

C. SHA'RON JAMES
INSURANCE CONSUMER ADVOCATE

August 31, 2015

Mr. Kevin M. McCarty, Commissioner
Office of Insurance Regulation
200 East Gaines Street
Tallahassee, Florida 32399

Via Electronic Mail

Re: Citizens Property Insurance Corporation 2016 Proposed Rates

Dear Commissioner McCarty:

The Office of the Insurance Consumer Advocate carefully monitors the action and policies of Citizens Property Insurance Corporation ("Citizens") as a part of its responsibility to thoughtfully pursue issues on behalf of the consumers of Florida. As Florida's Insurance Consumer Advocate, I am committed to finding solutions to insurance issues facing Florida's families, calling attention to questionable insurance practices, promoting a viable insurance market responsive to the needs of Florida's diverse population and assuring that rates are fair and justified. My commitment is especially true for the thousands of Floridians insured by Citizens.

Over the past year, Citizens has reduced its policy footprint resulting in a 36 percent decrease in the number of policies it insures. I applaud Citizens for the significant reduction in its policy count because a smaller Citizens means a lower risk of assessment on all policyholders in the state of Florida. I also applaud Citizens for seeking to lower rates for approximately 60 percent of its personal lines policyholders in its 2016 rate filing. Despite the strides Citizens has made in these areas, I have concerns regarding the filing's overall 3.2 percent increase in statewide rates for its personal lines policyholders, significant proposed increases for wind-only policies, and the impact the proposed rates will have on Florida's coastal communities.

I urge the Office of Insurance Regulation ("Office") to strongly consider the impact of Citizens' reinsurance program, its debt financing mechanism, and its water loss claims experience when establishing Citizens' rates for the 2016 policy period. Although Citizens' private risk transfer/reinsurance program has contributed to a 100 percent annual assessment reduction, the purchase of additional reinsurance has led to the need for increased premiums, despite the decrease in the number of policies and the significant reduction in reinsurance costs worldwide. Therefore, the Office should strongly consider and fully assess whether Citizens' reinsurance program exceeds the level of adequacy needed to fulfill its obligations to its current policyholders and to the consumers of the state of Florida.

APPOINTED BY JEFF ATWATER, CHIEF FINANCIAL OFFICER, STATE OF FLORIDA
DEPARTMENT OF FINANCIAL SERVICES
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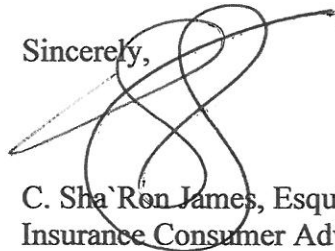
Recognizing that debt financing provides a funding bridge to pay claims prior to receiving reimbursements from the Florida Hurricane Cat Fund, I next urge the Office to assess whether the pre-event liquidity costs associated with Citizens' debt financing are needed and whether the costs should be passed on to current policyholders. If the pre-event costs are needed to insure the timely payment of claims after a catastrophic event, Citizens should strongly consider other funding mechanisms that would potentially reduce the expense that is currently being passed on to its existing policyholders.

Lastly, I urge the Office to review Citizens' water loss claims experience. According to Citizens, the overall 3.2 percent increase in personal lines policies is being fueled by a continued spike in water loss claims. The fact that water losses are the major reason Citizens is seeking rate hikes for the coming year is unsettling and this upward trend illustrates a potential systemic problem that requires joint assessment at a policyholder, regulator and industry level. I call on the Office to assist in conducting an examination of this issue with the goal of helping all policyholders see real rate reductions in the coming years. Working together on this issue will help reduce Citizens' claims costs, ease regulatory concerns and most importantly, pass much needed savings on to the Florida policyholders.

Thank you for your commitment to Florida policyholders. We look forward to your continued responsiveness.

With kind regards, I am

Sincerely,

A handwritten signature in black ink, appearing to read "C. Sha'Ron James". The signature is stylized with large loops and a long horizontal stroke extending to the right.

C. Sha'Ron James, Esquire
Insurance Consumer Advocate

cc: The Honorable Jeff Atwater, Chief Financial Officer
Belinda Miller, Chief of Staff, Office of Insurance Regulation
David Altmaier, Deputy Insurance Commissioner, Office of Insurance Regulation
Sandra Starnes, Director of P&C Product Review, Office of Insurance Regulation
Barry Gilway, President/CEO and Executive Director, Citizens Property Insurance Corp.
Chris Gardner, Chairman, Citizens Board of Governors
John Rollins, Chief Risk Officer, Citizens Property Insurance Corp.
Christine Ashburn, Director of Legislative & External Affairs, Citizens Property Insurance Corp.