoke:

- James Tynan, President of the Villa Del Mar condominium association in Ponte Vedra, said that due to [HB 1021](#), which overhauls current statutes on condominium associations, his had no choice but to go with Citizens for its property insurance. Despite installing new roofs and other wind mitigation, he said Citizens did not lower their premium and now wants to raise their rate by 14%, “something that will highly impact us,” he said.
- Two members from the group Fair Insurance Rates in Monroe (FIRM) spoke in opposition to Citizens’ proposed rate increases in Monroe County. The group has long argued that residents of the Florida Keys are paying too much for insurance, most of it Wind Only coverage. “FIRM is totally opposed to this or any other rate increase for Monroe County,” Mel Montagne, the group’s president, said. He said that current hurricane modeling is flawed, that Citizens has made a larger profit from its Monroe County policies than from those in other South Florida counties, and that “people are staving off rate increases by increasing their deductibles.”

Deputy Commissioner Christy closed the meeting with a reminder that the deadline for public comments on this filing is August 15, 2024 at 5pm. Public comments should go to RateHearings@flor.com with subject line: Citizens Property Insurance Corporation.

Hearing adjourned at 4:08pm