

CITIZENS PRODUCER COMPENSATION

A Comparison with the Private Market

QUESTION: *Does the level of commission paid to producers of Citizens Property Insurance Corporation (Citizens) impede efforts to depopulate? Would reducing commissions assist in depopulation?*

It's often assumed that paying someone to do something creates an incentive for that person to do more of it. As such, producer compensation is often the first point raised in discussions about Citizens depopulation. **But it's a moot point.** Reducing agents' compensation won't help reduce Citizens policy count for the following reasons:

1. **The private market consistently pays a higher commission percentage than Citizens,** and on premiums that are usually much higher, and require less work. Research consistently demonstrates this, as shown on the attached charts, prepared from data gathered during December 2011 and January 2012.

Citizens pays less commission as a percentage of premium than **any** other private carrier for personal lines policies (both new and renewal), and is significantly below the statewide average for the private market in both personal and commercial lines, as follows:

Personal Lines

Voluntary Market Average Commission:	12.55%
Citizens Personal Lines Commission:	7.24%

Commercial Lines

Voluntary Market Average Commission:	13.56%
Citizens Commercial Lines Commission:	11.56%

2. **The transactional costs for placing business with Citizens are higher than the private market.** Agents consider the transactional costs in comparison to their compensation when deciding to place business with a company. When transactional costs are high, they in effect reduce compensation. While Citizens has made dramatic and commendable improvements in its procedures and processing requirements, placing a policy in Citizens still generates more work for agents than placing a policy with private carriers, who use industry standards that require less work and fewer hurdles to place and service new business.
3. **The value of an insurance agency is based on its customer list;** often referred to as "expirations" or the "expirations list." Agents have contracts with insurance carriers that recognize an agent's ownership of that information. Citizens does not recognize this standard of ownership, so agents have little or no gain in equity based on business placed with the corporation. In fact, moving business to Citizens from a private carrier can significantly *reduce* an agency's overall value.

Florida Property Voluntary Market Commissions

Percentages list are new and renewal unless otherwise specified, and do not include bonus and contingency commissions.

I. Personal Lines

Carriers	New/renewal percentage	Renewal if different from new
AIG/CHARTIS	15%	
Allstate	15%	
American Integrity	12%	10%
American Strategic (ASI)	20%	
American Traditions	13%	
Ark Royal Insurance Co.	20%	
ASI Assurance	20%	
Bankers	15% X-wind, 10% wind	
Capitol Preferred	10%	
Chubb	15%	10%
Cincinnati	20%	
Citizens	7.24%	
Cypress	10%	
Federal Govt. Flood	15%	
Federated National Insurance	12%	
Fidelity National	12.5%	
Fireman's Fund	10%	
First Floridian	14%	
First Protective	10%	
Florida Intracoastal Underwriters – OBE Ins.	10%	
Florida Family	15-18%	
Florida Peninsula	10%	
Foremost	10%	
Gulfstream P&C	10%	
Homeowners' Choice P&C Ins Co.	8.5%	
Hull & Co. (Lexington & Scottsdale)	10%	
IB Green MGA	12.5%	
John Handel MGA	10%	
Lexington (E&S)	10%	
Lexington Insurance	10%	
Lloyds of London	10%	
Lloyds (Excess)	10%	
Lloyds c/o Seacoast (E&S)	10%	
Lloyds c/o Tapco (E&S)	10%	
Mercury	12%	
Modern USA	13%	
North Pointe Insurance	10%	
Olympus Insurance Co.	13%	
Owners	13%	
Pillar Insurance/Service Ins	12%	
PURE Group of Insurance Companies	10%	
Safeway Property Ins.	22.5% X-wind	
Scottsdale (E&S)	10%	
Security First – North Florida	12%	10%
Security First – South Florida	7.5%	
Service Insurance	18% X-wind	
Southern Fidelity	10%	
Southern Oak Ins.	10%	
Southern Owners	13%	

Personal lines carriers continued	New/renewal percentage	Renewal if different from new
St. Johns Insurance Co.	8%	
Sunshine State	10%	
Tower Hill Group	14%	11%
United P&C	12%	
Unitrin Kemper	20%	
Universal North America	15%	
Universal P&C	12%	

I. Commercial/Commercial Residential

Carriers	New/renewal percentage	Renewal if different from new
ACA (American Capital)	20%	
American Coastal Ins Co.	14%	
American Strategic (ASI)	12.5%	
Amerisure	15%	
Amrisic (Lloyds)	10%	
ASI/Safe Harbour Holdings LLC	12.5%	
Auto Owners	15%	
Capacity	15%	
Chubb	15%	
Chubb Custom Insurance Co.	12.5%	
Citizens	11.56%	
CNA	15%	
FCCI Insurance Group	15%	
Florida Family	15%/14%	
Great American	17.5%	
GuideOne	15%	
Hanover Insurance Group	15%	
Hartford	10.5%	
Laub/Hull	12%	
Lexington Insurance Co.	10%	
Main Street America Group/Old Dominion	15%	
Ohio Casualty Group/Montgomery	15%	
Philadelphia	15%, X-wind, 12.5% wind	
Princeton Excess & Surplus	10%	
QBE	12.5% X-wind, 8% wind	
Rockhill E&S	10%	
Safeco	14%	
Scottsdale Insurance Co.	10%	
Service Insurance Company	15%	12.5%
Steadfast Insurance Co.	10%	
Travelers	15%	
Westfield	15%	
Zurich Financial Services Ltd.	15%	

STATEWIDE AVERAGES

Personal Lines

Voluntary Market Average Commission:	12.55%
Citizens Personal Lines Commission:	7.24%

Commercial Lines

Voluntary Market Average Commission:	13.56%
Citizens Commercial Lines Commission:	11.56%

Commission rates, other state residual markets

Source: *The Property Insurance Plans Service Office, Inc. (PIPSO)*

PLAN	PRODUCER'S COMMISSION
Alabama	8%
California	10% new business; 8% renewals
Connecticut	10%
Delaware	10%
District of Columbia	10%
Georgia	10%
Illinois	10%
Indiana	10%
Iowa	10%
Kansas	10%
Kentucky	10% dwelling and commercial; 5% homeowners
Louisiana	10%
Maryland	10% dwelling and commercial; 8% homeowners
Massachusetts	12%
Michigan	10%
Minnesota	12% new business; 5% renewals
Mississippi Residential	10%
Mississippi Wind	12% new business; 10% renewals
Missouri	12% new business; 10% renewals
New Jersey	10%
New Mexico	15% new business; 10% renewals
New York	10% (subject to a \$15 minimum)
Ohio	12% dwelling and homeowners; 10% commercial
Oregon	10%
Pennsylvania	10%
Rhode Island	12%
South Carolina	5% or 10%*
Texas FAIR Plan	12.5% new business; 10% renewals
Texas Wind	16% for all risks except mobile homes (12%)
Washington	10%
West Virginia	10%
Wisconsin	10%

*South Carolina implemented an agency certification program effective July 1, 2000. Agencies with 50 or fewer policies must send at least one licensed person to an educational seminar. Agencies with more than 50 policies must send at least two licensed individuals to an educational seminar. Certified agencies receive a 10% commission and non-certified agencies receive a 5% commission.