

Florida Property Insurance Market Analysis and Recommendations

**Presentation to The Florida Senate
Banking and Insurance Committee**
February 6, 2013

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Security First Insurance Company
www.SecurityFirstFlorida.com

Two key points regarding Citizens reform

#1

Shrinking Citizens **does not** require the price paid by Citizens' policyholders to increase. In fact, thousands of Citizens policyholders could save money by shopping for insurance from the private market.

#2

Enforcing the current 115% rule for Citizens eligibility would result in fewer people qualifying for coverage at **subsidized** rates.

This may be contrary to what you've heard,
but here's the truth

Florida Homeowners Insurance Misconception #1

Citizens provides the majority of homeowners insurance in Florida.

Citizens Market Share Analysis

Personal and Commercial Residential Policies (June 30, 2012)

Product Type	State Total	Citizens	Citizens' Market Share	Private Sector Market Share
Homeowner (Owner-Occupied)	3,443,220	592,744	17%	83%
Condominium Unit Owners	776,761	113,635	15%	85%
Dwelling Fire	720,370	281,948	39%	61%
Mobile Homes	380,550	146,992	39%	61%
Renters	374,889	16,663	4%	96%
Wind-Only	255,858	240,511	94%	6%
Commercial Residential	72,592	20,159	28%	72%
Allied Lines	59,119	0	0	100%
Farm-owners	2,983	0	0	100%
Total	6,086,342	1,412,652	23%	77%

Source: Florida Office of Insurance Regulation QUASR report

The private sector insures 77% of all policies insured in the state of Florida.

Citizens Market Share by Insured Value of Coverage A (Main Structure)

Personal Residential Owner-Occupied HO3 (Excl Tenant and Condo)

Insured Value (Coverage A)	Total Market	Citizens	Citizens Market Share
Less Than \$400,000	2,675,382*	568,747	21.30%
More Than \$400,001	767,838*	23,997	3.10%
Total	3,443,220	592,744	17.20%

*Estimated based on US Census 2006-2010 American Community Survey

In 2012, Citizens non-renewed more than 7,000 high value homes. The private market was able to provide replacement coverage for these policies.

Citizens Market Share by Year Built

Personal Residential Owner-Occupied HO3 (Excl Tenant and Condo)

Age of Home	Total Market	Citizens	Citizens Market Share
Pre-Florida Building Code (2000 or older)	2,807,258*	548,739	19.50%
Post-Florida Building Code (2001 or newer)	635,962*	44,008	6.90%
Total	3,443,220	592,747	17.20%

*Estimated based on US Census 2006-2010 American Community Survey

Citizens Market Share by County

Personal Residential Owner-Occupied HO3 (Excl Condo and Tenants)

County	Market Total	Citizens	Citizens Market Share
Non-Coastal Counties (32)	874,567	7,226	0.8%
Coastal Counties (35)	2,568,653	585,518	22.80%
Total	3,443,220	592,744	17.2%

Source: Office of Insurance Regulation QUASR Report June 30, 2012

If Citizens discontinues writing policies in non-coastal counties, there will be no disruption in the market.

Citizens' market share varies significantly by Senate District.

Citizens Market Share By Committee Member (HO3 Owner-Occupied)	
Committee Member	Citizens Market Share
Senator David Simmons (R)	2%
Senator Jeff Clemens (D)	34%
Senator Lizbeth Benacquisto (R)	31%
Senator Nancy C. Detert (R)	49%
Senator Miguel Diaz de la Portilla (R)	25%
Senator Alan Hayes (R)	4%
Senator Tom Lee (R)	14%
Senator Gwen Margolis (D)	48%
Senator Bill Montford (D)	2%
Senator Joe Negron (R)	19%
Senator Garrett Richter (R)	24%
Senator Jeremy Ring (D)	22%

Source: Citizens Property Insurance Corporation, US Census, American Community Survey Data December 31, 2011

Citizens insures less than 30% of the homes in more than two thirds of the Senate and House Districts

Citizens Policies as % of total policies for Florida housing units by legislative district		
Number of Districts Having:	Senate	House
Over 50%	3	9
40-49 %	2	9
30-39%	8	17
20-29%	8	21
10-19%	7	22
0-9%	12	42
Total	40	120

Source: Citizens Property Insurance Corporation, United States Census, American Community Survey Data

Market share data by county was provided to each committee member on January 16, 2013



Citizens Market Share Analysis

Personal Residential HO3 and HO6

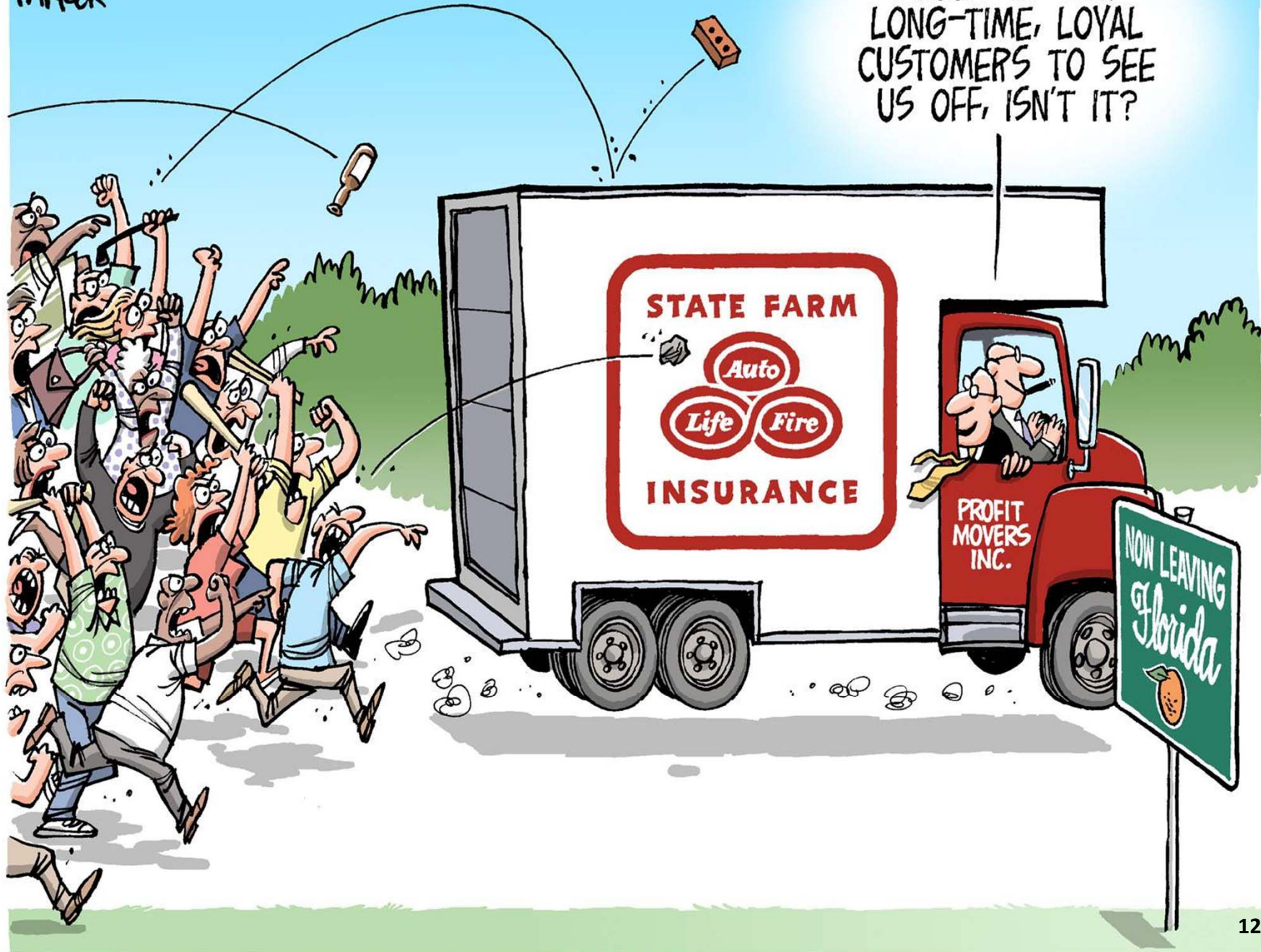
January 16, 2013

The Citizens Market Share Analysis provides the market share percentage of Citizens business for HO3 (home) and HO6 (condo) multi-peril policies by county. Also included is a market share analysis by product (commercial and residential) at the state and county level.

Florida Homeowners Insurance Misconception #2

Citizens is growing because the private sector isn't writing new business.

SWEET OF OUR
LONG-TIME, LOYAL
CUSTOMERS TO SEE
US OFF, ISN'T IT?



Top 10 Writers of Residential Insurance in the U.S. Have Reduced Policies In-Force in Florida more than 650,000 in the Last Three Years

Company/Group	National HO Market Share	Florida Market Share 3/31/2009	Florida Market Share 6/30/2012	Market Share Change
State Farm Mutual	21.3%	13.8%	6.9%	-7.0%
Allstate Corp	9.4%	3.8%	3.5%	-0.3%
Farmers Ins Grp	6.2%	1.5%	0.7%	-0.8%
Liberty Mutual	5.5%	1.6%	0.9%	-0.7%
USAA	4.6%	4.0%	4.0%	-0.1%
Travelers Cos	4.6%	0.5%	0.5%	0.0%
Nationwide	3.7%	2.0%	1.1%	-0.9%
Chubb	2.4%	0.5%	0.4%	-0.1%
American Family Mutual	2.1%	0.0%	0.0%	0.0%
Hartford Fin Svcs	1.5%	1.1%	0.7%	-0.5%
Total Market Share	61.3%	28.8%	18.6%	-10.2%
Top 10 Policies In-Force		1,773,245	1,118,378	-654,867
Total Policies In-force		6,151,362	6,013,750	

Source: Office of Insurance Regulation Quarterly Supplemental Report (QUASR)

Most of these policyholders have found replacement coverage in the private market.

New Policies Written By Type of Company

Owner-Occupied Homeowners Excl Condo and Tenant (First 6 mos 2012)

Type of Company	New Policies	Percent of Total
Florida Domestics	250,951	70.9%
Citizens	88,622	25.0%
Other	11,723	3.3%
State Farm, Allstate, Nationwide, and Travelers	2,915	0.8%
Total	354,211	100.0%

Source: Florida Office of Insurance Regulation QUASR report

New Policies Written By Private Company

Owner-Occupied Homeowners Excl Condo and Tenant (First 6 months 2012)

Company	New Policies	Percent of Total
Universal Property & Casualty	25,133	10.0%
Security First Insurance	20,636	8.2%
United Property and Casualty	18,337	7.3%
Florida Peninsula Insurance	14,713	5.9%
Tower Hill Prime Insurance	14,229	5.7%
St. Johns Insurance	13,272	5.3%
American Integrity Insurance	11,932	4.8%
Federated National Insurance	13,158	5.2%
Southern Fidelity Insurance	12,722	5.0%
All Other Specialists	106,819	42.6%
Total	250,951	100.0%

Source: Florida Office of Insurance Regulation QUASR report

Florida Homeowners Insurance Misconception #3

Citizens policies are cheaper than those sold by private companies.

Citizens Competitive Rate Analysis (H03)

County	Total Citizens Policies	Total Quotations	% Private Market Quotations Less Than Citizens	% Private Market Quotations Within 15% of Citizens Rate
Miami-Dade	137,804	3,316,426	45.9%	72.0%
Pinellas	84,047	2,035,922	11.2%	21.6%
Broward	72,428	1,807,417	42.2%	66.0%
Palm Beach	52,863	1,171,857	57.9%	78.1%
Hillsborough	51,412	1,433,024	17.3%	34.6%
Pasco	48,018	1,085,850	51.6%	63.6%
Hernando	28,812	664,463	47.1%	58.2%
Sarasota	11,822	252,850	20.9%	36.7%
Lee	9,860	201,737	37.2%	61.7%
Subtotal	497,066	11,969,546	37.7%	56.8%
All other counties (58)	61,012	1,458,475	49.0%	66.4%
Total	558,078	13,428,021	38.9%	57.8%

Total quotations = Citizens policies in county quoted by private companies (41) that have capacity (open) to write this business.

91% of Citizens policies received at least one quotation that was less than they are currently paying with Citizens.

County	Number of Citizens policies that did not receive a price quotation less than Citizens rate from at least one private company	Number of Citizens policies that did not receive a price quotation less than 115% of Citizens rate from at least one private company
Brevard	137	0
Broward	1,344	0
Charlotte	446	0
Escambia	2	0
Gadsden	15	0
Hernando	658	0
Hillsborough	7,040	0
Holmes	4	0
Indian River	9	0
Lee	732	0
Manatee	533	0
Miami-Dade	1,043	0
Palm Beach	74	0
Pinellas	35,886	0
Polk	2	0
St. Johns	13	0
Sarasota	2,791	0
Volusia	742	0
Total	54,471	0

Citizens Competitive Rate Analysis (HO6)

County	Total Citizens Policies	Total Quotations	% Private Market Quotations Less Than Citizens	% Private Market Quotations Within 15% of Citizens Rate
Miami-Dade	12,192	73,469	65.8%	78.8%
Pinellas	10,532	65,881	59.4%	69.0%
Broward	23,278	138,138	48.9%	63.5%
Palm Beach	14,617	86,818	66.1%	77.4%
Hillsborough	1,528	12,150	48.9%	59.9%
Pasco	1,289	8,020	53.2%	64.1%
Hernando	42	249	81.1%	87.1%
Sarasota	2,816	19,206	84.0%	90.3%
Lee	3,211	19,876	53.7%	65.8%
Subtotal	69,505	423,807	58.8%	71.0%
All other counties (58)	14,436	92,444	66.9%	78.1%
Total	83,941	516,251	60.2%	72.2%

Total quotations = Citizens policies in county quoted by private companies (41) that have capacity (open) to write this business.

Competitive Rate Analysis for HO3 and HO6 business by county was provided to each committee member on January 16, 2013



Citizens Competitive Rate Analysis

Personal Residential HO3 Owner-Occupied

January 16, 2013

The competitive rate analysis provides a comparison of the average Citizens rate with the average rates of private companies writing homeowners business in Florida. Mutil-peril HO3 policies from Citizens March 31, 2012 in-force extract were run through a competitive rating platform and a rate for each policy was generated for each of the companies for which that risk qualified.

The rates derived at the policy level have been aggregated up to provide comparisons at state and county level. The rates represent the "real" costs of insurance since they include the wind mitigation credits that apply as well as the actual coverage selected by the policyholder. Comparisons are made only on the policies that were eligible to be rated by both Citizen's and the private market, so the results are a true "apples to apples" comparison.

Florida Homeowners Insurance Misconception #4

There will always be 400,000 policies in the Citizens Coastal Account.

Policies in the Coastal Account (2006-2012)

Citizens Policies Wind Only vs. Multi-Peril Coverage (Personal Residential)			
Date	Coastal (Wind Only)	Coastal (Multi-Peril)	Total Count
Nov. 2012	240,184	165,729	405,913
Dec. 2011	245, 506	173,798	419,304
Dec. 2010	248,328	154,663	402,991
Dec. 2009	251,287	114,561	365,848
Dec. 2008	328,775	67,672	396,447
Dec. 2007	421,505	24,676	446,181
Dec. 2006	403,509	0	403,509

History of Depopulation in Citizens' Coastal Account – Multi-Peril Business

Year	Number of Policies
2007	0
2008	21,519
2009	16,842
2010	2,231
2011	7,750
2012	24,034
Jan 2013	1,786
Total	74,164

Florida Homeowners Insurance Misconception #5

Florida-based insurance companies will be unable to pay claims in full after a large hurricane.

McCarty Testimony - January 16, 2013

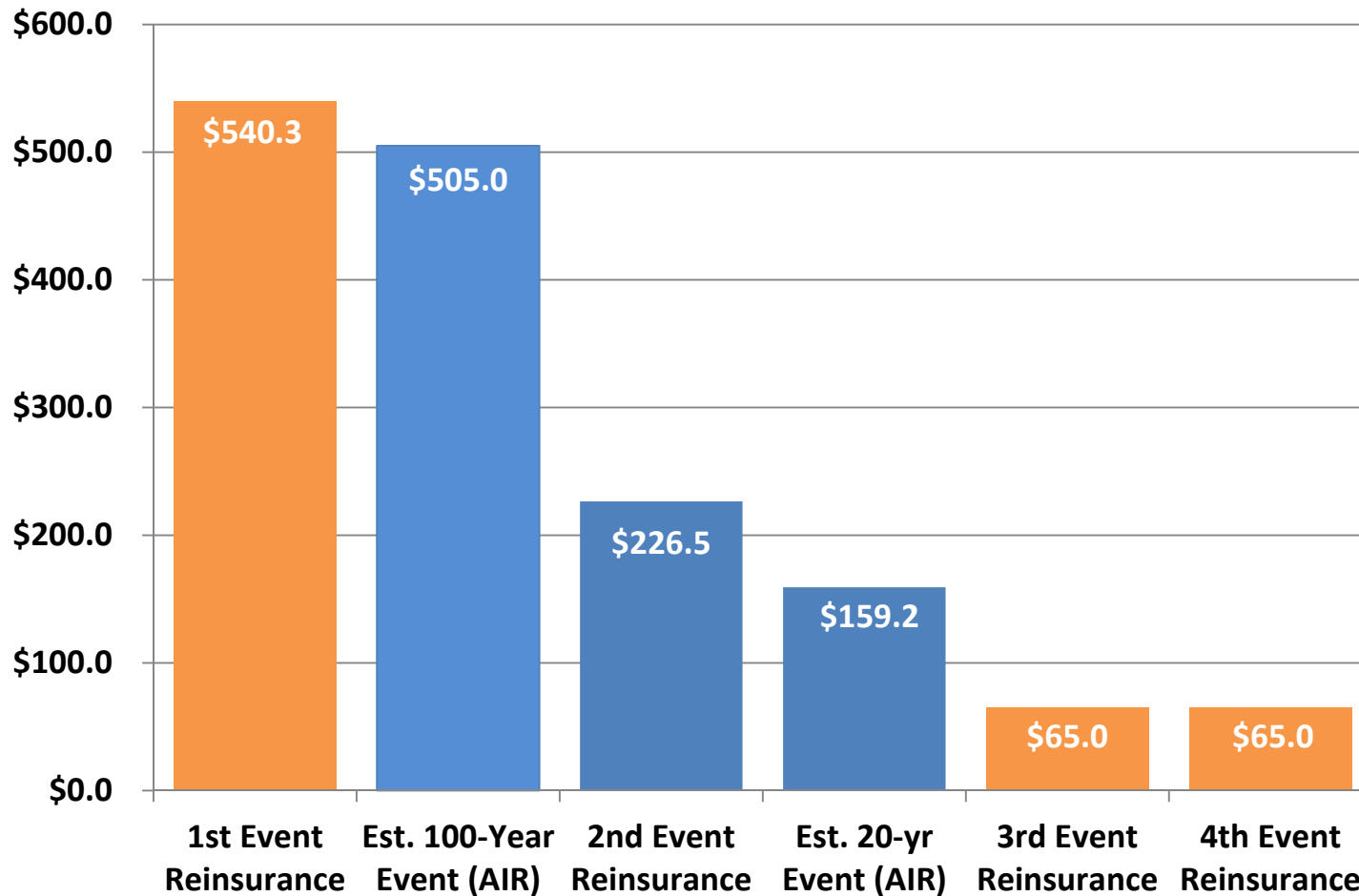
- 96% of Florida domestic insurance companies were reinsured to an 80-year event
- 91% of Florida domestic insurance companies were reinsured to a 100-year event

Gilway Testimony – January 16, 2013

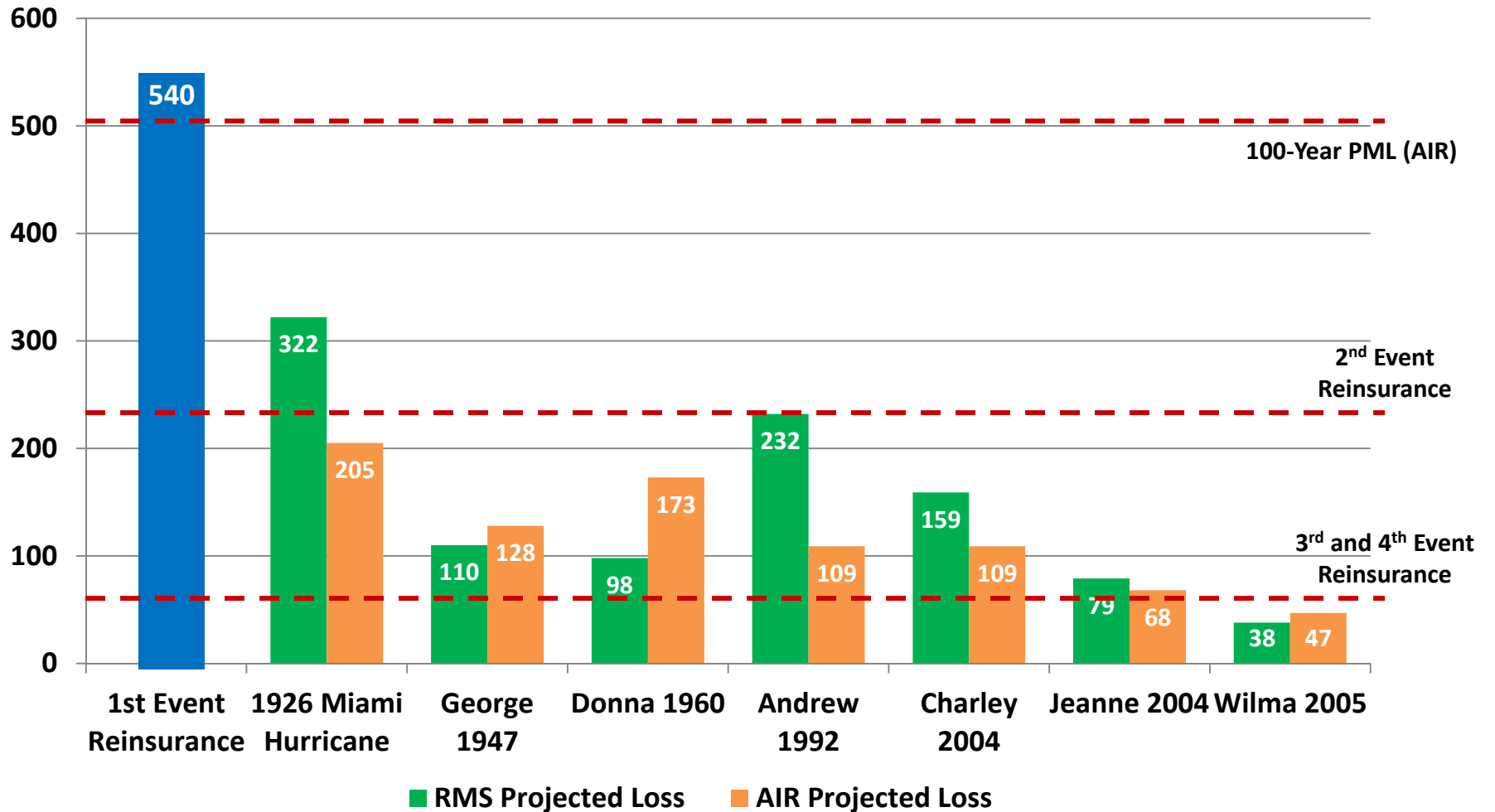
- Citizens' Coastal Account was reinsured to the 45-year event

Domestic companies understand Florida and plan for multiple events

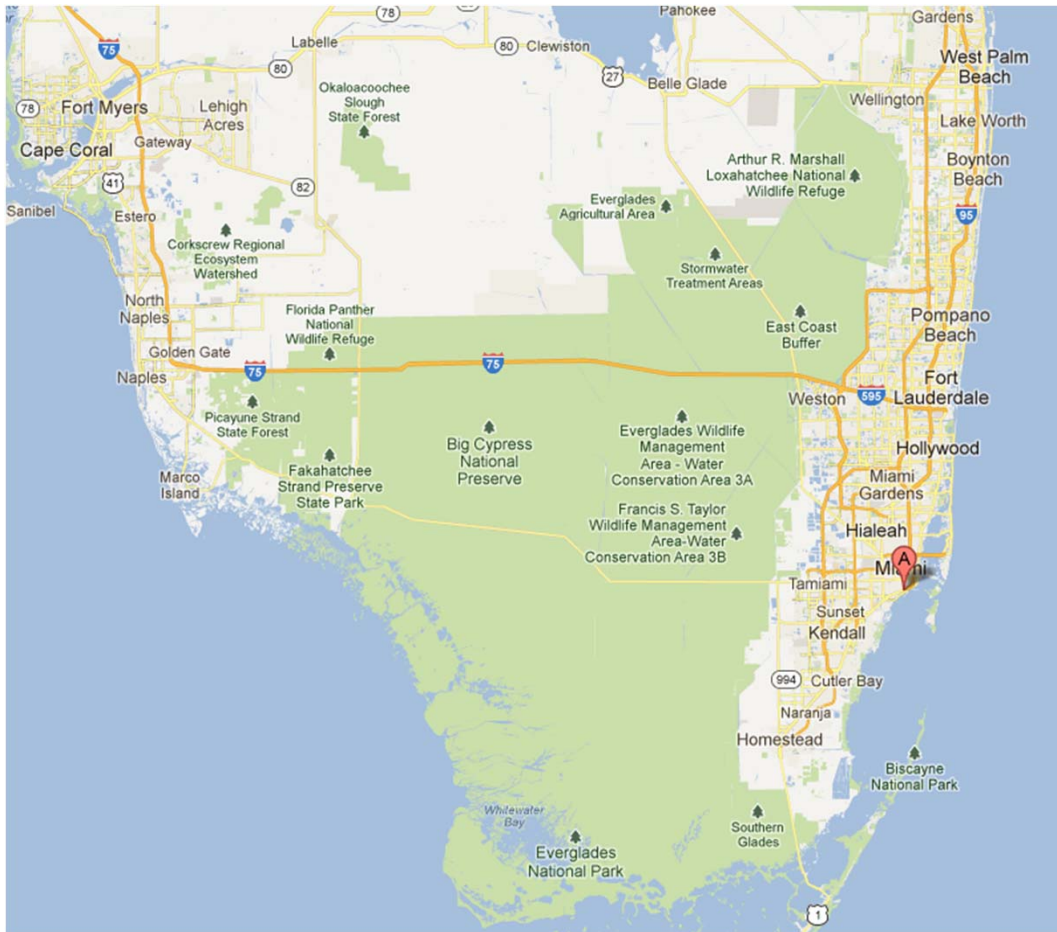
Security First Estimated Exposure and Purchased Reinsurance Protection



Security First Insurance Company Estimated Exposure and Reinsurance Modeled Historical Events



How will changes at Citizens affect my friends, neighbors, and constituents?



**Case Study:
Coconut Grove,
Florida**

Grove Isle Drive, Coconut Grove, 33133



Year Built: 1979-81	Units Per Building: 169
Stories: 18	Unit Square Feet: 1,404 – 5,8112
Sales Price Per Unit: \$400,000 - \$1,000,000+	

2 Grove Isle Drive, Coconut Grove, 33133

- Citizens insures 11 condos at this location
- Average insured value: \$159,000
- Average premium: \$2,374

Owners of the other units either purchase insurance from the private market or are self-insured.

Source: Citizens Property Insurance Corporation

What about single-family homes?



Citizens Rate Comparison Zip: 33133

Policies In-Force Homeowners (HO3) as of March 31, 2012

Rating Group	# Policies	Avg Prem Citizens	Avg Prem All Other	% Prem Diff	% Prem Less Than Citizens	% Prem Less Than 15%
\$50,001-\$75,000	2	\$2,563	\$2,591	-1%	69%	72%
\$75,001-\$100,000	21	\$2,668	\$2,777	-4%	46%	71%
\$100,001-\$200,000	657	\$4,207	\$4,574	-9%	39%	65%
\$200,001-\$300,000	526	\$6,123	\$6,186	-1%	49%	75%
\$300,001-\$400,000	150	\$8,882	\$8,584	3%	56%	79%
\$400,001-\$500,000	84	\$12,204	\$11,618	5%	58%	81%
\$500,001-\$600,000	38	\$14,175	\$13,279	6%	61%	81%
\$600,001-\$700,000	19	\$16,898	\$15,104	11%	67%	85%
\$700,001-\$800,000	20	\$16,643	\$14,942	10%	67%	84%
\$800,001-\$900,000	10	\$17,788	\$15,337	14%	73%	85%
\$900,001-\$1M	1	\$18,849	\$13,204	30%	96%	100%
\$1M +	7	\$18,901	\$21,116	-12%	54%	80%
Totals	1,535	\$6,535	\$6,572	-0.57%	47%	72%

The private market is more affordable for most homes quoted and 72% of the policies could find coverage in the private market at a premium less than 15% of Citizens' rates.

\$1 Million+ homes cancelled by Citizens in Coconut Grove have obtained coverage in the private market



Insured Value: \$2.5 million

Year Built: 1994

Square Feet: 6,571

Zip Code: 33133

Citizens Price: \$24,735

Security First Price: \$14,792

Rate suppression by regulators prevents private companies from writing more business in Zip Code 33133

Security First History of Recent Rate Requests <i>Rating Territory 310 – Miami-Dade Coastal HO3 Policies</i>			
Effective Date	Indicated Change	Company Proposed Change	OIR Approved Change
April 1, 2011	26.7%	13.4%	11.6%
October 1, 2011	41.8%	24.0%	18.9%
April 1, 2012	12.3%	10.6%	9.2%
October 1, 2012	14.6%	14.0%	14.0%
April 15, 2013	2.7%	2.7%	Pending
Cumulative Change		82.0%	69.8%*

*Assumes approval of 2.7% pending rate increase

Another Choice for Consumers

Consent to Rate – What does it mean?

Policy Type	Rate Approval	Form Approval	Guarantee Fund Protection	Fees
Standard (AKA Admitted)	OIR	OIR	Yes	No
Consent to Rate	Consumer	OIR	Yes	No
Excess and Surplus Lines (AKA Non-Admitted)	Consumer	None	No	Yes

Consent to Rate is a consumer friendly alternative to the Excess and Surplus lines market for customers unable to purchase admitted coverage at filed rates.

Top 2 Changes to Reduce the Size of Citizens


#1

Clarify existing law to make the 115% rule apply to new and renewal business.

F.S. 627.351(5)(a): the risk is not eligible for any policy issued by the corporation unless the premium for coverage from the authorized insurer is more than 15 percent greater than the premium for comparable coverage from the corporation.


Under current law, Citizens could easily provide existing and potential customers with price comparisons using existing technology.

CHALLENGE MY RATE

Exclusively brought to you by: 

These are just a few of the companies we represent. Additional rates are just a click away. Take the challenge and save today!

Tower Hill Omega:	\$1121
Cypress:	\$1236
Tower Hill Select:	\$1261
Frontline:	\$1309
Gulfstream:	\$1317
Tower Hill Preferred:	\$1318
Sunshine State:	\$1352
Sawgrass:	\$1366
Federated National:	\$1399
Southern Oak:	\$1527
St Johns:	\$1536
Bankers:	\$1584
Florida Peninsula Elite:	\$1617
Citizens:	\$1685
Heritage:	\$1738
Security First:	\$1828
American Integrity:	\$1833
Universal P&C:	\$1855
Tower Hill Signature:	\$1872
American Traditions:	\$1893
Olympus:	\$1934
Southern Fidelity:	\$1946
Universal North America:	\$1999
Ark Royal:	\$2014
Florida Peninsula Preferred:	\$2155
United P&C:	\$2169
ASI Preferred:	\$2172
Prepared:	\$2285

Instant Quotes  Your information is safe.

Agents who can provide you access to quotes from one of our knowledgeable agents work with you if you are paying too much for insurance!

For quotes on high value homes through Chubb and Fireman's Fund take the challenge to speak with an agent who can tailor a policy to fit your needs.

Enforcing the 115% rule DOES NOT mean:

- Florida residents will be required to accept a takeout offer from a company they've never heard of and don't want to do business with (no change in consumer choice).

Enforcing the 115% rule DOES mean:

- Florida residents can continue to work with an agent of their choice.

Enforcing the 115% rule will reduce the size of Citizens without increasing Citizens' rates

Top 2 Changes to Reduce the Size of Citizens

#2

Citizens to Stop Writing New Wind-Only Policies on July 1, 2013. Non-Renew All Existing Wind-Only Policies Beginning Jan 1, 2014.

Citizens to Stop Writing New and Renewal Wind-Only Policies

Advantages for Citizens:

- Less work – no rate filings for wind only policies
- More revenue – they get the profits on the x-wind accounts that they are missing
- Increased opportunities for depopulation when those policies becomes rate adequate

Advantages for Florida residents:

- One policy instead of two
- Still maintain access to Citizens at subsidized rates
- Prevents companies from offloading wind risk to Florida taxpayers while retaining profits on the ex-wind business.

Additional suggested changes to Citizens were distributed to committee members on January 16, 2013



Proposed Statutory Changes to Reduce the Size of Citizens Property Insurance Corporation

1. **Adopt a Rate Standard for Citizens That Works**

Louisiana has been successful with a standard that combines actuarial soundness with the requirement that the rates charged by Louisiana Citizens be at least 10% higher than the rates charged by the top 10 writers in the state.

2. **Require Citizens to Implement a "Clearinghouse" for New and Renewal Business**

A "clearinghouse" will provide consumers with additional choices for insurance coverage at rates lower than those charged by Citizens and permit Citizens to enforce the current statutory eligibility rule. Amendments to Citizens Plan of Operation (FS 627.351(6)(c)5), Citizens eligibility requirements (FS 627.351(6)(c)5), and the Exchange of Business statutes (FS 626.752 (4)) are required to implement the "Clearinghouse".

3. **Expand the Ability of Admitted Markets to Compete With Non-Admitted Markets for Citizens' business by Modifying Consent to Rate (F.S. 627.171)**

- Clarify that the initial written consent of the insured is valid for all subsequent renewals
- Allow companies to write up to 25% of their policies as "Consent to Rate" instead of the current 5%

Security First is Not Recommending an Increase in the Glide Path

Product Type	Average Premium	Cost of Glide Path	
		Current Law 10%	Proposed by Mission Review Task Force 20%
Homeowner (Owner-Occupied)	\$2,337	\$234	\$467
Condominium Unit Owners	\$725	\$73	\$145
Dwelling Fire	\$1,482	\$149	\$296
Mobile Homes	\$974	\$97	\$195
Renters	\$373	\$37	\$75
Wind Only	\$1,917	\$192	\$383

Source: Florida Office of Insurance Regulation QUASR report

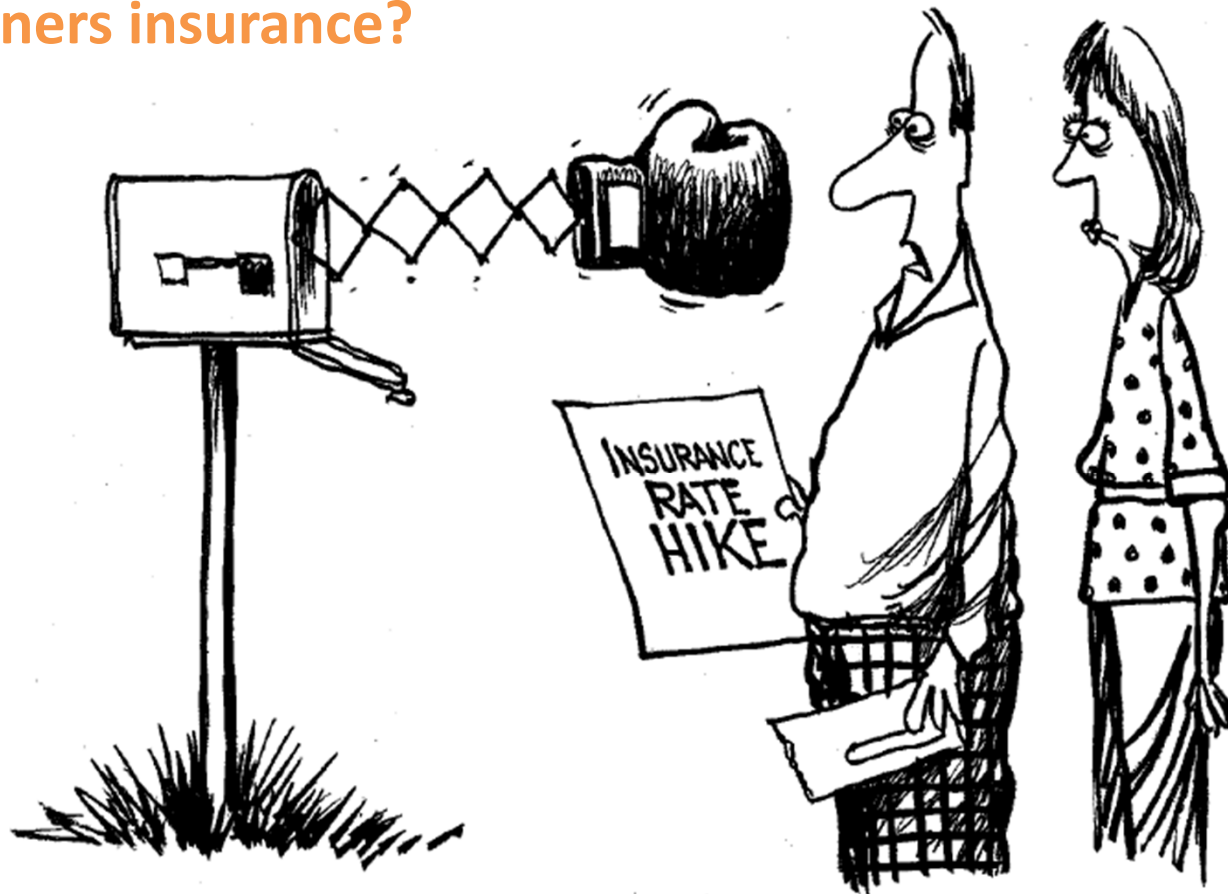
Security First does believe that the legislature should mandate that Citizens' rates should not decrease in any territory while the glide path is in effect.

Factors to Consider When Debating Changes to the Glide Path

- 1. The price difference between a 10% and 20% glide path for the average Citizens' policyholder is 60 cents/per day.**
- 2. Any change in the glide path won't be effective until 2014.**
- 3. You don't have to treat all Citizens' policyholders the same.**
The glide path could vary based on :
 - New vs renewal
 - Value of home
 - Location of home
 - Policy type (mobile home, tenant, dwelling fire, etc.)
 - Line of business (personal vs. commercial)

Another factor to consider when debating changes in the glide path:

How much can Citizens' customers afford to pay for homeowners insurance?



"It's a Category 5 sucker punch from our good neighbors."

Homeowners Underwriting Resistance Index (H.U.R.T)

County	Average Premium 6/30/12 QUASR HO3 Owner Occupied (Excl Tenant and Condo)	Mean Household Income Past 12 Months Ending 12/31/11*	Premium/Income Ratio
Miami-Dade	\$3,308	\$65,652	5.04%
Broward	\$2,894	\$72,242	4.01%
Gulf	\$1,906	\$49,654	3.84%
Pinellas	\$2,297	\$64,111	3.58%
Palm Beach	\$2,888	\$81,578	3.54%
Collier	\$2,855	\$94,212	3.03%
Florida	\$2,027	\$67,065	3.02%
Hillsborough	\$2,033	\$69,276	2.93%
Sarasota	\$1,820	\$71,767	2.54%
Seminole	\$1,708	\$79,008	2.16%
Duval	\$1,291	\$65,839	1.96%

On a relative basis, homeowners in Miami-Dade county spend 2 ½ times more than homeowners in Duval and Seminole counties.

How do you solve the affordability issue for those customers who are struggling financially?

Permit Citizens' Board of Governors to Waive a Portion of Premium in Cases of Demonstrated Financial Need

The biggest obstacle to increasing Citizens' rates to the level of "actuarially sound" as required by current law is the concern that actuarially sound rates might be unaffordable for some Citizens' customers. **This statutory change would eliminate that concern.**

Security First Insurance Supports the Following Recommendations by the OIR

- 1. Expand consumer choices by changing Consent to Rate statute**
- 2. Give consumers more deductible choices**
- 3. Transfer evaluation and determination of wind mitigation credits and surcharges to the Florida Commission of Hurricane Loss Methodology—OIR will continue to regulate rate impact.**
- 4. Create the “Clearinghouse.”**
- 5. Re-establish the Citizens’ rating plan based on the top 20 private homeowners insurance companies.**
- 6. Allow Citizens to enter into risk-sharing arrangements with the private market.**

Security First Insurance Supports the Following Recommendations by the Office of the Insurance Consumer Advocate

- 1. Transfer public model oversight and development to Department of Emergency Management (D.E.M.) from the OIR to expand its role in mitigation and risk assessment for wind and flood**
- 2. Transfer responsibility of wind inspections, including the 1802 Form to the D.E.M. from the OIR**
- 3. Create mechanism to consolidate and expand mitigation programs under D.E.M. with funds from various private sources, potentially Citizens and Federal Grants**

Security First supports legislation filed by Senator Brandes

SB ### (Citizens)

- Implements “Clearinghouse”
- Makes 115% rule apply to new and renewal business
- Gives Citizens a new financial tool, reinsurance, to encourage depopulation

SB 324 (FIGA)

- Aligns FIGA’s statute with how emergency assessments are levied by Citizens and the Cat Fund
- Gives FIGA’s board authority to determine how regular assessments are levied

Additional Recommendations by Security First for Florida Property Insurance Market Reform

- 1. Clarify Civil Remedy Notice law 624.155(3) to require a specific cure amount**
- 2. Eliminate abuses with Assignment of Benefits by requiring the assignee to complete a Proof of Loss and submit to an examination under oath when required**
- 3. Simplify initial rate filing for both new products and new companies where there are no existing policyholders**
- 4. Allow Citizens and private carriers to fund positions at the Division of Insurance Fraud and State's Attorneys' Offices**
- 5. Change the insurance rating law to provide for the use of multiple hurricane models**
- 6. Eliminate requirement for annual rate filing**

All of these recommendations are described further in the booklet distributed on January 23, 2013. The booklet includes suggested changes in statutory language to implement each recommendation

Florida Property Insurance Reform

Proposed Statutory Changes 2013

January 23, 2013

Submitted by:

Locke Burt

Chairman and President,
Security First Insurance Company

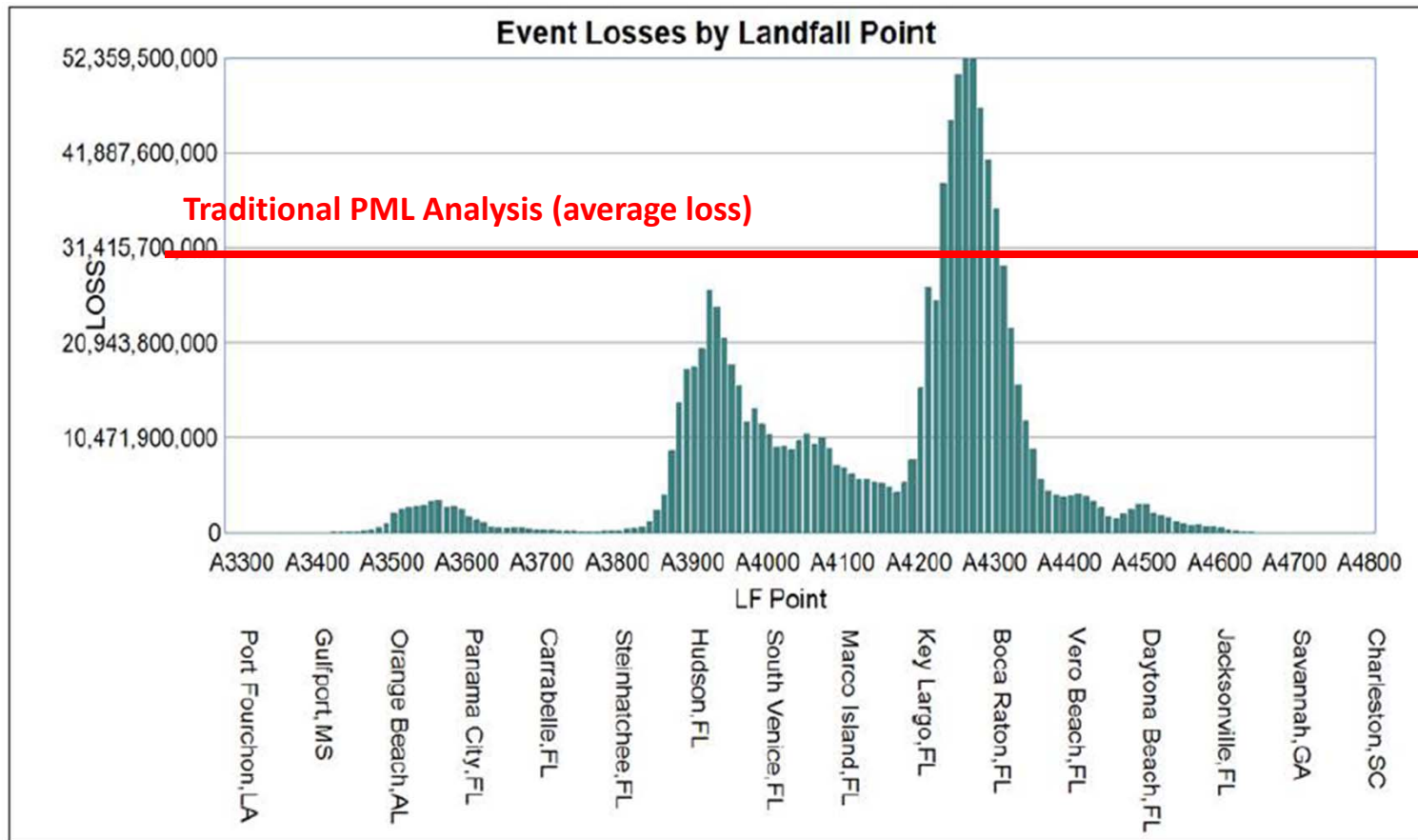
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Why is it important for the legislature to reduce the size of Citizens. . .now?

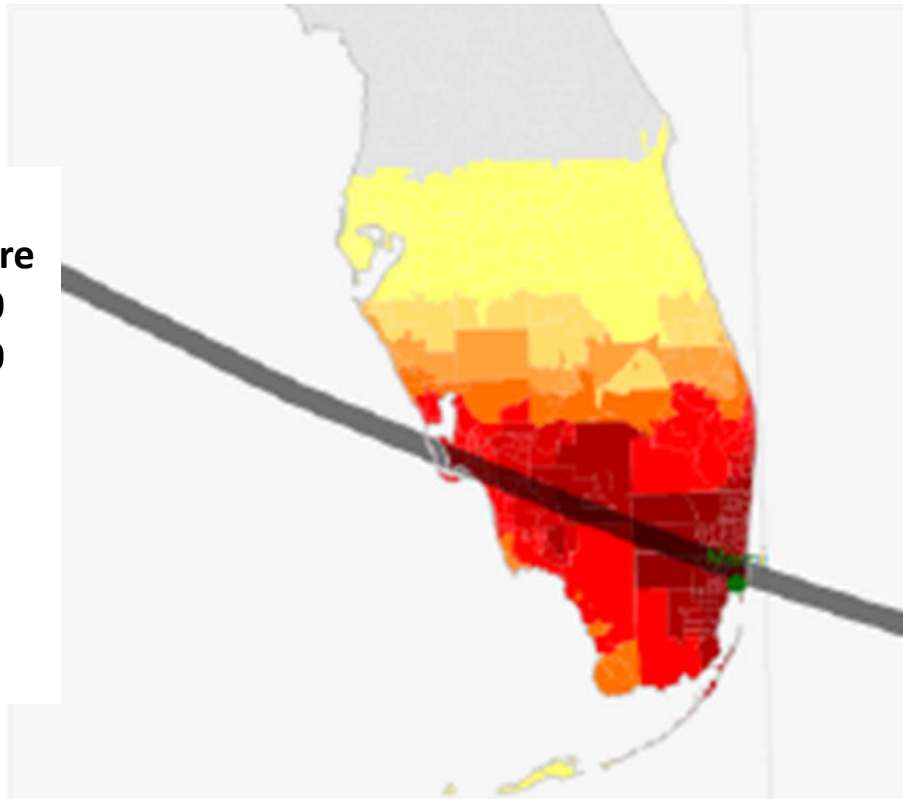
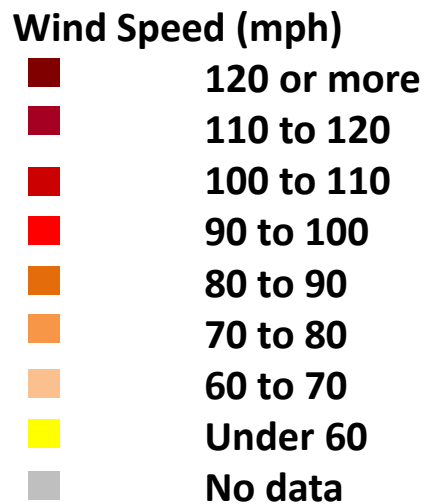
#1 Citizens has made a promise it can't keep.

Total Portfolio Multi-Peril 100-Year Characteristic Event Loss Estimates (June 2012)



RiskInsight's new computer model shows how a meteorological event that has a 1% chance of occurring would cost Citizens vastly different amounts of money depending on where it made landfall.

100-Yr Characteristic Event Miami Landfall Total Loss: \$52 Billion



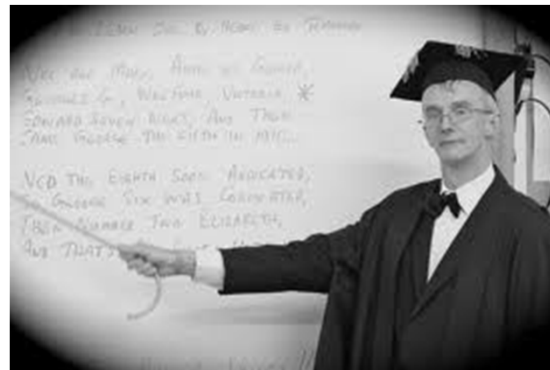
#2 The current system isn't fair

- **40% of Floridians who rent homes are being asked to subsidize people who can afford to own a home. Some of these renters lost their home.**
- **80% of Florida homeowners are being asked to subsidize 20% of Floridians that are insured by Citizens.**

Many Citizens customers don't need a subsidy.

Can legislative change actually reduce the size of Citizens?

A history lesson from 1996



CS for SB 2314

SPECIAL ORDER CALENDAR, continued

CS for SB 2314—A bill to be entitled An act relating to insurance; creating s. 215.5551, F.S.; authorizing the board to issue bonds to reimburse insurers for claims paid on dwelling structures included in coverage only of a standard homeowner insurance policy; providing conditions for such reimbursement; authorizing the board to purchase reinsurance; creating s. 215.5552, F.S.; providing for use of moneys appropriated by the Legislature from the Florida Hurricane Catastrophe Fund for mitigation purposes; creating s. 624.4041, F.S.; providing that an insurer's authority to transact business may not be conditioned on the number or type of policies it writes or could write in the state of upon a requirement that the insurer write other kinds of insurance; amending s. 626.2815, F.S.; altering the continuing education requirements for agents; providing new membership criteria for the continuing education advisory board; providing conditions for appointment; providing for application of the continuing education requirements to nonresidents; authorizing the Department of Insurance to enter into contracts; creating s. 626.9153, F.S.; providing for expatriation of hurricane deductible risk in residential

Insurance policies; amending s. 627.701, F.S.; increasing deductibles for hurricane losses; providing for choice by policyholders; providing for an acknowledgment; requiring incentives for mitigation; amending s. 626.918, F.S.; exempting certain surplus lines insurers from certain eligibility requirements; requiring that such insurers maintain a specified surplus as to policyholders; providing for severability; providing an effective date.

—was read the second time by title.

Senator Jenne moved the following amendment:

Amendment 1 (with title amendment)—Delete everything after the enacting clause and insert:

Section 1. This act may be cited as the "Hurricane Insurance Affordability and Availability Act of 1996."

Section 2. Section 215.555, Florida Statutes, is amended to read:

Section 215.555, Florida Statutes, is amended to read: ... Florida Hurricane Catastrophe Fund ...

- **Changed the rate standard to top 20**
- **Eliminated eligibility for any homeowner who had received any offer of coverage from the private sector**

Yeas 22, Nays 16

These two changes resulted in a reduction of 900,000 policies from the RPCJUA, the forerunner to Citizens, within four years.

Q&A

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