



PROTECTING AFFORDABLE WIND INSURANCE

Wind Insurance and “Citizens”

Wind Insurance

Wind insurance affordability is a critical need for our constituents and a key component in preserving housing affordability and the Keys’ strong local economy that is a valuable economic engine for the State.

High insurance costs negatively impact our citizens, our workforce, our property values, and our economy. Monroe’s already high rates are compounded with annual increases. These costs exacerbate the County’s affordable housing crisis. Premiums charged to Monroe’s insureds are unfair given our strict building code and unfavorable modeling, and not commensurate with risk given that that our claims payouts are historically and consistently far lower than premiums paid, even during years of significant hurricanes.

Addressing this issue requires working with and monitoring Citizens Property Insurance Company’s coverage of windstorm insurance to find ways to preserve and enhance affordability (and with the Office of Insurance Regulation to address annual rate increases) and to oppose efforts to increase premiums, reduce coverage, and reduce eligibility.

Citizens Property Insurance Company (“Citizens”)

The vast majority of properties in Monroe County have wind insurance coverage through Citizens Property Insurance Company.

Citizens Property Insurance Company (“Citizens”) was created in 2002 by the Florida legislature to provide wind insurance (and general property insurance) for home owners in high risk areas who aren’t able to obtain insurance coverage in the open, private insurance market. It is a government-owned, not-for-profit, insurer of last resort.

Citizens is governed by an 8 member Board of Governors that administers its Plan of Operation. The Governor, Senate President, House Speaker, and CFO each appoint reps to the Board. Citizens is subject to regulation by the Florida Office of Insurance Regulation (OIR.)

Monroe County’s Wind Insurance Premiums with “Citizens”

Monroe’s insureds pay the highest wind premiums in the State despite a number of factors that should work to lower our premiums:

- **Wind insurance Premiums Are Unjustifiably Highest In Monroe:** Monroe’s residential and commercial Citizens’ wind insurance rates are the highest in the State. Monroe’s premium rate 175% higher than the median coastal rate. Our rates have doubled over the past 10 years.
- **Premiums Paid by Insureds far exceed Claims payouts:** Premiums charged by Citizens are not commensurate with actual risk, as indicated by the following:
 - From 2004-2019 Monroe’s insureds paid in total more than \$800M in premiums over claims.
 - There has never been a single year in which Monroe’s claims exceeded its premiums paid – including 2017, Hurricane Irma.
 - Monroe’s insureds pay Citizens an average of \$50M in profit annually. This is the highest profit rate in the State, at twice the state average.
- **Monroe’s building standards justify lower premiums:** Monroe County’s building standards are among the most rigorous in the State, yet this is not reflected in Citizens’ rate calculations for Monroe.
- **Modeling Used is Unfavorable to Monroe:** Despite dramatic differences in projected losses for Monroe County from the various rating models, Citizens until this year used only the model **most unfavorable** to the County to apply statewide increases to Monroe. Catastrophe models loss projections do not incorporate local building codes.

- **Monroe County is NOT a contributor to Statewide issues that drive up costs for Citizens:** Monroe’s insureds cost Citizens \$0 in AOB abuse, \$0 in sinkhole losses, and is not a contributor to the more recent spate of fraudulent and frivolous lawsuits related to roof replacements underpinning the latest property insurance crisis in the State.
- **Citizens Statute Requires Affordability:** Property insurance affordability is a key component in preserving the Keys’ strong local economy. The legislature recognized the importance of affordable property insurance, but Citizens has failed to apply an “affordability” definition or standard beyond capping annual increases to 10% (now 11%).

Citizens Property Insurance Corporation statute reads: *“The absence of affordable property insurance threatens the public health, safety, and welfare and likewise threatens the economic health of the State. The State therefore has a compelling public interest and a public purpose to assist in assuring that property in the State is insured and that it is insured at affordable rates so as to facilitate the remediation, reconstruction, and replacement of damaged or destroyed property in order to reduce or avoid the negative effects otherwise resulting to the public health, safety, and welfare, to the economy of the State, and to the revenues of the State and local governments which are needed to provide for the public welfare.”*

Citizens and the Florida Legislature

The Florida Legislature and the governing board of Citizens continue to express the need to increase premiums. Some even advocate eliminating the rate cap altogether. Additionally, they continually seek ways to “depopulate” insureds from Citizens by restricting eligibility (home values over a certain amount) or pushing insureds into “take out” private insurance companies (that are not subject to cap on annual increases.)

These recent legislative actions demonstrate the constant pressure exerted on Citizens premiums and eligibility:

- During the 2021 Legislative session, lawmakers passed a bill to increase Citizens’ annual rate cap (for the first time since 2010) to 11% in 2022, and an additional 1% each year for the next 5 years.
- During the 2022 Legislative session, lawmakers sought (but ultimately failed to pass) legislation to increase surcharges on Citizens policy holders, remove non-primary residences from the rate cap protections, force take-outs for offers up to 20% higher than current Citizens premium, and allow take-outs by surplus lines insurers (unregulated, and often undercapitalized companies.)

Monroe’s Legislative Advocacy

The preservation of affordable wind insurance one the Monroe County Board of County Commission’s highest state legislative priorities. Its current positions include:

- **SUPPORT** for a legislative carve-out for Monroe County that reduces the Citizens’ annual rate increase maximum from 10% to a COLA-based annual increase, recognizing Monroe’s unique affordability issues, strong building codes and overall importance to the State of Florida.
- **SUPPORT** for legislation that exempts Monroe County from the annual wind insurance rate increase passed last session (11-15% over the next five years) and maintaining the County’s rate cap at 10%, recognizing Monroe’s unique housing affordability issues and strong building codes.
- **SUPPORT** for legislation to help lower premiums and annual rate increases by requiring Citizens to:
 - Apply mitigation credits that account for Monroe’s rigorous building standards;
 - Apply an affordability definition or standard, per the statutory language mandating affordability.
- **OPPOSE** legislation that limits eligibility and availability of Citizens’ coverage (particularly in areas such as Monroe, where there is no reasonable degree of competition for windstorm insurance.)

Fair Insurance Rates for Monroe (FIRM): Monroe County works closely with FIRM, a highly effective Monroe County-based property insurance advocacy organization to protect and preserve the insurance interests of Monroe’s constituents. More information can be found at their website: <https://firmkeys.org/>

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