

Comments from Citizens Property Insurance Corporation Related to the  
12/24/09 Draft of the Windstorm Mitigation Discounts Report  
January 13, 2010

1. Page 2, Executive Summary, 1<sup>st</sup> partial paragraph, insert before last sentence:

However, Citizens Property Insurance Corporation (Citizens) was unable to do so due to the legislatively required rate freeze.

2. Page 7, Executive Summary, comment related to bullet 4d:

This is confusing - that is what the models are currently doing - they incorporate the mitigation credits?? No need to offset - that's only done in rate filings??

3. Page 20, under The Florida Hurricane Catastrophe Fund and Reinsurance Issues, insert after Figure 4 and before Insurance and Reinsurance Costs:

Citizens Property Insurance Corporation - The Alternative Market's Issues

Until 2007, the statutory standard governing Citizens rates required that rates be actuarially sound, not competitive with the voluntary market and developed based on the top private carriers in Florida. In 2007, the rate requirements for Citizens were changed to eliminate the requirement that they be noncompetitive and based on rates of the top private insurers. The new standard now requires that rates charged by Citizens be actuarially sound.

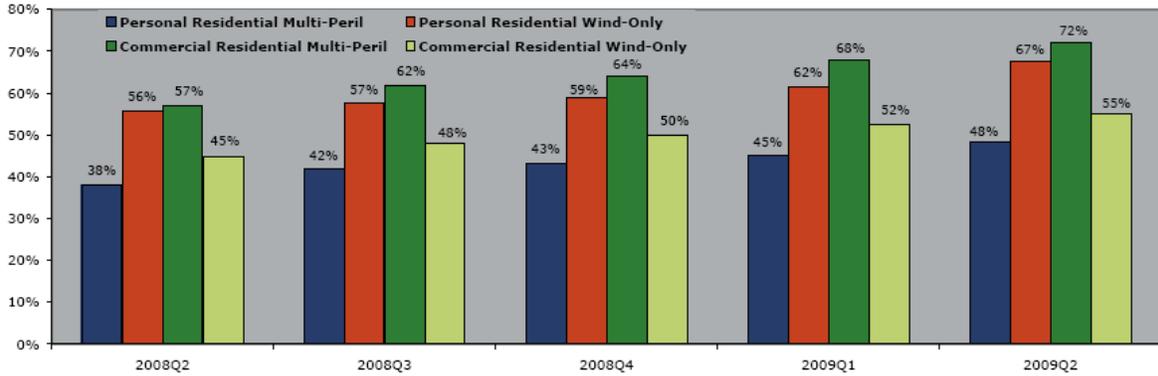
Citizens rates were frozen between 2007 and 2009 (required by CS/HB 1A). In 2007, property insurers in Florida were required to essentially double the windstorm mitigation credits that were in place. Because Citizens rates were frozen, unlike other insurers, Citizens was not permitted to off-set base rates to account for increased mitigation credits.

In 2009, the law was further amended to limit rate increases (until actuarially sound rates are achieved) each year to no more than 10% for any single policy beginning with rate changes in January 2010. Prior to the revised windstorm mitigation credits, Citizens rates were not actuarially sound.

Figure 4A below provides details of the impact on the revised windstorm mitigation credits to Citizens. The first graph shows that over time the number of policies with windstorm mitigations is increasing. As stated previously on page 12 of this report, there has been a tremendous increase in the number of homes reporting windstorm mitigation credits. In the second graph, trends are shown for the relation of premium to windstorm mitigation credits. As the windstorm mitigation credits increases, Citizens premium charged does not increase at the same rate causing even more inadequate rates. Windstorm mitigation credits have increased by 68.4% (\$709,589,911 / \$421,283,941) from the second quarter in 2008 to the second quarter in 2009.

## Citizens Property Insurance Corporation Windstorm Mitigation Credit (WMC) Trend Analysis

Percentage of Policies Including Wind with WMC



Premium for Buildings with WMC versus Total WMC

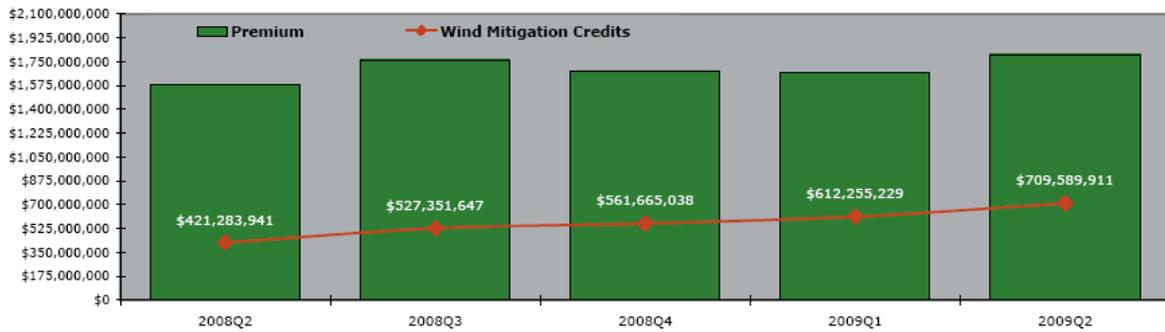
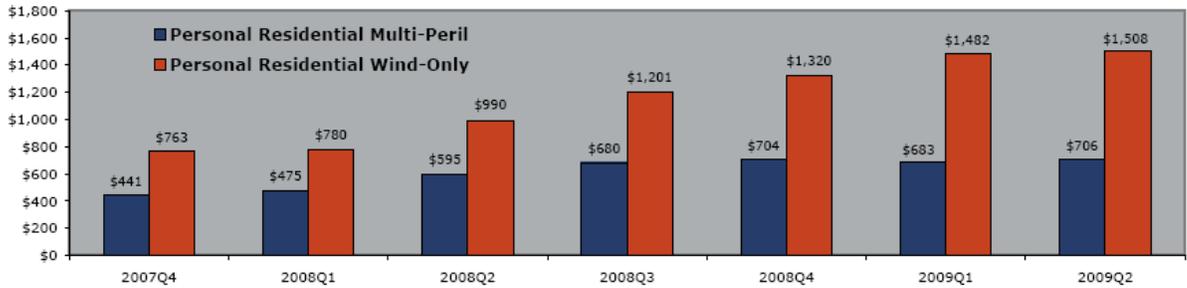


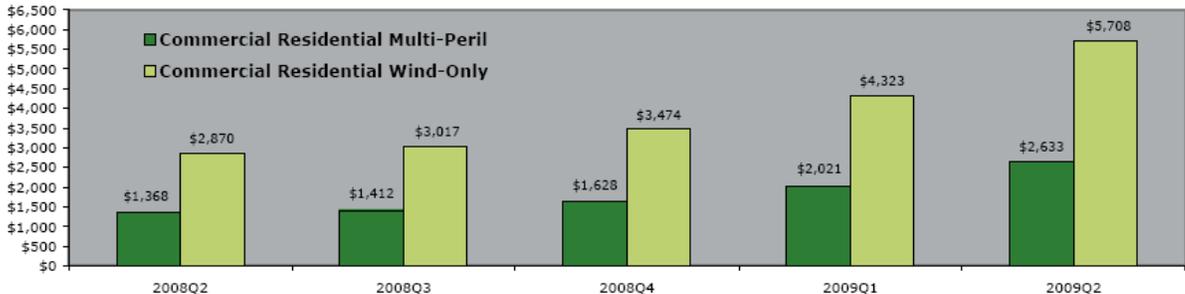
Figure 4A

Figure 4B shows how the average windstorm mitigation credit given to a policyholder has increased significantly over time. For personal residential properties, there has been a 60.1% (\$706 / \$441) increase in the average credits for multi-peril policies and 97.6% (\$1,508 / \$763) increase in the average credits for wind-only policies between the fourth quarter in 2007 to the second quarter in 2009. For commercial residential properties, there has been a 92.5% (\$2,633 / \$1,368) increase in the average credits for multi-peril policies and 98.9% (\$5,708 / \$2,870) increase in the average credits for wind-only policies between the fourth quarter 2007 and the second quarter 2009. The increases to the average credits are substantial and have a direct impact on Citizens financial abilities.

**Citizens Property Insurance Corporation  
Windstorm Mitigation Credit (WMC) Trend Analysis  
Average Building Wind Mitigation Credits (\$)  
Personal Residential Policies with WMC**



**Commercial Residential Policies with WMC**



Effective dates for increased wind mitigation credits:  
 Personal Residential Multi-Peril: 2/15/08 New Policies; 3/15/2008 Renewal Policies  
 Personal Residential Wind-Only: 4/1/08 New and Renewal Policies  
 Commercial Residential Multi-Peril: 9/1/08 New and Renewal Policies  
 Commercial Residential Wind-Only: 9/1/08 New and Renewal Policies

**Figure 4B**

4. Page 20, Footnote 14 revised as follows:

<sup>14</sup>The Source of this information is Citizens, ~~which is understood to have~~ where the source data was derived ~~the numbers in the chart based on reports~~ from the Florida OIR's Quarterly and Supplemental Reporting System.

5. Page 61, Interim/Transition Measures revised as follows:

- Step 1 would be for companies to conduct re-inspections, and then, if the re-inspections are not having a positive impact, step 2 would be to move back to the 50% tempering level. Regarding step 2, if any changes are made to wind mitigation credits while Citizens is subject to the statutory rate glide-path, Florida Statute 627.351(6)(n)6 should be revised so that the 10% cap would not apply to wind mitigation credits revision.