

Florida Citizens Property Insurance Corporation (CPIC): What It Is and How It Works

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- Florida Citizens Property Insurance Corporation (CPIC) provides multi-peril and wind-only insurance coverage to Florida homeowners, commercial residential and commercial business property owners. Citizens is a state-regulated association and historically has provided property insurance to policyholders unable to obtain coverage in the private insurance market.
- In 2002 Florida combined its two high risk insurance pools, the Windstorm and Joint Underwriting Association, to create Florida Citizens. Since then, Citizens has evolved from market of last resort to become the state's largest property insurer with more than 1.3 million policyholders as of July 31, 2007.
- A new insurance law passed in May 2007 expanded the role of Citizens and made its rates competitive with the private market. Florida homeowners can now purchase coverage from Citizens if the rates for a policy from a private insurer are more than 15 percent higher than for a similar Citizens policy. In addition, Citizens can offer homeowners insurance to its high-risk policyholders as well as wind-only coverage in other parts of the state.
- Citizen's total exposure to loss and total policies in force are extremely high and growing. Total exposure to loss under Citizens has grown to \$434.3 billion at March 31, 2007, up from \$154.6 billion in 2002. Citizens total policy count surged from 658,085 policies in 2002 to reach 1.35 million at July 31, 2007. Under the new insurance law, Citizens will experience even further growth in exposure and total policies because of the state's significantly expanded role in insuring homes across Florida.
- When Citizens losses exceed its claims-paying capacity in a single year, it is required by state law to impose a statewide assessment on every line of insurance, other than medical malpractice and workers compensation. By law, insurers may recoup the amount from policyholders as part of the homeowners' insurance rate-making process in the state. The surcharge is shown separately on premium notices when eligible insurance policies come up for renewal.
- In addition to levying assessments and buying reinsurance, Citizens has the ability to strengthen its finances via the issuance of bonds. For example, in early July 2007 Citizens closed a \$950 million bond deal, along with a \$1 billion bank line of credit. The two transactions provided Citizens \$1.95 billion in additional financing, bringing its overall claims-paying capacity to \$9.4 billion for the 2007 hurricane season.
- Plans such as Citizens can also benefit by receiving bailouts from state funds. For example, following the record hurricane damage claims from the 2005 season, Citizens incurred a \$1.77 billion deficit for that year. In an effort to offset the deficit, state legislators provided for a \$715 million appropriation of state general revenue dollars to the fund.
- Exposure to windstorm and soaring insured property values make Florida the number one state in terms of the potential for losses. The value of insured property exposure in Florida is \$1.94 trillion (\$1.4 trillion of commercial exposure and \$900 billion of residential exposure), representing 79 percent of the state's total insured property values.¹
- Florida also has the highest population growth among hurricane-prone states and is expected to gain 12.7 million new residents between 2000 and 2030, according to the U.S. Census Bureau.

¹ AIR Worldwide, The Coastline at Risk, September 2005