

Florida Office of Insurance Regulation

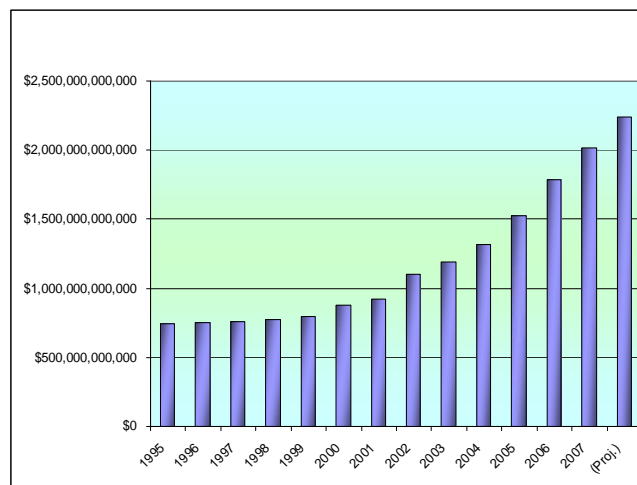
Presentation for the:

Florida Chamber of Commerce
Annual Insurance Summit
Orlando, Florida

January 2010

The materials presented here were compiled by the OIR and include material from presentations by OIR, Citizens and the FHCF.

Florida Residential Property Exposure



Source: FHCF 2008 Ratemaking Report, March, 2008

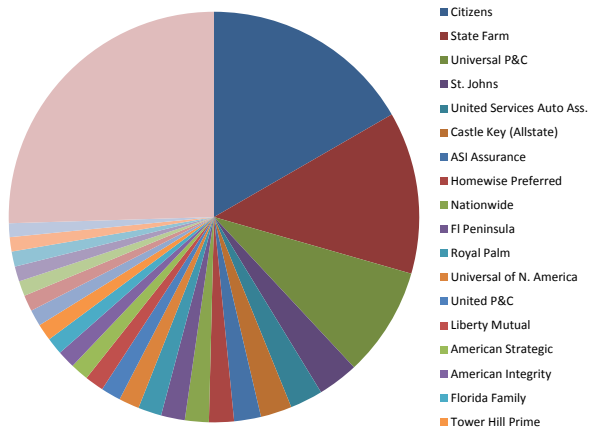
2009 projected: 2,168,110,692,119

9/30/09
Data
reported
To OIR in
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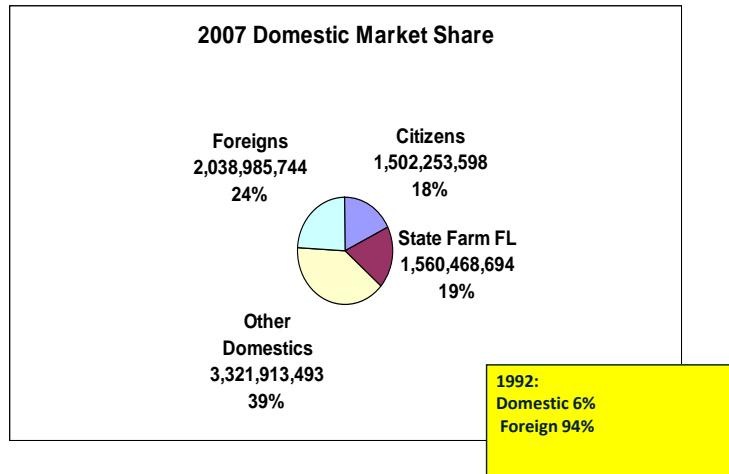
Rank	Insurer Name	Policies In Force	
1	CITIZENS PROPERTY INSURANCE CORPORATION	1,031,546	16.67%
2	STATE FARM FLORIDA INSURANCE COMPANY	790,385	12.78%
3	UNIVERSAL PROPERTY & CASUALTY INSURANCE COMPANY	532,874	8.61%
4	ST. JOHNS INSURANCE COMPANY, INC.	198,727	3.21%
5	UNITED SERVICES AUTOMOBILE ASSOCIATION	159,748	2.58%
6	CASTLE KEY INSURANCE COMPANY	152,499	2.47%
7	ASI ASSURANCE CORP.	130,963	2.12%
8	HOMEWISE PREFERRED INSURANCE COMPANY	121,408	1.96%
9	NATIONWIDE INSURANCE COMPANY OF FLORIDA	116,404	1.88%
10	FLORIDA PENINSULA INSURANCE COMPANY	115,683	1.87%
11	ROYAL PALM INSURANCE COMPANY	113,960	1.84%
12	UNIVERSAL INSURANCE COMPANY OF NORTH AMERICA	100,121	1.62%
13	UNITED PROPERTY & CASUALTY INSURANCE COMPANY, INC.	96,338	1.56%
14	LIBERTY MUTUAL FIRE INSURANCE COMPANY	91,932	1.49%
15	AMERICAN STRATEGIC INSURANCE CORP.	89,020	1.44%
16	AMERICAN INTEGRITY INSURANCE COMPANY OF FLORIDA	86,948	1.41%
17	FLORIDA FAMILY INSURANCE COMPANY	82,365	1.33%
18	LOWER HILL PRIME INSURANCE COMPANY	82,188	1.33%
19	SOUTHERN FIDELITY INSURANCE COMPANY	80,263	1.30%
20	MAGNOLIA INSURANCE COMPANY	77,871	1.26%
21	USAA CASUALTY INSURANCE COMPANY	74,406	1.20%
22	SUNSHINE STATE INSURANCE COMPANY	73,599	1.19%
23	CASTLE KEY INDEMNITY COMPANY	73,456	1.19%
24	AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA	70,041	1.13%
25	SECURITY FIRST INSURANCE COMPANY	66,649	1.08%
205	WORKMEN'S AUTO INSURANCE COMPANY	1	0%
206	COLONIAL AMERICAN CASUALTY AND SURETY COMPANY	0	0%
207	LIBERTY AMERICAN INSURANCE COMPANY	0	0%
208	LIBERTY AMERICAN SELECT INSURANCE COMPANY	0	0%
209	USIC OF FLORIDA, INC.	0	0%
Grand Total		6,186,212	policies

Citizens	16.67
State Farm	12.78
Universal P&C	8.61
St. Johns	3.21
United Services AA	2.58
Castle Key (Allstate)	2.47
ASI Assurance	2.12
Homewise Preferred	1.96
Nationwide	1.88
FI Peninsula	1.87
Royal Palm	1.84
Universal of N. America	1.62
United P&C	1.56
Liberty Mutual	1.49
American Strategic	1.44
American Integrity	1.41
Florida Family	1.33
Tower Hill Prime	1.33
Southern Fidelity	1.3
Magnolia	1.26
USAA Casualty	1.2
Sunshine State	1.19
Castle Key Indemnity	1.19
American Bankers	1.13
Security First	1.08
Other	25.48

3rd Quarter 2009 from Quasr Data
Market Share Based on Policy Count



Residential Homeowners Insurance Market (multi-peril HO only)



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The Chamber members are naturally concerned about potential assessments if Florida experiences a major hurricane.

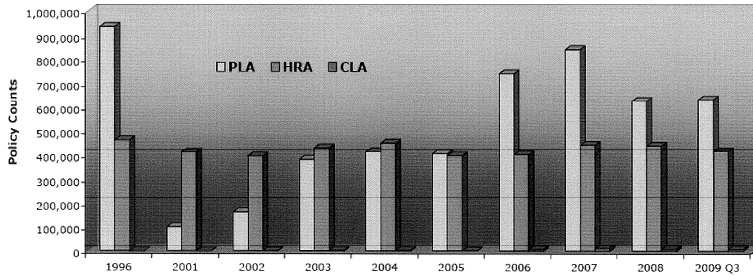
Citizens Property Insurance Corporation and the Florida Hurricane Catastrophe Fund are designed to allow Florida to self-insure and essentially to finance hurricane risk over time. They do not get rid of risk.

To cede all of Florida's hurricane risk to insurers and reinsurers would be substantially more expensive. Even if the market could create the capacity to do this, policyholder rates would more than double. In addition, reinsurers still would be free to increase rates dramatically after a storm to recoup losses as they did in 2006. Therefore, even if we did try to cede all risk, the effect of "getting rid" of it is illusory.

Another statement I hear frequently is that if Citizens charged actuarially sound rates, we would not have assessments. This is not correct.

Inforce Policy Counts by Account by Year

Data as of September 30, 2009
(Excludes Takeout Policies)



Account	1996	2001	2002	2003	2004	2005	2006	2007	2008	2009 Q3
PLA	936,837	102,792	164,274	383,283	416,529	407,387	743,592	845,857	629,467	636,139
HRA	465,739	414,123	397,676	433,077	453,755	399,418	403,509	446,181	442,671	419,160
CLA	0	198	2,157	3,863	3,702	3,212	8,841	12,911	8,810	8,988
Transition Policies	n/a	n/a	n/a	n/a	n/a	n/a	142,980	n/a	n/a	n/a
Total	1,402,576	517,113	564,107	820,223	873,986	810,017	1,298,922	1,304,949	1,080,948	1,064,287

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So- How much are we looking at?

Overview of Assessments- Citizens

Citizens Policyholder Surcharge

Up to 15% per account for HRA, PLA, and/or CLA deficits

Applies at new business/renewal for all Citizens' policyholders

Regular Assessment

Up to 6% per account for HRA, PLA and/or CLA deficits

Applies at new business/renewal for all non-Citizens' policyholders

Emergency Assessment

Up to 10% per year per account for HRA, PLA and/or CLA deficits

Applies at new business/renewal for all Citizens' and non-Citizens' policyholders

Citizens has a multi-layered assessment regime as prescribed by Florida Statutes. Two important features of the Citizens assessment structure are (1) each account (i.e. the HRA, PLA, and CLA) calculates its deficit separately, and each account has separate assessment authority. Therefore, there is the potential for overlapping assessments caused by deficits in more than one of the Citizens' accounts; and (2) with the exception of emergency assessments, all Citizens' assessments are "one-time" levies rather than multi-year assessments that can be financed.

This information is based on a computer model. Actual results may vary.

Table 2-Citizens below shows the estimated annual assessment impact for each type of Citizens assessment from the prescribed storm sizes.

TABLE 2 - Citizens

Assessment Impact

Return Time (years)	Citizens' Policyholders Surcharge		Regular Assessments		Emergency Assessments		Total Assessment \$ Amount ^b
	\$ Amount	%	\$ Amount	%	\$ Amount	% ^a	
Combined 1/250	1,035,000,000	45.0%	5,855,640,000	18.0%	10,344,496,000	2.40%	17,235,136,000
Combined 1/100	720,638,000	31.3%	1,956,000,000	6.0%	1,667,678,000	0.40%	4,344,316,000
Combined 1/50	0	0.0%	0	0.0%	0	0.00%	0

Levied on Citizens' policyholders only.

Levied on non-Citizens' policyholders only.

Levied on both Citizens' and non-Citizens' policyholders

^a Represents the annual assessment percentage for 30 years

^b Total principal amount of assessments levied, does not include interest and other costs on financed emergency assessments

TABLE 2 - FHCF**Florida Hurricane Catstrophe Fund Assessment Impact**

Return Time (years)	Gross Probable		Required Annual Assessment (\$) ²	Required Annual Assessment (%) ³
	Maximum Loss ¹	Assessable Shortfall		
250	90,588,242,766	18,675,000,000	1,430,083,734	4.10%
100	58,099,025,250	18,675,000,000	1,430,083,734	4.10%
50	38,388,320,250	18,675,000,000	1,430,083,734	4.10%

¹ Represents gross loss to all Florida residential policyholders from a storm of the indicated return time multiplied by 1.05 to allow for 5% LAE (source - 2009 FHCF Ratemaking Formula Report prepared by Paragon Strategic Solutions - see full reports at <http://fhcf.paragonbenfield.com/current/09ratereport.html>)

² Annual Assessment for 30 years assuming interest rate of 6.5%

³ Assumes assessment base of \$34.925 Billion

Citizens	6.0 one-time	Emergency assessments up to 10% per year for 1-in 100, est. at .4%
FHCF	4.1 per year	
FIGA	2.0 per year	Up to an additional 2 percent per year for emergency but not likely

12.5 % for 1-in-100 yr.

Citizens statutory language re DEFICITS Requiring Assessments

3. With respect to a deficit in an account:

a. After accounting for the Citizens policyholder surcharge imposed under sub-subparagraph i., when the remaining projected deficit incurred in a particular calendar year is not greater than 6 percent of the aggregate statewide direct written premium for the subject lines of business for the prior calendar year, the entire deficit shall be recovered through regular assessments of assessable insurers under ¹paragraph (p) and assessable insureds.

b. After accounting for the Citizens policyholder surcharge imposed under sub-subparagraph i., when the remaining projected deficit incurred in a particular calendar year exceeds 6 percent of the aggregate statewide direct written premium for the subject lines of business for the prior calendar year, the corporation shall levy regular assessments on assessable insurers under ¹paragraph (p) and on assessable insureds in an amount equal to the greater of 6 percent of the deficit or 6 percent of the aggregate statewide direct written premium for the subject lines of business for the prior calendar year. Any remaining deficit shall be recovered through emergency assessments under sub-subparagraph d.

Citizens Eligibility Requirements

a. Subject to the provisions of s. [627.3517](#), with respect to personal lines residential risks, if the risk is offered coverage from an authorized insurer at the insurer's approved rate under either a standard policy including wind coverage or, if consistent with the insurer's underwriting rules as filed with the office, a basic policy including wind coverage, for a new application to the corporation for coverage, **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.** If the risk is not able to obtain any such offer, the risk is eligible for either a standard policy including wind coverage or a basic policy including wind coverage issued by the corporation; however, if the risk could not be insured under a standard policy including wind coverage regardless of market conditions, the risk shall be eligible for a basic policy including wind coverage unless rejected under subparagraph 8. However, with regard to a policyholder of the corporation or a policyholder removed from the corporation through an assumption agreement until the end of the assumption period, the policyholder remains eligible for coverage from the corporation regardless of any offer of coverage from an authorized insurer or surplus lines insurer. The corporation shall determine the type of policy to be provided on the basis of objective standards specified in the underwriting manual and based on generally accepted underwriting practices.

Limited Apportionment Status: An incentive for insurers to stay small

13. Must provide that, with respect to the high-risk account, any assessable insurer with a surplus as to policyholders of \$25 million or less writing 25 percent or more of its total countrywide property insurance premiums in this state may petition the office, within the first 90 days of each calendar year, to qualify as a limited apportionment company. A regular assessment levied by the corporation on a limited apportionment company for a deficit incurred by the corporation for the high-risk account in 2006 or thereafter may be paid to the corporation on a monthly basis as the assessments are collected by the limited apportionment company from its insureds pursuant to s. [627.3512](#), but the regular assessment must be paid in full within 12 months after being levied by the corporation. A limited apportionment company shall collect from its policyholders any emergency assessment imposed under sub-subparagraph (b)3.d. The plan shall provide that, if the office determines that any regular assessment will result in an impairment of the surplus of a limited apportionment company, the office may direct that all or part of such assessment be deferred as provided in ¹subparagraph (p)4. However, there shall be no limitation or deferment of an emergency assessment to be collected from policyholders under sub-subparagraph (b)3.d.

14. Must provide that the corporation appoint as its licensed agents only those agents who also hold an appointment as defined in s. [626.015](#)(3) with an insurer who at the time of the agent's initial appointment by the corporation is authorized to write and is actually writing personal lines residential property coverage, commercial residential property coverage, or commercial nonresidential property coverage within the state.

16. Must limit coverage on mobile homes or manufactured homes built prior to 1994 to actual cash value of the dwelling rather than replacement costs of the dwelling.

17. May provide such limits of coverage as the board determines, consistent with the requirements of this subsection.

18. May require commercial property to meet specified hurricane mitigation construction features as a condition of eligibility for coverage.

Coverage

The corporation shall adopt the following policy forms:

- a. Standard personal lines policy forms that are comprehensive multiperil policies providing full coverage of a residential property equivalent to the coverage provided in the private insurance market under an HO-3, HO-4, or HO-6 policy.
- b. Basic personal lines policy forms that are policies similar to an HO-8 policy or a dwelling fire policy that provide coverage meeting the requirements of the secondary mortgage market, but which coverage is more limited than the coverage under a standard policy.
- c. Commercial lines residential and nonresidential policy forms that are generally similar to the basic perils of full coverage obtainable for commercial residential structures and commercial nonresidential structures in the admitted voluntary market.
- d. Personal lines and commercial lines residential property insurance forms that cover the peril of wind only. The forms are applicable only to residential properties located in areas eligible for coverage under the high-risk account referred to in sub-subparagraph (b)2.a.
- e. Commercial lines nonresidential property insurance forms that cover the peril of wind only. The forms are applicable only to nonresidential properties located in areas eligible for coverage under the high-risk account referred to in sub-subparagraph (b)2.a.
- f. The corporation may adopt variations of the policy forms listed in sub-subparagraphs a.-e. that contain more restrictive coverage.

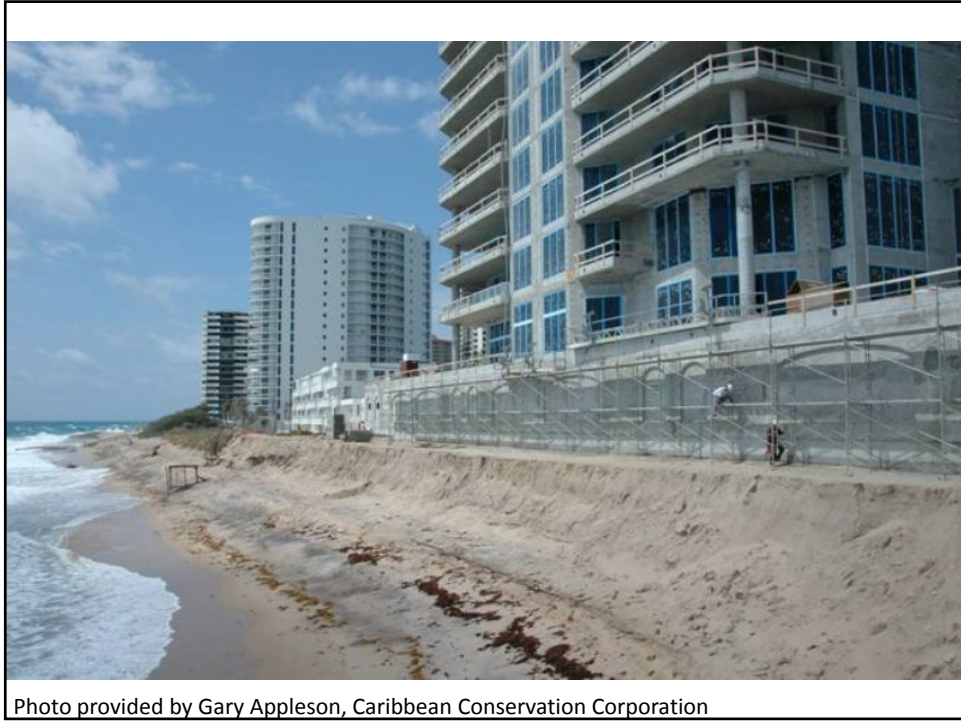


Photo provided by Gary Appleson, Caribbean Conservation Corporation