

Citizens Depopulation To-Do List

What properties would Citizens likely need to cover as the Insurer of Last Resort?

- Coastal Properties
- Older Homes
- Older Mobile Homes
- A Portion of Policies in Sinkhole Prone Areas

	Policy Count	Total Exposure
Total In-Force Policy Count and Exposure as of September 30, 2011	1,459,982	\$507,193,602,899
Total Number of Policies that would return to the private market	665,674	\$193,477,616,422
Total In-force Policy Count and Exposure of Citizens as a Residual Market	794,308	\$313,715,986,477

Exposure Reduction Initiatives: Personal Lines

Initiatives to be filed by December 2011 (effective 5/1/12 new business; 6/1/12 renewals) (red indicates impact on catastrophe losses)

- Reduce Coverage B (Other Structures) Default from 10% to 2%
 - Reduction in Coverage B Exposure of \$6.5B
- Eliminate Option to Schedule Individual Coverage B (Other Structures) Items
 - Reduction in Coverage B Exposure of \$722M
- Reduce Coverage C (Contents Coverage) Default from 50% to 25%
 - Reduction in Coverage C Exposure of \$4.3B
- Eliminate Increased Loss Assessment Coverage

- Exposure Reduction of \$78M
- Discontinue Builder's Risk for New Business and Phase out Current Business
 - Exposure reduction of \$202M
- Introduce \$1 million Coverage Limit in the Coastal Account
 - Exposure reduction of \$17B
- Implement a mandatory 10% Sinkhole Deductible
 - Reduction in sinkhole exposure (from deductible increase) of \$6.7B
- Expand sinkhole inspection program to additional 12 counties (total 16 counties)
- Reduce Personal Liability Coverage from \$300,000 to \$100,000
 - Reduction in liability exposure of \$161B
- Eliminate Increased Mold Limit Options of \$25,000 and \$50,000
 - Reduce Property Exposure of \$3.4B
 - Reduce Liability Exposure of \$1B

Exposure Reduction Initiatives: Commercial Lines

Initiatives to be filed by December 2011 (effective 5/1/12 new business; 6/1/12 renewals)(red indicates impact on catastrophe losses)

- Eliminate Coverage for All Special Class Items Except for in ground pools and masonry fences
 - Reduce exposure \$200M
- Discontinue Builder's Risk Policies for New Business and Phase Out Current Business
 - Reduce exposure \$460M
- Eliminate Business Income and Extra Expense Coverage
 - Reduce exposure \$170M

Initiatives to be filed by March 2012 (red indicates impact on catastrophe losses)

- Eliminate Liability Coverage for Incidental Exposures Related to Auto, Watercraft, Animal, Home Business and Off Premises Liability

- **Implement Sublimit for High Value Personal Property (jewelry, furs, guns, silverware) on All Perils**
- Eliminate coverage for losses caused by “dropped objects”
 - Projected Annual Loss reduction \$10M
- Revise Contract to Reduce Exposure to Water Losses
- Expand “vacancy penalty” to Further Restrict Coverage and Address Additional Occupancies
- Revise Underwriting Guidelines to Require 30+ Year Old Homes to Have a 4 Point Inspection Showing the Electrical, Heating, and Plumbing Systems Have Been Updated and Are in Good Working Order

Initiatives to be filed with 2013 Rate filing in 3rd Quarter 2012 (red indicates impact on catastrophe losses)

- **Implement a Commercial Residential coverage limit**
- **Reduce Debris Removal Coverage from \$10,000 to \$5,000**
 - **Reduced Potential Losses for Debris Removal by \$47M**
- **Remove Class B and C Opening Protection Credits**
- **Implement separate hurricane deductible for business personal property**
- **Eliminate Coverage Extension for Increased Cost of Construction (Ordinance & Law)**
- **Implement Exclusion for Losses Where Damage is Only to Exterior Paint damage**
- Increase minimum All Other Perils Deductible
- Implement a Sublimit for Mold
- Implement a Mandatory 10% Sinkhole Deductible
- Aggressively Pursue Additional Risk Transfer
- Enhance Depopulation Efforts:
 - Re-establish the Depopulation Committee of the Board
 - Survey Carriers to Better Understand Barriers to Depopulation
 - Eliminate Ceding Commissions
 - Evaluate Quota Share Agreements with the Voluntary Market

- Eliminate Prohibition of Takeouts in Consecutive Months
- Publish the Algorithm for Allocating Policies Tagged by Multiple Insurers
- Consider All Privatization Options

Additional Items Under Board Consideration

- Conduct a Valuation of Citizens Book of Business
- Commission a Wind Mitigation Study
- Review Legal Authority to Limit Public Adjuster Involvement
- Expand Application of A-Rates

Key Statutory Changes to Return Citizens to the Insurer of Last Resort

- Increase the Current Statutory Glide-path on Rates
- Require that Citizens Rates be Non-Competitive
- Allow Citizens to Pass Through the Cost of Risk Transfer Outside of the Glide-Path
- Revise Statutory Eligibility Requirements
- Remove Statutory Barriers to Depopulation

Additional Items Under Board Consideration

- Aggressively Pursue Additional Risk Transfer
- Enhance Depopulation Efforts:
 - Re-establish the Depopulation Committee of the Board
 - Survey Carriers to Better Understand Barriers to Depopulation
 - Eliminate Ceding Commissions
 - Evaluate Quota Share Agreements with the Voluntary Market
 - Eliminate Prohibition of Takeouts in Consecutive Months
 - Publish the Algorithm for Allocating Policies Tagged by Multiple Insurers

- Consider All Privatization Options
- Evaluate Additional New Business Inspection Criteria
- Agent Related Issues:
 - Review Agent Commissions
 - Implement a New Agent Appointment Agreement
 - Enhanced Agency Performance Management
- Conduct a Valuation of Citizens Book of Business
- Commission a Wind Mitigation Study
- Review Legal Authority to Limit Public Adjuster Involvement
- Expand Application of A-Rates

Key Statutory Changes to Return Citizens to the Insurer of Last Resort

- Increase the Current Statutory Glide-path on Rates
- Require that Citizens Rates be Non-Competitive
- Allow Citizens to Pass Through the Cost of Risk Transfer Outside of the Glide-Path
- Revise Statutory Eligibility Requirements
- Remove Statutory Barriers to Depopulation